



Princeton Area
COMMUNITY FOUNDATION

Gift Acceptance Policies

Approved by the Board of Trustees
June 23, 2005

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Table of Contents

I. Purpose of Policies	2
II. Use of Legal Counsel	3
III. Conflict of Interest	3
IV. Restrictions on Gifts.....	3
V. Types of Gifts	3
VI. Types of Funds (PACF Giving Vehicles)	12
VII. Miscellaneous Provisions	14
Changes to Policies	16
Appendices.....	16

Gift Acceptance Policies

The Princeton Area Community Foundation (Community Foundation), a not-for-profit corporation organized under the laws of the State of New Jersey, is a qualified 501(c)(3) organization under the Internal Revenue Code. The Community Foundation encourages the solicitation and acceptance of gifts to for purposes that will help the Community Foundation to fulfill its mission. The following policies govern acceptance of gifts made to the Community Foundation or for the benefit of any of its programs.

The mission of the Community Foundation is to promote philanthropy to advance the well-being of our communities forever.

I. Purpose of Policies

The Board of Trustees of the Community Foundation and its staff solicit current and deferred gifts from individuals, businesses, nonprofit organizations, and foundations to secure its future growth and mission. It is the purpose of these policies to govern the acceptance of gifts by the Community Foundation and to provide guidance to prospective donors and their advisors when making gifts. The Provisions of these policies shall apply to all gifts received by the Community Foundation for any of its programs, initiatives, or donor-related services.

The objective of the Community Foundation's asset building program is to expand the Community Foundation's grant making capacity, while helping donors achieve personal or organizational giving goals and encouraging philanthropic activity in the community.

In deciding to accept and administer charitable gifts, the Community Foundation applies five principles:

- 1.** The gift must have a charitable purpose consistent with the mission of the Community Foundation.
- 2.** The gift must not impose material restrictions that would jeopardize the deductibility of the gift or the status of the Community Foundation as a public charity.
- 3.** The gift must be made after careful consideration of its financial and tax consequences by the donor and his/her advisors.
- 4.** The gift must not impose any other financial or legal liability on the Community Foundation.
- 5.** The gift must be administered under current fund administration policy, making it subject to the Community Foundation's variance power and review by the Executive Committee.

This statement of guidelines, as revised from time to time, is to be used as a reference document by staff and trustees working with donors and advisors.

II. Use of Legal Counsel

The Community Foundation shall seek legal advice in matters relating to the acceptance of gifts where appropriate. The Community Foundation's counsel will:

- A.** Review closely-held business transfers that are subject to restrictions or buy-sell agreements.
- B.** Review all gifts involving contracts, such as bargain sales or other documents requiring the Community Foundation to assume an obligation.
- C.** Review all transactions with potential conflicts of interest that may invoke IRS sanctions in which the Community Foundation's Executive Committee or Board deems review by counsel appropriate.
- D.** Review any other gift or transaction when requested by the Community Foundation Board, the Executive Committee, or a staff member.

III. Conflict of Interest

All prospective donors shall be strongly urged to seek the assistance of personal legal and financial advisors in matters relating to their gifts, including possible conflicts of interest and the resulting tax and estate planning consequences. The Community Foundation will comply with the Model Standards of Practice for the Charitable Gift Planner promulgated by the Partnership for Philanthropic Planning, and the Association of Fundraising Professionals Donor Bill of Rights, both shown in the appendices of this document.

IV. Restrictions on Gifts

The Community Foundation will accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are consistent with the Community Foundation's mission, purposes, and priorities. The Community Foundation will not accept a gift that is too restrictive in purpose or design. Gifts that are too restrictive are those that violate the terms of the corporate charter, gifts that are too difficult to administer, or gifts that are for purposes outside the mission of the Community Foundation.

V. Types of Gifts

- A.** The following gifts may be acceptable (see definitions and criteria for each):
 - 1.** Cash
 - 2.** Tangible Personal Property
 - 3.** Securities
 - 4.** Real Estate
 - 5.** Remainder Interests in Property
 - 6.** Bargain Sales

7. Life Insurance Ownership
8. Charitable Remainder Trusts, remainder interest in
9. Charitable Lead Trusts, lead gift of
10. Retirement Plan Beneficiary Designations
11. Bequests
12. Life Insurance Beneficiary Designations
13. Other Property

B. The following criteria govern the acceptance of each such gift:

1. **Cash:** Cash is acceptable in any form. Checks shall be made payable to the Princeton Area Community Foundation and delivered to the staff member in charge of gift administration operations at the Community Foundation's offices.
2. **Tangible Personal Property:** All gifts of tangible personal property shall be examined in light of the following criteria:
 - a. Does acceptance of the property further the charitable purpose of the Community Foundation?
 - b. Is the property marketable?
 - c. Are there any undue restrictions on the use, display, or sale of the property?
 - d. Are there any carrying costs for the property?

The Executive Committee or Board of the Community Foundation shall make the determination on the acceptance of tangible property gifts.

Valuation of the gift for income tax charitable deduction purposes is the responsibility of the donor (the donor of tangible personal property may not deduct an amount exceeding his/her basis unless the Community Foundation is able to use the property for a purpose related to its exempt purpose).

Refer to *Section VIII. Miscellaneous Provisions* (page 12) for additional details related to gifts of tangible property.

3. **Securities:** The Community Foundation can accept both publicly traded and closely held securities. See definitions below.
 - a. **Publicly Traded Securities:** Defined as securities for which (as of the date of the contribution) market quotations are readily available on an established securities market. Securities are transferred, as directed by the Community Foundation, to an account maintained at an acceptable brokerage house, or delivered physically with the transferor's signature or stock power attached. A DTC transfer through a brokerage house, rather than the physical delivery of the stock certificate, is preferred. In general unrestricted marketable securities will be sold upon receipt. In some cases, marketable securities may be restricted by applicable securities laws and/or underwriting "lock-up"

agreements; in such instances the final determination on the acceptance of the restricted securities shall be made by the Executive Committee of the Community Foundation.

Disposition Period: The Community Foundation will sell securities with no restriction and received as a donation as soon as feasible.

- b. Restricted Stock:** Defined as stock with limitations placed upon it. Most common restrictions require a certain length of time to pass or a certain goal to be achieved before the stock can be sold. This is the vesting period. The Community Foundation is subject to state and federal securities laws pertaining to the disposition of restricted stock and is required to retain the stock until the restrictions have expired or been lifted. The vesting period must be a "reasonable" vesting period. The Executive Committee shall make decisions regarding acceptance of restricted stock.
- c. Pre-IPO Shares:** Donations of pre-IPO shares are accepted by the Community Foundation from corporations and are subject to certain requirements. The Community Foundation can accept contributions of pre-IPO stock from individuals; however, it may not be tax advantageous for the donor and, therefore, it is recommended that donors consult their tax advisor prior to making a pre-IPO gift of stock.

Disposition Period: The Community Foundation will sell securities with no restriction and received as a donation as soon as feasible. This normally occurs within 10 days of receipt.

- d. Gift of Stock Options:** The Community Foundation does not accept contributions of stock options from individuals. The Executive Committee will consider gifts of stock options from corporations as long as there are no restrictions and the Community Foundation can sell the options immediately.
- e. Closely Held Securities:** Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in LLPs and LLCs or other ownership forms, can be accepted subject to the approval of the Executive Committee. However, gifts must be reviewed prior to acceptance to determine that:

 1. There are no restrictions on the security that would prevent the Community Foundation from ultimately converting those assets to cash.
 2. The security is marketable.

3. The security will not generate any undesirable tax consequences for the Community Foundation.

If potential problems arise on the initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on acceptance of the gift. The Executive Committee and Legal Counsel shall make the final determination on the acceptance of closely held securities.

Valuation: For gift recognition purposes, the Community Foundation will rely on the value of the securities on the day that the gift is complete. The donor is responsible for delivering a qualified appraisal and paying any fees associated with obtaining it.

Sale: If all stock of the issuing company is being sold to a third party, the Community Foundation will normally be a party to a stock purchase agreement. In addition to ascertaining the fair market value of the stock, the Community Foundation must have the terms of the stock purchase agreement reviewed by counsel. Normally, the Community Foundation will avoid making representations and warranties as well as indemnification agreements. Where stock is being sold to an Employee Stock Ownership Plan (ESOP), the value of the stock in the Community Foundation's hands may be higher than the value of the stock in the ESOP's hands.

Exercise of Shareholder Rights: If the Community Foundation retains closely-held stock and the stock carries voting rights, the Community Foundation has the fiduciary duty to exercise due care in voting stock and/or issuing proxies.

4. **Real Estate:** Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, the Community Foundation shall require an initial environmental review of the property, which ordinarily will be a Phase I environmental inspection. Environmental inspection forms are attached as an appendix to this document. In the event that the initial inspection reveals a potential problem, the Community Foundation shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be at the expense of the donor. A title insurance binder shall be obtained by the Community Foundation prior to the acceptance of the real property gift. The cost of this binder shall be an expense of the donor.

Prior to acceptance of real property, the gift shall be approved by the Executive Committee and by the Community Foundation's Legal Counsel. Criteria for acceptance of the property shall include:

- a. Does acceptance of the property further the charitable purpose of the Community Foundation?
- b. Is the property marketable?
- c. Are there restrictions, reservations, easements, or other limitations associated with the property?
- d. Are there carrying costs to be incurred by the Community Foundation, which may include insurance, property taxes, mortgages, or notes, common fees etc., associated with the property?
- e. Does the environmental audit reflect absence of environmental problems?

When appropriate, and at the approval of the Community Foundation President or Board Chair, certain expenses may be paid from the proceeds from the sale of real property. Such action will result in the decrease of the original gift value.

If property is debt-financed, valuation may have a bearing on the amount of unrelated business income tax payable with respect to rents. If the property is improved, valuation is important in determining allowable depreciation for financial reporting purposes.

Appraisal: An appraisal must be given to the Community Foundation performed by a qualified appraiser commissioned and paid for by the donor (it can either be paid from the donor's fund in accordance with the Community Foundation's policies, or directly by the donor). The Community Foundation's staff must be allowed to work directly with the appraiser.

Title Defects: Donors usually convey property by a quitclaim deed, and if the title of the property is not cleared, then the donor must incur expenses in clearing the title so the property can be sold. Any such fees will be deducted from the sale proceeds.

Environmental liability: A donor of contaminated property will have unlimited liability for clean-up costs even if the donor did not cause the contamination and is merely in the chain of title. The impact of both federal and state environmental laws will be considered.

Encumbrances: Property may possibly be encumbered with mortgage debt, unpaid real estate taxes, unpaid special assessments or other encumbrances, which may subject a portion of any rental income to unrelated business income tax. All property gifts (including those with encumbrances) must be reviewed and approved by the Executive Committee.

NOTE: There is also landowner liability where an owner of property may be liable for injuries to third parties even though the injury was caused by another person's act or omission. Adequate insurance is required.

Liability for real estate taxes: State laws governing real estate tax exemptions differ. If a gift of property is made to the Community Foundation to use for exempt purposes, then the property may be exempt from taxes. A donation of property to the Community Foundation for non-exempt purposes will ordinarily not make the property exempt from taxes

Insurance: The Community Foundation will obtain liability insurance for any property it owns.

Source of expense payments: If the real property is going to be held for an extended period of time, then the Community Foundation must ascertain the likely expenses to be incurred in carrying the property including real estate taxes, mortgage debt, utilities, maintenance, insurance, etc. and determine the sources from which the expenses will be paid. The Community Foundation should make an independent determination of income, expense, and cash flow before accepting the property.

Lease: If the property is subject to leases, then each lease will normally be reviewed, analyzed and properly assigned to the Community Foundation, before the property is accepted.

Donor Statement: With any gift of real estate, the donor will sign and date a statement warranting that the following is true to the best of the donor's knowledge:

- a. The property and all operations thereon comply with applicable environmental laws, regulations, and court or administrative orders;
- b. There are no pending or threatened private or governmental claims or judicial or administrative actions relating to an environmental impairment or regulation requirements;
- c. All permits, licenses, and government approvals necessary for the use of the property have been obtained;
- d. There are no areas of the property where hazardous or toxic materials or substances have been disposed of, discharged or found;

- e. There are no hazardous or toxic materials or substances other than asbestos contained in the material used to insulate the heating pipes (which were common in many building products before 1978) on the property or in improvements to the property;
 - f. This property is transferred to the Princeton Area Community Foundation without any restrictions, claims, or sales provisions whatsoever.
 - g. For commercial property, the donor shall obtain from the New Jersey Department of Environmental Protection, a statement of compliance or of non-applicability under the State's Industrial Site Recovery Act (ISRA).
5. **Remainder Interests in Property:** The Community Foundation will accept a remainder interest in a personal residence, farm, or vacation home subject to the provisions of item #4 above. The donor or other occupants may continue to occupy the real property for the duration of the stated life. At the death of the donor, the Community Foundation may use the property or convert it to cash. Where the Community Foundation receives a gift of a remainder interest, expenses for maintenance, real estate taxes, insurance, and any property indebtedness are to be paid by the donor or primary beneficiary.
6. **Bargain Sales:** The Community Foundation may enter into a bargain sale arrangement as a buyer in instances in which the bargain sale furthers the mission and purposes of the Community Foundation. All bargain sales must be reviewed and approved the Executive Committee or Board of Trustees. Factors used in determining the appropriateness of the transaction include:
- a. The Community Foundation must obtain an independent appraisal substantiating the value of the property.
 - b. If the Community Foundation assumes debt with the property, the debt ratio must be less than 50% of the appraised market value.
 - c. The Community Foundation must determine that it will use the property, or that there is a market for the property, enabling its sale within (12) months of receipt.
 - d. The Community Foundation must calculate the costs to carry the property (including property tax, if applicable) during the holding period.
7. **Life Insurance Policy Ownership:** The Community Foundation must be named as both beneficiary and irrevocable owner of an insurance

policy before a life insurance policy can be accepted as a gift. The gift is valued either at its interpolated terminal reserve value, or at its cash surrender value upon receipt. If the donor contributes future premium payments, the Community Foundation will recognize the entire amount of the additional premium payment as a gift in the year it is paid.

If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, the Community Foundation may:

- a. Continue to pay premiums
- b. Convert the policy to paid-up insurance, or
- c. Surrender the policy for its current cash value.

Making a gift of Life Insurance qualifies the donor(s) for membership in the Community Foundation's Legacy Society.

8. **Charitable Remainder Trust (CRT):** The Community Foundation may accept designation as remainder beneficiary of a charitable remainder trust with the approval of the Executive Committee. The Community Foundation cannot accept an appointment as Trustee of a Charitable Remainder Trust.

When a donor establishes a CRT where the Community Foundation or one of its component funds is named irrevocable beneficiary, the donor must agree at that time to the requirement that quarterly financial reports must be sent to the Community Foundation for valuation purposes. If this is not abided by, the Community Foundation reserves the right to request a change in trusteeship.

When a donor establishes a CRT where the Community Foundation or one of its component funds is named a revocable beneficiary, annual financial reporting of the trust is recommended but not required

Making a gift of CRT qualifies the donor(s) for membership in the Community Foundation's Legacy Society.

9. **Charitable Lead Trusts (CLT):** The Community Foundation may accept a designation as income beneficiary of a charitable lead trust. The Community Foundation cannot accept an appointment as Trustee of a CLT.

When a donor establishes a CLT where the Community Foundation is named irrevocable beneficiary the donor must agree at that time to the requirement that quarterly financial reports must be sent to the Community Foundation for valuation purposes. If this is not abided by,

the Community Foundation reserves the right to request a change in trusteeship.

When a donor establishes a CLT where the Community Foundation or one of its component funds is named a revocable beneficiary, annual financial reporting of the trust is recommended but not required

10. **Retirement Plan Beneficiary Designations:** The Community Foundation may accept designations as the beneficiary of retirement plans. Such designations shall not be recorded as a gift until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of the gift will be recorded.

Making a gift of this type qualifies the donor(s) for membership in the Community Foundation's Legacy Society.

11. **Bequests:** The Community Foundation may accept bequest designations as the beneficiary of wills and trusts. Such designations shall not be recorded as a gift until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded.

NOTE: Donors making such beneficiary designations should notify the Community Foundation to make certain that the terms of the gift will be acceptable.

Donors making gifts by Will or Trust should use designation language supplied by the Community Foundation and reviewed by their legal counsel.

Making a gift of this type qualifies the donor(s) for membership in the Community Foundation's Legacy Society.

12. **Life Insurance Beneficiary Designations:** The Community Foundation may accept bequest designations as beneficiary or contingent beneficiary of life insurance policies. Such designations shall not be recorded as a gift until such time as the gift is irrevocable (when ownership of the policy is transferred). Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

Making a gift of this type qualifies the donor(s) for membership in the Community Foundation's Legacy Society.

13. **Other Property:** Other property not otherwise described in this section, whether real or personal, of any description (including mortgages, notes, copyrights, trademarks, royalties, patents and easements) must be reviewed and approved by the Board of Trustees or Executive Committee. Gifts-in-kind (defined as equipment, books, software and the like that may be put to immediate use for educational or other

purposes related to the mission of the Community Foundation) are included in the definition of other property.

VI. Types of Funds (Community Foundation Giving Vehicles)

The giving vehicles offered by the Community Foundation are described below with gift acceptance policy notes. Special fund administration policies, guidelines and fee schedules are further outlined in the Community Foundation's *Handbook for Donors: Fund Policies & Procedures*. The Community Foundation charges administration fees on all liquid and illiquid assets donated.

- A. **Named Operating Fund:** Donors may establish this type of fund to support and sustain the Community Foundation's continuing work. A minimum of \$10,000 is required to open a named operating fund.
- B. **Unrestricted Named Fund:** Donors may establish this type of fund to give the Community Foundation discretion to determine how the use of these funds will have the greatest impact. Gifts of any size are accepted for unrestricted grant making. A minimum of \$10,000 is required to open a named unrestricted fund.
- C. **Named Donor-Advised Fund:** Donors may establish a Donor-Advised Fund and reserve the privilege to suggest grant recommendations (for approval by the Community Foundation). Donor-Advised Funds can be advised through the donor's lifetime and by a future generation, if the donor elects. A donor can choose a variable spending policy for the fund. The Community Foundation holds, manages, and invests the funds for the donor. A minimum of \$10,000 is required to open a donor-advised fund.
- D. **Named Corporate Advised Fund:** Similar to the donor-advised fund, but designed for a corporation or business. A minimum of \$10,000 is required to open a corporate-advised fund.
- E. **Named Designated Funds:** Donors may establish Designated Funds to provide annual support to one or more charitable organizations. A minimum of \$10,000 is required to open a designated fund.
- F. **Named Field of Interest Fund:** Donors may support existing Field-of Interest Funds developed and promoted by the Community Foundation, or create individual Field-of Interest Funds, relying on the Community Foundation's staff and trustees to direct their support to areas of particular interest or concern (for example, to the arts, to benefit children or the elderly, or to support public education). A minimum of \$10,000 is required to open a Field of Interest Fund.
- G. **Scholarship Funds:** Donors or groups of donors may establish Scholarship Funds. The minimum amount required to open a scholarship fund is \$25,000 to \$250,000. The two recommended options for scholarship funds are:
 - 1. Establish a scholarship fund where officials at a specific school are responsible for selecting the recipients, based upon criteria determined by

the donor and the Community Foundation. The Community Foundation manages and distributes the scholarship funds.

2. Establish a scholarship fund where the Community Foundation is responsible for selecting recipients, based upon criteria determined by the donor and the Community Foundation. The Community Foundation manages and distributes the scholarship funds.

NOTE: The Community Foundation will require a review of procedures for scholarship administration by the designated school (including promotion of the scholarship, selection process, etc.). Administration of a scholarship process or program by the Community Foundation staff, if considered, will require higher administrative fees.

- H. Supporting Organization:** Donors may wish to convert a private foundation or a donor-advised fund into a supporting organization (of the Community Foundation) or create a new Supporting Organization. The minimum amount required to open a Supporting Organization is \$5,000,000.

NOTE: Only Supporting Organizations “controlled by” the Community Foundation (Type I) will be accepted after careful consideration of the following:

1. Grantmaking purpose
2. Administrative responsibility
3. Investment management responsibility
4. Staff support for grant making program
5. Proposed fee arrangement

The Community Foundation will not accept Type II or Type III Supporting Organizations.

- I. Community Foundation Legacy Society:** An optional recognition society of donors who have named the Community Foundation as beneficiary of a planned or estate gift. The following types of gifts qualify a donor for inclusion in the Legacy Society:

1. Charitable Remainder Trusts, remainder beneficiary designation
2. Retirement Plan Beneficiary Designation
3. Bequests
4. Life Insurance Beneficiary Designations.

VII. Miscellaneous Provisions

- A. **Acceptance of Gifts:** The Executive Committee or Board of the Community Foundation shall make the final determination on the acceptance of gifts. The Community Foundation reserves the right not to accept gifts deemed inappropriate or in conflict with its mission.
- B. **Securing appraisals and fees for gifts to the Community Foundation:** It shall be the responsibility of the donor to secure a qualified appraisal (where required) and independent Legal Counsel (where required) for all gifts made to the Community Foundation. The donor shall provide the Community Foundation with IRS Form 8283 as required. The donor shall consent, at the time of the gift, to having a copy of the appraisal sent directly from the appraiser to the Community Foundation. Appraisals may be required every two years if the property is not liquidated. The donor shall identify the appraiser and pay all fees related to the initial appraisal.
- C. **Valuation of gifts for development purposes:** The Community Foundation shall record a gift at its valuation for gift purposes on the date of the gift. Should a contribution of property other than publicly traded stock not require a qualified appraisal, the donor shall permit the Community Foundation to consult with the donor's tax advisor to determine the valuation of the gift as an asset of the Community Foundation.
- D. **Responsibility of IRS filings upon sale of gift items:** The Community Foundation is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within two years of receipt where the charitable deduction required a qualified appraisal (generally property other than publicly traded stock with a value of \$5,000 or greater). The Community Foundation must also file this form within 125 days of the date of sale or disposition of the asset. Form 8282 with filing instructions is attached as an appendix to these policies.
- E. **Acknowledgment of all gifts made to the Community Foundation:** In compliance with current IRS requirements, acknowledgment of all gifts shall be the responsibility of the Board of the Community Foundation and will be made as soon as possible and no later than 90 days after receipt. **IRS Publication 561 "Determining the value of donated property" and IRS publication 526 "Charitable Contributions" are attached to these policies as an Appendix.**
- F. **Private Foundation wind-up:** IRC 507 permits the termination of a private foundation and the distribution of its assets to a public charity, such as the Community Foundation. The Executive Committee will review the private foundation documentation prior to accepting the transfer of assets. The legal fees incurred as a result of winding up a private foundation are the responsibility of the private foundation or can be incurred by the Fund as long as those fees do not exceed 1% of the established fund or \$100,000, whichever is less.

- G. Private Foundation's annual payout to create a fund:** The Community Foundation will accept contributions from a private foundation's annual payout to its Operating, Unrestricted, or Field of Interest funds, or to an unrelated donor-advised, designated, or scholarship fund. In the case of a private foundation requesting an advised fund solely to assist the private foundation in meeting its annual payout requirement, the Community Foundation will consider such requests on a case-by-case basis.
- H. Grant making services for Private Foundations or Corporate Giving Offices:** Private foundations or corporate giving offices can make grants to the Community Foundation as a way of making effective community grants and fulfilling their private foundation or corporate foundation mission
- I. Gifts made in honor of individuals or a group of individuals:** The Community Foundation will accept gifts in honor of individuals. Written acknowledgements will be sent to individuals as long as the donor provides contact information.
- J. Memorial Fund Donations:** Named memorial funds can be established at the Community Foundation, but are subject to the minimum requirements for advised-funds. If, after a reasonable amount of time, the fund is still less than \$10,000, the Community Foundation will work with the donor family or "next of kin" to identify an appropriate nonprofit to receive a named memorial gift distribution.
- K. The Community Foundation as a beneficiary of a third party event:** The Community Foundation will, upon approval of the President, accept being appointed the beneficiary of the net proceeds of a third-party activity, provided the event would not be deemed inappropriate or incongruous with its mission.
- L. Use of the Community Foundation's Federal Tax ID Number:** Under no circumstances will a third party be allowed to use the Community Foundation's Federal Tax ID number for fund raising purposes outside a sanctioned Community Foundation approved use or event.
- M. Use of the Community Foundation's logo by a third party:** Under no circumstances will a third party be allowed to use the Community Foundation logo without written permission by the Board Chair or President.
- N. Donor and Data Confidentiality:** Under no circumstances will the Community Foundation lend the names, addresses or any other information regarding its donors to anyone without obtaining permission from a donor. All Community Foundation databases are considered confidential.
- O. Donor Recognition:** The Community Foundation is grateful for the support it receives through various gift channels. As a matter of standard quality practice, every donor should receive a signed acknowledgment and receipt within one week of the receipt of the gift in office. Unless otherwise

requested, a donor will receive on-going general mailings from the Community Foundation via US Postal Service or e-mail. In general, a donor may name a Community Foundation fund for a minimum of \$10,000. "Naming" provides a permanent record that appears whenever the roster of Community Foundation funds is printed. Typically this is in the annual report, but may appear in other material. Fund balances are not published or made public.

CHANGES TO POLICIES

These policies have been reviewed and accepted by the Board of Trustees of the Princeton Area Community Foundation. The Executive Committee will recommend any changes to or deviations from these policies to the Board of Trustees for approval.

Approved on the 23rd day of June, 2005

William P. Burks, MD

Chairman, Board of Trustees, Princeton Area Community Foundation

Appendices (Updated July 2010)

- A. Partnership for Philanthropic Planning: Model Standards of Practice for the Charitable Gift Planner
- B. Association of Fundraising Professionals: Ethical Standards & Donor Bill of Rights
- C. IRS Form 8282 and Instructions: <http://www.irs.gov/pub/irs-pdf/f8282.pdf>
- D. IRS Publication 561: Determining the Value of Donated Property: <http://www.irs.gov/pub/irs-pdf/p561.pdf>
- E. IRS publication 526: Charitable Contributions: <http://www.irs.gov/pub/irs-pdf/p526.pdf>

Partnership for Philanthropic Planning

Model Standards of Practice for the Charitable Gift Planner

PREAMBLE

The purpose of this statement is to encourage responsible gift planning by urging the adoption of the following Standards of Practice by all individuals who work in the charitable gift planning process, gift planning officers, fund raising consultants, attorneys, accountants, financial planners, life insurance agents and other financial services professionals (collectively referred to hereafter as "Gift Planners"), and by the institutions that these persons represent. This statement recognizes that the solicitation, planning and administration of a charitable gift is a complex process involving philanthropic, personal, financial, and tax considerations, and as such often involves professionals from various disciplines whose goals should include working together to structure a gift that achieves a fair and proper balance between the interests of the donor and the purposes of the charitable institution.

I. PRIMACY OF PHILANTHROPIC MOTIVATION

The principal basis for making a charitable gift should be a desire on the part of the donor to support the work of charitable institutions.

II. EXPLANATION OF TAX IMPLICATIONS

Congress has provided tax incentives for charitable giving, and the emphasis in this statement on philanthropic motivation in no way minimizes the necessity and appropriateness of a full and accurate explanation by the Gift Planner of those incentives and their implications.

III. FULL DISCLOSURE

It is essential to the gift planning process that the role and relationships of all parties involved, including how and by whom each is compensated, be fully disclosed to the donor. A Gift Planner shall not act or purport to act as a representative of any charity without the express knowledge and approval of the charity, and shall not, while employed by the charity, act or purport to act as a representative of the donor, without the express consent of both the charity and the donor.

IV. COMPENSATION

Compensation paid to Gift Planners shall be reasonable and proportionate to the services provided. Payment of finders fees, commissions or other fees by a donee organization to an independent Gift Planner as a condition for the delivery of a gift are never appropriate. Such payments lead to abusive practices and may violate certain state and federal regulations. Likewise, commission-based compensation for Gift Planners who are employed by a charitable institution is never appropriate.

V. COMPETENCE AND PROFESSIONALISM

The Gift Planner should strive to achieve and maintain a high degree of competence in his or her chosen area, and shall advise donors only in areas in which he or she is professionally qualified. It is a hallmark of professionalism for Gift Planners that they realize when they have reached the limits of their knowledge and expertise, and as a result, should include other professionals in the process. Such relationships should be characterized by courtesy, tact and mutual respect.

VI. CONSULTATION WITH INDEPENDENT ADVISORS

A Gift Planner acting on behalf of a charity shall in all cases strongly encourage the donor to discuss the proposed gift with competent independent legal and tax advisors of the donor's choice.

VII. CONSULTATION WITH CHARITIES

Although Gift Planners frequently and properly counsel donors concerning specific charitable gifts without the prior knowledge or approval of the donee organization, the Gift Planners, in order to insure that the gift will accomplish the donor's objectives, should encourage the donor, early in the gift planning process, to discuss the proposed gift with the charity to whom the gift is to be made. In cases where the donor desires anonymity, the Gift Planners shall endeavor, on behalf of the undisclosed donor, to obtain the charity's input in the gift planning process.

VIII. DESCRIPTION AND REPRESENTATION OF GIFT

The Gift Planner shall make every effort to assure that the donor receives a full description and an accurate representation of all aspects of any proposed charitable gift plan. The consequences for the charity, the donor and, where applicable, the donor's family, should be apparent, and the assumptions underlying any financial illustrations should be realistic.

IX. FULL COMPLIANCE

A Gift Planner shall fully comply with and shall encourage other parties in the gift planning process to fully comply with both the letter and spirit of all applicable federal and state laws and regulations.

X. PUBLIC TRUST

Gift Planners shall, in all dealings with donors, institutions and other professionals, act with fairness, honesty, integrity and openness. Except for compensation received for services, the terms of which have been disclosed to the donor, they shall have no vested interest that could result in personal gain.

Adopted and subscribed to by the National Committee on Planned Giving and the American Council on Gift Annuities, May 7, 1991. Revised April 1999.

Association of Fundraising Professionals

Ethical Standards

1. Members shall not engage in activities that harm the members' organizations, clients or profession.
2. Members shall not engage in activities that conflict with their fiduciary, ethical and legal obligations to their organizations, clients or profession.
3. Members shall effectively disclose all potential and actual conflicts of interest; such disclosure does not preclude or imply ethical impropriety.
4. Members shall not exploit any relationship with a donor, prospect, volunteer, client or employee for the benefit of the members or the members' organizations.
5. Members shall comply with all applicable local, state, provincial and federal civil and criminal laws.
6. Members recognize their individual boundaries of competence and are forthcoming and truthful about their professional experience and qualifications and will represent their achievements accurately and without exaggeration.
7. Members shall present and supply products and/or services honestly and without misrepresentation and will clearly identify the details of those products, such as availability of the products and/or services and other factors that may affect the suitability of the products and/or services for donors, clients or nonprofit organizations.
8. Members shall establish the nature and purpose of any contractual relationship at the outset and will be responsive and available to organizations and their employing organizations before, during and after any sale of materials and/or services. Members will comply with all fair and reasonable obligations created by the contract.
9. Members shall refrain from knowingly infringing the intellectual property rights of other parties at all times. Members shall address and rectify any inadvertent infringement that may occur.
10. Members shall protect the confidentiality of all privileged information relating to the provider/client relationships.
11. Members shall refrain from any activity designed to disparage competitors untruthfully.

Solicitation and Use of Philanthropic Funds

12. Members shall take care to ensure that all solicitation and communication materials are accurate and correctly reflect their organizations' mission and use of solicited funds.
13. Members shall take care to ensure that donors receive informed, accurate and ethical advice about the value and tax implications of contributions.

14. Members shall take care to ensure that contributions are used in accordance with donors' intentions.

15. Members shall take care to ensure proper stewardship of all revenue sources, including timely reports on the use and management of such funds.

16. Members shall obtain explicit consent by donors before altering the conditions of financial transactions.

Presentation of Information

17. Members shall not disclose privileged or confidential information to unauthorized parties.

18. Members shall adhere to the principle that all donor and prospect information created by, or on behalf of, an organization or a client is the property of that organization or client and shall not be transferred or utilized except on behalf of that organization or client.

19. Members shall give donors and clients the opportunity to have their names removed from lists that are sold to, rented to or exchanged with other organizations.

20. Members shall, when stating fundraising results, use accurate and consistent accounting methods that conform to the appropriate guidelines adopted by the American Institute of Certified Public Accountants (AICPA)* for the type of organization involved. (* In countries outside of the United States, comparable authority should be utilized.)

Compensation and Contracts

21. Members shall not accept compensation or enter into a contract that is based on a percentage of contributions; nor shall members accept finder's fees or contingent fees. Business members must refrain from receiving compensation from third parties derived from products or services for a client without disclosing that third-party compensation to the client (for example, volume rebates from vendors to business members).

22. Members may accept performance-based compensation, such as bonuses, provided such bonuses are in accord with prevailing practices within the members' own organizations and are not based on a percentage of contributions.

23. Members shall neither offer nor accept payments or special considerations for the purpose of influencing the selection of products or services.

24. Members shall not pay finder's fees, commissions or percentage compensation based on contributions, and shall take care to discourage their organizations from making such payments.

25. Any member receiving funds on behalf of a donor or client must meet the legal requirements for the disbursement of those funds. Any interest or income earned on the funds should be fully disclosed.

The Donor Bill of Rights

Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To ensure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the nonprofit organizations and causes they are asked to support, we declare that all donors have these rights:

- I. To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.
- II. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.
- III. To have access to the organization's most recent financial statements.
- IV. To be assured their gifts will be used for the purposes for which they were given.
- V. To receive appropriate acknowledgement and recognition.
- VI. To be assured that information about their donation is handled with respect and with confidentiality to the extent provided by law.
- VII. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.
- VIII. To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.
- IX. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.
- X. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.