

## Forms of Gifts to the Southfield Community Foundation

Gifts to the Foundation take on a variety of forms. Many are outright gifts by living donors, either on a one-time or periodic basis. Others are testamentary gifts that take effect upon a donor's death or other forms of deferred gifts.

If the value of a gift other than cash or marketable securities exceeds \$5,000, a donor is required to have a qualified appraisal performed and submitted to the IRS on form 8283. If such gifts are sold within two years of receipt at a price other than the appraised value, Form 8282 must be filed by the Foundation.

The Foundation reserves the right to accept or reject any gift as it sees fit. It is the policy of the Foundation to convert all gifts to cash as soon as possible. Real estate and other assets which have potential liability associated with them will only be accepted by the Southfield Community Foundation Real Estate Holdings, Inc.

### **Cash**

The Foundation accepts cash, checks, or money orders made payable to the Foundation or any of its funds.

### **Marketable Securities**

The Foundation will add the net proceeds of a marketable securities contribution to a fund of the Foundation. The Foundation will govern the disposition of securities, and will make all decisions regarding the sale or retention of securities.

### **Stock in Privately Owned Companies and Partnerships**

Donors wishing to make gifts of stock in a closely-held corporation or S corporation or a gift of a partnership interest, must have it valued by a qualified independent accounting or appraisal company prior to making a contribution. If it is immediately marketable, it will be sold. Otherwise, it will be held by the Foundation until it may be redeemed or sold for cash.

Generally, the Foundation does not accept gifts of general partnership interests due to potentially unlimited liability.

The acceptability of a gift of closely-held stock, S corporation stock, or a partnership interest will depend on the ultimate financial liability of the Foundation, the amount of management attention required, whether the gift provides minority or majority control, or whether the donor requires that such interest not be sold.

Consideration will be given to whether the S corporation stock or partnership interest generates unrelated business taxable income, if there is corresponding revenue to pay such as taxes, the

nature of the business, record keeping and accounting requirements, and how quickly the gift can be converted to cash.

### **Pooled Income and Gift Annuities**

The Foundation may offer a pooled income fund and gift annuity contracts. Income beneficiaries are limited to two and must be at least 50 years old when entering into the contract. The charitable remainder interest must be designated for an existing or new endowed fund at the Foundation.

### **Life Insurance Policies**

The Foundation will accept gifts of permanent life insurance policies if the Foundation is named as owner of or is assigned ownership in such policies. Policies continuing on a premium-paying basis will be maintained as such by the Foundation so long as gifts are made to the Foundation in the amount of the premiums due. Premiums can be of a reducing amount if dividends are directed toward future premiums. Should such premium gifts not be forthcoming, the Foundation may, on the recommendation of the Gift Acceptance Committee, elect:

- To have the Foundation continue the premium payments.
- To surrender the policy in exchange for its cash surrender value.
- To invoke procedures under which the existing policy values can sustain the policy without further outlay of Foundation funds for premium. This can take on any of the following forms:
  - Change the dividends to Net (have the dividends pay future premiums)
  - Use the Automatic Premium Loan feature (borrow against the cash value to pay future premiums)
  - Use a combination of the two previous options (have the dividends pay as much of the premium as possible and borrow against the cash value for the remainder amount)
  - Change the policy to Paid-Up in which case, no more premiums will be due.

The Foundation discourages the contributions of life insurance policies subject to policy loans and reserves the right to accept or reject such policies as well as those carrying assignments to other entities. The foundation will consider its own interest and the best interest of the donor in the light of tax ramifications in determining on a case-by-case basis the acceptability of encumbered life insurance policies. Particular care will be given to problems of self-dealing, jeopardy investments, and unrelated business income in this regard.

### **Gifts Naming Multiple Beneficiaries**

From time-to-time, donors may wish to designate multiple beneficiaries of the proceeds from their life insurance policies, IRA's, other qualified retirement plans, pooled income funds, gift annuities, or other forms of gifts to the Foundation. It will be encouraged that other charitable organizations be named as beneficiaries on the contract. However, if the foundation is selected as sole beneficiary and then requested to distribute funds to other organizations, the following

guidelines shall apply:

- A. The Committee will take into consideration the amount of the total gift, the amount designated for the Foundation both discretionary and restricted, the added value to the community, and in the case of life insurance policies, whether or not the premiums are paid up.;
- B. In the case where the foundation becomes the sole owner of a donor's life insurance policy, the Foundation subsequently has the exclusive right to change the beneficiary/distributee designations. It can then name the Foundation or other charitable organizations as beneficiaries. These other charitable organizations must qualify as such under Section 501(c)(3) and which are described under section 170(b)(1)(A) of the Internal Revenue Code.

If a policy beneficiary/distributee designation is to be changed to a charitable organization other than the Foundation, the Foundation shall consider the charitable intentions of the donor. It is understood, however, that a donor's recommendations in this regard are advisory and that the Foundation, as owner of the policy, retains exclusive authority to direct the death benefits, maturity, and surrender proceeds of the policy.

### **Real Property**

If a donor wishes to contribute real property or an interest in real property to the Foundation either directly or through a life estate arrangement, the Gift Acceptance Committee shall consider all facts and circumstances in determining whether to recommend accepting the gift. Donors should be advised to confer with their own counsel to review the terms of the gift.

### **Tangible Personal Property**

The donor will be advised wither the gift will be retained and used by the Foundation of disposed of immediately.

### **Accounts Receivable**

The Foundation will consider gifts of loans, notes, and mortgages, subject to review by the Gift Acceptance Committee