

I. PURPOSE

The Madison Community Foundation (“the Foundation”) uses its local knowledge and assets to inspire giving, support meaningful initiatives and connect people for the common good. This requires an active effort on the part of the Foundation’s governing board and staff to promote the programs and opportunities offered by the Foundation and to respond promptly and appropriately to the needs and circumstances of donors and prospective donors to the Foundation.

The purpose of this Gift & Fund Acceptance Policy is to govern the acceptance of gifts and to provide guidance to the donors and their professional advisors in completing gifts and establishing funds. The following guidelines are to be followed by staff in managing the acceptance of various types of gifts. The Foundation will operate in compliance with all federal, state and local laws and regulations. These policies may be amended from time to time by vote of the Foundation's Board of Governors.

II. GENERAL FOUNDATION RESPONSIBILITIES

Providing Transparency

The role of MCF staff shall be to inform, guide and assist a donor in fulfilling his or her philanthropic wishes. In particular, donors should be advised of:

1. the irrevocability of a gift,
2. the Foundation's variance power, where applicable,
3. prohibitions on material donor restrictions,
4. items subject to variability (market value, investment return, and income yield),
5. the Foundation's responsibility to provide periodic activity statements for donor funds, and
6. the Foundation's administrative and investment fees.

The Foundation does not provide legal or tax advice. Donors who have tax or legal questions should be advised to seek the advice of independent financial, investment and legal counsel prior to making a gift. Any proposals and tax calculations prepared by the Foundation are for illustrative purposes only.

Confidentiality

The content of all agreements and all information concerning donors and prospective donors shall be held in confidence by the Foundation, consistent with its Confidentiality and Donor Privacy Policy, and subject to legally authorized and enforceable requests for information by government agencies and courts.

III. GENERAL GIFT ACCEPTANCE POLICIES

Given the increasing complexity of IRS regulations, state and federal laws, and donors' interest in making gifts of assets other than cash and marketable securities, the Foundation recognizes the importance of screening proposed gifts carefully. The Foundation has the right to accept or refuse any gift, based on this policy or other considerations. Gifts that are too restrictive, too costly, risky or difficult to administer, or gifts that are for purposes outside the mission of the Foundation will not be accepted.

It is important that the Foundation's staff and board ensure that gifts accepted do not place other assets of the Foundation at risk and that such gifts can be reasonably converted into assets that are consistent with the Foundation's investment portfolios. Additionally, there must be a substantial likelihood that such assets can be liquidated within a reasonable period of time, and will have an ultimate benefit to the community.

Assets Accepted by the Foundation

Non-Complex Gifts

The Foundation may accept the following types of contributions without additional review or approval from the Board of Governors:

Cash. Cash gifts may be delivered by check, electronic funds transfer, wire transfer, or currency. Credit card gifts are also accepted through the Foundation's website.

Publicly Traded Securities. The Foundation will accept gifts of publicly traded stocks, mutual funds and bonds at fair market values as determined under Internal Revenue Service regulations. As a general rule,

gifts of publicly traded securities will be sold as soon as possible, and the fund the donor directs will be credited with the proceeds from the sale, after commissions and expenses, if any.

Complex Gifts

All complex gifts will be reviewed by the Vice President of Finance & Operations and/or the President, with assistance of the Foundation's legal counsel if deemed necessary, prior to acceptance. Complex gifts include, but are not limited to, closely-held or thinly traded securities, real estate, limited liability company interests, partnership interests, oil/gas/mineral interests, as well as various planned giving vehicles. The Board of Governors grants to the Vice President of Finance & Operations and the President the authority to accept such gifts without additional oversight.

Closely Held Securities. Gifts of closely held securities will be reviewed by the Vice President of Finance & Operations prior to acceptance to determine that:

- There are no restrictions on the security that would prevent the Foundation from ultimately converting the asset to cash;
- the security is marketable or likely to become so in a reasonable period of time; and
- holding the security will not generate any material expenses or undesirable tax consequences for the Foundation.

Efforts will be made to sell closely-held securities as quickly as possible. The Foundation will not guarantee or pre-arrange a sale or make any other agreement that might imply or cause a material restriction to be imposed upon the contribution.

Gifts of closely held securities shall be accepted and administered in accordance with the following guidelines:

- The Foundation may request that the donor provide a qualified appraisal (as defined by IRS regulations) when the value of the asset(s) exceeds \$5,000.
- As a general rule, gifts of closely held securities are to be sold as soon as possible. The specified fund will be credited with the proceeds from the sale, after commissions and expenses, if any. The Foundation's administrative fees (if applicable) and any other holding expenses will be charged to the fund from the date of acceptance of the gift and netted from the sale proceeds.

- All dividends (or other income) received while the security is held will be received by the Foundation and be applied to offset all or a portion of any fees or expenses charged to the fund in the same year ending with the anniversary date of the gift. Any excess dividend income will not be applied to the following years. Dividends will be credited to the fund only to the extent that they exceed offsetting fees.

Real Estate. In general, it is the policy of the Foundation to accept gifts of real estate only if the property is likely to be sold within one year. The Vice President of Finance & Operations and the President will review each proposed gift on an individual basis and have the authority to accept or reject any proposed gift. The Foundation will not accept property which would jeopardize its tax-exempt status or expose it to expenses for which no source of funds has been identified. Following are conditions affecting the acceptance of the gift:

- Real property will only be accepted if there is an expectation that it can be sold within a reasonable amount of time.
- Unencumbered real property will be accepted at fair market value as established by at least one qualified appraisal (as defined by IRS regulations), obtained at the expense of the donor.
- Real property that is encumbered by a trust deed loan or mortgage will be accepted only in exceptional circumstances and upon advice from the Foundation's legal counsel.
- Before acceptance of real property as a gift, the Foundation and the donor must agree in writing on arrangements for paying MCF administrative fees as well as expenses associated with the property (such as commissions, taxes and assessments, appraisal fees, environmental evaluations, insurance coverage, maintenance and holding costs). Generally, all costs associated with the property will be paid by the donor or netted from the sales proceeds of the property.
- The administrative fees charged by the Foundation, as well as any other holding expenses, will be assessed and will be netted from the sales proceeds of the property.
- In order to avoid potential liability for environmental cleanup and toxic and hazardous waste issues relating to real estate, the Foundation may require a Phase One Environmental Assessment of proposed gifts of real estate and assets relating to real property (such as real estate held by a limited partnership) prior to final acceptance.
- Generally, gifts of real estate may be used only to create or add to a permanent endowment fund.

Testamentary gifts of real property: Upon becoming aware that the Foundation has been named to receive a gift under any will that has been admitted to probate or any trust arrangement, the Foundation will contact the estate's executor, trustee, or other legal representative and determine if the Foundation's gift consists of real property; or, if the Foundation is a residuary beneficiary of the estate, whether the residue passing to the Foundation will include any real property. If the Foundation's testamentary share includes real property, then it will, as a general rule, request that the executor, trustee, or legal representative first sell the property and then transfer the net proceeds to the Foundation. If the property cannot be sold by the estate or trust and the Foundation agrees to accept the testamentary gift in kind, the Foundation will require the executor, trustee or other legal representative to transfer the title. A testamentary gift of real property shall comply with the guidelines set forth in the Real Estate provision of this policy. The Foundation always reserves its right to decline a testamentary gift.

Oil, Gas and Mineral Interests: The Foundation may accept oil and gas property interests, where appropriate. In general, it is the policy of the Foundation to accept gifts of oil and gas property interests only if they are likely to be sold within 12 months. Prior to acceptance of an oil and gas interest, the gift shall be reviewed by the Vice President of Finance & Operations and the President who may accept or reject the proposed gift. Criteria for acceptance of the property may include, but is not be limited to:

- Gifts of surface rights should have a value of at least the minimum set by the Foundation for endowment funds.
- Gifts of oil, gas and mineral interest should generate at least \$3,000 per year in royalties or other income (as determined by the average of three years prior to the gift).
- The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate.
- If the interest is a working interest, the Vice President of Finance & Operations and/or the President should determine the potential risk and liability impact on the Foundation so that it may develop a plan to minimize that impact if accepted.
- The property should undergo an environmental review to ensure that the Foundation has no current or potential exposure to environmental liability.
- Generally, gifts of oil, gas, or mineral interests may be used only to create or add to a permanent endowment fund.

Non-Liquid Assets. Gifts of non-liquid assets (i.e. timeshares, cemetery plots) will not be accepted.

Tangible Personal Property. Gifts of tangible personal property (i.e. art, collectibles or jewelry) may be accepted at the discretion of the President and the Vice President of Finance & Operations after considering the marketability and holding costs of such property. Gifts of other tangible property (i.e. furniture, livestock, equipment, cars and boats) will not be accepted.

Life Insurance Policies. The Foundation must be named as both beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be recorded as a gift. The gift is valued at its interpolated terminal reserve value, or cash surrender value, upon receipt. If the donor contributes future premium payments, the Foundation will include the entire amount of the additional premium payment as a gift in the year that it is made.

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

- continue to pay the premiums from other assets,
- convert the policy to paid-up insurance, or
- surrender the policy for its current cash value.

Gifts for Donor Advised Funds. Notwithstanding any other provision hereof, the Foundation shall not accept any gift of an interest in a “business enterprise” (as defined by the Pension Protection Act of 2006) for a donor advised fund (DAF) that would subject the Foundation to tax under section 4943 of the Internal Revenue Code, concerning "excess business holdings." Any proposed gift that may result in the DAF holding:

- 1) 20% or greater of voting stock of an incorporated business, interest in a business or entity, or profit interest in a partnership or a joint venture or the beneficial interest of a trust or similar entity; or
- 2) any interest in an entity in which any interest is owned by a donor or advisor to the DAF, by a family member of any such person, any person disqualified with respect to that fund, or by an entity in which any of the foregoing has an interest;

shall be referred to the Foundation's counsel for an opinion on the possible application of Code section 4943.

Ownership of unincorporated businesses that are not substantially related to the Foundation's mission is also prohibited.

Form 8282. In the case of the sale of certain donated assets, if required, the Foundation will report to the IRS on Form 8282 the actual sale proceeds of the asset if sold within three years of the date of gift. There may be delays before the asset can be sold. The value of the asset as of the date of gift plus or minus any gains or losses that are incurred during the time between gift transfer and subsequent sale by the Foundation will be reflected in the value of the donor's fund. In negotiating the sale of an asset, a fair market value will be established at the time of sale. No warranty is given by the Foundation that the valuation will be acceptable to the IRS.

IV. TYPES OF FUNDS

Madison Community Foundation has multiple fund options to help donors meet their philanthropic goals. These fund options evolve over time and this policy should be interpreted as evolving with those changes.

Community Impact (Unrestricted) Funds: Community Impact Funds are available to the Foundation for any of the focus areas defined by the Board of Governors. The Foundation's Grantmaking Committee recommends to the Board of Governors how Community Impact Funds should be distributed. The minimum amount to establish a named Community Impact endowment fund is \$15,000.

Field of Interest Funds: Field of Interest funds are restricted in their use by the donor's preference for a limited charitable purpose, without designation of specific recipient organizations or programs through which such charitable purposes may be served. The Foundation's Grantmaking Committee recommends to the Board of Governors how Field of Interest funds should be distributed. Alternatively, Advised Field of Interest Funds, established through a shared purpose or cause, may incorporate the donors' appointment of an advisory committee to make such recommendations. The minimum amount to establish a Field of Interest endowment fund within one of the Foundation's existing focus areas is

\$15,000. The minimum amount to establish a Field of Interest endowment fund for a new focus area is \$100,000.

Giving Partner Funds: Giving Partner Funds are endowments that serve communities outside Madison. Each Giving Partner is represented by an advisory committee representing that community, and advisory committee members raise resources for the endowment and recommend distributions for charitable causes consistent with the purpose of the fund. The Foundation retains final authority to approve distributions. The minimum to establish Giving Partner Fund is \$100,000.

Donor Advised Funds: Donors generally establish advised funds for unrestricted charitable purposes. The donor may make recommendations to the Foundation regarding the recipients and amounts of grants from the fund. The Foundation retains final authority to approve distributions. Donors may appoint successor advisors for the fund, or they may designate the fund to a Field of Interest or Designated fund when they are no longer willing or able to advise it. If a successor advisor or other fund option is not designated at that time, the Donor Advised Fund will transfer to the Priority Fund. The Foundation offers endowed, quasi-endowed and non-endowed donor advised fund options. The minimum amount to establish an endowed fund is \$15,000; the minimum amount to establish a quasi-endowed (Maximum Giving) fund is \$100,000; and the minimum amount to establish a non-endowed (Passthrough) fund is \$1,000.

Scholarship Funds: Scholarship funds are dedicated to providing grants for educational purposes to assist individuals within an identified class, such as residents of a particular region, students attending a specific university or undertaking a selected course of study. The Foundation delegates the award recipient selection process to a designated institution (i.e. scholarship committees in school guidance departments, social service agencies, college academic departments or university foundations). Donor involvement in the award recipient selection process is discouraged, though the Foundation may accept these funds following strict internal procedures to ensure compliance with the Pension Protection Act of 2006. Fund distributions are coordinated directly with the recipient organization utilizing their pre-determined selection process and committee. The Foundation retains final authority to approve distributions. The minimum amount to establish a Scholarship endowment fund is \$25,000.

Designated Funds: Designated funds are established for the benefit of one or more charitable organizations or programs, and all grants made from such funds must be made to or for the use of the designated organization or program. If the recipient organization ceases to exist or changes its status or mission as a charitable organization, the Foundation's Board of Governors will exercise its variance authority, selecting an alternate use for the fund compatible with its original charitable purpose. The minimum amount to establish a Donor Designated endowment fund is \$15,000. The minimum amount for an organization to establish its own Designated Agency endowment fund is \$50,000.

Acorn Funds: Donors may utilize the acorn fund program to build an endowment fund over time. The fund remains inactive and the donor may not provide grant recommendations until the fund has matured to the \$15,000 minimum balance. There are no fees charged to the fund while the fund is growing. The minimum amount to begin an acorn fund is \$1,500, and annual gifts of that amount are anticipated until the fund “matures” to a permanent endowment.

Supporting Organization: With the prior approval of the Foundation's Board of Governors, a donor may establish a supporting organization to the Foundation as a separate tax-exempt organization with independent governance. The Foundation generally accepts Type 1 Supporting Organizations, in which the Foundation will appoint at least one half of the Supporting Organization's governing board. Type 3 Supporting Organizations may be accepted at the discretion of the President and Vice President of Finance & Operation with prior Board approval. The Supporting Organization may adopt its own policies regarding grants, spending, investments and communications.

V. GENERAL FUND PROVISIONS

Minimum Fund Balances: The minimum gift for a fund or supporting organization shall be determined by the Foundation and may be revised from time to time. If the total assets received for a fund from lifetime and testamentary contributions do not meet the minimum fund balance required by the Foundation, the Foundation reserves the right, in its sole discretion, to (1) make no distribution from the fund until the balance reaches the fund minimum requirement; (2) transfer the balance to the Priority Fund of the Foundation; or (3) make one or more lump sum distributions to individual charitable organization(s) which in the discretion of the Foundation most closely fulfills the donor's original intent. See section IV for details about current minimum fund balances.

Grant Distributions. Except as otherwise provided in the agreement governing the fund, distributions from endowed funds will be made in accordance with the Foundation's distribution policy as it may be revised from time to time. Distributions from a non-endowed fund are limited to the balance of the fund as of the beginning of the month in which the distributions are requested. Where the balance of a non-endowed fund has become so low that the administrative costs exceed the earnings on the fund, the Foundation may use its discretion to (1) transfer such funds to the Priority Fund of the Foundation or, (2) distribute the balance to other nonprofit organizations. Where possible, the donor will be contacted prior to any transfer or distribution.

Fees. All funds are subject to the Foundation's administrative fees as adjusted from time to time. The Foundation reserves the right to negotiate fees for larger or unusual gifts on a case by case basis.

Disputes Over Charitable Purpose(s). Only the Foundation's Board of Governors has the right to vary the stated purpose(s) of a fund. When a fund is created by a testamentary gift, and the Foundation has received no instructions during the donor's lifetime as to the recommended charitable purposes of the fund, and the will, trust or beneficiary designation is silent on the donor's intent for the use of the assets, the assets will be added to the Foundation's Priority Fund.

VI. PLANNED GIVING

Forms of Planned Gifts: The Foundation's planned giving program encompasses gifts whose benefits do not fully accrue to the Foundation until some future time. Donors using planned and testamentary gift techniques may establish any of the component fund types listed above, subject to limitations on minimum value. Wills, trusts or other documents should specify the Foundation as the charitable recipient and name the new or existing fund to which the donor's gift will be added. The type and purpose of a new fund may be described in detail in a separate fund agreement. Planned giving opportunities offered by the Foundation include the following:

- **Charitable Gift Annuities.** The Foundation offers charitable gift annuities. The Foundation and the donor enter into a contract providing a fixed dollar return for life to the donor and/or other beneficiaries, in exchange for a gift of cash or marketable securities to the Foundation. Payment rates reflect the recommendations of the American Council on Gift Annuities or such lower rate

as may be determined by the Foundation from time to time. Minimum age requirements and fund minimums shall be as determined by the Foundation from time to time. The date that income payments to the beneficiary begin may be deferred. The annuity contract is a general obligation of the unrestricted assets of the Foundation. Upon termination of the income interest, the remaining assets will be used to establish a permanent endowment fund at the Foundation, subject to any component fund minimum set by the Foundation.

- **Gifts by Will or Trust.** The Foundation may be designated as the beneficiary of a bequest or gift by the terms of the donor's will or by a revocable or irrevocable trust. Sample bequest language for restricted and unrestricted gifts is available to donors and their attorneys to ensure that the bequest is properly designated.
- **Retirement Plan Assets.** Retirement plans owned by the donor may be gifted to the Foundation at death by beneficiary designation. These include Individual Retirement Accounts (IRA), 401(k), 403(b), and defined contribution plans.
- **Unrestricted Gifts to the Foundation.** Although specific language to create an unrestricted gift is not necessary, any donor wishing to leave an unrestricted gift to the Foundation may use language similar to the following: I give and bequeath [describe gift] to the Madison Community Foundation, of Madison, WI, to be held as a component unrestricted endowment fund to be known as the "_____ Fund."
- **Charitable Remainder Unitrust.** Under a charitable remainder unitrust, the donor irrevocably transfers money, securities, or other property to a trustee selected by the donor. The trustee pays the donor (or one or more income beneficiaries designated by the donor) a fixed percentage of the net fair market value of the trust's assets, as determined each year. The payments are made for the life or lives of the income beneficiaries or for a fixed period of years not to exceed 20 years. Upon termination of the income beneficiary's interest, the assets of the unitrust are transferred to the Foundation. The Foundation will not serve as trustee of a charitable remainder unitrust.
- **Charitable Remainder Annuity Trust.** A charitable remainder annuity trust is identical to a unitrust, except that the income beneficiary receives a fixed dollar amount annually from the trust. The Foundation will not serve as trustee of a charitable remainder annuity trust.
- **Remainder Interest in Property.** A donor may contribute real estate, in accordance with the policy set forth above, and retain the right to occupy the property until death. Upon the donor's death, the Foundation will own the entire interest in the property.

- **Charitable Lead Trust.** Under a charitable lead trust, the donor irrevocably transfers money, securities, or other property to a trustee selected by the donor. The Foundation is given an income interest in the trust assets for a period of years or the lives of one or more individuals, at the end of which time the assets of the trust are distributed to noncharitable beneficiaries designated by the donor. The trustee pays the Foundation each year: 1) a fixed amount from the trust; or 2) a fixed percentage of the net fair market value of the trust's assets, as determined each year. The Foundation will not serve as trustee of a Charitable Lead Trust.

VII. CHANGES TO GIFT AND FUND ACCEPTANCE POLICIES

The policies and guidelines have been accepted by the Board of Governors of the Madison Community Foundation. Changes and/or deviations from these policies require Board review and oversight, except as these policies change to meet updated IRS regulations and requirements.

Accepted and approved with a majority vote of the Governors present at its meeting on February 20, 2019