



GIFT ACCEPTANCE POLICY

Board Approved – Oct. 11, 2017

PURPOSE

The purpose of the Gift Acceptance Policy of the Berrien Community Foundation and affiliated entities (referred together as “the Foundation” or “BCF”) is to serve the best and balanced interests of the Foundation, its donors and the community by providing guidelines for assessing, negotiating and accepting various gifts for various types of BCF funds. Because of the complexity of applicable federal and state laws and regulations, the Foundation carefully reviews proposed gifts. The Foundation is committed to the highest ethical standards of philanthropy and development. In all transactions between potential donors and the Foundation, the Foundation will aspire to provide accurate information and full disclosure of the benefits and obligations that could influence a donor’s decision.

The purpose of each gift must fall within the broad charitable purpose of the Foundation as reflected in the Foundation’s mission. Please see Appendix A.

To facilitate this purpose, the Foundation follows the Model Standards of Practice for the Charitable Gift Planner promulgated by the Partnership for Philanthropic Planning.

Every employee or person acting for and on behalf of the Foundation also adheres to those standards set forth in A Donor Bill of Rights developed jointly by the American Association of Fund-Raising Counsel, the Association for Healthcare Philanthropy, the Council for Advancement and Support of Education and the Association of Fundraising Professionals.

It is the policy of the Board to encourage donors to make outright, planned and post-mortem gifts. Planned and post-mortem gift types include bequests, charitable remainder trusts, charitable lead trusts, gifts with certain retained life estates. Assets accepted by the Foundation include, but are not limited to cash, marketable securities, real estate, life insurance, retirement assets, interests in business entities such as partnerships, limited liability companies or closely held stock, certain tangible personal property including works of art and collections plus such other gift arrangements as the Board may from time to time approve. The Board has directed that BCF staff aggressively seek such gifts, and that adequate staff and resources for a fully effective program are maintained. All programs, solicitation plans, and

activities are subject to the Board's oversight.

I. GENERAL GIFT ACCEPTANCE PRINCIPALS

- The Foundation only accepts gifts where the charitable intent of the donor and ultimate community benefit of the gift is reasonably known
- The Foundation seeks to inform and assist donors who wish to support the Foundation's activities, but never to pressure or unduly influence a donor to make a gift.
- The Foundation holds all information concerning a donor or prospective donor in strict confidence, subject to legally authorized and enforceable requests for information by government agencies and courts. All other requests for information concerning a donor or prospective donor are honored only if permission is obtained from the donor prior to the release of such information.
- Persons acting on behalf of the Foundation shall encourage a donor to discuss the proposed gift with the legal and/or tax advisors of the donor's choice, at the donor's expense, to ensure that the donor receives a full, accurate, and independent explanation of all aspects of the proposed charitable gift.
- Persons acting on behalf of the Foundation shall advise the donor that it is the donor's responsibility to obtain any necessary appraisals (see Appendix B), file appropriate personal tax returns, and defend against any challenges to claims for tax benefits.
- The President of the Foundation, and agents retained by the Foundation for this purpose, are authorized to negotiate gift and fund agreements with prospective donors by following this policy and other guidelines as approved by the Board. All planned giving agreements needing execution by the Foundation require review and approval as to form by the Foundation's legal counsel. However, an agreement need not be specifically, legally reviewed and approved if it is based on a form agreement that the Foundation's legal counsel has previously reviewed and approved.
- The Foundation does not serve as a trustee of any trust.
- All Non-Liquid asset gifts to the Foundation will be held by BCF Giving, LLC.

II. GIFT ACCEPTANCE RISK ASSESSMENT PRINCIPALS

In assessing the suitability of accepting a gift to the Foundation, the following risk assessment principals will be considered:

- The quantity and quality of information surrounding the gift and the ability to reasonably value the gift

- The time frame under which the gift will likely be converted into assets that fall within the Foundation’s investment guidelines, or an exit plan for the gift
- The nature of any gift restrictions
- The permanency of the gift; or in the case of a non-permanent fund, the amount of time the fund will remain with the Foundation
- The income stream of the gift and the variability of this income stream
- The costs of managing the gift and the variability of these costs including gift asset compliance (such as tax) responsibilities and overall business risk
- The ability of the Foundation to administer the gift and the proposed gift agreement in accordance with the donor’s wishes
- The ability to commercially insure against any significant risk inherent in the gift
- Reasonable assurance that the gift will not place other assets of the Foundation at risk
- Reasonable assurance that the gift will not add reputational risk to the Foundation

III. THE ROLES AND RESPONSIBILITIES OF THE BCF DUE DILIGENCE COMMITTEE

Certain gifts may contain financial risk, tax risk, legal liability risk and significant management responsibilities. In order to address these potential risks, the Board shall appoint a Due Diligence Committee comprised of Trustees and other qualified persons. One of the primary responsibilities of the Committee is to review proposed gift transactions other than cash, cash equivalents, marketable securities and paid-up life insurance policies (“Liquid Assets”). The Committee also may recommend revisions to this Gift Acceptance Policy and adoption of and revision to standard forms of agreements with donors. The Committee will abide by this Gift Acceptance Policy in performing its work.

Acceptance by Foundation staff of gifts consistent with the purposes, bylaws and procedures of the Foundation shall not require review of the Due Diligence Committee if the gifts are Liquid Assets made unrestricted, to an existing component fund or for the purpose of establishing a new fund. Liquid Asset gifts will be transferred directly to the Foundation.

All gifts other than Liquid Assets are defined as “Non-Liquid Assets” and will require a recommendation by the Due Diligence Committee and approval by the Executive Committee and the President before acceptance by the Foundation.

BCF Giving, LLC

The Foundation has formed BCF Giving, LLC, a single member Michigan limited liability company, whose sole purpose is to receive gifts of Non-Liquid property. Non-Liquid Asset gifts will be transferred to and owned by BCF Giving, LLC.

Examples of Non-Liquid Assets are as follows:

- Closely held Business Interests (Appendix C)
 - Partnership interests
 - Limited liability company interests
 - C corporation stock
 - S corporation stock
- Accounts receivable (e.g., loans, notes, mortgages)
- Real Property (Appendix D)
- Intangible Personal Property (e.g., royalties, distribution rights)
- Intellectual property
- Tangible Personal Property (Appendix E)
- Artwork, jewelry, gems, precious metals
- Collections such as coins, stamps and antique cars
- Life insurance policies
- Mineral Rights (Appendix F)
- All other hard to value assets

Depending upon the nature of the gift asset to be donated, an asset review by the Due Diligence Committee may be extremely time consuming and require out of pocket costs. In certain cases the Due Diligence Committee may request an upfront non-refundable cash donation to the Foundation prior to starting the review process.

The analytical procedures for the review of Non-Liquid Assets are detailed in the appropriate appendix. For all Non-Liquid Assets the donor will be required to provide

detailed information about the asset to be gifted.

These analytical review procedures will likely be adjusted based on the unique attributes of the Non-Liquid Assets being considered and changes in the legal, tax, economic, financial analysis best practices or other environments influencing the ability to value and to risk assess a specific Non-Liquid Asset.

A gift requiring review will be handled in a reasonable manner and timeframe. The Foundation staff will deliver to the President, the Executive Committee and the Due Diligence Committee all information necessary to make a decision. If a gift is not accepted, Foundation staff will notify the prospective donor. All gift reviews will be handled with confidentiality.

IV. GIFTS BY ASSET TYPE

The Foundation will accept gifts in the form of the following assets, subject to the conditions described below. In order to provide written substantiation for gifts, the donor's name and address must be provided.

A. Cash

Gifts of cash should be delivered to the Foundation along with documentation indicating the donor, amount of the gift and the fund, if any, to which the contribution should be credited.

B. Checks

Must be made payable to the Berrien Community Foundation. The component fund, if any, for which the check is intended should be noted in the bottom left corner of the check or in attached correspondence.

C. Pledges

Written donor pledges to make gifts may be made to any fund at the Foundation. A schedule of pledges payable should be included in the fund agreement, letter or other written instruction from the donor. Gift substantiation is provided only when pledge payments are received.

D. Marketable Securities

Marketable securities may be electronically transferred, re-registered in the name of the Foundation, or conveyed through use of a stock power form. The Foundation will also accept interests in mutual funds. Generally, these securities are sold upon receipt. Stock

restricted under SEC Rule 144 may be held until the restriction on sale expires and then will be sold. Gifts of bonds that require a holding period may be accepted and cashed when the holding period has expired.

Unacceptable securities may include those which are assessable or may create an unacceptable liability, those which, by their nature, may not be assigned, and those having no apparent value.

E. Closely Held Business Interests

Donors may make gifts of interests in business entities (e.g., closely held corporations, partnerships, limited liability companies). In evaluating a gift proposal of such assets, the Foundation may consider the probability of conversion to a marketable investment within a reasonable period of time, projected income that will be available for distribution and administrative fees, and the nature of the business from which the asset is derived.

The donor should provide the Foundation with a copy of the donor's qualified appraisal of the contributed interest.

The Foundation does not accept gifts of general partnership interests due to potential liability.

When an interest in a business entity cannot be promptly liquidated, and the documented present value of the interest is \$50,000 or more, that interest may be credited to a new component fund. The fund may be treated as a donor advised, designated, scholarship, field of interest, or unrestricted fund as requested by the donor. Grants may be made only from net income generated by the business interest or from other liquid assets in the component fund, provided the fund's documented present value remains at least \$50,000.

If a business interest contributed to the Foundation is liquidated, but its value is less than \$50,000, the gift generally shall be directed to the Foundation's unrestricted fund or to one of the Foundation's field of interest funds.

Further details related to gifts of limited partnership interests, limited liability company interests, C corporation stock and S corporation stock are included in Appendix C.

Further details related to excess business holdings in BCF donor advised fund accounts are included in Appendix B.

F. Real Property

Generally, gifts of real property in Michigan should result in a contribution to the Foundation of at least \$50,000.

Unencumbered real property will be accepted at fair market value as established by a qualified appraisal provided by the donor. The donor must provide satisfactory evidence of title. Property with multiple owners will be accepted only if all owners of the property join in the gift.

Real property that is encumbered by a mortgage or subject to a land contract will be accepted only in exceptional circumstances. Prior to acceptance of a gift of real property, the Foundation and the donor must agree in writing on arrangements for paying all expenses associated with the property, including taxes and assessments, insurance and maintenance costs.

In order to avoid potential liability for environmental exposures related to non-residential real estate, the Foundation requires adequate third party, qualified environmental assessments prior to acceptance of real estate or business interests holding real property.

In addition to the considerations listed above, commercial properties and businesses will be examined in relationship to the potential for exposure of the Foundation to unrelated business taxable income.

Further details related to gifts of real property are included in Appendix D.

G. Intangible Personal Property (royalties, distribution rights)

The Foundation may accept gifts of royalties or distribution rights on published works (such as books, music or films) where there is clear evidence of marketability or assurance of an income stream.

H. Tangible Personal Property

Gifts of assets such as vehicles, boats, airplanes, furniture, equipment, precious metals, artwork, jewelry, gems and collections such as coins, stamps and antique cars valued in excess of \$5,000 must be accompanied by a qualified appraisal. Unless the property is to be used in connection with the Foundation's tax-exempt purpose, it will be sold at the highest possible price as soon as possible after conveyance. No commitment will be made to keep gifts of personal property. The Foundation discourages gifts of personal property that cannot readily be sold or that require unusual expenses prior to sale. If a lengthy selling period is anticipated, the Foundation may ask the donor to cover such expenses with an additional cash gift.

The Foundation generally does not accept gifts of automobiles. If it does so, it will

comply with the requirements of IRS Notice 2005-44.

Further details related to gifts of tangible personal property are included in Appendix E.

I. Life Insurance Policies and Annuities

Donors may transfer ownership of a paid-up policy to the Foundation and take a tax deduction for the interpolated terminal reserve (typically cash surrender value). Donors may transfer ownership of premium-due policies to the Foundation and make income tax deductible contributions in the amount of the premiums. In either case, the Foundation shall be the owner and beneficiary of the policy and retain the policy in its offices.

Contributions for premium-due policies must be made by direct payment to the Foundation at least ten days prior to the premium due date. The Foundation will not pay premiums on a policy unless the premium is supported by a contemporaneous gift received for that purpose.

Paid-up policies of any value may be accepted by the Foundation. Premium-due policies and the amount of death benefit will be reviewed on a case by case basis.

The Foundation does not enter into life insurance split dollar agreements.

A donor may recommend that the Foundation purchase a new policy (from an agent and insurance company recommended by the donor). Fund assets, or on-going donor contributions endorsed by enforceable pledges to provide for the payment of all premiums, shall be used to pay annual premiums.

A donor may also name the Foundation as beneficiary of a life insurance policy and an annuity. The donor does not receive an income tax deduction for naming the Foundation as a beneficiary.

Only life insurance policies in which the Foundation is the irrevocable owner and beneficiary will be accepted, recorded and reported. The donor must relinquish all incidents of ownership in the policy.

Generally, the Foundation will not accept Charitable Gift Annuities.

J. Mineral Interests

Generally, gifts of mineral interests require a significant amount of due diligence work prior to acceptance by the Foundation.

Further details related to gifts of mineral interests are included in Appendix F.

K. Retirement plans

“Account” type retirement plans, in which a balance accumulates as principal, may be gifted to the Foundation. These include Individual Retirement Accounts (IRA), 401(k), 403(b), and defined contribution plans. “Annuity” plans, such as defined benefit plans, in which principal does not accumulate, generally cannot be used for charitable gifts.

Methods for gifting retirement assets include:

- for individuals over 70 years old, a direct transfer from the donor’s IRA to the Foundation to a maximum of \$100,000 per calendar year in accordance with the Internal Revenue Code;
- naming the Foundation as beneficiary for all or part of the plan assets upon death of the account owner; and
- creating a testamentary charitable remainder trust with a lifetime beneficiary and with the retirement plan assets, upon the death of the account owner, transferring to the Foundation as the trust remainder beneficiary.

V. GIFTS BY FORM

A. Planned and Testamentary Gifts

The Foundation’s planned and testamentary giving program encompasses all forms of gifts whose benefits do not fully or immediately accrue to the Foundation (e.g., upon the death of the donor or another, upon the expiration of a term, or whose benefits to the Foundation are then followed by the interests of non-charitable beneficiaries).

Donors using planned and testamentary gift techniques may establish any of the 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 should be described in detail in a separate fund agreement.

B. Bequest

A bequest may be from a will or trust and may be specific or contingent in nature. Representatives of the Foundation are authorized to solicit direct charitable contributions

through wills or trusts, and charitable split interest trusts. Advice offered by representatives of the Foundation must be accompanied by a written recommendation that the prospect consult his/her own attorney or tax adviser.

A bequest through will or trust to the Foundation should include the following:

- The name “Berrien Community Foundation, a Michigan nonprofit corporation located at South State Street, Suite 2E, St. Joseph, MI 49085.”
- The name of the fund to which the bequest is made. In the case of a new fund, the Foundation should, upon notification that the bequest has been included in a will or trust, prepare a separate fund agreement defining the purpose for which the fund has been created.

VI. COSTS OF ACCEPTING AND ADMINISTERING GIFTS

Generally, costs associated with the acceptance of a gift, such as the donor’s attorneys’ fees, accounting fees, and appraisal and escrow fees, are borne upfront by the donor. The direct costs of administering gifts are generally paid out of the assets of the individual funds. Custodial, investment, and administrative fees are paid from the respective funds in accordance with the Foundation’s guidelines and fee schedules. The Foundation reserves the right to assess a set-up fee.

APPENDIX A

BERRIEN COMMUNITY FOUNDATION MISSION, VALUES AND VISION AS STATED IN THE BERRIEN COMMUNITY FOUNDATION STRATEGIC PLAN 2017 -2020

Mission: To connect the power of people who care with causes and organizations that strengthen our communities.

Values: The Berrien Community Foundation is committed to the following values as essential to our success. Our core values guide the Community Foundation in our work and dedication to our donors, stakeholders and to one another:

- Caring:** We believe in passionate philanthropy that shows compassion for our world.
- Integrity:** We are honest, trustworthy, unbiased, fair, respectful, and transparent in our work, always acting as good stewards of our resources.
- Excellence:** We work for excellence in all we do by being effective, knowledgeable, and responsible.
- Inclusive:** We embrace diversity and collaboration in all our efforts.
- Leadership:** We exemplify leadership through our community partnerships acting as a proactive, progressive, and adaptable community influencer for positive change.

Vision: Building strong, vibrant, and sustainable communities. *For Good. For Ever.*

APPENDIX B

TREASURY REQUIREMENTS - GIFT APPRAISALS, REPORTING AND GIFTS OF EXCESS BUSINESS HOLDINGS

GIFT APPRAISALS

Qualified Appraisals for Gifts of Property

Qualified appraisals are required for contributions of property other than money and publicly traded securities if the aggregate reported value of the item of property exceeds \$5,000. In the case of non-publicly traded stock, a qualified appraisal must be obtained if the value exceeds \$10,000, although for gifts greater than \$5,000, a donor must attach a partially completed appraisal summary form to his or her tax return.

Donors Affected

The rules concerning qualified appraisals apply only to gifts made by individuals, closely held corporations, personal service corporations, partnerships S corporations, family limited partnerships, and limited liability companies. A partner or shareholder in an S corporation must attach a copy of the appraisal summary form to his or her tax return. Although the special rules do not apply to C corporations, a C corporation is required to file a partially completed appraisal summary for contributions of property that exceed the \$5,000 threshold.

Qualified Appraisal

A qualified appraisal must be prepared, signed and dated by a qualified appraiser. The qualified appraisal must be completed no earlier than 60 days prior to filing the tax or information return on which the deduction for the contribution is first claimed, including extensions and amendments. A qualified appraisal should contain a full description of the property, its location and the terms of any agreements or understanding entered in to with respect to the donation if it relates to the use, sale or other disposition of the property.

Qualified Appraiser

A. Qualifications.

To be a qualified appraiser, an individual must hold himself or herself out to the public as an appraiser, or perform appraisals on a regular basis and have qualifications to make appraisals of the type of property being valued. The appraiser must declare that he or she understands that a false or fraudulent overstatement of the value of the property described in an appraisal may subject the appraiser to

civil penalties for aiding and abetting in an understatement of tax liability and may cause subsequent appraisals by this appraiser to be disregarded for income tax purposes.

B. Disqualified Persons.

An appraiser cannot be a qualified appraiser with respect to a particular piece of donated property if he or she is any of the following persons:

1. The donor or the taxpayer who claims the charitable deduction for the property being appraised;
2. Employed by BCF;
3. A party to the transaction by which the donor acquired the property being appraised unless the property is donated within two months of the date of acquisition and its appraised value does not exceed its acquisition price;
4. Any person employed by any of the parties described immediately above or related to any of them;
5. Any person whose relationship to any of the foregoing would cause a reasonable person to question the independence of the appraisal. For example, an appraiser who is regularly used by the donor or donee and who does not perform a substantial number of appraisals for other persons; or
6. An otherwise-qualified appraiser if the donor has knowledge of facts that would cause a reasonable person to expect the appraiser to falsely overstate the value of the donated property. For example, a situation in which an agreement exists between the donor and the appraiser concerning the amount of the property's value and such amount exceeds the fair market value of the property.

C. Treasury Form 8283.

A donor must complete Treasury Form 8283 and attach the same to his or her tax return. BCF as donee, must sign the appraisal summary. Only authorized persons employed by BCF may sign Form 8283 for the donee. The signature by an authorized employee of BCF acknowledges receipt of the property and knowledge of the disposition reporting requirements. Failure of the donor to attach an appraisal summary to the tax return may result in denial of the deduction.

REPORTING

A. Treasury Form 8282.

Form 8282 must be filed on or before the 125th day after BCF sells, exchanges, or otherwise disposes of charitable deduction property if sold or disposed of within two years of the contribution date. Dispositions after two years need not be reported.

1. It shall be impermissible to agree with a donor to delay the sale or liquidation of charitable deduction property solely for the purpose of avoiding the filing of form 8282.
2. The information required on Treasury Form 8282 includes the name, address and employer identification number of both BCF and of the donor, a description of the property, the disposition date and the amount BCF received.

B. Gifts of \$250 or More.

A donor may be denied a charitable income tax deduction unless the donor receives contemporaneous written substantiation of any single charitable contribution of \$250 or more. BCF shall provide a donor with written acknowledgment of any single gift of \$250 or more. The gift acknowledgment must make a good faith estimate of the value of any goods or services, if any, provided by BCF in exchange for a gift and should describe (but not value!) any property donated.

GIFTS OF EXCESS BUSINESS HOLDINGS

Under the Pension Protection Act of 2006 (PPA), the private foundation excess business holdings rules now apply to donor advised funds as if they were private foundations. That is, the holdings of a donor advised fund in a business enterprise, together with the holdings of persons who are disqualified persons with respect to that fund, may not exceed any of the following:

- Twenty percent² of the voting stock³ of an incorporated business
- Twenty percent of the profits interest of a partnership or joint venture or the beneficial interest of a trust or similar entity.

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

Donor advised funds that receive gifts of interests in a business enterprise after the date of the PPA's enactment (August 17, 2006) have five years to divest holdings that are above the permitted amount, with the possibility of an additional five years if approved by the Secretary of the Treasury. Funds that held such assets prior to PPA's enactment have a much longer period to divest under the same complicated transition relief given to private foundations in 1969.⁴

What is a business enterprise?

A "business enterprise" is the active conduct of a trade or business, including any activity which is regularly carried on for the production of income from the sale of goods or the performance of services. Specifically excluded from the definition are:

- Holdings that take the form of bonds or other debt instruments unless they are a disguised form of equity
- Income from dividends, interest, royalties and from the sale of capital assets
- Income from leases unless the income would be taxed as unrelated business income
- "Functionally-related" businesses and program-related investments
- Businesses that derive at least 95 percent of their income from passive sources (dividends, interest, rent, royalties, capital gains). This will have the effect of excluding gifts of interests in most family limited partnerships, and other types of holding company arrangements.

¹ The language is clear that it is only the donor advised fund—not the sponsoring charity—that is to be treated as a private foundation. Accordingly, it appears that this section does not apply to assets held by the sponsoring charity's investment pools, or assets held by funds that are not donor advised.

² Thirty-five percent if it can be shown that persons who are not disqualified persons have effective control of the business.

³ Additionally, the donor advised fund will be barred from holding non-voting stock of an incorporated business unless the disqualified persons collectively own less than 20 percent of the voting stock. Under the *de minimis* rule, the donor advised fund could continue to hold an interest that did not exceed two percent of the voting stock and two percent of the value. Additional rules apply to cover situations such as mergers, redemptions, and acquisitions.

⁴ Excess holdings acquired by purchase must be disposed of immediately. If purchases by disqualified persons cause the donor advised fund to have excess holdings, the donor advised fund will have 90 days to dispose of the excess.

What is a disqualified person?

Donors and persons appointed or designated by donors are disqualified persons if they have, or reasonably expect to have, advisory privileges with respect to the donor advised fund by virtue of their status as donors. Members of donors' and advisors' families are also disqualified, but the PPA does not define "family" and does not cross-reference either Internal Revenue Code §4958 or §4946 for the definition. Finally, the term includes 35 percent-controlled entities as defined in section §4958(f)(3).

Assets categorized under the PPA as "excess business holdings"

BCF identifies and monitors any new gift to a donor advised fund of any interest qualifying as an "excess business holding" under the PPA. BCF will exercise its best effort to dispose of the contributed interest at the best possible price within five years of the date of the gift, as required under the PPA. In any event, BCF will dispose of any excess business holding prior to the five-year time limit, except in the event that the Treasury Department grants an additional five year holding period. BCF will notify potential donors of such interests of this requirement prior to the contribution of such interest.

APPENDIX C

GIFTS OF CLOSELY HELD BUSINESS INTERESTS

Gifts of closely held business interests such as partnership interests, limited liability company interests, C corporation stock and S corporation stock may be accepted by the Foundation. The Foundation does not accept gifts of general partnership interests due to the unlimited liability of general partners.

Partnership Interests and Limited Liability Company Interests

The following steps should be followed to perform due diligence prior to acceptance of these types of gifts:

1. The President must discuss with the donor or donor's representative the charitable intent of the donation, the assets that will fund the gift, the percentage payment of the income to BCF from the LP or LLC and other terms of the partnership.
2. BCF must have adequate opportunity to review the business document, which includes a review by BCF legal counsel. Gifts of LP or LLC interests offered to BCF may be accepted or declined based on the response to this review.
3. All such gifts will be reviewed on a case- by-case basis and may be accepted or declined based on the result of this review.
4. Generally, if the documented present value of an LP or LLC interest is \$50,000 or more, that LP or LLC interest may be credited to a new, named component fund at BCF. The fund may be treated as an advised, designated, scholarship, field of interest, or unrestricted fund as requested by the donor. Grants may be made only from income generated by the LP or LLC interest or from other liquid assets in the component fund, provided the fund's documented present value remains at least \$50,000.
5. Generally, if the documented present value of an LP or LLC interest is less than \$50,000, that LP or LLC interest will be treated as an unrestricted contribution to BCF, and income from the LP or LLC interest will be treated as unrestricted income to BCF. In the alternative, the donor may direct the contribution to an existing, named component fund at BCF or combine the LP or LLC interest with other assets sufficient to bring the total present value of the contribution to at least \$50,000.
6. BCF's administrative fees will be as follows:

- Named component funds are charged an administrative fee based on BCF's standard published fee schedule.
 - Fees attributable to the gift including due diligence fees, filing fees, setup fees, annual compliance fees and other fees will be assessed by BCF on a case by case basis.
 - If the LP or LLC interests do not produce sufficient income to pay the fees, BCF reserves the right to invoice for fees.
7. BCF must receive an annual tax filing or valuation for the LP or LLC interests (usually in the form of a K-1). This provides the basis for BCF to book the asset, as required in FASB standards.
 8. Donors of LP or LLC interests must be fully informed by their advisors of the tax implications of the gift of LP or LLC interests, including the non-income tax deductibility of the annual income payments to BCF as an owner of the LP or LLC interests.

C Corporation Stock and S Corporation Stock

Gifts of closely held C corporation stock and S corporation stock must be reviewed by the Due Diligence Committee. Subject to the Committee's approval, the Foundation may accept gifts of C corporation or S corporation stock in any amount to any existing fund. Gifts to establish a new component fund at the Foundation must meet the applicable minimum funding requirement. The Foundation may accept gifts of stock in a C corporation or S corporation that generate unrelated business income only if certain agreements are reached with the donor and/or the corporation. These include an agreement by the donor that the taxes on the unrelated business income and the Foundation's associated administrative expenses (e.g., accounting and tax return preparation) will be charged against the fund holding the contributed stock. Further, the donor should agree to contribute additional cash to the fund to pay the future taxes and administrative expenses to the extent there is insufficient cash in the subject fund balance to cover such taxes and expenses.

Appraisal

Each gift of closely held or S corporation stock giving rise to a charitable deduction of more than \$5,000 must be appraised in accordance with federal tax law. The donor will be responsible for obtaining such appraisal.

Distributions

Distributions from a component fund that consists entirely of closely held or S corporation stock are limited to the income generated by the securities less fees assessed by the Foundation and any unrelated business tax imposed thereon.

Liquidation

The Foundation will generally seek to redeem or sell closely held or S corporation stock contributed as soon as possible and generally will not accept gifts that cannot be liquidated within three years.

Procedures for Accepting Gifts of Closely Held or S Corporation Stock

The following procedures apply to all proposed gifts of S corporation stock:

- The Foundation will review corporate governing documents to determine the rights and obligations associated with the stock and whether or not the Foundation should undertake such obligations in light of such rights.
- The Foundation will review the corporation's most recent tax returns and the donor's most recent K-1 to determine the nature of the income associated with the stock (e.g., unrelated business income, active versus passive business).
- All proposed transfer documents must conform to the Foundation's form or be approved by the Foundation's counsel.
- As a condition for the Foundation's acceptance of the gift, a written agreement between the donor and the Foundation should be in place that provides for the payment of administrative expenses and unrelated business income taxes generated by the stock to the extent there is insufficient cash in the fund to which the stock has been donated to cover such expenses and taxes. The agreement should also require the donor to indemnify the Foundation against all liabilities incurred by the donor on account of the stock up to the date of the gift.
- The donor shall provide the Foundation with all documents which outline, discuss or relate to the duties and liabilities which shareholders have, including Shareholder Agreements.

APPENDIX D

GIFTS OF REAL PROPERTY

The donor will be required to provide detailed information about the real property. The Foundation will review these documents as well as consider any liabilities, restrictions or other conditions related to the gift. These policies also will apply to gifts of certain other assets that have real estate holdings as an element of value (e.g., certain partnerships or other business entities).

When a donor expresses the desire to donate a gift of real estate, the following guidelines will be followed:

1. The Foundation staff, one or more members of the Due Diligence Committee and the donor should meet to visually evaluate the property and develop appropriate gift arrangements with the donor, subject to proper approval. The first step in the approval process is a recommendation from the Due Diligence Committee. The next step is approval of the Foundation's Executive Committee and its President.
2. Obtain a qualified appraisal performed according to IRS guidelines at the Donor's cost.
3. The "Checklist for Real Estate Gifts" needs to be followed and filled out, if applicable. See Attachment 1.
4. A financial analysis must be performed prior to acceptance to determine whether the gift is a financially sound investment for the Foundation, especially if commercial or income property is involved.
5. Gifts of real property should result in a gift to the Foundation of \$50,000.
6. Depending on the complexity and value of the property being donated, the staff should discuss an appropriate fee/gift arrangement with the donor to help cover the overhead costs of accepting the gift. These may include realtor commissions, title work, closing costs, legal fees, property taxes, insurance and environmental assessments.
7. The following agreements with the donor may be required: fund agreement, expense reimbursement and fee agreement, deed execution and title insurance policy.

Considerations for Accepting Real Estate Gifts

1. The Foundation will consider encumbered property for acceptance only if the evaluation convincingly demonstrates that the property can be sold at a price that substantially exceeds the aggregate amount of the encumbrances and any costs associated with satisfying them.
2. The Foundation must weigh carefully whether or not it has the desire and ability to manage the property for whatever length of time is necessary to consummate the sale. If the property produces income, the Foundation must consider the amount and stability of income it receives against the ongoing cost of the encumbrances.
3. The Foundation will not pay for appraisals, finder's fees, or the drafting of legal documents without approval of the Foundation's President and Chairperson.

Disposition of Real Property

Generally, the Foundation will sell property as quickly as is both prudent and feasible after the gift is accepted.

1. The Foundation should consider its investment objectives before selling.
2. The Foundation should avoid selling property at a distressed price. A quick distress sale may jeopardize the donor's charitable contribution deduction and might negatively impact the market values in the area.

Environmental/Pollution Concerns for Michigan Real Properties

The Foundation will not accept liability for cleanup of contaminated real property that is received as a donation. In most cases, a Phase I environmental site assessment (ESA) will be required by the Foundation prior to acceptance of non-residential real estate gifts. The assessment should be performed to the current American Society for Testing and Materials standard and include site observations, building observations, interviews with the current owners and adjacent site reconnaissance.

If concerns are raised as a result of the Phase I ESA, and dependent upon the level of environmental concern at the site, a Phase II ESA may be required.

For real property located in Michigan, the information gathered in the Phase I and Phase II ESAs is used to determine whether the property is a "facility" as defined by Michigan's Natural Resources and Environmental Protection Act. If the property is a facility, the Foundation can protect itself by completing a baseline environmental assessment (BEA) and disclosing it to the Department of Environmental Quality (DEQ) and to subsequent purchasers of the property.

Experts should be consulted with regard to similar programs and processes required for real properties located outside of Michigan.

Obtaining environmental clearances can be an expensive and time-consuming undertaking. Donors must be both patient and agreeable to underwriting the cost of these efforts.

Final Documents for Gift Acceptance

A donor agreement containing environmental/pollution disclosure and liability provisions must be executed. Known and unknown liabilities from transfer documents should not be excluded from the agreements or related transfer instruments.

Gifts Related to Real Estate

The Foundation may accept trust deed notes and mortgages as gifts. In most cases, a qualified appraisal would determine the value, taking into account the unpaid principal balance, the interest rate payable under the loan, and the current interest rates.

Bargain Sale of Real Estate and Personal Property

Gifts in the form of a bargain sale need to be appraised by an independent appraiser (MAI, FHA or equivalent) with the fee to be paid by the donor.

In addition, the asset should be readily marketable (maximum estimated selling period of one year) or have a reasonable current use to the Foundation. The minimum gift valuation should be \$50,000, net of the Foundation's investment.

Gifts of Real Estate with Retained Life Tenancy

Consideration of a life tenancy gift requires the Foundation staff to follow the stated guidelines for acceptance of real property. The donor pays for the appraisal and all transfer fees and costs. The gift value and anticipated value of property at the end of the life tenancy will be calculated by the Foundation when the gift is made.

There should be reasonable expectation that the property can be sold within one year after the death of the donor or donor's relinquishment of the property.

In accepting gifts of real estate with retained life tenancy, the Foundation will also take into consideration the potential use of the property during the life tenancy to avoid acceptance of a property that may become a liability in future years.

The Foundation should agree to participate in a gift of real estate with retained life tenancy generally if:

- The property value initiating the life tenancy is a minimum of \$50,000.
- The Foundation is named as irrevocable remainder beneficiary, for endowment purposes, for a minimum of 50% of the remaining assets.

Documents to Obtain

Title Opinion:

Date Received

Donor should be asked to supply

Appraisal:

Must be ordered, paid for and submitted within 60 days of deed delivery.

Deed:

Shows how title is vested and is used to prepare the title transfer.

Property Tax Bill:

Shows assessed value of land, improvements, actual tax and any assessments

Income/Expense Pro Forma for Three-Year Period:

If commercial income-producing property.

Association Agreement:

Ownership rights and responsibilities of some properties, primarily residential or condominiums, are governed by an owners association. The agreement should include fees or assessments, together with a statement showing the condition of any reserve fund for deferred maintenance.

Conditions, Covenants and Restrictions:

Conditions, covenants and restrictions are required of most subdivisions. A copy of these will show how the property may be used and what restrictions may apply.

Lease or Rental Agreements:

If the property is leased or rented to others, a copy of each rental agreement should be obtained showing the terms of the agreement term of rental, deposits, etc.

Notes and Trust Deeds or Mortgages:

If the property is leased or rented to others, a copy of each rental agreement should be obtained showing the terms of the agreement, term of rental, deposits, etc.

Current Mortgage Statement:

Will show the current status of a loan and will be helpful in identifying and discussing the loan with the lender.

Insurance Policy:

Will verify cost of Insurance and provide information for the Foundation to transfer insurance, if desired, after gift is made.

Plot Map/Property Line:

This indicates location of property and is an important step in acquiring much of the information for gift analysis.

Inspection Reports:

Where inspection reports are available from previous activity related to the property, such a Code Officers, inspection reports or structural assessment reports by an engineer.

Fund Agreement:

Outline of donor's charitable interest.

Donor/Donee Transfer Agreement:

Must use Foundation approved agreement form (if appropriate depending on type of gift). The agreement should be drafted with legal counsel help to meet the needs of each gift.

Environmental Assessment and Clearance:

Must be performed to current ASTM Standard and state requirements.

APPENDIX E

GIFTS OF TANGIBLE PERSONAL PROPERTY

1. Gifts of tangible personal property will generally be accepted if the property is either usable by the Foundation or can be quickly sold for an amount approximating the fair market value.
2. All such gifts will be placed on the Foundation's books at a value of \$1.00 unless a valid independent appraisal is supplied.
3. Establishment of value is the responsibility and expense of the donor. If the value is presumed to be in excess of \$5,000 the donor must have a qualified appraisal done, with the appraisal summary on the back of the IRS Form 8283 filled in and signed by the appraiser and the Foundation.
4. Gifts of art will generally be accepted; however, the decision whether the art is put to a related use rests with the Foundation. Appraisers of gifts of art should generally be selected and controlled by the Foundation due to the high variability in value that may be attributed to art. The donor would be responsible for the cost of the art appraisal.
5. Gifts of vehicles will be valued by the Foundation at the retail "Blue Book, or Gold Book if applicable, price, less any necessary repairs." The vehicle must be currently registered, insured, and in drivable condition with proof of title. The Foundation will report the condition of the vehicle and range of value per the above methods to the donor.
6. In accepting gifts of tangible personal property, the Foundation will take into consideration transportation costs, storage costs, costs associated with selling, maintenance, repair, and usefulness to the Foundation.
7. The donor can receive a charitable deduction only for the cost basis for gifts of tangible personal property not related to the Foundation's purpose.

APPENDIX F

GIFTS OF MINERAL RIGHTS

The following steps will be completed for the donation of Mineral Rights to the Foundation:

1. Before accepting, a full and independent appraisal of the mineral interests should be secured.
2. Obtain and review all mineral deeds, quitclaim deeds, and or warranty deeds.
3. Seek a copy of the last independent reserve report and review who made the report. If the report is more than two years old, find out the approximate costs for an update. Determine whether it is feasible to perform an update, if desired.
4. Determine who the primary operators are and procedures to transfer ownership and collect revenue checks. Determine if there are any revenue-sharing or cost-sharing provisions.
5. Obtain bid price for selling the mineral and royalty rights, should liquidation of the asset be desirable.
6. All mineral rights must be held in BCF Giving, LLC and, if possible, be received directly to the LLC rather than through the Foundation chain of title.