

Gift Acceptance Procedures

Foundation staff will review proposed gifts prior to acceptance and will discuss with the donor(s) any unique circumstances necessary to address to comply with IRS regulations. The Foundation may request additional information prior to final acceptance, potentially including a qualified appraisal.

Consistent with the Foundation's Gift Acceptance Policy, some gifts may require Gift Acceptance Committee approval prior to the Foundation accepting the asset.

Minimum Gift Amount of Illiquid Assets

The Foundation may accept gifts of illiquid assets, including immovable property, business interests and movable property, provided that the value of such asset equals or exceeds \$100,000. In addition, if the illiquid asset requires ongoing maintenance costs, the Foundation may require a simultaneous cash gift to cover the ongoing costs.

Assets without Sufficient Liquidity for Gift and Administrative Fees

To the extent that Funds at the Foundation, or Community Foundation Realty, Inc. do not have sufficient liquidity, gift and administrative fees will be accrued to the cash balance of the Fund and repaid at liquidation or when cash generated from the asset is contributed to the fund (i.e. lease payments). If the assets are not liquidated within a five-year period, the donor must agree to pay in cash newly accrued annual fees beginning in year 6 and beyond, until such time as the asset is liquidated. "Back fees" for years 1 through 5 will generally remain as a liability of the fund, and will be settled upon liquidation of the asset.

Gift Agreement

For illiquid non-cash assets, the Donor may be required to sign a gift agreement whereby the Donor agrees to indemnify and reimburse the Baton Rouge Area Foundation for, from and against all taxes owed or expenses and liabilities incurred because of the Baton Rouge Area Foundation's ownership of the asset. The Donor must also agree to contribute additional liquid assets to their Fund as necessary to cover such obligations should sufficient liquidity not be available in their Fund.

Types of Accepted Assets and Associated Procedures

The following pages detail procedural considerations for assets the Foundation may accept. This compilation is not exhaustive of all asset types accepted.

A. Cash

The Foundation will accept cash in the form of currency, a money order, checks and wires.

The date of donation for a gift of cash mailed to BRAF is the postmark date; for a credit card gift, the processing date; for an electronic transfer, the date funds are deposited into BRAF's account.

B. Mutual Funds

The Foundation will accept readily marketable mutual fund shares.

C. Publicly Traded Securities

The Foundation will accept publicly traded stocks and bonds. Special attention may be required for gift transactions with unique tax considerations (e.g., restrictions on excess business holdings, restricted or controlled stock and capital gains treatment of discounted bonds upon maturity).

The Foundation sells all marketable securities as soon after receipt as is reasonably possible. The donor will be recognized for the average share price for the high and low selling prices quoted on the day the stock is transferred to BRAF.

D. Mineral Interests

BRAF may accept oil, gas, and other mineral interests, upon review and recommendation by its Gift Acceptance Committee.

Factors to be considered in acceptance include:

- Value
- Potential liabilities
- Marketability of interest conveyed
- Gifts of ownership of oil, gas, or mineral interests are recorded at fair market value at the time of the gift

Gifts of royalties from facilities not owned by BRAF are recorded as the amount received each year.

E. Immovable Property

The Foundation accepts gifts of immovable property, including land, office buildings, residences, vacation homes, apartments, or fractional interests in any such immovable property. The acceptance of any such gifts is subject to the procedures outlined in this document.

General Warranty Deed: When the Foundation receives immovable property, it will generally require the donor to execute a general warranty deed and may require the donor to obtain title insurance.

Special Warranty Deed: When the Foundation conveys immovable property to a buyer, it will generally execute a special warranty deed limiting its warranties as to title.

Community Foundation Realty, Inc.: Approved gifts of immovable property may be accepted by Community Foundation Realty, Inc, a Type I Supporting Organization of the Foundation. During the time that immovable property is held in Community Foundation Realty, Inc., such immovable property will be held in a separate Designated Fund.

Immovable property will generally be held in Community Foundation Realty, Inc. until such time that it can be sold or otherwise liquidated. Following the liquidation of immovable property, the net proceeds will be directed to a fund at the Foundation or an appropriate charitable organization as identified in a Designated Fund.

To limit its potential liability, prior to accepting a gift of immovable property, the Baton Rouge Area Foundation or Community Foundation Realty, Inc. may require the immovable property to be contributed to a limited liability company.

In order to evaluate a proposed gift of immovable property, the Foundation has established the following procedures:

Immovable Property Inquiry Form: Donors must complete the Foundation's P Inquiry Form (available from the Philanthropic Advancement Team), which requests various information relating to the property, including information about income and expenses, as well as conditions and restrictions to which the property is subject.

Criteria for Review: The Foundation generally will consider the value of the gift and ease of administration. In addition, the Foundation will consider:

Marketability: The Foundation will pay particular attention to the property's potential marketability.

Qualified Appraisal: Current IRS rules may require that a qualified appraisal of the property be prepared not more than sixty (60) days before the contribution of the property and not later than the due date of the tax return on which a deduction for the contribution is claimed. This appraisal must be filed in order for the donor to claim a charitable tax deduction, with the costs of the appraisal incurred by the donor. If the asset is disposed of within three (3) years of the date of its contribution, IRS rules require the Foundation to file an informational return.

Environmental Health: A Phase I or comparable environmental analysis may be requested. In general, the donor must bear the cost of an environmental audit to protect the Foundation from potential liability for environmental conditions.

Property Under Contract: To reduce the risk of being taxed on capital gain from property contributed to the Foundation, donors should refrain from subjecting the property to a contract for sale. Any contract for sale should occur once the property has been transferred to the Foundation.

Debt: The Foundation will not ordinarily accept immovable property that is encumbered by mortgage indebtedness unless satisfactory arrangements can be made with regard to ongoing mortgage payments and any UBIT the Foundation may incur.

Costs to the Foundation: The Foundation will require written assurances regarding the payment of expenses relating to the property or will require a simultaneous liquid gift to the fund to cover any such expenses (e.g., finder's fees, taxes and assessments, appraisal fees, environmental evaluations, insurance coverage, HOA fees, maintenance costs).

Existing and Contingent Liabilities/Contracts: The Foundation will review information about the nature of the property for the proposed gift so that the Foundation may consider whether there are any potential tax or other liabilities that it may incur.

Material Restrictions: A gift of immovable property may not be subject to a “material restriction” as defined by IRS rules. Such restrictions guard against:

- Selling the contributed property
- Granting oneself a right of first refusal to purchase the contributed property or assume rights affecting the property
- Contractual obligations, pledges or other liabilities
- Establishing irrevocable relationships for the maintenance or management of the property transferred to the Foundation

Management Expenses: The fund that holds the immovable property will be charged for all expenses relating to the management and sale of the property including insurance costs, repairs or improvements to the property, property management fees, property taxes, broker age fees and closing costs. In addition, when the Foundation is expected to have continuing responsibilities for the management of immovable property, such as security arrangements, maintenance, and/or dealing with tenants or property managers, it may charge reasonable fees for such services as determined on a case-by-case basis at the time of the gift or as the need for service arises.

If the fund does not have sufficient assets to pay such amounts, then an accompanying cash gift may be required by the Donor to cover such amounts. In such cases, the amount of the accompanying cash gift will typically be determined based on a 1-3 year pro forma of estimated expenses for the property and may be waived if there are identified or future annual income streams (e.g., rent).

F. Closely-Held Business Interests

The Foundation will accept gifts of business interests described below subject to the procedures outlined below.

Closely-Held Stock: The Foundation accepts gifts of closely-held stock. The Foundation also accepts S Corporation stock on a case-by-case basis.

LLC and LP Interests: The Foundation accepts gifts of membership interests in limited liability companies (LLC) and gifts of limited partnership interests in limited partnerships (LP). The Foundation generally does not accept gifts of general partnership interests.

Excess Business Holdings: As described above, the Foundation may accept gifts of interests in LLCs, LPs or other closely-held businesses. Designated Funds avoid the excess business holding rules and allow a donor, when meeting certain requirements, to make a gift of any size business interest without running afoul of these rules.

Gifts of business interests are accepted into a Designated Fund because, with respect to Donor Advised Funds (as well as certain other Funds that fall within the Code's definition of "donor advised fund"), the excess business holdings rules, which restrict such Funds' holdings in a business enterprise, may require that some or all of such business interests be divested within a five-year period (or a ten-year period, under certain circumstances).

A Donor Advised Fund's holdings in a business enterprise will generally be aggregated with those of its donors, donor advisors, their family members and 35% controlled entities to determine whether the applicable threshold (generally, a 20% ownership interest) has been exceeded. If the threshold has been exceeded and the excess business holdings are not divested within the applicable time period, significant excise taxes will be imposed by the IRS. Notwithstanding any of the discussion in this document of general acceptance of such gifts to the Foundation, the Foundation retains the right to revise the Designated Fund Agreement to ensure the Designated Fund does not fall within the definition of a Donor Advised Fund.

The Foundation has established the following review procedures:

Business Interests Inquiry Form: Donors must complete the Foundation's Business Interests Inquiry Form (available from the Philanthropic Advancement Team), which requests information relating to the asset to be contributed, including information about organization, operation, value and taxation, as well as any conditions, restrictions, allowances, income and expenses relating to the business. Such information is intended to enable the Foundation to conduct due diligence prior to accepting the asset.

Criteria for Review: The Foundation generally will consider the value of the gift and ease of administration. In addition, the Foundation will consider:

Market Value and Marketability: The Foundation will review a current appraisal of the fair market value of the asset, its potential income stream, capital gain and any other relevant financial information.

Qualified Appraisal: IRS rules regarding income tax deductions for charitable gifts of these business interests require a qualified appraisal by an independent appraiser and such an appraisal provided by the donor will be required by the Foundation. Current IRS rules may require that a qualified appraisal of the business interests be made not more than sixty (60) days before the contribution of the business interests and not later than the due date of the tax return on which a deduction for the contribution is claimed. This appraisal must be prepared in order for the donor to claim a charitable tax deduction, with the costs of the appraisal incurred by the donor. If the asset is disposed of within three (3) years of the date of its contribution, IRS rules require the Foundation to file an informational return.

Governance of Business: The Foundation will consider information relating to the management of the business entity and the duties, background, experience, stability and other attributes of the entity's managers.

Debt: In addition to normal business concerns regarding debt load, the Foundation also must consider the effect of debt to determine if the Foundation may be required to pay unrelated business income tax ("UBIT").

Existing and Contingent Liabilities/Contracts: The Foundation will review information about the nature of the business for the proposed gift so that the Foundation may consider whether there are any potential tax or other liabilities that it may incur.

Unrelated Business Income Tax: Certain assets, including mortgaged immovable property and interests in S Corporations, LPs, and LLCs may subject the Foundation to UBIT. The Foundation may incur additional costs for accounting and tax services to determine the amount of any UBIT and to report it to the IRS. The Fund donor or Supporting Organization will be responsible for paying any UBIT in addition to any expenses related to legal, tax or accounting services, or any related administrative expenses incurred by the Foundation.

Rights and Obligations of Shareholders or Partners: The Foundation will review its rights and obligations as a partial owner of the business entity. The Foundation will not accept a gift of business interests if the governing documents can be amended to adversely affect the interests of the Foundation without its consent. In addition, a gift of business interests will be considered on a case-by-case basis if additional capital calls may be required of the Foundation.

Anticipated Liquidation of Business Interests: In order for the Foundation to accept a gift of a business interests, there must be a mechanism for converting the business interests into liquid assets via redemption, liquidation or otherwise within a reasonable time of the gift of the owner ship interest to the Foundation.

Material Restrictions: A gift of business interests may not be subject to a “material restriction” as defined by IRS rules. Such restrictions guard against:

- Selling the contributed business interest
- Granting oneself a right of first refusal to purchase the contributed business interest or assume rights affecting the property
- Contractual obligations, pledges or other liabilities, and establishing irrevocable relationships for the maintenance, investment or management of the business interests transferred to the Foundation

Closely Held Business Interests Management Expenses: Any taxes, fees or other expenses related to the business interests held in the Fund (such as unrelated business income tax) will be charged to the Fund. If the Fund does not have sufficient assets to pay such amounts, then an accompanying cash gift may be required from the Donor to cover such amounts. In such cases, the amount of the accompanying cash gift will typically be determined based on a 1-3 year pro forma of estimated expenses for the business interest and may be waived if there are identified or future annual income streams.

The Foundation may require the Donor to transfer the business interests to a single member LLC prior to accepting the gift.

G. Split Interests

A donor may give BRAF naked ownership (in common law terminology, a remainder interest) of property (typically immovable property, but sometimes business or financial assets), subject to a retained usufruct (in common law terminology, a life estate) under which donor or a designated beneficiary continues to use and receive the revenues from the property for his lifetime or shorter designated period. After termination of this right of use, BRAF becomes the full owner of the property.

The person with the right of use is legally required to pay the expenses of routine maintenance, insurance, and property taxes. However, extraordinary expenses and any expenses the user refuses to pay may require payment from BRAF to preserve the property and its contingent interest.

In addition to the regular review according to the type of property involved, the Gift Acceptance Committee must carefully evaluate potential liabilities and expenses associated with acceptance of naked ownership.

Acceptance of immovable property subject to a retained interest should generally be conditioned upon execution of an agreement with the retained interest holder providing for the holder's obligation for maintenance, insurance, and taxes, and the method of valuation of respective interests in the property.

Other forms of split interest donations include charitable lead trusts and charitable remainder trusts, discussed below.

H. Tangible Movable Property

The Foundation may accept gifts of tangible movable property, including but not limited to, artwork, collectibles, antiques, jewelry, books, livestock, timber, crops, automobiles, and boats, only after a review and approval by the Gift Acceptance Committee. The proposed gift must be readily marketable, free and clear of encumbrances, or related to the tax-exempt charitable purpose of the Foundation.

In the case of tangible movable property:

- The Foundation will consider whether the property is to be used by BRAF or sold, the value, marketability, and the cost of maintenance, insurance, etc. during retention of ownership
- The delivery of tangible movable property generally requires an actual transfer of possession to effect a completed gift for tax purposes

The Foundation will inform the donor of how the Foundation expects to use the property. The donor should consult with the donor's professional advisors to determine whether this anticipated use is related or unrelated to the Foundation's tax-exempt purpose. In the case of a charitable gift of tangible movable property, this determination can affect whether the donor is eligible for a charitable income tax deduction for the fair market value (applicable in the case of related use) or for the donor's cost basis in the property (applicable in the case of unrelated use).

I. Life Insurance Policies

Donors may make a gift of life insurance to the Foundation either by irrevocably designating the Foundation as the owner and beneficiary of the policy or by designating the Foundation as a beneficiary of all or a portion of its proceeds.

The Foundation will only accept a policy requiring ongoing payment of premiums if the policy is valued at \$100,000 or more, and the donor has submitted to the Foundation a written agreement outlining the payment plan. If the payment plan is not sufficient to cover the ongoing payment of premiums and the donor otherwise fails to pay the ongoing premiums the Foundation may:

- Continue to pay the premiums
- Convert the policy to paid up insurance
- Surrender the policy for its current cash surrender value
- Take any other reasonable steps that are necessary with respect to the policy

Donors may also wish to consider cashing existing life insurance policies or selling the policy to a viatical company and contributing the proceeds to a Fund. The donor may also consider converting the policy to a paid-up premium policy before gifting it to the Foundation to eliminate the need for ongoing premium payments.

J. Retirement Plan Assets

Retirement plan assets (e.g., those in qualified plans or IRAs) are ideal for charitable giving purposes at death because these assets are currently the most heavily taxed for income tax purposes. Donors may make a gift of retirement plan assets by irrevocably designating the Foundation as a beneficiary of the plan. The Foundation requests that donors designating the Foundation as a recipient of retirement plan assets provide copies of such beneficiary designations.

Donors should be aware that historically a gift of retirement account assets during one's lifetime could create adverse tax consequences. Under current law, an exception exists permitting lifetime distributions of up to \$105,000 per year to most public charities from the IRA of an individual who has reached age 70 1/2. While distributions to Donor Advised Funds do not qualify for this exception, many gifts to the Foundation for the benefit of Funds (e.g., Designated Funds, Scholarship Funds) will qualify. Donors should check with a tax advisor before making such a designation.

K. Planned Gifts

A planned gift is a gift of cash or other property made in a donor's will or living trust, and may designate specific properties, or provide for a dollar amount or percentage of the estate bequeathed to "The Baton Rouge Area Foundation", or alternatively may establish and fund a testamentary trust with "The Baton Rouge Area Foundation" as beneficiary (see CRT information below).

While the will may also state the purpose for or restrictions upon the gift, those can be provided in a separate agreement with BRAF, allowing purposes and restrictions to be revised by the donor without the need to revise the will. Donors should provide a copy of the portion of the will documenting the bequest and estimate the value.

The Foundation requests that the donor complete the Foundation's Planned Gift Form.

The Gift Acceptance Committee may give preliminary approval of a proposed planned gift, but the gift must be re-evaluated based upon circumstances at the time the gift becomes executable.

L. Charitable Lead Trusts (CLT)

BRAF may be designated as the income beneficiary of a charitable lead trust created during the donor's life or through the donor's will, with the remainder interest passing to the donor or other designated beneficiary. BRAF will not serve as trustee.

M. Charitable Remainder Trusts (CRT)

A CRT is an irrevocable trust in which the donor (or another designated beneficiary) is designated as the lifetime income beneficiary and BRAF is designated as the remainder beneficiary, receiving the remaining trust assets upon termination of the income interest (upon the beneficiary's death or expiration of a specified time period). BRAF will not serve as trustee. The annual annuity must be at least five percent but not more than fifty percent of the trust's assets, and the retained interest at least ten percent of the value of the property when contributed to the trust. The donor receives a partial income tax charitable deduction when the trust is funded, and the CRT's investment income is tax-exempt.

There are two main types of CRTs:

- Charitable remainder annuity trusts (CRAT), which distribute a fixed amount annually and which do not permit additional contributions
- Charitable remainder unitrusts (CRUT) which distribute a fixed percentage based on the balance of the trust assets (revalued annually) and to which additional contributions can be made

The gift value is based on the present value of the remainder interest, calculated from IRS tables.

N. Bargain Sale

A charitable bargain sale is a transfer of property to the Foundation where the donor receives a price that is less than the fair market value of the property transferred. The transaction is part charitable gift and part taxable sale. Since bargain sale transactions require the outlay of funds by the Foundation, these transactions will be approved only in very limited circumstances. One such circumstance involves property that the Foundation intends to keep for use in its programs that may be acquired on beneficial terms in a bargain sale transaction. In limited circumstance, the Foundation may consider bargain sale transactions to acquire property that would not be retained for use in the Foundation's programs, if it is determined in the approval process that the property can be sold for cash in a timely manner.

O. Other Assets

The Foundation will consider gifts of other assets not specifically named in this document.