

**THE TOWN SQUARE COMMUNITY FOUNDATION
GIFT ACCEPTANCE & FUND POLICIES**

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THE TOWN SQUARE COMMUNITY FOUNDATION GIFT ACCEPTANCE & FUND POLICIES

CHAPTER 1 GENERAL FUND AND ENDOWMENT GRANT DISTRIBUTION

I. PURPOSE OF GENERAL FUND OR ENDOWMENT GRANT DISTRIBUTION

The Town Square Community Foundation exists to assist people and institutions of rural Central Texas improve the quality and circumstance of life for themselves and future generations. The the Foundation can only distribute grants to qualified public entities or 501(c)(3) charities serving the people of rural Central Texas.

Currently, the Foundation provides grants throughout rural Central Texas, but tries to allocate the majority of funds to communities that lack other community foundations, United Ways, or other community specific private foundations.

II. GRANT PROCESS

Applications for specific programs or projects, capital projects, and less often, for general operations, are considered. Endowment and scholarship grants are rare.

Requests of any amount are considered. There are no application deadlines, and grant applications are accepted at any time. Each organization is limited to one application within a 12-month period. Applications are acknowledged within one week and are usually processed within three to four months.

No standard application form is required. Applicants may submit a proposal in their own format following the application guidelines set forth below. They also may use the downloadable application form or the online application form available on this site. Please note that the Foundation cannot guarantee the confidentiality of information contained in electronic submittals.

The Foundation looks for one or more of the following conditions in an application:

- Foundation support would be vital or catalytic to a proposed project's success;
- The project is well planned and the agency has the capacity to execute the plan; and
- Community or public support of the project has been demonstrated.

In general, grants are not made for purposes of:

- Church or seminary construction, other than for historical preservation;
- Underwriting fundraising events; and
- Annual fundraising drives.

III. APPLICATION

Applications should include:

- Organization Information - A brief history of the organization, its current focus, and recent accomplishments:
- A copy of the latest verification of tax-exempt status from the IRS
- Certified audits for previous three years (if a young agency, send last fiscal year's financial statements and the most recently-filed IRS Form 990)
- The organization's current operating budget and year-to-date financial statements
- Market and Customers - Current population served including socio-economic status, ethnicity, gender, age, and geographic location.
- Project Description - A statement of need for the proposed project and a description of how it will address that need
- Targets and Outcomes - Who will be served and what specific results are expected from the proposed activities and within what stated time period?
- Key Individuals - List of directors and corporate officers including profession, ethnicity, and gender, and names and qualifications of key staff involved with the proposed project
- Financial Projections - A project line item budget including income and expenses
- The specific dollar amount requested from the Foundation and date payment is needed
- A list of all entities asked to give financial support to the proposed project (include their responses to date and dollar amount committed)
- Financial support for the project after the grant period
- Verification and Learning - Plans to measure progress against expected outcomes
- Include current or baseline levels, if available
- Describe program data to be collected and how it will be used to improve the program

Progress reports on goals and expenditures of grant funds are required of all grantees.

CHAPTER 2

GIFT ACCEPTANCE POLICY

I. PURPOSE

- a. The purpose of this policy of the Town Square Community Foundation and affiliated entities (referred to as the “Foundation” in the following sections of this policy), is to serve the best interests of the Foundation, its donors, and a healthy, caring community by providing guidelines for negotiating and accepting various types of gifts for various types of funds. Given the increasing complexity of IRS regulations, the potential increase in volume of real estate and other property gifts, and state and federal environmental laws, the Foundation recognizes the value in carefully screening proposed gifts. A copy of this policy is available upon request.
- b. The purposes of the gift must fall within the mission statement (*See Appendix A*) of the Foundation. The Foundation Board and staff must be able to assure that gifts accepted by the Foundation do not place other assets of the Foundation at risk, and that they can be easily converted into assets that fall within the Foundation’s investment guidelines. The Foundation must also assure that it can administer the terms of the gift in accordance with the donor’s wishes.

II. FOUNDATION RESPONSIBILITIES

- a. The Board of Trustees is responsible for policy-making and oversight of the Foundation’s operations. All gift policies referenced in this gift acceptance policy have been adopted by a majority vote of the trustees.
- b. Foundation staff should disclose to all prospective donors the benefits and liabilities that could reasonably be expected to influence the donors’ decision to make a gift to the Foundation. Donors will be encouraged to consult with legal counsel and financial advisors in making their decision. In particular, donors should be made aware of:
 1. the irrevocability of a gift,
 2. prohibitions on donor restrictions,
 3. items subject to variability (market value, investment return, and income yield),
 4. the Foundation’s responsibility to provide periodic financial statements on donor funds.
 5. the fee assessed by the Community Foundation for administration and management of the fund.

Staff should maintain a written record of discussions with donors. The role of Foundation staff shall be to inform, guide and assist a donor in fulfilling his or her philanthropic wishes, but never to pressure or unduly influence a donor’s decision.

III. GIFTS DECLINED

The Foundation reserves the right to refuse any gift it believes is not in the best interests of promoting a healthy, caring community and will not knowingly accept a significant charitable gift from a donor who:

- a. has insufficient income and assets remaining after making a gift to provide for his/her needs such as personal support and health care.
- b. has insufficient income and assets remaining after the gift to provide for his/her heirs for whom he/she is fiscally responsible.
- c. has an apparent insufficient mental capacity to make a rational decision
- d. has insufficient input from competent financial, legal and/or personal counsel.

IV. TYPES OF GIFTS

The Foundation solicits and accepts **outright gifts** with earnings dedicated immediately to the charitable needs of the community, **planned gifts** with split interest of income and principal reserved to charitable or non-charitable beneficiaries, and **testamentary gifts** created by bequest for purposes consistent with the mission of the Foundation.

Foundation staff is authorized to accept gifts consistent with the purposes, bylaws and procedures of the Foundation which are in the following forms: (*Refer to Appendix B for greater detail.*)

- a. Cash or cash equivalents, Checks
- b. Publicly-Traded Securities and Bonds
- c. Closely held marketable securities if proper information concerning the value of the gift is included and there are no special requirements. The President will determine if these specifications have been met.
- d. Life Insurance policies which name the Foundation as a beneficiary. Donor continues to pay all premiums
- e. Individual retirement accounts (IRA's) which name the Foundation as a beneficiary.
- f. Planned gifts: Bequests – in accordance with Appendix C
- g. Charitable remainder trusts, charitable remainder unitrusts or charitable lead trusts, if funded with cash or publicly traded securities.
- h. Gifts of usable furniture and equipment for the offices or programs of the Foundation.

V. REVIEW OF GIFTS

In reviewing gifts to the Foundation, the Executive Committee and/or the President will consider the following criteria:

- a. the charitable intent and ultimate community benefit
- b. the nature of any restrictions
- c. 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
- d. projected costs of managing the gift asset
- e. fee revenues to the Foundation for administering the gift

VI. GIFTS REQUIRING EXECUTIVE COMMITTEE APPROVAL

- a. Gifts requiring Executive Committee review will be handled promptly. Foundation staff will deliver to members of the committee all information necessary to make a decision. If a gift is not accepted, the donor will be notified in writing by staff immediately. All gift reviews will be handled with confidentiality.
- b. Time Sensitive Gift Acceptance. In certain instances, a decision regarding gift acceptance must be made immediately. An example is a gift made on December 31. In such a case, the President or duly authorized staff will contact available Executive Committee members immediately. However, given the likelihood that not all of the members will be reached, approval to accept the gift may be made by any one member of the Committee if there is concurrence with staff and that officer that the gift should be accepted without reservation. A further possibility, though unlikely, is that circumstances may require a decision by the President, who was unable to reach any of the Committee members in a December 31st gift situation. The President would be authorized to accept such a gift if in his/her judgment there will be no significant reservations. The President will report for review to the Executive Committee all such action.

With gifts not requiring the December 31st immediacy of action, there may from time to time be an instance where a gift needs to be completed and one or more of the Executive Committee members may not be available for an extended period of time. In such instances, the President shall have authority to take action and will report all such action to the Executive Committee.

- c. Gifts requiring Executive Committee approval include the following (more detailed information on gift acceptance is included in *Appendix B*)
 1. Gifts of real estate. The donor will be required to provide an independent appraisal and an environmental review as well as a description of the property. The Executive Committee will review these documents as well as consider any liabilities, restrictions or other conditions related to the gift. These policies also will apply to any other asset that has real estate holdings as an element of its value (e.g., certain limited partnerships or other business entities).
 2. Interests in business entities (i.e., closely held securities, partnership and limited liability company interests) where, in the opinion of staff, there may be concerns about the following: valuation, long-term disposition, income production, business partnership, charitable intent, requirements or limitations, tax deductibility or other questions which indicate that a review of the Executive Committee is necessary.
 3. Charitable remainder trusts, charitable lead trusts, or charitable gift annuities, if funded with assets other than cash or publicly traded securities.
 4. Tangible personal property that is not readily marketable.
 5. Gifts of intellectual property, mineral reserves and precious metals.
- d. Additional gifts that require Executive Committee approval:
 1. Life insurance policies requiring future premium payments by the Foundation.
 2. Other property that may be unusual or fall outside the type of gifts usually handled by the Foundation.

3. Gifts to establish funds for a purpose that may fall outside the mission, bylaws and procedures of the Foundation.

VII. ACKNOWLEDGEMENT

Donors shall receive an expression of sincere thanks and gratitude from the Foundation in acknowledgement of the gift in accordance with federal regulations (which includes a tax deduction statement where appropriate). (*See Exhibit E*)

VIII. PUBLICITY

No public media exposure with respect to a donor's gift will be generated without the consent of the donor.

IX. RESTRICTIONS

In conformance with Treasury Department regulations governing community foundations, gifts to the Foundation may not be directly or indirectly subjected by a donor to any material restriction or condition that prevents the Foundation from freely and effectively employing the transferred assets, or the income derived therefrom, in furtherance of its exempt purposes.

X. ACTING AS TRUSTEE

No employee shall serve as a trustee, conservator, executor, or personal representative for one of the Foundation's donors or prospects unless specifically approved by the Foundation President. The Board of Trustees will be made aware of such trusteeships. All officers shall report such relationships in the "Related Parties" section as provided periodically to the Board of Trustees in their Board meeting packets.

XI. INVESTMENT OF GIFTS

It is the policy of the Foundation to convert all gifts to cash as soon as possible. The Foundation reserves the right to make any or all investment decisions regarding gifts in accordance with its Investment Policy.

XII. COSTS OF ACCEPTING AND ADMINISTERING GIFTS

Generally costs associated with the acceptance of a gift such as attorney fees, accounting fees, other professional fees as well as other costs to establish a gift such as appraisal, escrow, evaluation, and environmental assessment fees will be borne by the donor.

The direct costs of administering outright and planned gifts of the Foundation will be borne from the assets of the individual funds, except for those special circumstances as determined by the Executive Committee. Custodial, investment, and administrative fees will be paid from the respective funds in accordance with the Foundation's guidelines and fee schedules.

XIII. CONFIDENTIALITY

Foundation staff shall maintain strict control over files and information received from or about donors or prospective donors so as to maintain confidentiality of such information.

CHAPTER 3

SCHOLARSHIP POLICIES AND PROCEDURES

I. OVERVIEW

The Town Square Community Foundation(TSCF) has adopted the following policies and procedures, designed to insure that all of the Foundation’s scholarship awards comply with best practices, the provisions of the Federal Pension Protection Act of 2006 (“PPA”), and other applicable legal requirements. All scholarship selection committees established by the Foundation will follow procedures that comply with these policies and procedures, as well as all applicable legal requirements, and no scholarship award grants will be approved by the Foundation Board unless such compliance has been achieved.

The purpose of a scholarship fund is determined when the Founding Donor creates it. While the Founding Donor generally defines who can benefit from the scholarship, additional work may be needed to clarify and/or define the objective criteria, meeting industry standards, and to satisfy Internal Revenue Service regulations. In the case of a scholarship program established by a corporation, additional rules apply.

The Community Foundation accepts Scholarship Funds that are able to accomplish three goals:

- To qualify as a charitable activity so as not to jeopardize the tax-exempt status of the Community Foundation;
- To provide donors to scholarship funds with an income tax deduction; and
- To provide income to scholarship recipients. [All scholarship award recipients will be notified that, if their award is used to pay room and board, or any other non-education related expenses, their award may be taxable and it will be the student’s responsibility to determine the taxability of all or any portion of their award.]

The Internal Revenue Service considers scholarships “grants to individuals” and strictly regulates these grants. The following policies help donors and TSCF comply with these regulations and achieve the above goals.

II. SCHOLARSHIP FUND ACCEPTANCE POLICY

Because scholarship funds are among the most labor-intensive funds held by the Town Square Community Foundation (TSCF), and, because scholarship awards are considered to be grants to individuals pursuant to the Pension Protection Act, made into federal law in August, 2006, the following policy will apply to scholarship funds:

All new scholarship funds established with TSCF must be established as permanent endowment funds. They will follow the guidelines for minimum gifts required to establish a fund with TSCF, and they will follow TSCF’s fee schedule and spending plan, as may be changed from time to time.

All new TSCF scholarship funds will use TSCF’s Scholarship Committee to administer the scholarship and choose the recipients of awards.

All new scholarship funds must be established as permanent endowment funds. They will follow the guidelines for minimum gifts required to establish a fund with one of TSCF’s affiliates. However, no grants will be made from the fund until the assets in the fund are five thousand dollars or more. They will follow TSCF’s spending plan and affiliate fee schedule, as

may be changed from time to time.

III. PURPOSE OF SCHOLARSHIPS

Unless otherwise provided in the fund agreement establishing a scholarship fund, a condition of each scholarship grant is that it will be used only for qualified tuition and related expenses and room and board. Accordingly, a scholarship grant can be used only for: (1) tuition and fees required for the enrollment or attendance of the student at a qualifying institution; (2) fees, books, supplies, and equipment required for courses of instruction at such an educational institution; and (3) room and board.

A concern some donors express is that the student's other financial aid may be reduced by the scholarship award. There is no legal way to avoid that. Students are required by law to report all financial aid, including scholarships, to the college or university they are attending. Therefore, the student's other financial aid may be adjusted when the scholarship award is reported.

IV. APPOINTMENT OF SCHOLARSHIP SELECTION COMMITTEES

All new scholarship funds established with TSCF to use the TSCF Scholarship Committee.

The Foundation must approve all scholarship committee members on at least an annual basis. Related parties include the donor's relatives, employees, and professional advisors. If a committee member is recommended by the donor based upon objective criteria related to the person's expertise (e.g., a high school guidance counselor), that person will not be considered recommended by the donor. A recommendation form will be sent out to the committee chair every year during the first week in January and must be completed, signed and returned back to TSCF. The Executive Director will review the recommended members of the committee and will either approve them or contact the committee chair to indicate required changes. Every year, when a committee has been approved, TSCF will then forward the other forms for the committee to use to recommend scholarship award recipients.

V. CONFLICTS OF INTEREST

The selection process must be free of conflicts of interest.

No person may serve on, or be an advisor to, a scholarship selection committee, if during that year a relative of the person is an applicant for consideration by that selection committee. "Relative" is defined as a parent, child, sibling, stepparent, stepchild, grandparent, grandchild, step-grandparent, step-grandchild, aunt, uncle, nephew, niece, or first cousin. A Youth Trustee, or relative of a Foundation Trustee, staff member, or volunteer to TSCF or its affiliates may be eligible for a scholarship award from a Foundation fund so long as he or she nor any family member participates in the consideration of scholarships for any candidates in the pool of applicants, and any Foundation Trustee will recuse him or herself from the entire scholarship nominating process for that pool of applicants including all meetings, discussions, debates and votes regarding nominations, and that the recusal be documented by TSCF.

Each scholarship committee will annually provide TSCF with a written statement to the effect that no applicant considered by the committee that year is related to any committee member. A form will be completed, signed and submitted annually for each scholarship before any awards

will be paid.

VI. OBJECTIVE AND NONDISCRIMINATORY PROCESS

The selection process must be objective and nondiscriminatory, and must meet the requirements of paragraphs (1), (2), or (3) of section 4945(g) of the PPA.

The scholarship selection criteria must be related to the purpose for the scholarship award as set forth in the original fund agreement.

The field of eligible recipients will be sufficiently large to constitute a charitable class. The IRS' intent here is to assure that the criteria for eligibility are not so limiting that applicants are in effect pre-selected. There must be broad dissemination to students of eligibility requirements and deadlines for awards. Applicants must be ranked against written selection criteria. The selection criteria must meet IRS standard guidelines and must be approved by the Community Foundation. The selection process must be "objective and nondiscriminatory," as that term is defined by the Internal Revenue Service.

Awards must fit into one of the following three categories:

1. Scholarships and fellowships that pay for tuition, books, and other expenses.
2. Prizes or awards made primarily in recognition of religious, charitable, scientific, educational, artistic, literary, or civic achievement. If the recipient is chosen from the general public, he or she must be selected without any action on his or her part to enter a contest or proceeding, and the recipient must not be required to provide services as a consequence of receiving the award.
3. Grants to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific or other similar capacity, skill, or talent of the grantee.

Every year during the first week in January a Scholarship Process / Criteria Description Form will be sent out to each scholarship committee together with the Scholarship Committee Member Information Form. Each scholarship committee will provide the Foundation with a written description of that committee's application process, eligibility guidelines and selection criteria, and selection process. If their process and criteria have not changed, a new form does not have to be re-submitted every year. The Executive Director or Board Chair will review each committee's written submission and will direct the committee to make whatever changes are necessary to comply with these policies, with best practices, and with applicable legal requirements. No scholarship awards will be paid until this written description has been submitted and approved. This description must be on file with TSCF for each scholarship before any awards can be paid.

VII. DISTRIBUTIONS

Distributions from scholarship funds will be made directly to the college the recipient has chosen, in accordance with the terms of the fund agreement, TSCF policies, and applicable laws and regulations.

VIII. RECORDKEEPING REQUIREMENTS

Each selection committee will retain documents and records relating to its selection process for a period of seven years. Such documents will include a copy of each application received, and a record of decisions made by the committee, along with any minutes of committee meetings. The committee's award recommendations will be forwarded to the Foundation in writing as soon as possible after the decisions are made. The Foundation will also retain all documents and records relating to the selection process for a period of seven years.

CHAPTER 4

LIMITED ECONOMIC DEVELOPMENT FUNDS

I. WHAT ARE CHARITABLE ECONOMIC DEVELOPMENT FUNDS

TSCF is not an economic development corporation and can only support economic development efforts under the guidelines set forth by the IRS. Economic Development Funds held by the Foundation must serve a greater public interest and cannot directly benefit private individuals or businesses. The Foundation will not provide loans to businesses.

II. RESTRICTIONS ON ECONOMIC DEVELOPMENT FUNDS

TSCF Economic Development Funds will be disbursed to eligible charities or government entities while following the restrictions below:

1. Funds will be provided to eligible charities and governmental entities;
2. Funds must be used to aid economically depressed or blighted areas;
3. Funds must be used to benefit a disadvantaged group, such as the unemployed or underemployed or minorities;
4. Funds may be used to restore deteriorated public spaces that would aid businesses that would locate or remain in the economically depressed or blighted area and provide jobs;
5. Funds may be used for educational services that would assist underemployed or unemployed;
6. Funds may be used to incubate another 501(c)3 or Economic Development Corporation through the formation and IRS designation process;
7. Funds may be used to conduct community planning, community engagements, and volunteer resource management.

III. PROCESS & EVALUATION

Funds will be awarded through the standard application and grant review process. Economic Development Funds will require a signed affidavit from the applicant stating that the funds will not be used for private benefit. A similar affidavit will be required on the final grant report.

As with all grants, the project is open to inspection by the Foundation through reports, on-site visits, tours, and request of organizational financial records.

Any funds found to be used for private benefit will be owed back to the Foundation and the remaining grant will be forfeited.

CHAPTER 5

DONOR ADVISED FUNDS POLICY

I. WHAT IS A DONOR ADVISED FUND?

A donor advised fund defined under the Internal Revenue Code possesses three characteristics:

- The Fund is separately identified with reference to the contributions of a donor or donors. For example the Smith Family Fund established by the Smith family children.
- The Fund is owned and controlled by a sponsoring organization such as TSCF.
- The donor or persons appointed by the donor expect to have the privilege of providing advice with respect to the fund's distributions.

II. PURPOSE AND DISTRIBUTION OF FUNDS

Donor advisors may recommend grants to qualified charitable organizations. Qualified charitable organizations generally include those organizations described in Section 501(c)(3) of the Internal Revenue Code that are not private foundations, and certain governmental entities. These include charitable, religious and educational organizations, as well as school districts, public libraries and other units of government. In general, TSCF does not allow grants to non-charitable organizations from DAFs. Given that TSCF serves rural Central Texas, it is expected that the majority of grant dollars from each DAF will benefit rural Central Texas charitable organizations.

Donor advisors may make grant recommendations by completing, signing and submitting a "Donor-Advised Fund Grant Recommendation Form" to TSCF. The Town Square Community Foundation, in accordance with tax law, retains final discretion over disbursements from all donor-advised funds. The minimum amount for a grant from a donor-advised fund is \$250.

Grants may be distributed in the rural Central Texas area as described in the Foundation's governing documents for the following purposes:

- Quality of Life Initiatives. Examples include, but not limited to park improvements, cultural events or displays, community-wide activities, facility improvements to enhance access, visual art projects, and performing art project.
- Community Development & Opportunity Creation. Examples include but not limited to Main Street Improvement Grants, volunteer education and development, workforce education, business education, job fairs, and career exposure/recruitment programs.
- Education. Examples include but not limited to class room grants, field trips, school speakers, school improvements, student supplies, teacher supplies, and tutoring programs.
- Historical Preservation. Examples include but not limited to facility renovation, facility preservation, document preservation, preservation of oral history, displays, time-period events, and historical archival.

III. MINIMUM FUND SIZE

TSCF requires an initial contribution of \$10,000 and an annual contribution of \$500 to keep the account active. Any account that drops below \$2,000 is subject to become inactive.

IV. CONTRIBUTING TO A FUND

Gifts to a TSCF fund are irrevocable. The assets of donor advised funds are owned and controlled by TSCF. As long as the Fund meets the minimum balance requirements, contributions to a fund may be made in any amount and at any time. Contributions may be made using cash, publicly traded securities or other property, including closely held stock, partnership interests, real estate, personal property, trusts and life insurance. Contributions are subject to acceptance by the Foundation. Contributions should be clearly designated by fund name: "The XYZ Fund of the Town Square Community Foundation.

Many donors make contributions using appreciated, publicly traded stock that has been held for longer than a year, to enjoy maximum tax benefits. Contributions of property that may not have immediate liquidity are accepted at the discretion of the Foundation, and subject to completion of our due diligence procedures. Donors considering a gift in any form other than cash should contact the Foundation to discuss its appropriateness and to obtain delivery instructions.

V. VARIANCE POWER

Some donor advised fund agreements restrict distributions to a specific charitable purpose, such as education or the environment. Others may limit distributions to particular named organizations. These restrictions may apply from the inception of the fund or may come into effect at the conclusion of the advisory period. Any such restrictions are subject to modification by the Foundation if it determines, in its sole discretion, that the restriction or condition is unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

VI. FUND ADVISORS

The initial advisors to the fund are those persons named in the fund agreement. The agreement will outline the succession plan for the advisors.

If at any time there is more than one advisor to the fund, the advisors will appoint a designee and all communications to and from the Foundation will be through the designee. If no designee has been appointed, the Foundation will consider the first advisor named in the agreement to be the designee.

VII. RECOMMENDING A GRANT

Grants must be for charitable purposes. The minimum grant amount is \$250.00

You may recommend grants to any organization described in section 501(c)(3) of the Internal Revenue Code except that the Foundation does not make grants to private foundations. You may also recommend grants to most units of government (e.g., public schools, colleges and universities, town and municipal governments, police departments, etc.).

The Foundation does not make grants from donor advised funds, even for charitable purposes, to other types of nonprofit organizations (non-charities) or to businesses. Examples of organizations to which the Foundation will not grant include social welfare organizations (501(c)(4)); fraternities and sororities; social clubs; and fraternal organizations such as Elks

and Moose.

The Foundation makes grants to US organizations that carry on their work in other countries. However, the Foundation does not make grants from donor advised funds to non-US organizations or governmental entities.

a. Process

The fund advisor will make a recommendation to the Foundation and allow 45-days for the Foundation to conduct due diligence on the recommended charity. The recommendation should be made in writing or via e-mail to the Foundation. The recommendation must include a) the amount; b) name of the charity; c) charity's address; d) charity's email; d) charity's phone number; and e) name of charity contract.

From time to time the Foundation may bring to the advisor's attention grant making opportunities in which the advisor may have an interest. The advisor is not obligated to recommend a grant for the identified program. Donors shall be furnished with lists of the unmet charitable needs of the community as determined by the Foundation from time to time.

VIII. GRANT RESTRICTIONS

The Internal Revenue Code prohibits grants to individuals from donor advised funds. Also prohibited are grants for political contributions or to support political campaigns. Grants may not result in benefits, goods, or services to the donor, the fund advisor, members of their families, and businesses they control. Failure to observe this restriction can subject the fund advisor to tax penalties. Benefits include the payment of pledges, event tickets, meals, sponsorships, registration fees, discounted merchandise, preferred parking and/or seating, and memberships unless the membership confers nothing of value. Please contact the Foundation if you have specific questions about whether a grant you are considering recommending will result in a prohibited benefit.

IX. PAYMENTS FROM A DONOR ADVISED FUND

Expense reimbursements, loans, compensation, and other similar payments are not permitted from a donor advised fund to a donor, fund advisor, or related party.

X. GRANT ACKNOWLEDGMENT

Unless other arrangements have been made (e.g. anonymity requested), the grant letter will indicate that the contribution is from "The XYZ Fund of the Town Square Community Foundation" and that it has been given upon the recommendation of the named advisor. The recipient organization is encouraged to acknowledge the gift to the advisor and also to the Foundation. Additional language confirms that no benefits have been offered or provided to the Foundation or the advisor in exchange for the accompanying grant. If the recipient organization publishes a news release or a list of donors, it is asked to indicate the contribution as a grant from "The XYZ Fund of the Town Square Community Foundation".

XI. FUNDRAISING

Donors sometimes want to raise money to add to their advised funds. The Foundation's policies on Gift Acceptance are part of this policy and procedure document. Fundraising, if permitted, must strictly adhere to the guidelines in the policy and to any additional restrictions imposed as a condition of the Foundation's consent.

XII. INVESTMENTS

The Foundation has the sole responsibility and authority for investment of the assets of each Donor Advised Fund. Decisions with respect to the retention, investment, or reinvestment of assets and with respect to commingling of assets shall be made by the Foundation's Board of Directors. Donor Advised Funds are customarily invested and commingled with assets of other funds of the Foundation.

When the size of a fund or if the fund is an endowed fund, warrants separate investment consideration, typically for funds over \$250,000 dollars, the Foundation will endeavor to accommodate requests from donors for separate investment of fund assets, or use of a particular investment manager, broker or agent in accordance with the Foundation's Investment Policy.

The Foundation's long-term investment objective is to preserve the real value of its permanent funds. This means that the Foundation seeks a total rate of return that supports the Foundation's grantmaking, expenses, investment fees, and inflation. The Foundation will normally measure whether it has achieved that objective over a rolling five-year period.

The Foundation appoints an investment consultant and investment managers from time to time to carry out some of its investment management responsibilities with respect to its invested asset pool.

XIII. FEES AND MINIMUMS

The Foundation assesses fees, including investment management fees, against all its funds to cover the cost of administration and to continue the Foundation's important work in our community. Fees provide the necessary resources to operate efficiently and effectively, ensuring fiscal responsibility in grant due diligence, donor and nonprofit education, research, and other activities. The Foundation's current administrative fee schedule for donor advised funds is:

Accounts of \$5,000 - 0.5% Fee

Accounts of \$20,000 – 1% Fee

Accounts of \$100,000 – 1.5% Fee

Accounts of \$1,000,000 – 2% Fee

Investment management fees vary depending on the investment manager.

XIV. INACTIVE FUNDS

A fund is deemed inactive if:

- The fund advisor dies or resigns or evidence of his or her incapacity is provided to the Foundation, and if no successor advisor has been named.
- All named successor advisors are unable or unwilling to serve as such.
- No recommendations are made with respect to grants from the fund for a period of two years and, during such period, the advisor or successor advisor does not reply to the Foundation's attempts to contact them.

If the fund becomes inactive, the Foundation will deem the advisory period to have ended and will initiate distributions from the fund in accordance with the provisions of the fund agreement.

XV. TERMINATION

Unless otherwise specified in the fund agreement, upon the death, resignation or incapacity of the last advisor to the fund, or if the fund is determined to be inactive, the assets of the fund will become a part of the Foundation's unrestricted permanent endowment. If the principal balance of the fund exceeds \$500,000, the Fund will continue to be maintained as a separate named endowed fund for discretionary purposes or as a field of interest, if the donor(s) or successor-advisor(s) have specified in writing one or more broad fields of interests for the fund.

Appendix A - Mission Statement
of
The Town Square Community Foundation

The mission of Town Square Community Foundation is to promote solutions to challenges facing rural communities in Central Texas. The Community Foundation is organized to help improve our communities, strengthen resources, engage donors, and ensure charitable contributions are used wisely to promote our citizens throughout rural Central Texas.

Appendix B – FORMS OF GIFTS TO THE FOUNDATION

Guidelines on Assets Used to Make Gifts

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

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

The Foundation reserves the right to accept or reject any gift as it sees fit. In general, it is the policy of the Foundation to convert all gifts to cash as soon as possible. Exceptions can be made upon advice of the President and/or the Investment Committee.

TYPES OF OUTRIGHT GIFTS

Cash

The Foundation accepts cash, checks, or money orders made payable to the Foundation or any of its component funds. It is desirable to obtain written instructions from the donor specifying which fund is to be credited with the gift. In instances where the donor does not specify a fund, gifts will be placed as follows:

- \$100 or less – General Operations Fund
- Greater than \$100 – Unrestricted Endowment Fund

In order to establish a separate fund at the Foundation, the donor must meet the minimum funding requirements set by the Board.

Cash from Donor-initiated Fundraising

Donor-initiated fundraising events refer to those public fundraising events conducted by an individual or a non-exempt organization that are intended to raise dollars for a component fund at the Community Foundation. For example, a golf outing, fundraising dinner, auction, raffle, or other special event would be considered a public fundraising event.

The Foundation is staffed to develop endowment and other funds through the acquisition of major and planned gifts and to cultivate new and existing relationships with donors. The Foundation is not equipped to operate donor-initiated or public fundraising events for its component funds that rely upon the use of the Foundation's tax-exempt status in order to offer contributors a charitable tax deduction for their participation. The Foundation is held accountable for meeting all federal, state and local legal requirements for charitable solicitations related to Funds of the Foundation. It cannot delegate this responsibility to any other parties.

Publicly-Traded Securities and Bonds

The Foundation will accept gifts of publicly traded stocks, bonds and mutual funds at fair market value as determined under Internal Revenue Service rules. As a general rule, gifts of publicly traded securities will be sold as soon as possible. The Foundation will govern the disposition of securities and will make all decisions regarding the sale or retention of securities.

The Foundation will accept gifts of publicly traded securities and bonds for current or deferred gifts. Bonds not routinely reported in financial journals will be valued by a bond specialist. Stock subject to Section 144 restrictions, buy-sell agreements, or other restrictions on sale may be accepted subject to the approval of the Foundation's Board. Such securities and bonds will be valued at fair market value as determined under IRS rules. Securities for which there is a recognized market are generally valued at the arithmetic mean of the

highest and lowest selling prices for that stock or bond in its principal sales market on the date of the gift. The value of a share in a mutual fund is its public redemption price (the “bid price”) in effect at the time of the gift.

The date of the gift is the date the security is:

- b. unconditionally delivered or mailed in proper negotiable form to the Community Foundation or its agent;
- c. the date the security is transferred and held in “street name” on the books of a brokerage firm: or
- d. the date the security is transferred on the books of the issuing corporation when delivered to the corporation for transfer in the Community Foundation’s name.
- e. when gifts are transferred directly to one of the Foundation’s existing accounts, notification should be sent by the donor so that the Foundation can expeditiously acknowledge receipt of the gift.

Closely Held Stock and Partnerships

Donor wishing to make gifts of stock in a closely-held corporation or S corporation or a gift of a partnership interest, must have it valued by a qualified independent accounting or appraisal company prior to making the contribution. If it is immediately marketable, it will be sold. Otherwise, it will be held by the Foundation until it may be redeemed or sold for cash. Generally, the Foundation does not accept gifts of general partnership interests due to potentially unlimited liability.

The acceptability of this type of gift will depend on the ultimate financial liability of the Foundation, the amount of management attention required, whether the gift provides minority or majority control, or whether the donor requires that such interest not be sold. Consideration will be given to whether the S corporation stock or partnership interest generates unrelated business taxable income, if there is corresponding revenue to pay such taxes, the nature of the business, recordkeeping and accounting requirements, and how quickly the gift can be converted to cash.

Limitation on accepting gifts of assets to donor advised funds : The Foundation places a limitation on accepting gifts of assets (e.g. gifts of stock in closely held C corporations, S corporations and limited partnership interests) to a donor advised fund. When the aggregation of assets held by a donor advised fund, donor, donor advisors and related parties exceeds approximately 20% of the voting stock or profit interest in a business entity, the Foundation will divest excess holdings of the donor advised fund within 5 years.

Life Insurance Policies

The Foundation will accept gifts of permanent life insurance policies if the Foundation is named as owner of or is assigned ownership in such policies. Policies continuing on a premium-paying basis will be maintained as such by the Foundation so long as gifts are made to the Foundation in the amount of the premiums due. Premiums can be of a reducing amount if dividends are directed toward future premiums.

Should such premium gifts not be forthcoming, the Foundation may, on the recommendation of the Executive Committee, elect:

To have the Foundation continue the premium payments

To surrender the policy in exchange for its cash surrender value. Proceeds will be added to the Foundation’s Discretionary Grant Fund.

To invoke procedures under which the existing policy values can sustain the policy without further outlay of Foundation funds for the premiums. This can take any of the following forms:

- Change the dividends to net (use dividends to pay future premiums).

- Use the automatic premium loan feature (borrow against the cash value to pay future premiums).
- Use a combination of the two previous options.
- Change the policy to paid-up, in which case, no more premiums will be due.

The Foundation discourages the contributions of life insurance policies subject to policy loans and reserves the right to accept or reject such policies as well as those carrying assignments to other entities. The Foundation will consider its own interest and the best interest of the donor in the light of tax ramifications in determining on a case-by-case basis the acceptability of encumbered life insurance policies. Particular care will be given to problems of self-dealing, jeopardy investments, and unrelated business income in this regard. The Foundation does not enter into charitable reverse split dollar agreements.

Retirement Assets

“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.

TYPES OF GIFTS REQUIRING EXECUTIVE APPROVAL

Gifts of illiquid assets shall be accepted only if they have an intrinsic charitable benefit (e.g. a gift of land for a community park) or if the donor places no restrictions on the disposal of the asset and investment of the proceeds of such disposal to provide charitable distributions. The determination of acceptance of an illiquid asset will be made after an investigation is completed by the Executive Committee with a recommendation to the Board of Trustees and upon an affirmative vote by the Trustees.

Real Property

Unencumbered real property will be accepted at fair market value as established by at least one qualified appraisal, provided by the donor. Appraisal fees are “out of pocket” expenses to be borne by the donor before completion of the gift; said fees are not deducted from the value of the gift or treated as part of the charitable contribution; they may be claimed by the donor as a miscellaneous deduction on Schedule A of Form 1040 (Section 1061). Evidence of clear title to the property must be provided by the donor to the Executive Committee; property with multiple owners will be accepted only if all owners of the property agree in writing to the gift. A completed IRS Form 8283 (Noncash Charitable Contribution) must accompany gifts of real property. No real estate may be accepted as a gift if the donor has already arranged its subsequent sale by the Foundation.

Real property that is encumbered by a trust deed loan or mortgage 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 expenses associated with the property, including taxes and assessments, insurance coverage and maintenance costs.

In order to avoid potential liability for environmental cleanup and toxic and hazardous materials issues related to real estate, the Foundation may require inspection through an environmental audit of all proposed gifts of real estate and assets related to real property. For example, a Phase 1 Environmental Impact Audit and other studies deemed necessary by the Foundation generally must be completed before real estate may be accepted as a gift, and the Phase 1 fees are “out of pocket” expenses to be borne by the donor before completion of the gift. Said fees are not deducted from the value of the gift or treated as part of the charitable contribution.

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 income tax (UBIT).

Following the appendixes is the Town Square Community Foundation’s Real Estate Acquisition Checklist. (*Exhibit A*) This checklist will be utilized for all transactions involving real estate gifts.

Tangible Personal Property

Gifts of assets such as boats, airplanes, automobiles, artwork, furniture, equipment, jewelry, gems, and metals 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 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 which cannot readily be sold or which require unusual expenses prior to sale. If a lengthy selling period is anticipated, the Foundation may ask the donor to cover such expenses. A completed IRS Form 8283 (Noncash Charitable Contribution) must accompany gifts of tangible personal property.

Royalties, Distribution Rights

The Foundation may accept gifts of royalties or distribution rights on published works (such as books or films) where there is clear evidence of marketability or assurance of an income stream. A qualified appraisal is required. A completed IRS Form 8283 (“Noncash Charitable Contributions”) must accompany gifts of royalties or distribution rights.

Oil, Gas and Mineral Interests

The Foundation may accept oil and gas property interests, when appropriate. Prior to acceptance of an oil and gas interest, the gift shall be approved by the Executive Committee, and if necessary, by the Foundation’s legal counsel. Criteria for acceptance of the property shall include:

- The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate.
- A working interest is rarely accepted and only with the Approval of the Board of Trustees. A working interest may only be accepted where there is a plan to minimize potential liability and tax consequences.

Planned Gifts – See Appendix C

- a. **Charitable Remainder Unitrust (CRUT)**
- b. **Charitable Lead Trust**
- c. **Gifts by Will or Trust**
- d. **Life Insurance**
- e. **Retirement Plan Assets**

APPENDIX C - PLANNED GIFTS

The Foundation's planned giving program encompasses gifts whose benefits do not fully accrue to the Foundation until some future time (such as the death of the donor or other income beneficiaries or the expiration of a predetermined period of time), or whose benefits to the Foundation are then followed by the interests of noncharitable beneficiaries. Planned giving opportunities offered by the Foundation include the following:

Charitable Remainder Unitrust (CRUT)

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. Upon termination of the income beneficiary's interest, the assets of the unitrust are transferred to the Foundation.

Charitable Lead Trust

Under a charitable lead trust, the Foundation is given an income interest in the trust assets for a period of years, at the end of which time the assets of the trust are distributed to noncharitable beneficiaries designated by the donor.

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 will be made available to donors and their attorneys to insure that the bequest is properly designated.

Life Insurance

The Foundation can be designated as a primary or successor beneficiary of a life insurance policy owned by the donor. In addition, the Foundation may accept outright gifts of life insurance policies on which premiums remain due, subject to review by the Executive Committee.

Retirement Plan Assets

The Foundation may accept account type retirement plans, in which a balance accumulates as principal, such as IRAs, 401(k), 403(b), and defined contribution plans. However, the Foundation cannot accept annuity plans, such as defined benefit plans, in which retirement benefits are paid out as income and principal does not accumulate. Methods of gifting retirement plan assets include:

1. Naming the Foundation as primary successor or contingent beneficiary for all or part of the assets upon death of either the retirement asset owner or spouse; and
2. Creating a testamentary CRT upon the death of the asset owner, naming the Foundation as remainder beneficiary and non-charitable heirs as income beneficiaries. The Foundation prefers to obtain a copy of the document naming the Foundation as a beneficiary for files.

The Foundation does not offer **charitable gift annuities**. Donors are encouraged to consider alternate arrangements such as charitable remainder trusts.

Appendix D – Type of Funds

The Foundation establishes component funds and support foundations in response to community and regional needs and donors' charitable concerns. The Trustees of the Foundation have responsibility for acceptance, management and disposition of component funds. Options for fund structures at the Foundation include the following:

Discretionary (or Unrestricted) Funds

Discretionary funds are available to the Foundation for any of the charitable purposes encompassed by the Foundation's mission. The Grant Distribution Committee determines how earnings from discretionary funds are used.

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 recipient organizations. The Grant Distribution Committee determines which organizations and programs receive grants from field of interest funds. Examples of field of interest funds include but are not limited to:

- Children, youth and families
- Arts and culture
- Education
- Community and neighborhood development
- Health and medicine
- Environment
- Animals

Donor Advised Funds

Donors establish advised funds for unrestricted charitable purposes. The donor, or persons identified by the donor, maintains the ability to offer recommendations to the Foundation regarding the recipients and amounts of grants from the funds. Advised funds can be endowed or non-endowed.

Scholarship Funds

Scholarship funds are dedicated to providing grants for higher education purposes to assist individuals within an identified class, such as students at a particular high school, students studying at a specific university or undertaking a selected course of study.

Designated Funds

At the time that a designated fund is established, the donor specifies one or more charitable organization which shall receive grants from the fund. All grants from a designated fund must be made to the designee organization(s). Should a recipient organization cease to exist or changes its status or mission as a charitable organization, the Foundation's Board may exercise its variance authority, selecting an alternate use for the fund compatible with its original charitable purpose.

Agency Endowment Fund

Administration of an agency endowment fund is identical to that of a designated fund. The primary difference is that the establishing donor is the agency which will receive grants from the fund. (According to Financial Accounting Standard 136, for accounting purposes only, these funds shall be considered both as an asset and a liability to the Community Foundation.)

Support Foundations

Donors establish support organizations at the Foundation as independently incorporated tax-exempt nonprofit organizations with separate governance. A support organization is a grantmaking

organization that is operated in connection with the Foundation. This requirement can be met in part if the Board of Trustees of the Foundation appoints a majority of the board of directors of the support foundation.

Affiliate Community Foundations

Affiliate community foundations are established for the support of charitable purposes and organizations within a specific region. A local advisory board is appointed within each affiliate community and has grantmaking and asset acquisition responsibility for that area. Affiliate community foundations enable smaller communities to enjoy many of the benefits of a community foundation while taking advantage of the Foundation's services, staff and expertise and avoiding the costs and administrative burdens of a separate community foundation. Affiliate community foundations must abide by the Town Square Community Foundation's gift acceptance policies.

Build-a-Fund Option

The Trustees of the Town Square Community Foundation recognize that there are families who would like to create a legacy for themselves and their community but are not in a position to donate all at once the \$10,000 minimum required to establish an endowed fund. The Build-a-Fund option, in accordance with *Appendix E* to this policy, allows donors to grow their fund to the \$10,000 level over a maximum of five years. The fund name and purpose are determined when the first contribution to the fund is made. If the \$10,000 minimum is not reached within the five year window, the Trustees **may** elect to move the fund balance to the unrestricted endowment fund of the Foundation.

Appendix E – Build-a-Fund Procedures

Background:

The Trustees of the Town Square Community Foundation recognize that there are families who would like to create a legacy for themselves and their community but are not in a position to give all at once the \$10,000 minimum required to establish an endowed fund. The Build-a-Fund concept will allow donors to grow their fund to the \$10,000 level over a period of up to five years.

Policy:

The Town Square Community Foundation desires to encourage endowed philanthropy and provide user-friendly services to our donors. To this end, the Foundation will incubate growing endowment funds using the following considerations:

Funds established under the Build-a-Fund program are intended to be grown to the \$10,000 minimum over a maximum period of five (5) years. Interested donors will be asked to sign an agreement (See Attachment 1) indicating that they understand this concept.

During the fund incubation period, the Foundation will reinvest all interest, dividends and market gains and will waive its administrative fee until the fund reaches the \$10,000 level, so that the fund will grow more rapidly. Thus, no grants will be made from the fund until fund balance reaches the minimum \$10,000 level.

Donors may name the fund at the time they elect to begin building it. The fund will be recognized in the Foundation's annual report and in all relevant Foundation information.

Should contributions to the fund not reach \$10,000 during the five-year period, the fund balance may be transferred to the Unrestricted Endowment or to an appropriate field of interest fund, at the discretion of the Trustees

A pledge form is included on the following page.

The Town Square Community Foundation "Build-a-Fund" Pledge Form

I/We pledge to donate \$10,000 over the next five years to fully endow the (name of fund) Fund in the Town Square Community Foundation. I/We understand that, until the \$10,000 level is reached all interest, dividends and market gains will be reinvested and that the Community Foundation will waive its standard administrative fee. The Community Foundation will recognize the (name of fund) Fund in its Annual Report and in all relevant Foundation information.

I/We understand that if for some reason I am/ we are unable to complete the pledge by (date), all monies contributed will be transferred to the Unrestricted Endowment Fund or an appropriate field of interest fund in the Town Square Community Foundation and the legal agreement establishing the (name of fund) Fund will be null and void.

This form is made a part of the legal agreement establishing the (name of fund) Fund.

Dated this day of , _____.

Donor name

Donor Name

Chair

Town Square Community Foundation

Real Estate Acquisition Checklist

I. Basic Information

Donor(s) Names: _____

Donor(s) Address: _____

Donor(s) Phone: _____ Donor(s) e-mail: _____

Address of property: _____

Land area (acres or square feet): _____

Building area (square feet on each floor): _____

Zoning: _____

Replacement cost of building: _____

Current property insurance coverage: _____

Date of acquisition/form of acquisition: _____

Current cost basis (includes improvements): _____

Principal balance of mortgage: _____ Current fair market value: _____

Term of remaining mortgage: _____ Is mortgage assumable? ____ Interest Rate _____

Assessed value for real estate taxes: _____

Fiscal tax year: _____ Amount of real estate taxes: _____

Land value: _____ Building value: _____

Most recent appraisal (date): _____ Appraised Value: _____

Appraiser (name and address): _____

Occupancy status after transfer of title to charity (check one below):

- _____ Vacant- building has no personal property, no occupants
- _____ Unoccupied - building has personal property, but no occupants
- _____ Occupied - building has personal property with occupants

Please indicate by checking "yes" your awareness of any condition or problem which may affect the title or marketability of the property. Use Section VIII to provide additional information.

II. Title / Zoning

	Yes	No
A. Title	_____	_____
B. Zoning variances, violations or special permits	_____	_____
C. Zoning violations	_____	_____
D. Restrictions or easements	_____	_____
E. Survey not available	_____	_____

**The Town Square Community Foundation
Real Estate Acquisition Checklist**

III. Building

Yes No

- A. Foundation/slab
- B. Basement water/dampness/sump pump
- C. Roof leaks
- D. General Structural
- E. UFFI (formaldehyde insulation)
- F. Asbestos
- G. Lead paints
- H. Termites/ants/pests
- J. Swimming pool
- K. Radon
- L. Building systems
- 1. Plumbing
- 2. Electrical
- 3. Heating
- 4. Air conditioning
- 5. Hot water
- 6. Water supply
- 7. Sewage
- 8. Other fixtures

IV. Rental/Condominium

- A. Building Systems
- 1. Leases
- 2. Rental arrears
- 3. Last month's rent or security deposit
- B. Common area fees in arrears
- C. Building code violations

V. Environmental

- A. History of property
- Property has prior or current use for industrial, commercial, agricultural, manufacturing, waste disposal or any other non-residential purposes.
- B. Condition of property
- 1. Stressed or denuded vegetation or unusual barren areas
- 2. Discoloration, oil sheens, or foul/unusual odors in water
- 3. Storage drums
- 4. Above or underground storage tanks, vent or filler pipes
- 5. Evidence of oil or other chemicals in soil
- 6. Evidence of PCB's
- 7. Evidence of toxic air emissions
- C. Adjacent properties
- Properties adjacent or close to subject have conditions requiring "Yes" answer to any questions in (A) and/or (B) above.
- D. Flood Plain / Drainage area
- E. Endangered plants or wildlife
- F. Are you aware of any other information concerning any part of the land or buildings which might affect the decision of a buyer to buy or affect value of property or affect use by buyer?

**The Town Square Community Foundation
Real Estate Acquisition Checklist**

VII. Property Maintenance Budget

To hold this property as a Community Foundation asset the following income and expenses are anticipated:

A. Income		Annual	
1. Rent			_____
2. Other			_____
Total Income			_____
B. Expenses			_____
1. Real estate taxes			
	1 st payment of \$ _____	due (date) _____	
	2 nd payment of \$ _____	due (date) _____	
2. Utilities			
	Gas		_____
	Electricity		_____
	Water/sewer		_____
	Other		_____
3. Services			
	Caretaker		_____
	Landscaping		_____
	Heating/Cooling contract		_____
	Pool services		_____
	Common area charge		_____
	Security		_____
	Other		_____
4. Maintenance / Repairs			

5. Insurance			

Total Expenses			_____
Net Income (Loss)			_____

VIII. Additional information of Sections II through VII

IX. Acknowledgments

Owner(s) hereby acknowledge that the information set forth above is true and accurate to the best of my (our) knowledge.

Owner Date

Owner Date

Establishment of New Fund

Date _____ Initial \$ Amount _____

Stock Gift? Yes No (if yes, attach stock gift form)

Name of Donor(s) _____

Address of Donor(s) _____

Donor(s) Telephone Number(s) _____

Name of Fund _____

Vital Necessities - Please initial and date when each step is complete.

Thank you letter from dated _____, computer address of letter is _____

Gift recorded on _____ (date) by _____. Gift Number is _____

Fund name added to edited copy of previous annual report by _____ (name) on _____ (date).

FIMS standard affiliations added for this client by _____ (initials) on _____ (date).
(Annual Luncheon/Annual Report/Friends Campaign/Newsletter/Fund Holder)

Any specific affiliations required: ____

Gift notecards sent on _____ (3-4 weeks after signed agreements sent)

Checklist - Initial when each item is complete

- Set Up Legal File
 - _____ Copy of check (or fund receipt document) on right side
(X- file to Action File where applicable)
 - _____ Date fund agreement printed
 - _____ Date sent to donor (tickle for return)
 - _____ Date signed by Board Chairman
 - _____ Date one signed copy mailed to donor or agency with transmittal letter
 - _____ One executed agreement filed in legal file (on left side)
 - _____ Executed agreement scanned into FIMS

- Set Up Action File
 - Copy of check on right side (as X-filed above)
 - Copy of thank you note on right side

Name of New Fund: _____

Accounting Information

G/L Segment Report coded as follows by _____ (name) on _____ (date)

Division	9	CFA	C	Coleman County	Fees	a. .5%	5% Average Assets
_____	A	AVJ	N	Nolan County	—	b. 1.0%	1.0% Average Assets
	W			Winters Area		c. 1.5%	1.5% Average Assets
						d. 5%	5% of Income (less Inv. Exp.)
Class	00	Operating				e. 10%	10% of Income (less Inv. Exp.)
_____	10	Permanent				f. All	All Net Income/Gains
	20	Non-Permanent DA				g. None	No Fees Assessed
	22	Non-Permanent				h. .0015 – 15	basis pts
	40	Quasi Endowment					
	90	Deferred Assets					
Type	A	Agency Designated Endowment					
_____	D	Donor Designated Endowment					
	E	CFA Permanent Endowment					
	F	Funds Held FBO					
	G	Movable Endowment Funds					
	L	Limited Term					
	U	Unrestricted					
Sub-Type	A	Donor Advised					
_____	D	Designated					
	F	Field of Interest					
	G	General Operations					
	S	Scholarship					
	U	Discretionary					

Fund established in FIMS on _____ (date). Fund Name is _____
If agency or designated endowment, date of first payout of income established as _____

Legal description and fund purpose entered in FIMS by _____ on _____

Miscellaneous paperwork which may be necessary - please initial and date as completed

_____ Notification letter to agency (if applicable) dated _____

_____ Donor information mailed _____ (Verify that this information is not already on file)

_____ If donor-advised fund, two donor recommendation forms and general information sheet on donor-advised funds mailed on _____

_____ Fund Statement to be sent to: _____

If memorial fund, "Suppress Honorary/Memorial Gift Detail Amount" in Fund 2 tab should be checked.

Special Concerns for this Fund _____

Validated Deposit Slip Reviewed by _____

Town Square Community Foundation Donation or Funds Received Checklist

Date: _____

Amount of Gift or Funds Received: _____

Type of Donation Received (check one)

Check _____ Securities _____ Cash _____ PayPal _____ IFT _____ Non-gift _____

Is gift a memorial? Y _____ N _____ If yes, for whom? _____

Is gift an honorarium? Y _____ N _____ If yes, for whom? _____

Investment Information (check one)

FNB Managed Pool _____ CFA Comingled General Pool _____ DA Income Only (#049219) _____

Other (specify) _____

Donor Information:

Name: _____

Address: _____

Fund Name: _____

If needed, Acknowledgment to be sent to:

Name: _____

Address: _____

Check List (Initial when Complete)

Copied Check to _____ Entry _____ Gift # _____

Thank You _____ Computer address of thank you note (and date) _____

Acknowledgment _____ Computer address of acknowledgment (and date) _____

Bank Deposit _____ Review of Bank Receipt _____ Affiliation code _____ added

Other Instructions (specify) _____

The Town Square Community Foundation Stock Gift Form



Name of Donor: _____

Gift Date: _____

Fund to be Credited: _____ New Fund? _____

Brokerage Firm: _____ Name of Broker: _____

Detail of Stocks Gifted

# of Shares	Name of Stock	Approx. Value High/Low on Date of Gift
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

(The following to be completed by Nita Slaton or Katie Alford)

Stock Receipt

1. Received stock certificate on _____ **OR** stock transferred to account on _____
(date) (date)
2. Sell order by _____ on _____. To be sold on _____
(initials) (date) (date)
3. Check or Wire Redemption requested by _____ on _____
(Initials) (date)
4. Thank you letter dated _____, computer address is _____
5. Original entry made by _____ on _____, gift # is _____
(Initials) (date)

Net Proceeds

1. Proceeds check # _____ received on _____ in the amount of \$ _____
2. Notation re: Stock Averaging Calculation for Donor Tax Records _____
3. If needed proceeds letter dated _____, computer address is _____
4. Revised entry to reflect proceeds amount made by _____ on _____
(initials) (date)

Publicly Traded Stocks

Is this stock (are these stocks) publicly traded? Yes Yes _____ No

SPECIAL NOTES:

If no, IRS form 8282 must be filed within 125 days of the date of sale.

IRS form 8282 filed on _____ by _____
(date) (name)

Validated Deposit Slip Reviewed by _____

Examples of acknowledgement letters for gifts received by the Foundation:

Gift to establish a new donor-advised fund

<<DATE>>

Dr. and Mrs (name)
<<ADDRESS>>
Marlin, TX XXXXXX

Dear (Name)

On behalf of the Trustees of the Town Square Community Foundation, thank you for your generous contribution of \$20,000 to establish the *(Name) Donor Advised Fund*. All of us at the Community Foundation deeply appreciate your confidence in us and we pledge our very best efforts to administer these funds in an efficient and thoughtful manner.

A copy of the fully executed agreement will be forwarded to you as soon as it is signed by our Board Chairman, (name).

We are also enclosing some donor advisor recommendation forms that you may use to recommend grants. Your grant recommendations may be done by fax, mail, or phone call to (name) Grants Director. We look forward to working with you in your charitable giving!

We deeply appreciate that you've chosen to work with the Community Foundation in your charitable planning. Please let us know if you have any questions or concerns about your grant making.

Sincerely,

NS11: 0044

P.S. In order to ensure your gift as fully tax deductible, please note that the Community Foundation has exclusive legal control over your contribution and warrants that no goods or services were provided in exchange for your donation. Please keep this acknowledgement of your \$20,000 gift for your tax records.

Gift to an existing donor-advised fund

<<DATE>>

Mr. and Mrs. (name)

<<ADDRESS>>

Lott, TX <<ZIP>>

Dear (Name),

Thank you so much for your gift of \$10,000 to your donor advised fund. This funding will be available immediately for any grants that you wish to recommend.

Thank you also for wanting to make a difference by helping fund the financial course for high school students. This is an important life skill that has not been passed down. We continue to feel so privileged to be a part of your charitable plans and grateful for your confidence in us.

Sincerely,

NS11-009

P.S. In order to ensure your gift as fully tax deductible, please note that the Community Foundation has exclusive legal control over your contributions and acknowledges that no goods or services were provided in exchange for your donation. Please keep this acknowledgement of your gift of \$10,000 for your tax records.

Acknowledgement of Stock Gift

<<DATE>>

Mr. and Mrs. (name)
<<ADDRESS>>
Rosebud, TX <<ZIP>>

Dear (name)

On behalf of the Community Foundation Trustees, thank you very much for your generous gift on June 1, 2011 of 1,600 shares of (name of stock) designated for the (name) *Family Donor-Advised Fund* in accordance with your instructions. The net sale proceeds will be placed in this fund. We pledge to administer these funds in a prudent and responsible manner.

I look forward to visiting with you about your charitable distribution of these funds. I know the grantees will be honored that you care about their organizations. We truly appreciate all that you and your family have done for our organization and the community.

Sincerely,

NS11:0050

P.S. In accordance with the 1994 IRS regulations, this letter is the official receipt for your gift of 1,600 shares of (name of stock). In order to ensure your gift is fully tax deductible, please note that the Community Foundation has exclusive legal control over your contribution and warrants that no goods or services were provided in exchange for your donation.

SECOND PAGE OF STOCK GIFT ACKNOWLEDGEMENT:

June 2, 2011

Re: Stock gift

The IRS takes the position that, for non-cash gifts including stock gifts, the donor should establish the value of the gift to a charity.

We are pleased to provide the following information for your accountant.

On June 1, 2011, the official gift date, the gift of

Stock Name	High	Low	Average	Stock Gift Yield
(Name of stock)	\$96.92	\$93.25	\$95.04	\$152,064

The net proceeds (\$147,849.81) from the stock sale will be deposited in the
(name) Family Donor Advised Fund.

This gift does not include any goods, benefits or services in exchange for the contribution.

Acknowledgement of Gift from IRA Fund

<<DATE>>

Mr. (name)

<<ADDRESS>>

Rosebud, TX 79606

Dear (name):

Thank you for your gift of \$916.85 from your Individual Retirement Account. We are writing to acknowledge that we received your gift directly from A. G. Edwards Brokerage Services, your plan trustee/administrator, and that it is your intention for your gift to qualify as a qualified charitable distribution from your IRA under section 408(d)(8) of the Internal Revenue Code.

In that connection, we warrant to you that the Town Square Community Foundation is qualified under section 170(b)(1)(A) of the Internal Revenue Code and that your gift was not transferred to either a donor advised fund or a supporting organization as described in section 509(a)(3). Your gift was placed in the *Bob and Elaine Surovik Unrestricted Fund* at the Town Square Community Foundation.

We further warrant that no goods or services of any value were or will be transferred to you in connection with this gift.

Thank you for your contribution to your unrestricted endowment fund at the Community Foundation. The earnings from your fund will benefit a wide range of the best charitable efforts throughout Central Texas. We appreciate so much all you do for Rural Central Texas!

Sincerely,

P. S. Please retain this letter with your important tax documents and provide a copy to your tax preparer. In order to ensure your gift is fully tax deductible, please note that the Community Foundation has exclusive legal control over your contribution and warrants that no goods or services were provided in exchange for your donation.

Town Square Community Foundation Gift Policy Treatment 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.¹ 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 receiving gifts of interests in a business enterprise after the date of the PPA's enactment (August 17, 2006) will 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 currently hold such assets will 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.

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 section does not define "family" and does not cross-reference either section 4958 or 4946 for the definition. Finally, the term includes 35-percent-controlled entities as defined in section 4958(f)(3).

Community Foundation policy with regard to assets categorized under the PPA as "excess business holds"

Community Foundation will identify and monitor any new gift to a donor advised fund of any interest qualifying as an "excess business holding" under the PPA. Community Foundation 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, the Community Foundation 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. The Community Foundation will notify potential donors of such interests of this requirement prior to the contributions of such interest.

¹The 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.

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

³Additionally, 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.

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