



Community Foundation  
Research and Training Institute

Knowledge  
Nugget #5: Fund  
Development –  
The Basics

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# Fund Development – The Basics

Different Types of Gifts

Gift Acceptance Policies

Material Restrictions

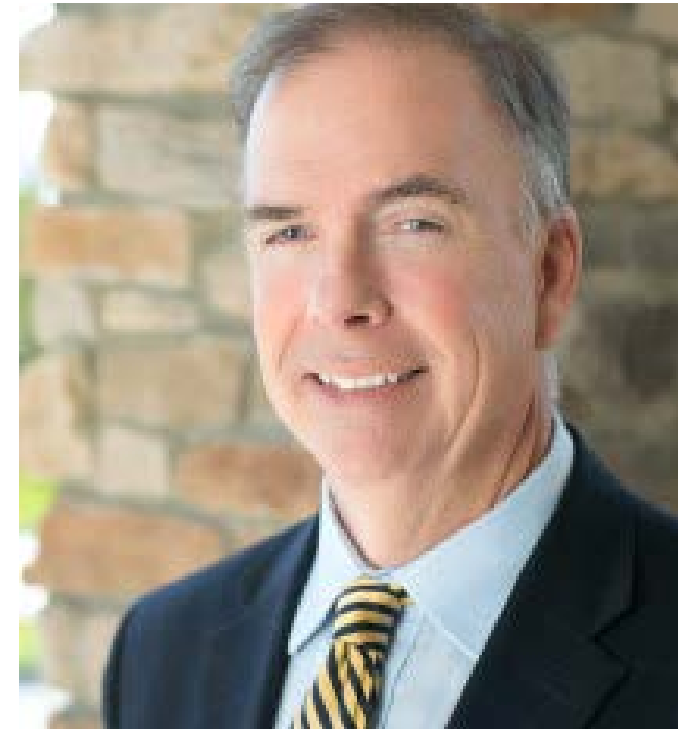
Documenting Charitable Gifts

# My Contact Information

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David Bennett

- Cell: 260-804-5617
- Email: [cfrtinstitute@gmail.com](mailto:cfrtinstitute@gmail.com)
- Website: [www.cfrti.com](http://www.cfrti.com)



# Different Types of Gifts

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# Types of Gifts

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Community Foundations are uniquely positioned to receive many types of gifts. While most gifts are in the form of immediate payments, successful foundations have the capacity to accept a wide variety of gifts.

Gifts might be ***immediate gifts***, which are easy to value and can be used when given to fill a charitable purpose. They may be ***complex gifts***, which are harder to value and convert to cash but which nonetheless may be very valuable.

They might be ***deferred gifts***, which do not come to fruition until some point in the future – maybe a very long time into the future.

They might also be ***gifts with income***, in which the donor gives assets in return for a stream of income.

# Examples of Immediate Gifts

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- Cash, checks, credit card gifts
- Publicly traded stock and mutual funds
  - Tax benefits with appreciated assets
  - Must be transferred directly to community foundation
- IRA Charitable Rollover
  - Qualified Charitable Distribution

# Examples Complex Gifts

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- Retained Life Estate
- Bargain Sale
- Business Interest
  - Closely-Held Stock
- Tangible Personal Property
  - Collectibles, artwork, vehicles, equipment
- Agricultural Products
  - Livestock, harvested crops, cut timber

# Examples of Deferred Gifts

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Charitable bequest - a transfer at death by will to a 501(c)(3) organization

- Most common form of estate gift
- Have sample language available on website and in marketing materials

Retirement Funds

- Best asset to leave to charity in estate...heirs are taxed
- Can use Qualified Charitable Distributions/IRA Charitable Rollover

Life Insurance

- Donor owns policy, community foundation as beneficiary, no tax deduction
- Donor transfers ownership and beneficiary to community foundation, possible tax deduction
- Community foundation purchases policy, donor pays premium, tax deduction for premium



# Examples of Gifts with Income

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## Charitable Gift Annuities

- Pays one or two people, then remaining balance to community foundation
- Community foundation assets liable for payments

## Charitable Remainder Trusts

- Pays beneficiary first, then remaining balance to community foundation
- Additional gifts can be added to Charitable Remainder Unitrust

## Charitable Lead Trusts

- Pays community foundation first, remaining balance to beneficiary(ies)

# Gifts That Could Cause a Charity to Pay Tax

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Even though an organization is recognized as tax exempt, it still may be liable for tax on its ***unrelated business income***.

For most organizations, unrelated business income is

- income from a trade or business,
- regularly carried on,
- that is not substantially related to the charitable, educational, or other purpose that is the basis of the organization's exemption.

An exempt organization that has \$1,000 or more of gross income from an unrelated business must file Form 990-T.

# Examples of Gifts that Generate UBI

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***Subchapter S Stock*** – If a donor gives Subchapter S stock to a community foundation, the donor's tax basis transfers to the community foundation. When the stock is sold, the community foundation must file a Form 990-T, and may own taxes

***Operating Businesses*** – If a donor gives an operating business to a charity, and the business continues to operate, the charity may need to file a Form 990-T, and may owe taxes. For example, if a community foundation is gifted a convenience store and gas station, and continues to operate the business, they must file a Form 990-T.

This is true even if the profits from the store are deposited into a charitable fund held by the community foundation.

# Gift Acceptance Policies

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# Why Do You Need Gift Acceptance Policies?

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While we usually think of a charitable gift as a donor writing a check, in many instances a charitable gift can be made using many different types of assets.

The most common type of non-cash gift is publicly traded marketable securities. But some donors may want to make a gift of real estate, grain, or artwork.

Suppose a donor wants to give a cemetery plot, a vacant warehouse, or a valuable piece of art to your community foundation. Will you accept it? Who makes that decision? What will you do with it after you receive it?

These types of questions – and much more – can be answered in your gift acceptance policy.

# What Is a Gift Acceptance Policy

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A gift acceptance policy governs the assets you accept as gifts

Defines type of assets that are acceptable

- Cash, check, publicly traded securities – no problem
- Land, art work, etc.? These can be tricky
- What types of planned gifts will you take?

Creates procedures for dealing with gifts, for example:

- Liquidate stock immediately
- Obtain an environmental study on land

Approved by the board and reviewed periodically

*You do not have to accept every gift*

# Form 990 Schedule M

**SCHEDULE M**  
**(Form 990)**

**Noncash Contributions**

OMB No. 1545-0047

**2019**

**Open to Public Inspection**

Department of the Treasury  
Internal Revenue Service

► Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.  
► Attach to Form 990.  
► Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for instructions and the latest information.

Name of the organization \_\_\_\_\_ Employer identification number \_\_\_\_\_

<b>Part I</b> Types of Property			
(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts

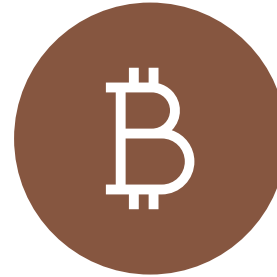
Keep in mind that on your Form 990 the IRS asks whether or not you have a gift acceptance policy. It will also ask you questions about that policy, and also to disclose information about noncash gifts you have received.

# Key Elements in a Gift Acceptance Policy

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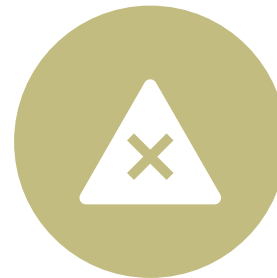
1. Who has the authority to negotiate the details of the gift?



2. What types of gifts will, and won't, be accepted?



3. What gifts will require a written gift agreement, and what will be in that agreement?



4. Who will bear the carrying cost of assets that cannot be liquidated immediately?

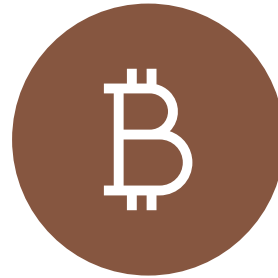


# Key Elements in a Gift Acceptance Policy

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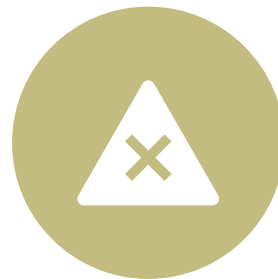
5. Who will bear the cost of substantiating the value of a gift the donor will claim on his or her income tax return?



6. When will your organization agree to retain a gift versus liquidating a gift as soon as is practicable?



7. Will you offer charitable gift annuities, and what is your policy regarding valuing those annuities?



8. Will you accept a gift that could generate unrelated business income?

# Making Sure your Policy is Effective

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**Monitor the policy.** The board should review the gift acceptance policy on an annual basis and will need to approve any changes to the policy.

**Make the policy widely available.** Put the policy on your website, so that you can direct donors to the policy when a question arises.

**Educate your staff.** While the details of the policy are most important to your executive director and development staff, all of your staff should be familiar with the policy.

**Educate new board members.** As part of their orientation, new board members should receive a copy of the organization's gift acceptance policy. Take time periodically to review the highlights of the policy at a board meeting.

# Planned Giving

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# Planned Giving

A **planned gift** is a contribution that is arranged in the present and allocated at a future date.



A community foundation is uniquely positioned to receive a planned gift. A community foundation is designed to last forever, so a donor can leave a gift that might not occur until many years in the future. In addition, a community foundation usually has a finance and accounting system in place that will allow for the acceptance of complex gifts.

# What Type of Donor Leaves a Planned Gift?

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The following pages show data on donors who leave a planned gift.

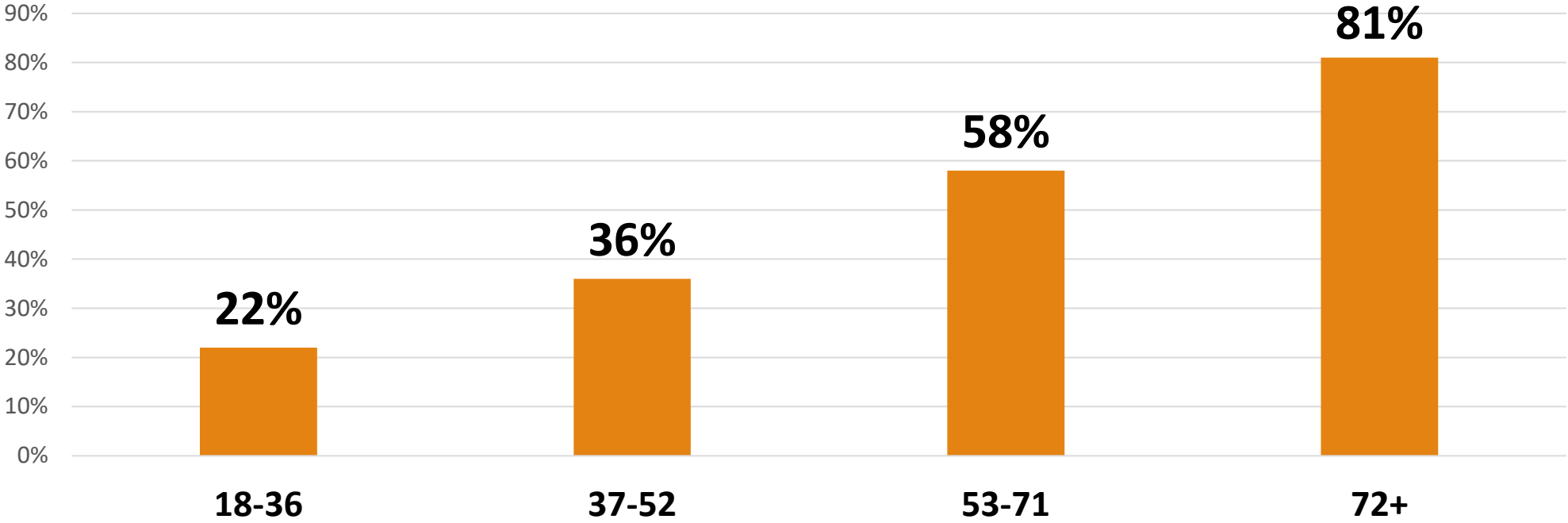
Most planned gifts are developed and put into place many years— perhaps many decades — before the gift is actually made to the charity.

The following slides also emphasize the importance of a donor’s professional advisor in preparing a planned gift. In almost every instance, a planned gift will be crafted with the help of a donor’s trusted advisor — an attorney, a CPA, or a financial advisor. Sometimes, multiple professional advisors will be involved.

That’s why it’s important for a community foundation to maintain strong ties with your professional advisor community. At best, you want a professional advisor to be your advocate. At the very least, however, you want a professional advisor to know what a community foundation is and what it does. While a professional advisor may not be an advocate for your foundation, at the very least they serve as a gatekeeper, and must give their approval for any planned gift.

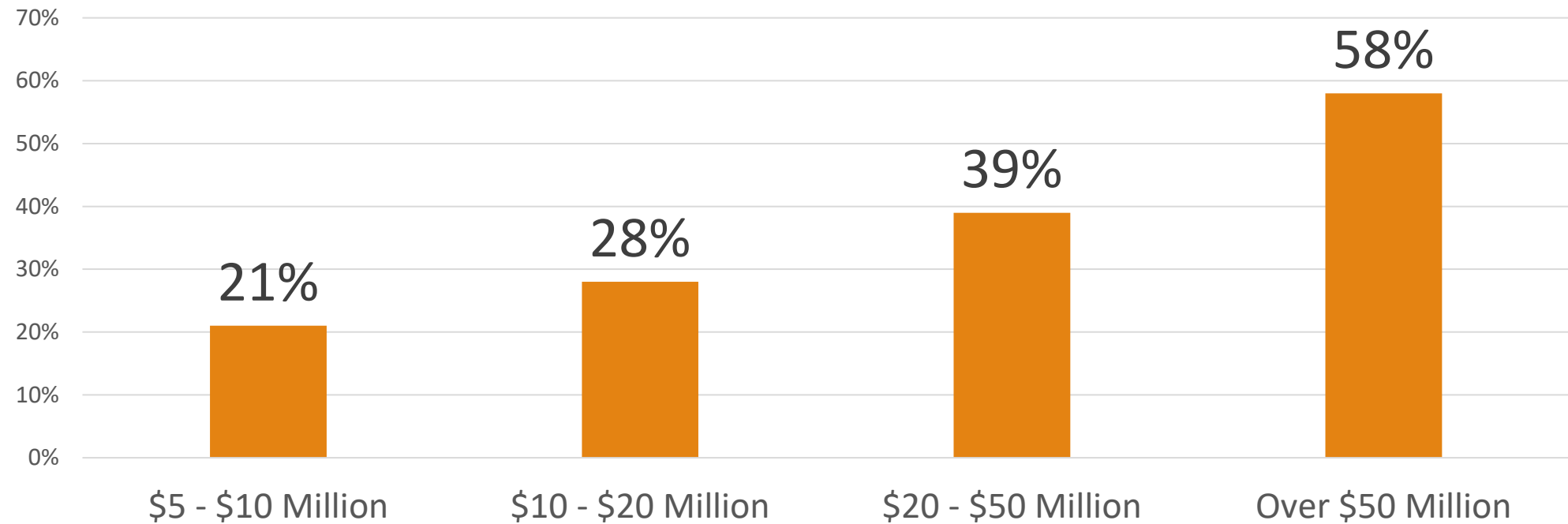
# Percentage of Households with Will, By Age

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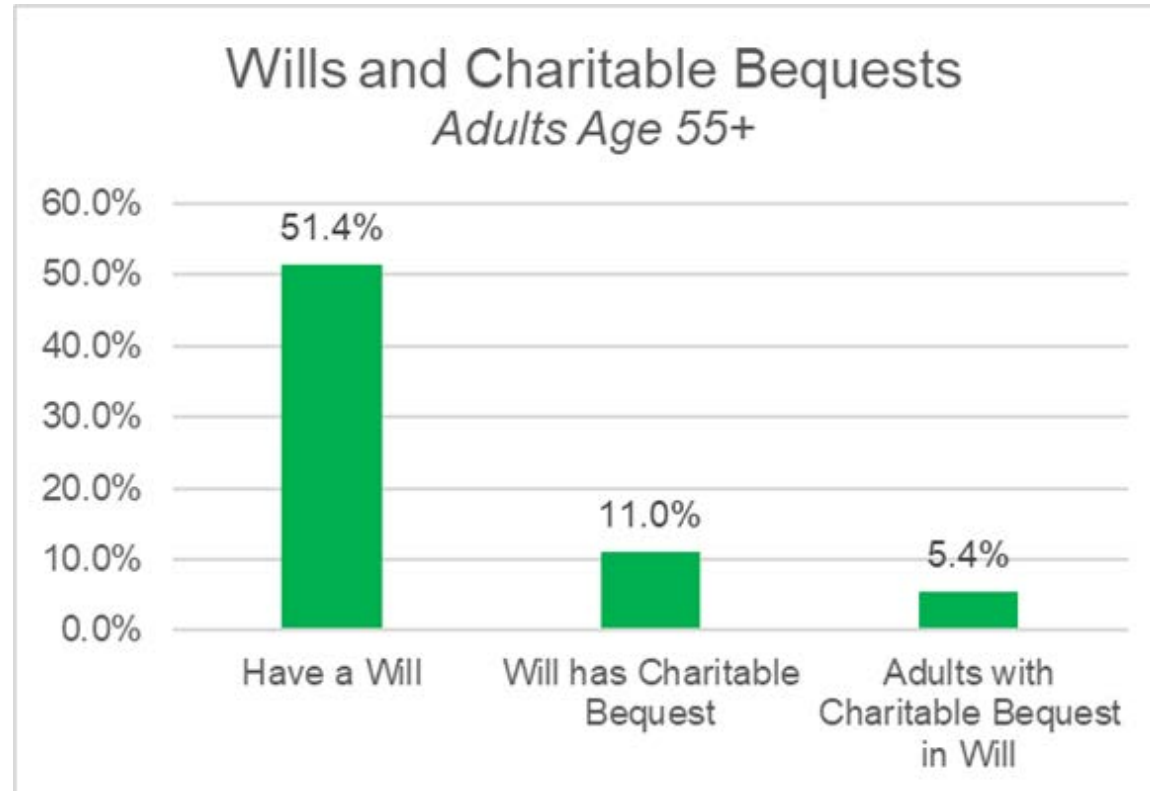


# Estates with a Charitable Gifts, by Wealth

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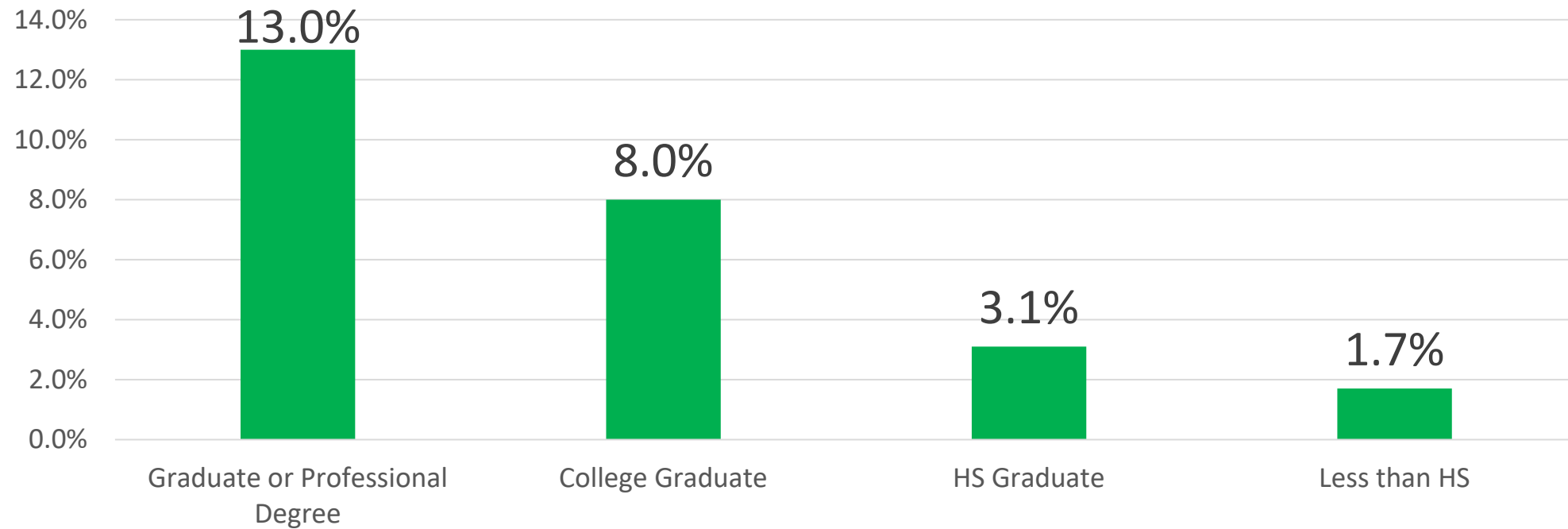
# Adults with Wills and Bequests





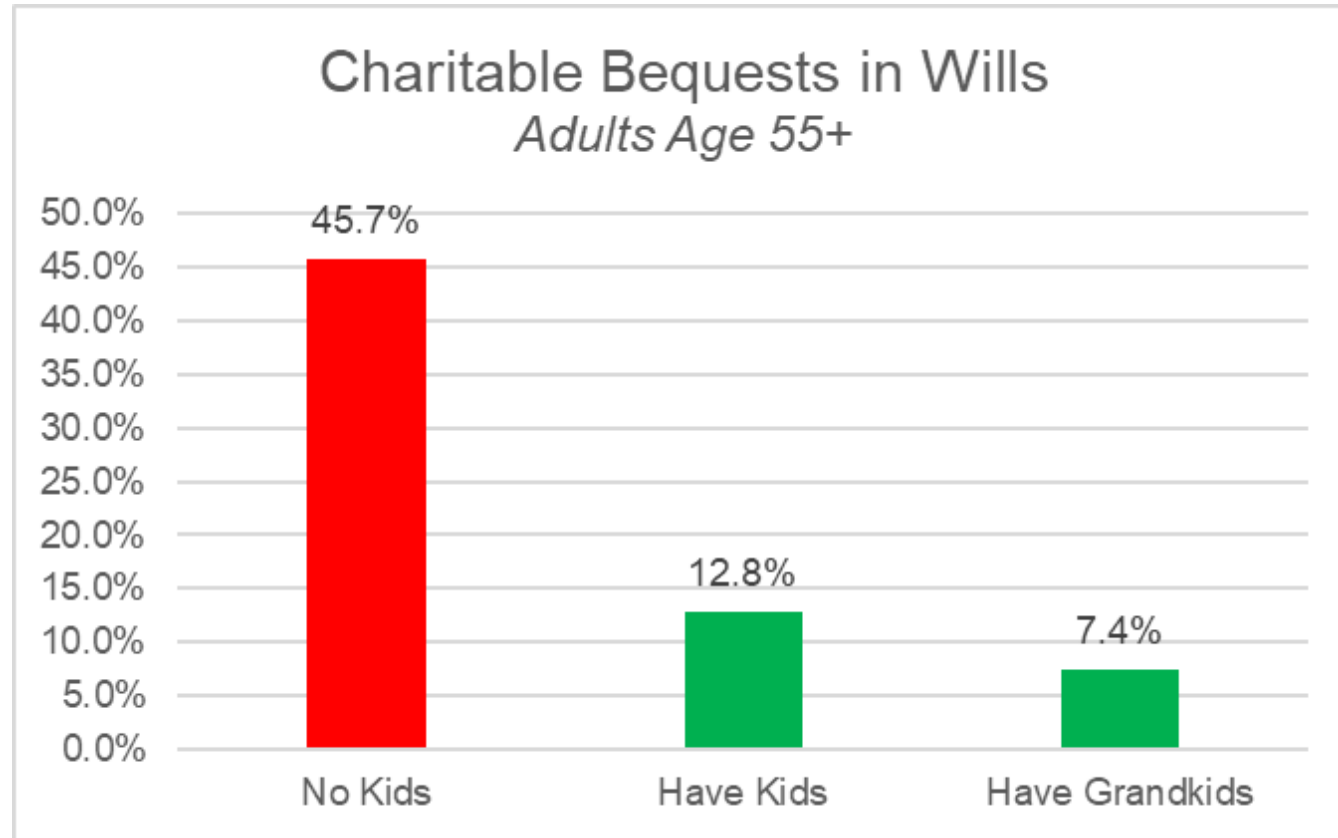
# Wills with Charitable Bequest *by Education*

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# Who Leaves a Charitable Bequest?

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# Material Restrictions

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# What is a Material Restriction?

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- A material restriction is a restriction or condition that prevents a community foundation from *"freely and effectively employing the transferred assets, or the income derived therefrom, in furtherance of its exempt purposes."*
- A gift dependent on the performance or an occurrence of an event is not a completed gift until that event occurs
- A gift must be irrevocable to qualify as charitable deduction

# Requests That Are **Not** Material Restrictions

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- A **name** that memorializes the donor
  - On a fund, or a building
- Requests for **anonymity**
- Designation by the donor of a **charitable purpose** or a public charity as the beneficiary of the fund.
- Creation of the fund as an **endowment**.
- A requirement that the community foundation **retain the property**, *if such retention is important to the achievement of charitable or other similar purposes in the community because of the peculiar features of the property.*

# Examples of Material Restrictions

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- The donor's retention of a right to direct distributions to **particular charitable beneficiaries**.
- The donor's retention of a right to direct the **timing** of charitable distributions.
- The donor's right to select and keep an **investment manager** of their choosing

But ... *none of these are material restrictions **if** the board of the community foundation has ultimate authority to make the final decision!*

# Documenting Charitable Gifts

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# When is a Gift Receipt Required?

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- ✓ Gift of money or other property to a qualified organization
- ✓ Gift acknowledgement is required for gifts of \$250 or greater



# Requirements for a Charitable Gift Receipt

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Must include these items to meet the standards set forth by the IRS:

1. The **name** of the organization;
2. The **amount** of cash contribution;
3. A **description (but not the value) of non-cash** contribution;
4. A statement that **no goods or services\*** were provided by the organization in return for the contribution, if that was the case;
5. Statement that the community foundation has **exclusive control** of the gift

*\*Or,* A description and good faith estimate of the **value of goods or services**, if any, that an organization provided in return for the contribution;

# Additional Documentation Required

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The CARES Act now allows donors to deduct from income up to \$300 (\$600 for a married couple filing a joint return) for those taxpayers who do not itemized deductions on their tax return.

The new law specifies that the deduction is NOT available for a gift to a donor advised fund.

***Therefore, your tax documentation should have a paragraph stating whether or not the gift was made to a donor advised fund.***

## Other Requirements for a Charitable Gift Receipt

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- ❖ Each donor receipt should include the name of the donor. Many donor receipts also include the charity's address and EIN, although not required.
- ❖ Donor receipts should include the date of the contribution. **If the donor receipt doesn't include the date, the contribution may be disallowed entirely.**
- ❖ Donor must reduce the amount of the contribution deduction by the fair market value of the goods and services provided by the organization.

# Documentation of Noncash Gifts

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In some instances, the community foundation may need to provide additional documents for certain noncash gifts.

This documentation might include the filing of Form 8283 or Form 8282. These are explained in more detail on the next couple of slides.

Schedule M of the Form 990 will also ask you additional information about noncash gifts you have received.

# IRS TAX FORMS - 8283

Form **8283**  
(Rev. December 2014)  
Department of the Treasury  
Internal Revenue Service

## Noncash Charitable Contributions

▶ Attach to your tax return if you claimed a total deduction of over \$500 for all contributed property.

▶ Information about Form 8283 and its separate instructions is at [www.irs.gov/form8283](http://www.irs.gov/form8283).

OMB No. 1545-0908

Attachment  
Sequence No. **155**

- Filed with donor's tax return for **all noncash gifts > \$500**, includes partnerships and S corporations
- Corporations must file for **gifts > \$5,000**
- **Donor's responsibility** to complete and file
- **Qualified Appraisal** required for most non-cash gifts
- **Qualified Appraisal** summary must be signed by the CF

# IRS TAX FORMS - 8282

Form **8282**  
(Rev. April 2009)  
Department of the Treasury  
Internal Revenue Service

**Donee Information Return**  
(Sale, Exchange, or Other Disposition of Donated Property)

▶ See instructions.

OMB No. 1545-0908

**Give a Copy to Donor**

- **Required with sale** of donated property
- Any property other than cash or publicly traded securities reported with a **charitable value that exceeds \$5,000**
- Filled out by the **community foundation** for property disposed of **within three years of receipt/contribution by donor**
- Must be filed within **125 days** after the disposal

# My Contact Information

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That's it for this Knowledge Nugget. If you want to test what you learned, there's a short quiz located elsewhere on this website.

If you have any questions or comments, please contact me using this information

David Bennett

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*Keep up the good work ... what you are doing for  
your community is so important.*