

THE WINSTON-SALEM FOUNDATION

The Winston-Salem Foundation Gift & Fund Acceptance Policy

The Winston-Salem Foundation, Inc., a not-for-profit corporation organized under the laws of the State of North Carolina, encourages the solicitation and acceptance of gifts to The Winston-Salem Foundation (hereafter referred to as the “Foundation”) for purposes that will help the Foundation to further and fulfill its mission.

Purpose of Policies and Guidelines

The Foundation Committee and its staff solicit current and deferred gifts from individuals, corporations, organizations, and foundations to promote philanthropy and to further the mission of the Foundation. It is the purpose of these policies and guidelines to govern the acceptance of gifts by the Foundation and to provide guidance to prospective and current donors and their advisors when making gifts to the Foundation. The provisions of these policies shall apply to all gifts received by the Foundation for any of its programs or services.

Protection of Donor’s Interests

The Foundation staff and committee will always consider the interests of donors as first priority in charitable giving. A donor shall not be encouraged to make a gift that is inappropriate, in light of the donor’s known financial or personal situation, or the donor’s known philanthropic interests.

As far as is possible, the Foundation’s staff will disclose to a prospective donor the benefits and liabilities that could reasonably be expected to influence the donor’s decision to make a gift to the Foundation. In particular, the donor should be advised that all gifts other than testamentary gifts are irrevocable, and items subject to variability (such as market value, investment return, and amount of income payments) will be discussed fully.

The Foundation will provide donors and prospective donors with information about the Foundation, its policies, and the charitable needs served by its grantmaking program.

Confidentiality and Donor Recognition

Information learned by any representative of the Foundation about a donor, donor’s assets, or donor’s philanthropic intention shall be held in strict confidence by the staff

and Committee. Donors will be encouraged to notify the Foundation of their gift plans and all such information shall be kept confidential unless permission is obtained from the donor. Donors will always be asked for permission to recognize their gifts publicly and may give anonymously if they so desire.

The Foundation acknowledges that donors and their gifts to the Foundation are foremost in achievement of donors' and our charitable purposes. The staff will recognize and acknowledge donors in appropriate ways, both publicly and privately, subject to the confidentiality provisions outlined above.

Use of Legal Counsel

The Foundation shall seek the advice of legal counsel in matters relating to acceptance of gifts where appropriate. Review by counsel is recommended for:

- Review of closely held stock transfers that are subject to restrictions or buy-sell agreements
- Review of documents naming the Foundation as Trustee
- Review of all gifts involving contracts requiring the Foundation to assume an obligation
- Review of all transactions with potential conflict of interest that may invoke IRS sanctions
- And such other instances in which use of counsel is deemed appropriate by the President, Foundation Committee Chair, or Vice President, Development and Donor Services

Conflict of Interest

All prospective donors shall be strongly urged to seek the assistance of personal legal and financial advisors in matters relating to their gifts and resulting tax and estate planning consequences. The Foundation will comply with the Model Standards of Practice for the Charitable Gift Planner promulgated by the National Association of Charitable Gift Planners.

Authority to Negotiate

The President and the Development and Donor Services staff will have the overall authority to handle inquiries, negotiate with donors, assemble documentation, retain expert and technical consultants, and execute agreements on behalf of the Foundation. Acceptance by staff of gifts consistent with the purposes, by-laws, and procedures of the Foundation will not require review by the Executive Committee if the gifts are received in the form of cash, checks, or marketable securities.

The Executive Committee of the Foundation's Committee has the responsibility to consider and determine procedures concerning acceptance of all gifts given to the

Foundation in order to ensure that gifts received are consistent with the mission, and in the interests of the Foundation. Any proposed gift transaction may be referred to the Foundation Committee or its Executive Committee for review and advice.

Restrictions on Gifts

The Foundation will accept unrestricted gifts and gifts for specific programs and purposes, provided that such gifts are consistent with its stated mission, purposes, and priorities. The Foundation will not accept gifts that are too restrictive in purpose. Gifts that are too restrictive are those that violate the terms of the trust agreement, gifts that are too difficult to administer, or gifts that are for purposes outside the mission of the Foundation. All final decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the President, in consultation with staff and officers of The Winston-Salem Foundation.

Variance Power

All funds shall be accepted subject to the variance power in the trust agreement, referencing the Master Trust and By-Laws of The Winston-Salem Foundation. This allows the Foundation Committee to modify any condition or restriction on the distribution of funds if, in its sole judgment (without the approval of any trustee, custodian or agent), such restriction or condition becomes in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs served by the Foundation.

Geographic Emphasis

The Winston-Salem Foundation exists to serve donors and charitable organizations in Forsyth County and surrounding counties. Donors from geographic areas served by (an)other community foundation(s) will be made aware of the alternative(s).

Types of Gifts

The Foundation receives gifts in the following forms:

Cash:

Cash is acceptable in any form. Checks shall be made payable to The Winston-Salem Foundation.

Illiquid Assets:

Gifts of illiquid assets will be added to, or used to create, permanent endowment funds for charitable purposes consistent with the Foundation's mission. Only cash and

marketable securities will be accepted to create or add to non-endowed funds. Evaluation criteria for various illiquid asset types are described below. The final determination regarding the acceptance of illiquid assets shall be made by the President and other officers of The Winston-Salem Foundation.

Tangible Personal Property: Gifts of tangible personal property shall be examined in light of the following criteria:

- Does the property fulfill the mission of the Foundation?
- Is the property marketable?
- Are there any undue restrictions on the use, display, or sale of the property?
- Are there any carrying costs for the property?

All costs associated with liquidating property will be incurred by the donor or taken from the profits of the liquidation. All remaining profits will be placed in an endowed charitable fund designated by the donor.

Securities: The Foundation can accept publicly traded securities and closely held securities.

Publicly Traded Securities: Marketable securities may be transferred electronically to an account maintained at one or more brokerage firms with prior notification to the Foundation. As a general rule, all marketable securities shall be sold upon receipt. In some cases marketable securities may be restricted by applicable securities laws; in such instance the final determination on the acceptance of the restricted securities shall be made by the President or other officers of The Winston-Salem Foundation.

Closely Held Securities: Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in LLPs and LLCs or other ownership forms, can be accepted subject to the approval of the Executive Committee of the Foundation. However, gifts must be reviewed prior to acceptance to determine that:

- There are no restrictions on the security that would prevent the Foundation from ultimately converting those assets to cash
- The security is marketable
- The security will not generate any undesirable tax consequences for the Foundation
- Donors or disqualified persons owning more than 20% of the business, either individually or collectively with family members, will not contribute such gifts to a donor-advised fund

If potential problems arise on initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on acceptance of the gift. The final determination on the acceptance of closely held securities shall be made by the President or other officers of The Winston-Salem Foundation and legal counsel where necessary. Every effort will be made to sell non-marketable securities as quickly as possible.

Real Estate: Gifts of real estate may include developed property, undeveloped property, or gifts subject to prior life interest. Prior to acceptance of real estate, the Foundation shall require the donor to sign a Letter of Intent, indicating an understanding of the responsibilities, costs, and timetable for the intended donation. The Foundation then will authorize an initial environmental review of the property to ensure that the property is not contaminated with environmental damage. In the event that the initial inspection reveals a potential problem, the Foundation shall reserve the right to expect further examination. The cost of the environmental audit shall generally be an expense of the donor. Should the property contain a residence or other building structure, the Foundation may secure a professional inspection at the expense of the donor.

Prior to acceptance of the real property, the gift shall be approved by an officer of the Foundation, acting on recommendation of the Foundation's legal counsel. Criteria for acceptance of the property shall include:

- Is the property useful for the purposes of the Foundation?
- Is the property marketable?
- Are there any restrictions, reservations, easements, or other limitations associated with the property?
- Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, etc., associated with the property?

The Foundation will be responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within three years of receipt where the charitable deduction value of the item was \$5,000 or greater. The Foundation will file this form within 125 days of the date of sale or disposition of the asset.

Remainder Interest in Property: The Foundation will accept a remainder interest in a personal residence, farm, or vacation home subject to the provisions listed under "real estate" above. The donor or other occupants may continue to occupy the real property for the duration of the stated life. At the death of the donor, the Foundation may use the property or reduce it to cash. Where the Foundation receives a gift of a remainder interest, expenses for maintenance, real estate taxes, and any property indebtedness are to be paid by the donor or primary beneficiary.

Oil, Gas, and Mineral Interests: The Foundation may accept oil and gas property interests, where appropriate. Prior to acceptance of an oil and gas interest the gift shall be approved by an officer of the Foundation, and if necessary, by the Foundation's legal counsel. Criteria for acceptance of the property shall include:

- Gifts of surface rights should have a value of \$20,000 or greater.
- Gifts of oil, gas, and mineral interests should generate at least \$3,000 per year in royalties or other income (as determined by the average of three years prior to the gift).
- The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate

- If the interest is a working interest the organization should determine the impact on the Foundation so that it may develop a plan to minimize that impact if accepted.
- The property should undergo an environmental review to ensure that the Foundation has no current or potential exposure to environmental liability.

Bargain Sales: The Foundation will enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission and purposes of the Foundation. All bargain sales must be reviewed and recommended by an officer of The Winston-Salem Foundation and approved by the Foundation's Executive Committee. Factors used in determining the appropriateness of the transition include:

- The Foundation must obtain an independent appraisal substantiating the value of the property.
- If the Foundation assumes debt with the property, the debt ratio must be less than 50% of the appraised market value
- The Foundation must determine that it will use the property, or that there is a market for sale of the property allowing sale within 12 months of receipt
- The Foundation must calculate the costs to safeguard, insure, and expense the property (including property tax law, if applicable) during the holding period.

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

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

- Continue to pay premiums
- Convert the policy to paid up insurance
- Surrender the policy for its current cash value

Charitable Trusts:

Charitable Remainder Trusts: The Foundation may accept designation as remainder trust beneficiary of a charitable remainder trust with Executive Committee approval. The Foundation will also accept appointment as Trustee of a charitable remainder trust. Policies governing trusteeship include the following:

- The original minimum gift for a trust is \$100,000. The minimum for additional gifts to a charitable remainder unitrust is \$5,000.

- The agreement will be limited to two lifetime income beneficiaries or to a term of 20 years.
- The annual payment rate for the trust will be no less than 5% of market value (or such other minimum percentage required by law) and no more than 8% of market value.
- Gifts of cash and marketable securities can be used to establish charitable remainder trusts. Gifts of closely held stock and real estate may be used only after approval by The Winston-Salem Foundation's Finance and Investment Committee.
- The Winston-Salem Foundation must be named irrevocably as the charitable beneficiary of a minimum of 50% of the remainder interest. The remainder interest will be used to establish or add to an endowed fund at the Foundation, which may be designated for particular charitable beneficiaries or charitable fields of interest, or may be left to the discretion of the Foundation Committee.
- Income distributions from the trust typically will be on a quarterly basis. The distributions will be mailed or sent electronically from the offices of The Winston-Salem Foundation.
- Investment policy for the trust will be to maximize income depending on the current investment objectives, and to minimize the invasion of principal. The Winston-Salem Foundation, in consultation with the donor, will name the investment manager.
- It will be the responsibility of the donor's legal counsel to prepare the trust agreement so that it will be available for execution at the time of the gift. Counsel for The Winston-Salem Foundation will review all agreements naming the Foundation as Trustee before the execution of the trust.
- The trust will be responsible for paying all investment management and accounting fees. The Foundation will supply potential donors with fee estimates. The Winston-Salem Foundation will **not** assess CRTs a trustee fee.
- A statement of the holdings in the trust will be sent periodically to the donor and/or the beneficiary by the investment manager.
- All necessary appraisals of gifts, including environmental studies for gifts of real estate, will be paid for by the donor or with proceeds from the sale of the asset.
- Tax returns for the trust will be prepared by a certified public accountant engaged by the Trustee and paid for by the trust.

Exceptions to the above policy can be approved in extenuating circumstances only by The Winston-Salem Foundation's Finance Committee.

Charitable Lead Trust: The Foundation may accept designation as income beneficiary of a charitable lead trust. The Winston-Salem Foundation Committee will also accept the appointment as Trustee of a charitable lead trust with a minimum of \$1 million.

Testamentary Gifts:

Retirement Plan Beneficiary Designation: Donors and supporters of The Winston-Salem Foundation shall be encouraged to name the Foundation as beneficiary of their retirement plans. Such designations shall not be recorded as gifts to the Foundation until such time as the gift matures.

Bequests: Donors and supporters of The Winston-Salem Foundation shall be encouraged to make bequests to the Foundation under their wills and trusts. Such bequests shall not be recorded as gifts to the Foundation until such time as the gift matures.

Life Insurance Beneficiary Designations: Donors and supporters of The Winston-Salem Foundation shall be encouraged to name the Foundation as beneficiary or contingent beneficiary of their life insurance policies. Such designations shall not be recorded as gifts to the Foundation until such time as the gift matures.

Lifetime Charitable IRA Rollover:

Under current legislation, holders of traditional and Roth IRAs who are at least 70-1/2 years old can make direct charitable transfers up to \$100,000 per year per taxpayer. As a qualified public charity, The Winston-Salem Foundation can receive transfers to an existing fund or create a new fund. The law does not allow charitable rollovers to Donor-Advised Funds, Charitable Remainder Trusts, or supporting organizations.

Acknowledgement of Gifts

Acknowledgment of all gifts made to the Foundation and compliance with the current IRS requirements of such gifts shall be the responsibility of Donor Services.

Types of Funds

The Winston-Salem Foundation allows donors to give through endowed and non-endowed funds.

Endowed Funds: Endowed Funds maintain assets to provide a permanent charitable legacy. The Foundation takes on oversight of all designations to charitable organizations and reduces paperwork for donors and their families. The use of principal and income of a fund are subject to the terms of the fund agreement approved and executed by the donor when the fund is established.

Unrestricted Funds: Recognizes that the community's most pressing needs can and will change over time. Grants are distributed from unrestricted funds through the Foundation's community grants process, ensuring that emerging community needs are addressed by the nonprofit and charitable organizations best equipped to do so. The minimum gift required to establish an unrestricted fund is \$10,000.

Field of Interest Funds: Allows the donor to focus support on specific areas of need or on a particular geographic region. Field of interest funds may be broadly or narrowly focused. Grants are distributed from field of interest funds through the Foundation's community grants process. The minimum gift required to establish a field of interest is \$25,000.

Designated Funds: Supports a specific organization on a regular (quarterly) basis in the donor's name. If the organization ceases operation or substantially alters its mission, the Foundation will follow donor's documented wishes for replacement of the organization with another or will apply future distributions to a field of interest that most closely matches the donor's original intent. The minimum gift required to establish a designated fund is \$25,000.

Donor-Advised Funds: Donor advisors recommend the distribution of income and/or principal from their fund. By law, the Foundation retains ultimate authority for fund distributions. Advisory privileges may be extended to family members through the fund agreement: the original donor may name a succeeding generation of his/her family to serve as advisors. Funds established upon the donor's death may name the donor's children and grandchildren as successor advisors. The minimum gift required to establish an endowed donor-advised fund is \$25,000.

Student Aid Funds: The Foundation will administer student aid funds to provide students with the resources to pursue their academic goals. Donors may establish funds based on merit, need, or a combination of both to support traditional or non-traditional age students. The minimum for student aid funds with standard guidelines is \$30,000. Donors may also suggest customized guidelines with a minimum gift of \$50,000. Customized guidelines may include naming a particular high school, church, county, or specific college or university.

Non-Endowed Funds: Non-Endowed Funds are designed to simplify charitable giving reduce paperwork and provide opportunity for more strategic giving to charitable organizations, particularly when making gifts of appreciated securities.

Non-Endowed Advised Funds: Donor advisors recommend distributions from their fund. By law, the Foundation retains ultimate authority for fund distributions. Advisory privileges are extended only to donors who sign the letter of agreement establishing the fund. At the death of the last-named advisor(s), any fund balance will be used at the discretion of The Winston-Salem Foundation Committee. If there is an existing permanent fund for the last-named advisor's family or if a new permanent fund is established at the death of the last-named advisor, the entire fund balance will be applied to the permanent fund. Although there are no gift minimums, a \$1,000 balance must be maintained. There are no limitations on the number of grant recommendations that can be made from this fund, but a \$100 minimum for grant recommendations exists.

Temporary Funds: When either the establishment or management of a fund falls outside the guidelines of standard endowed and non-endowed funds, it is referred to as a “temporary fund.” A temporary fund is bound by a letter of agreement outlining the specific circumstances under which the fund was established and will be administered, including an appropriate period of time within which it might function as such. Distributions from the fund will be used to support worthy charitable purposes. Recommendations for grants may be made in writing to The Winston-Salem Foundation Committee by the spokesperson(s) named in the letter of agreement.

Excess Business Holdings Policy

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 certain percentages as described in Section 4943 of the Internal Revenue Code (the “Code”). WSF will identify and monitor any new gift to a donor-advised fund of any “business enterprise” qualifying as an “excess business holding” under Section 4943 of the Code. WSF will exercise its best effort to dispose of the excess business holding at the best possible price within five years of the date of the gift, as required under Section 4943 of the Code. In any event, WSF 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. Donors who have a desire to gift an interest in a business enterprise to WSF will be notified of this Policy prior to the gift of such business enterprise.”

Investment of Gifts

While each fund is accounted for separately, the assets from current and future gifts are commingled with other assets of the Foundation for investment. All investments conform to investment policies established by the Foundation. All funds at the Foundation benefit from three levels of investment oversight: the Finance and Investment Committee, an investment consultant and the professional investment managers who are employed to invest the Foundation’s assets. The Foundation’s investment policy statement is annually reviewed by the Finance and Investment Committee of the Foundation Committee.

Gifts are Irrevocable

All gifts to the Foundation are irrevocable. Once transferred to the Foundation, these gifts become the property of the Foundation. Individuals and organizations establishing funds cannot later ask to have their money returned. Fund agreements may be amended or restated in writing upon approval by the President, Vice President, Development and Donor Services, and/or the Foundation Committee.

Fiduciary Corporation

The Winston-Salem Foundation, Inc. is a North Carolina nonprofit corporation operating as a constituent part of The Winston-Salem Foundation (the Foundation"), a community trust established in 1919 for the purpose of promoting the well-being of the people of the City of Winston-Salem and Forsyth County (which now also serves such other counties as the Foundation Committee of the Foundation (the "Foundation Committee") shall from time to time determine). The Winston-Salem Foundation, Inc. is operated exclusively for educational, religious and charitable purposes within the meaning of Section 501(c)(3) and Section 170(c)(2) of the Internal Revenue Code and serves as a Trustee for the Foundation and its funds.

Fund Assets

All assets accepted as gifts may be retained in their original form by the Foundation as long as the decision to do so serves the interests of the Foundation. However, assets received generally are sold immediately and the net proceeds are invested with one of the Foundation's investment managers. In determining all investments for its portfolios, the Foundation will be guided by its investment policy.

Investment of Fund Assets and Investment Managers

Donors who establish component funds of the Foundation give up all right, title, and interest to the assets transferred and such gifts may contain no material restrictions that would prevent the fund from being considered as a component fund of the Foundation under Internal Revenue Service rules. In particular, donors give up the right to choose specific investments or to veto investment choices for their funds. Donors may review the objectives, style and performance of each of the Foundation's investment managers and recommend that their fund be placed with a specific manager.

The Winston-Salem Foundation offers a diversified investment portfolio option for most donors. All investment portfolios are actively managed, with strategic asset allocation decisions and manager selection, carried out by the Finance and Investment Committee of the Foundation. The Finance and Investment Committee meets on a quarterly basis with the staff and the Foundation's investment consultant. The Finance and Investment Committee reports to the full Foundation Committee on a quarterly basis.

The Foundation's policy is structured for long-term growth with moderate risk. The Foundation staff and Finance and Investment Committee do not handle any investments, but rather use an approved group of professional investment managers to invest funds.

In certain cases, however, donors wish to have investments managed by their own investment manager. In the interests of flexibility and donor responsiveness, the Foundation will consider these requests, subject to the following parameters:

- The fund (or commingled funds total) must be larger than \$500,000.
- The fund will bear its own expenses (the general fund will not underwrite additional

- costs of having a separate manager);
- The investment manager must be registered with the SEC, under the Registered Investment Advisor Act of 1940;
- The manager must have at least \$100 million under management, and have been in business for five years;
- The Winston-Salem Foundation, Inc. will serve as trustee of the fund;
- All managers must provide the Foundation with timely, monthly portfolio statements. This allows the Foundation to provide timely information to the donor or recipient organization;
- The investment manager will be benchmarked against the Foundation's asset allocation model and will be monitored by its investment consultant;
- Investment fees will be netted out of the fund's performance by the investment manager. Investment manager fees are not controlled by the Foundation.

The donor grants to the Foundation the right to review and evaluate each manager. Once the gift is made, due diligence is the responsibility of the Committee, and if performance deteriorates or for any other reason the manager is out of compliance with the Foundation's policies, the Committee can vote to terminate the manager and transfer the assets to the general program.

Reports

The Foundation will provide donors with written acknowledgment of gifts as may be appropriate or required for preparation of federal and state income tax returns. In addition, donors have access to fund statements including market values, grants approved and distributed, administrative fees, and all information necessary for monitoring their fund activity.

Services & Fees

In order to fulfill its mission of investing in our community, The Winston-Salem Foundation strives to provide prospective and current donors, their professional advisors and charitable organizations with excellent and timely service. To that end, we provide a range of services to donors, including:

- grant distribution acknowledging donor and/or providing anonymity
- grantee research and accountability
- scholarship administration including documented guidelines, one-stop online application, objective review, recipient selection, award payment, and, if applicable, renewal
- community conversations about community issues and opportunities, regional and national trends in philanthropy, and other timely topics
- online access to fund information and grantmaking opportunities
- gift acknowledgements and documentation

To support the administrative and operating costs of the Foundation, the following schedule of administrative fees and charges will be applied to all funds:

Non-Endowed Funds & Special Funds

Annual fee of \$120. These funds are invested for short-term use and the Foundation retains interest earned for its charitable work in the community.

Endowed Funds

The following fees are for the Foundation's administration of funds. Investment fees will be netted out of the fund's performance by the investment manager. Investment manager fees are not controlled by the Foundation.

| <i>Fund Type</i> | <i>Annualized Fee</i> |
|---|-----------------------|
| Donor-Advised, Designated & Organizational Endowments | 1% |
| Scholarship Funds | 1.5% |
| Unrestricted & Field of Interest Funds | 1.5% |

Endowment fees are reduced for fund balances over \$2.5 million for Donor-Advised, Designated, and Organizational endowments.

Charitable Remainder Trusts & Charitable Lead Trusts

Investment management and tax reporting costs are charged directly to fund. No additional trustee fees will be charged. All fees are charged quarterly.

Changes to Policies

These policies and guidelines were reviewed and accepted by The Winston-Salem Foundation Committee on April 11, 2018. The Executive Committee of the Foundation approves any changes to or deviations from these policies.