

# Viroqua Area Foundation

# **Operations Manual**

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# **Organizational Structure**

**Board of Directors** (11 members, serving staggered 3-year terms)

**Executive Committee** (officers)

**Standing Committees**

Finance  
Policy, Procedures, and Development  
Scholarship

## I. General Information

### A. Mission

The mission of the Viroqua Area Foundation, hereinafter referred to as VAF, is to encourage and promote worthwhile charitable enterprise in and around the Viroqua area.

### B. Purpose

Viroqua area residents often wish to give back to the community, which has given so much to them. The purpose of the VAF is to provide a mechanism for people of goodwill interested in the Viroqua area to receive and accept property to be administered exclusively for charitable purposes, primarily in, and for the benefit of the people of the Viroqua area. Charitable organizations, i.e., organizations described in section 501(c)(3), generally are exempt from Federal income tax and are eligible to receive tax-deductible contributions. A charitable organization must operate primarily in pursuance of one or more tax-exempt purposes constituting the basis of its tax exemption. In order to qualify as operating primarily for a purpose described in section 501(c)(3), an organization must satisfy the following operational requirements: (1) the net earnings of the organization may not benefit of any person in a position to influence the activities of the organization; (2) the organization must operate to provide a public benefit, not a private benefit; (3) the organization may not be operated primarily to conduct an unrelated trade or business; (4) the organization may not engage in substantial legislative lobbying; and (5) the organization may not participate or intervene in any political campaign.

### C. History of VAF

The VAF was established on February 10, 1988. The Lion's Club and a group of local citizens of Vernon County proposed the creation of the VAF Trust Fund. Prior to 1988, anyone wishing to make a gift to the community of Viroqua or surrounding areas, either outright or in his/her will, had no organization that could accept these contributions.

### D. Purpose of the Operations Manual

This manual has been developed to establish sound administrative policies and to provide definite operational guidelines for staff and volunteers. These guidelines provide a framework from which the VAF will operate. This manual may need to be amended from time to time if conditions warrant. A majority vote of the Board of Directors (hereinafter referred to

as the Board) is needed to amend the VAF Operations Manual.

#### E. Conflict of Interest

The interests of donors or prospective donors shall at all times come before the interests of the VAF. No fund agreement or any other type of donor commitment shall be urged upon a donor at the expense of the donor's personal interests.

An interested person must disclose the existence of his or her financial interest or affiliation and all material facts to the Board and members of committees with board-delegated powers considering the proposed transaction or arrangement in connection with any actual or possible conflict of interest or duality of interest.

#### F. Use of Legal Counsel

Deferred giving agreements will only be entered into with the advice of legal counsel. In addition, all potential donors will be encouraged to seek the advice of their personal legal advisors when making deferred gifts or considering matters relating to tax and estate planning.

#### G. Confidentiality & Ethics

All information concerning donors or prospective donors (i.e., the beneficiary names, gift amounts, estate size, etc.) shall be held in strict confidence by the Board, staff, and volunteers of the VAF. Exceptions will be made only with written permission of the donor. Confidentiality and discretion are important in the relationship VAF has with its foundation donors, partners, and associates.

You will be continually exposed to confidential information during the course of your term on the Board or your committee appointment. None of this information should be repeated or discussed outside the VAF. Discussions with fellow board members or committee members should be only to the extent necessary in the course of normal business. Discretion is expected of everyone who serves on the VAF Board/committee or is employed by the VAF.

#### H. Community Needs Assessment

Assessment of community needs will be accomplished in the following ways:

- By definition of the duties of the Board
- By direction of the Board to network and interact with a wide and diverse community audience
- By using public relations efforts (including print materials) to invite individuals and organizations to comment on the needs of the greater Viroqua area and to suggest programs to fill those needs for the VAF's consideration
- By promoting community awareness of the accomplishments of the VAF

#### I. Grants

The Board will investigate the needs and merits of potential grant recipients of the funds of the individuals or corporations, which may be distributed at the discretion of the Board and to recommend distribution of such funds in accordance with the guidelines established by the Board and in accordance with its best judgment. No discrimination shall be made in any such distribution on account of race, creed, sex, age, sexual orientation, disability, or national origin.

Grants will not be awarded to individuals, for sectarian or religious purposes, as a loan of any kind, or to liquidate obligations incurred previously by an applicant or organization.

#### J. Public Inspection of Documents

As required by Internal revenue Service, VAF will make available for public inspection VAF's exemption application, the most recently filed annual information return (Form 990) and any other documents required by law during regular business hours at VAF's mailing address. If the request is for copies, VAF will make every effort to provide them on the day of the request. If the request is by mail, courier, or fax, the reply will be sent within 30 days. Names and addresses of contributors will be excluded from the information provided for inspection.

## II. Committees

### A. Finance Committee

This committee will be chaired by the Treasurer and will consist of three to five board members. The committee will oversee and monitor the fiscal operations of the organization, develop an annual budget for the Board, and develop and assist in the implementation of policy for the VAF fund, seeking such advice as it deems prudent. The committee will review the investment portfolio and recommend strategies to improve growth of the VAF assets. A quorum shall consist of a majority of the committee.

### B. Policy, Procedures, and Development Committee

This committee will consist of three to five board members. The committee will develop policies, guidelines for procedures, and develop guidelines and/or documents that are deemed necessary for the VAF. All policies, procedures, and documentation will be presented to the Board for review and approval by a majority vote.

### C. Scholarship Committee

This committee will consist of three to five board members. The committee will review scholarship applications, assist scholarship donors, and assist school districts in the development, advising, and distribution of scholarship funds. The committee will assist in awarding funds to the recipients of the scholarships in accordance with the guidelines established by each fund.

### III. Types of Funds Defined

- A. Listed below are the types of funds commonly found within the framework of a community foundation. The following are general guidelines as to the types of funds and limitations placed on these funds as defined by law.

Since the main goal of the VAF is to develop permanent endowment, the development of funds becomes one of the chief tools in achieving the mission of the VAF.

1. **Unrestricted or Undesignated Funds (General):** These are funds that have no restrictions as to how the gift is used. These funds allow a community foundation the most flexibility in meeting the needs and priorities of the community. A community needs a reservoir of funds that it can draw upon to meet emergencies, give a start to new charitable organizations, or to help existing charities meet emerging needs.
2. **Field of Interest Funds:** These are created by donor(s) with the primary purpose of benefiting a specified area of concern that is broadly stated such as arts, youth, environment, elderly, women, handicapped, education, etc. These funds are open-ended and can attract gifts from a wide range of donors with similar interests.
3. **Donor-Advised Funds:** These funds provide donors with maximum convenience and flexibility. Through a Donor-advised Fund, advisors for the fund will be encouraged, but not required, to distribute 5% of the fund balance after the administration fee has been taken; or the annual earnings of the fund, after the administration fee has been taken, to specific eligible charities in which they are especially interested. If the fund demonstrates inactivity, either through gift contributions or grants, for three consecutive years, the VAF will attempt to contact the Donor or advisor to discuss the intention of the Fund. If, after an additional six months, inactivity continues with no response from the Donor or advisor, the assets of the Fund shall be added to the Unrestricted Fund, at the discretion of the Board. Regulations under the Internal Revenue Code require that the VAF Board have the ultimate authority to make grant decisions. Individuals or families who would like to have input into where their donated funds are distributed usually establish Donor-advised Funds. Another source of Donor-advised Funds comes from private foundations that want to transfer funds and authority to the VAF, but still want input for the distribution of those funds. In general, a "Donor-advised Fund" is a fund or account that is: (1) separately identified by reference to contributions of a donor or donors (2) owned and controlled by a sponsoring organization, and (3) with respect to which a donor (or any person appointed or designated by such donor (a "donor advisor") has, or reasonably expects to have, advisory privileges with respect to the distribution or investment of

amounts held in the separately identified fund or account by reason of the donor's status as a donor. All three prongs of the definition must be met in order for a fund or account to be treated as a Donor-advised Fund.

4. Designated Funds: Designated Funds are established to benefit specific charitable organizations that are named by the donor. There should be, as a matter of policy, a statement in the agreement to accept any designated gift, which stipulates that if the agency(s) that the donor supports no longer function(s) or the service(s) become obsolete, or there is malfeasance by the agency, these funds can then be applied to similar organizations, or become a part of the Discretionary (General) Fund. Designated Funds shall make annual grants of at least 5% of the fund balance, after the administration fee has been taken; or the annual earnings of the fund, after the administration fee has been taken.
5. Remembrance Fund: This is a fund that is discretionary in nature and allows donors to make gifts in memory of deceased individuals or in honor of special occasions, individuals, or organizations.
6. Scholarship Fund: This fund is created by donor(s) with the primary purpose of benefiting young people and providing financial assistance for the education of the youth in our area on one-time bases or over a time frame of many years. These funds are open-ended and can attract gifts from a wide range of donors with similar interests. A gift of \$10,000 is required to establish a Named Scholarship Fund. Regulations under the Internal Revenue Code require that the donor(s) make up the minority of the scholarship committee choosing the recipients. Individuals or families who would like to have some input into the selection process are told to do so in accordance with the IRS code.
7. Designated Funds Serving as Agency Endowments: This type of fund can be established by an agency that wishes to establish an endowment fund, but may not have the staff or the expertise to build the fund over time. This type of fund is open-ended and thus can be augmented by the agency itself, or by other individual donors. These funds become part of the VAF, but are for the use of the agency for which the fund has been established.
8. Seedling Fund: This fund enables donors to pledge annual gifts toward an endowment fund goal of \$10,000 within 10 years of the first gift. Contributions may be made monthly, quarterly, semi-annually, or annually until the fund reaches the required \$10,000. Interest or dividends earned by the fund remain in the fund to help it grow. No fees are charged until the fund balance reaches \$10,000 and converts to a Donor-advised Fund, Field of Interest Fund, Unrestricted Fund, or Designated Fund.

Summary: Discretionary Funds and Field of Interest Funds should be stressed, primarily because they allow the VAF and its various committees to make decisions about meeting community needs. It is also desirable because these funds are easier to manage and the size of the gift becomes less of a factor. However, all types of funds should be sought. The key acceptance of

any gift should lie in meeting the needs of the community, the donor, and the mission of the VAF. The Board has within its powers the right to accept any gift, but equally important is the right not to accept a gift if the gift does not fulfill the mission of the VAF, the desire of the donor, or the needs of the community. A gift of \$10,000 is required to establish a Named Fund in all of the funds listed above.

#### IV. Processing Gifts

##### A. Cash Receipts:

1. Gifts by check will be photocopied before deposit. The contribution is entered into the treasurer's accounting system in preparation for deposit, paying close attention to the appropriate fund to be credited and any donor restrictions placed on the gift.
2. Endorse checks by stamping the back of each check. Prepare the deposit ticket. Cash receipts are to be deposited upon receipt.
3. Prepare the appropriate acknowledgement letter for each gift and photocopy each letter. Place the copy of the acknowledgement letter with the appropriate check photocopy and staple together for inclusion in the donor file. Any notes or response devices that accompany gifts should also be retained for placement in the donor's file.
4. Acknowledgement letters should be prepared and mailed within 1 business week of receipt of the gift.

##### B. Real Estate Gifts:

1. Authority to Negotiate: The President, or his or her designee, will have the overall authority to handle inquiries, negotiate with donors, assemble documentation, and retain expert and technical consultants. Further authority to act, including, but not limited to, the execution of agreements on behalf of the VAF, will require approval by the Board.
2. Evaluation of Potential Gifts:
  - a. Upon initial inquiry, potential donors will be asked to complete a Property Inquiry Form and return it to the VAF with appropriate maps and documentation.
  - b. Liens, Mortgages, and Encumbrances: Property that is subject to liens, unpaid mortgages, deeds of trust, judgment liens, unpaid taxes, or assessments, mechanics' liens or other encumbrances will be accepted only in exceptional circumstances and upon advice from the VAF's legal counsel. If accepted, property that is subject to encumbrances will be evaluated as a "bargain sale" (a bargain sale is an arrangement whereby a donor offers property to the VAF for an amount less than its current fair market value).

- c. Field Evaluation: Following an offer of a gift of real estate, the President, or his or her designee, will visit the property. The purpose of the visit will be to determine the nature and type of property and to identify any potential problems not evident from initially supplied information that would hinder or prevent the VAF's sale of the property.
- d. Market Evaluation: whenever practical, arrangements will be made to have a realtor analyze the property to evaluate the existence of a market for such property. The President, or his or her designee, may request that the donor provide such an evaluation from a realtor acceptable to the President.
- e. Expense Budget: The Treasurer will prepare a budget outlining all of the projected expenses associated with the acceptance of all proposed real estate gifts.

3. Responsibilities of the Donor:

- a. The donor will be responsible for obtaining a qualified appraisal complying with IRS regulations for the purpose of establishing the value of the gift for federal income tax purposes, including the preparation of form 8283 (Non-cash Charitable Contributions).
- b. The donor must obtain, at the donor's expense, if required by the Board, an environmental audit satisfactory to the VAF. No property will be accepted if there is a likelihood of any liability that could attach to the VAF as a result of its taking title to the property.
- c. The donor must furnish the VAF with evidence of title that shows that title to the property is free and clear of liens and encumbrances except for current real estate taxes and restrictions of record that would not create any economic burden on the VAF.
- d. It is the donor's responsibility to prepare the deed and the other instruments that are necessary to transfer the property to the VAF. All proposed documents must be approved by the VAF's legal council prior to board acceptance of the transfer documents.
- e. Prior to acceptance of the property, the VAF and the donor must agree in writing on arrangements for paying expenses associated with the property, such as commissions, real estate taxes, utilities, insurance, and maintenance costs. Generally, the VAF will not advance funds for the payment of such expenses.

- f. Donors will be encouraged to discuss contemplated bequests of real estate before finalizing their wills. Property that is bequeathed to the VAF will be evaluated in accordance with the same procedures as other gifts of real estate property.

4. Procedure for accepting Real Estate:

- a. After the above-mentioned requirements have been met, the Board will have the authority to accept or refuse a gift of real estate property.
- b. Prior to or upon transfer of title to the VAF, the donor and the VAF will sign an agreement (approved by the VAF's legal counsel) stating the terms of the gift, which shall specify that there are no restrictions on the VAF's right to use or convey the property.

5. Marketing and Sale of Real Estate:

- a. After accepting a real estate gift, arrangements will be made to sell the property through a qualified real estate professional.
- b. While it is anticipated that in most circumstances the sale price will equal or exceed the appraised value of the property, the terms of the sale will take into account current market conditions, availability of financing, and other factors. The Board must approve any offer that is below 70 percent of the appraised value.
- c. In the case of a sale within two years of the date of the gift, the VAF will report the actual sales proceeds to the IRS on form 8282 (Donor Information Return).

6. Real Estate Gifts by Bequests:

- a. Upon becoming aware that the VAF has been named to receive a gift under any will that has been admitted to probate or any trust arrangement, the President, or his or her designee, will contact the personal representative, executor, trustee, or other legal representative of the estate, and determine if the VAF's bequest consists of land or, if the VAF is a residuary beneficiary of the estate, and whether land is being passed to the VAF.

- b. If the VAF will or may receive land in satisfaction of the bequest, the President, or his or her designee, will ask the personal representative, executor, trustee, or other legal representative to conduct an environmental study similar to the one that the VAF would require if it were to receive an inter-vivo gift. If the personal representative, executor, trustee, or other legal representative does not conduct the environmental study, the VAF should conduct its own study or decline to accept the gift.

7. What the VAF will not do:

- a. Except in extraordinary circumstances, the VAF will not pay for legal assistance, appraisals, or other services on behalf of the donor.
- b. The VAF will not establish or corroborate the value of any property for the purpose of the donor's income tax charitable deduction.

V. Policies, Forms, and Exhibits

- A. Definition: The VAF is a not-for-profit corporation under the laws of the State of Wisconsin and a tax-exempt organization under section 501 (c) (3) of the Internal Revenue Code. Contributions to the VAF are tax deductible as provided by law.
- B. Purpose of the policies, forms, and exhibits: The following statements have been prepared to protect the best interests of those who make voluntary contributions to support the mission of the VAF and to protect the interests of the VAF.

The desire of the donor to make a gift to the VAF is recognized as an important preliminary consideration in arranging the transfer of property as a charitable contribution.

In relating to donors and prospective donors, the VAF shall take two basic concerns into account:

1. Contributions may be designated by the donor for those programs or purposes that best serve the present and future needs of the greater Viroqua area as determined by the VAF Board.
2. Contributions shall be made in the manner that provides appropriate tax advantages to the donor. All contributions shall be made and accepted in the conformity with the provisions of the Federal and State Laws, as well as the Internal Revenue Code and Regulations that are in effect at the time of the gift.

C. Receipt of Charitable Contributions:

1. All charitable donations shall be forwarded to the VAF for appropriate recording, acknowledgement, and attention to donor restrictions.
2. The VAF shall accept only those gifts that are deemed consistent with the mission, goals, purposes, and services of the VAF.
3. Upon receipt of a donation, VAF Board will review the contribution and, when appropriate, approve any attached donor restrictions. When appropriateness of the proposed restriction is in question, the President of the VAF will make

the final determination. The VAF Board shall carefully review any gift that requires the VAF to assume a specific liability before the gift is accepted by the VAF.

4. Cash receipts shall be deposited on a daily basis.
5. Gifts-in-kind: Persons or companies who wish to donate gifts-in-kind will complete a gift-in-kind form that describes the item and provides the donor's estimate of the fair market value of the contribution. At no time will the VAF appraise or place a value on a gift-in-kind contribution for a donor's income tax purposes.
6. Securities: The VAF will accept gifts of readily marketable securities and will incur the costs relative to their disposal. Unless the VAF Board determines that there is a reason to hold specific gifts of securities, all securities will be sold at the earliest date possible. The value of a gift of stock (for the donor's income tax purposes) is based on the average of the high and the low price of the stock on the date of transfer.
7. Real Estate: A gift of mortgaged or unmortgaged real estate may only be accepted upon review and approval by the VAF Board. Prior to acceptance of real property, the VAF will take such steps as are reasonably necessary to disclose any environmental risks or other risks associated with the property and to determine the potential liability to the VAF of said risks.
8. Insurance Policies: Insurance policies may be accepted as philanthropic gifts, recording the policy at cash value, rather than face value, unless the policy is fully funded and the VAF is the owner of the policy. In order for the donor to receive a current federal income tax charitable deduction, the VAF should be designated both the owner and beneficiary of the policy.
9. Gifts not requiring board review:
  - Cash or cash equivalents
  - Checks
  - Marketable securities
  - Gifts of personal property for use in VAF offices or programs
  - Life insurance policies except as noted below
  - Gifts-in-kind

10. Gifts requiring Board approval:

- Tangible personal property that is not readily marketable
- Trusts
- Real estate property
- Accounts receivable (gifts of loans, notes, mortgages, etc.)
- Gifts whose structure falls outside the ordinary purposes, bylaws, and procedures of the VAF
- Life insurance policies requiring future premium payments by the VAF
- Any other type of gift not listed under Section 9 above

11. Gifts declined: The VAF reserves the right to refuse any gift.

D. Planned Giving:

Those contributions that create interest for non-charitable as well as charitable beneficiaries or, which are part of an estate plan are referred to as planned gifts.

Such gifts often:

1. Involve the gift of a “future interest” which is why they are sometimes called deferred gifts.
2. Provide income tax and estate tax benefits.
3. Provide for continued enjoyment or some element of ownership benefits to the donor or the other individuals specified by the donor.
4. Involve the gift of appreciated property.
5. Provide an opportunity to increase the donor’s annual income.

The following methods of planned giving are available to donors and acceptable to the VAF:

**Bequests:** The most common of planned gift is the bequest or gift by will. Bequests of any size may be accepted by the VAF as long as the purposes to which the funds are to be applied are consistent with the organization’s mission and policies. An estate tax deduction is provided for the gift, but there are no income tax implications for the donor.

**Revocable Trusts:** Those persons who have created “Living Trusts” may also provide for charitable gifts on the death of the trustor (or triggered by some other event). Again, there are no income tax consequences for the donor if the gift does not occur before their death.

**Gifts of Real Property:** a gift of mortgaged or unmortgaged real estate may only be accepted upon review and approval by the VAF Board. Prior to

acceptance of real property, the VAF will take such steps as are reasonably necessary to disclose any environmental risks or other risks associated with the property and to determine the potential liability to the VAF of said risks.

Charitable Remainder Trusts: Involve an irrevocable gift to trust of an asset or assets. A defined annual amount is paid to the donor (or another person or persons) for life or a predetermined number of years. At the death of the last surviving non-charitable beneficiary, or at the end of the specified term of years, as the case may be, the assets of the trust are transferred to the VAF. An income tax deduction is allowed, at the time the trust is funded, for the value of the remainder. There are two types of such trusts:

1. Charitable Remainder Annuity Trust that pays a fixed amount (set at the time of trust creation) to the non-charitable beneficiary. The amount of the payment stays the same for the term of the trust.
2. Charitable Remainder Unitrust, which pays a fixed percentage of the value of the trust, revalued each year. The amount of payment fluctuates with the value of the trust.

Charitable Lead Trusts: Involve the transfer of assets to trust with defined annual payments to charity for a period of years. At the end of the period, the assets revert to the donor or are transferred to some other named party.

Charitable Gift Annuity: An arrangement whereby a donor transfers assets to the charity in return for an annuity payment. Unlike the annuity trust, which terminates should trust assets be dissipated, the charitable gift annuity places the full faith and credit of the charity behind the annuity payment.

Life Insurance or Pension Benefits: can be used as a vehicle for planned giving. A person may make a gift for the benefit of the VAF by naming the VAF as the beneficiary of an insurance policy or pension benefit.

VI. Signed Statements:

Each board member, officer, member of a committee with board-delegated powers, or employee shall sign a statement that affirms that such person:

1. Has received a copy of the Operations Manual.
2. Has read and understands the Operations Manual.
3. Has agreed to comply with the Operations Manual.
4. Has agreed to comply with the Confidentiality Policy and all existing policies of the VAF.
5. Understands that the VAF is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in the activities that accomplish one or more of its tax-exempt purposes.