1 welcome to the foundation

Many individuals, families, corporations and nonprofit organizations have discovered the benefits of using the Taos Community Foundation to meet their philanthropic goals. Donors of the Foundation are motivated by personal circumstances and unique situations. All want to make their charitable efforts more effective—to make a meaningful difference now and forever.

The Foundation is structured to make giving easy, flexible and effective. And because the Foundation is a public charity, contributions qualify for the maximum deductibility for income, gift and estate tax purposes.

This Charitable Giving Guide provides detailed information about the many options, services and tax benefits that the Foundation provides. In addition, the important policies and procedures detailed here will help readers better understand how to make charitable giving as effective as possible.

The Foundation staff is available to help individuals, families, corporations, organizations and professional advisors tailor a charitable giving plan that fits their interests and financial situations. To arrange a meeting, please contact the Taos Community Foundation at 575.737.9300.

2 donor services

The goal of the Foundation is to create and deliver customer-driven philanthropic services that help the Foundation's donors enrich and simplify their charitable giving. We strive for excellence in donor services by learning the charitable interests of our donors. By understanding their philanthropic goals, we can help donors find highly effective charitable giving solutions for maximum community impact. The Foundation can provide gift and grant distribution processing services, answer questions on non-profit organizations and work to find opportunities for charitable giving for donors.

As a community foundation, we strive to promote and support local giving and participation; however, we can make grant distributions anywhere that a donor wishes to give. We stay up-to-date on community initiatives and the changing world of philanthropy to keep our donors informed. Depending upon the level of interest, the Foundation staff will work to connect donors with the issues they care about most.

Processing Services

The Foundation offers donors the processing services required to accomplish their philanthropic objectives. Designed to support engaged grantmaking both on the front end for initiative or grantee selection, due diligence, and grantee evaluation, and on the back end for administrative support, our gift, grant or expense processing bring an efficient and practical approach to charitable giving. From fund administration to gift and grant process, our goal is to support giving and help donors make the greatest impact possible through philanthropy.

Grant Distribution and Research Process

Our services include researching nonprofit agencies that are not on our list of approved organizations, giving donors advice regarding nonprofit organizations and providing information about community issues. The Foundation makes distributions to charitable organizations and governmental entities throughout the World.

Community Knowledge

The Taos Community Foundation believes that what distinguishes us from other charitable institutions is our ability to provide knowledge of the community and a local approach to help people achieve their charitable goals.

For individuals with specific charitable organizations or charitable interests in mind, nonprofit organizations looking for a place to maintain and manage a fund, or a corporation seeking assistance with community affairs efforts, the Foundation provides a broad range of services that are flexible and efficient.

Personal and Family Philanthropy

As our area continues to grow, so does the number of individuals and families that are demonstrating a commitment to philanthropy and the community that helped them succeed. We serve individuals, families, supporting organizations, and private foundations.

Giving Options Available: Individuals and Families

- Donor Advised Funds
- Planned Gifts
- Supporting Organizations
- Designated Funds
- Scholarship Funds
- Charitable Trusts
- Field of Interest Funds
- Unrestricted Funds
- Private Foundation Services

Family Foundations

The Foundation recognizes that our community contains a diverse mix of established and newly created family foundations. From multi-generational, well-established organizations with traditions of giving, to new foundations led by successful entrepreneurs and non-family advisors, family foundations are making a major impact in our community. We can help leverage those charitable gifts by lessening the burden of administrative office work and assisting with information about area non-profit organizations. The Foundation can help family foundation donors be freer and better prepared to do what they do best—charitable giving.

Giving Options Available: Family Foundations

- Donor Advised Funds
- Planned Gifts
- Supporting Organizations
- Designated Funds
- Scholarship Funds
- Charitable Trusts
- Field of Interest Funds
- Unrestricted Funds
- Private Foundation Services

Serving Nonprofits

As the number of nonprofits in the area grows and the future of various funding sources becomes less certain, the Foundation can assist area nonprofits plan and prepare for the future. The Foundation helps to improve the management capacity of nonprofit organizations by offering fund administration, back-office support and philanthropic resources.

Giving Options Available: Nonprofits

- Planned Giving Vehicles for Donors
- Nonprofit Endowment Funds
- Designated Funds
- Scholarship Funds
- Charitable Trusts for Donors

Corporate Philanthropy

The Foundation provides a cost-effective and tax-efficient way for businesses to invest in our community. By providing information on community issues and by making connections with organizations of interest, we help companies meet their charitable goals.

Giving Options Available: Corporate Foundations

- Donor Advised Funds
- Supporting Organizations
- Designated Funds
- Scholarship Funds
- Field of Interest Funds
- Unrestricted Funds

3 establishing a fund

Opening a Fund

Donors may establish a fund by completing a Fund Agreement and providing an initial contribution.

Naming the Fund

Donors may name their fund for a family, organization or others. For funds to remain anonymous, donors may select a name that does not identify the individual or family. If the selected name could be confused with names of existing funds, the Foundation may request an alternative.

Types of Assets

Donors may contribute any of the following assets to open a fund:

- Cash
- Publicly Traded Securities
- Bonds
- Mutual Fund Shares
- Private Securities
- Real Property
- Tangible Personal Property
- Life Insurance Policies
- Retirement Assets (IRAs, retirement plans, etc.)
- Business Interests (non-publicly traded or closely held stock, partnership interests, etc.)
- Trust Assets
- Estate Assets

Gift acceptance is subject to Foundation approval and must meet criteria as outlined in the Gifts Accepted section of this Guide.

Eligible Donors: Individuals, families, corporations and other business entities, nonprofit organizations, Trusts, and estates are eligible to create funds.

Gift Acknowledgements

Contributions of $25 or more and contributions with a non-tax-deductible portion will be acknowledged promptly in writing. For contributions of securities, the acknowledgement will include information on the date the securities were received and the number and type of securities received.

For contributions of private securities, business interests, real property and other assets valued at more than $5,000, the acknowledgement will be sent after the

Foundation has received a copy of an independent, qualified appraisal. Contributions made through the Foundation's Web site will receive acknowledgement via e-mail.

Grant Distributions Throughout the United States

The Foundation makes grants to any qualified, public 501(c)(3) charity in any geographic region in the United States. In addition, the Foundation allows distributions to international organizations through qualified domestic 501(c)(3) affiliates. See the Fund Distributions section in this Guide for further information. The Foundation will research the most appropriate intermediate endowment fund.

Gifts are Irrevocable

In order to meet IRS guidelines, contributions become irrevocable once they are accepted. Contributions are owned and held under the direction of the Foundation's Board of Directors. Contributions to the Foundation are not refundable.

Understanding Variance Power

A distinctive feature of community foundations is the "variance power" reserved by the Board of Directors and contained in the Articles of Incorporation and bylaws of the Foundation. The variance power authorizes the Board 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 of the area served by the Foundation. IRS regulations require that the Foundation have this discretionary power regarding all gifts to the Foundation in order to provide maximum tax benefits. The Foundation, however, will carefully consider recommendations regarding preferences and distributions.

Providing Information About the Estate or Tax Professional

The Foundation works with professional and financial advisors regularly to assist donors in the philanthropic process. To provide the best service possible to professional advisors, the Foundation asks for their contact information on Fund Agreements.

Becoming a "Cornerstone" to Support the Foundation

The Foundation's operating costs are covered by modest service charges and the generosity of caring donors. Gifts to the Foundation designated for the Foundation's operating costs will ensure that it will continue to be responsive to changing community needs.

4 gifts accepted

Foundation staff will review proposed gifts prior to acceptance. The Foundation may request additional information (depending upon the asset proposed) prior to final acceptance. The Foundation may accept the following types of gifts:

Cash

The Foundation accepts cash, checks or credit cards for donations.

Publicly Traded Securities

The Foundation will accept publicly traded stocks and bonds at fair market value as determined under IRS rules. Special attention will be given to gift transactions with unique tax considerations (e.g., restrictions on excess business holdings, restricted or controlled stock, and capital gains treatment of discounted bonds upon maturity).

Mutual Funds

The Foundation will accept readily marketable mutual fund shares. Gift values are determined as of the date of gift pursuant to IRS rules.

Business Interests

The Foundation may accept gifts of interests in businesses as follows:

- Non-publicly Traded or Closely Held Stocks. The Foundation may accept closely held stock if an acceptable means of converting the stock into liquid assets can be anticipated within a reasonable time. This may occur through redemption, liquidation, or other means.
- Subchapter S Corporation Stock. The Foundation may accept S Corporation stock subject to certain restrictions as determined by the Foundation.
- Limited Liability Company Interests. The Foundation will evaluate gifts of membership interests in limited liability companies (LLCs) on a case-by-case basis with particular attention paid to the company's line of business, investments, debt and financing structure. If income or distributions from LLC interests would create unrelated business income tax (UBIT), arrangements must be made to pay the UBIT from the donor's fund or other sources.
- General Partnership Interests. The Foundation does not accept gifts of general partnership interests due to potential unlimited liability.

- Limited Partnership Interests. The Foundation accepts gifts of limited partnership interests (publicly traded or closely held) depending on an assessment of any potential liability to the Foundation and the staff attention that may be required. The Foundation also will consider whether partnership income may be treated as unrelated business income subject to the UBIT. IRS rules regarding deductions for gifts of these interests require an appraisal by an expert in the field. If the limited partnership interest gift creates UBIT, the UBIT must be paid by the donor's fund or the donor must have made arrangements to pay the from other sources.

Procedures for Review of Business Interest Gifts

Information for Foundation Review. In order to consider business interests, Foundation staff may request information regarding the asset to be contributed. The Foundation may request the following information from the donor or professional advisor:

- Description of the asset
- Intended use of the gift
- Appraisal of the asset's fair market value
- Any special arrangements regarding sale (e.g., price considerations, investment management, potential interested purchasers)
- Articles of incorporation, bylaws or shareholder agreements
- A written explanation of the line of business and prospects for profitability
- Information about the potential market for the business interest
- Estimated period for disposition of the interest
- Prior-year tax returns to identify historical accounting income and cash flows
- Projected timing of distributions from the business entity
- Donor's adjusted tax basis for the gift property
- Estimated cash flow to the Foundation

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

- Market Value and Marketability. The Foundation will review a reasonably current appraisal of the fair market value of the asset, its potential income stream, capital gain and any other relevant financial information. IRS rules may require that a qualified appraisal of the property may be made not more than 60 days before the contribution of the property and not later than the due date of the tax return on which a deduction for the contribution is claimed. This appraisal must be filed in order for the donor to claim a charitable tax deduction. If the asset is disposed of within two years of the date of its contribution, IRS rules require the Foundation to file an information return.

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

- Debt. In addition to normal business concerns regarding debt load, the Foundation also must consider the effect of debt to determine if the Foundation may be required to pay UBIT.

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

- Unrelated Business Income Tax. Certain assets, including mortgaged real estate and interests in S Corporations, limited partnerships, and limited liability companies can subject the Foundation to Unrelated Business Income Tax (UBIT). The Foundation may incur additional costs for accounting services to determine the amount of any UBIT and to report it to the IRS. The fund donor or Supporting Organization will be responsible for paying any UBIT and any administrative expenses associated with legal or accounting issues.

- Rights and Obligations of Shareholders or Partners. The Foundation will review its rights and obligations as a partial owner of the business entity.

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

- Selling the contributed assets

- Granting oneself a right of first refusal to purchase the contributed property or assume leases affecting the property

- Contractual obligations, pledges or other liabilities

- Establishing irrevocable relationships for the maintenance or management of assets transferred to the Foundation

Real Property

The Foundation refers all gifts of real property to Charitable Holdings, a supporting organization of the Foundation, created specifically to hold real property.

- Real Property Inquiry Form. Donors must complete Charitable Holding's Real Property Inquiry Form (available from the Foundation or on the website), which outlines background information, conditions, restrictions, allowances, expenses and income from the property.

- Appraisal. IRS rules require that a qualified appraisal of the property be made not more than 60 days before the contribution of the property and not later than the due date of the tax return on which a deduction for the contribution is claimed.

- Marketability. Charitable Holdings will pay particular attention to the property's potential marketability, will request all relevant information regarding the property and may consult with other parties.

- Environmental Health. The donor must bear the cost of an environmental audit to protect Charitable Holdings from any potential liability for environmental conditions. A Phase I or comparable environmental analysis will be requested.

- Property Under Contract. To avoid being taxed on capital gain from property contributed to Charitable Holdings, donors should be careful not to enter into any contracts to sell real estate prior to contributing the property to Charitable Holdings

- Debt. Charitable Holdings will not ordinarily accept real property that is encumbered by mortgage indebtedness unless satisfactory arrangements can be made with regard to any UBIT that Charitable Holdings may incur.

- Costs to Charitable Holdings. Charitable Holdings must receive written assurances detailing arrangements for paying expenses associated with the property before acceptance (e.g., finder's fees, taxes and assessments, appraisal fees, environmental evaluations, insurance coverage, maintenance costs).

- Special Warranty Deed. When Charitable Holdings conveys real estate to a buyer, it will customarily execute a special warranty deed limiting its warranties as to title.

- Real Property Management Policies. Charges will be made by Charitable Holdings to the fund for all expenses relating to the management and sale of the property including the following:

Insurance Costs
- Repairs or improvements to the property
- Property management fees
- Real estate taxes
- Brokerage fees and closing costs

- Real Property Managed by Charitable Holdings or the Foundation. When Charitable Holdings or the Foundation is expected to have continuing responsibilities for the management of real estate, such as security arrangements, maintenance, and/or dealing with tenants or property managers, it may charge fees for such services as determined on a case-by-case basis at the time of the gift.

- Mineral and Timber Rights. The Foundation may accept the contribution of mineral and timber rights after consideration of the management duties required for such property.

Tangible Personal Property

The Foundation accepts gifts of tangible personal property, including works of art, antiques, jewelry or other items of tangible personal property. Donors should seek the advice of a professional advisor regarding tax deductions allowable for these contributions and the special requirements for appraisal imposed by the IRS.

Life Insurance Policies

Donors may make a gift of life insurance to the Foundation either by irrevocably designating the Foundation as the owner and beneficiary of the policy or by designating the Foundation as a beneficiary of all or a portion of its proceeds. Before the Foundation can accept becoming the owner of a life insurance policy requiring ongoing payment of premiums, the donor must provide the Foundation with information on how the payments will be made in the future. Donors may wish to consider donating paid up life insurance policies or cashing existing policies and contributing the proceeds to a fund.

Retirement Plan Assets

Retirement plan assets (those qualified plans or IRAs) are ideal for charitable giving purposes at death because these assets are currently most heavily taxed. Donors may make a gift of retirement plan assets by irrevocably designating the Foundation as a beneficiary of the plan. Donors can provide for a spouse or other family members by establishing a Charitable Gift Annuity or Charitable Remainder Trust with the assets. Donors should be aware that a gift of retirement account assets during one’s lifetime could create adverse tax consequences and should check with a tax advisor before making such a designation.

Other Assets

The Foundation will consider gifts of other assets not named in this Guide. All such gifts are subject to review and approval by the Foundation.

5 tax considerations

Tax laws and regulations change frequently. Each tax situation is unique and likely to be affected by specific facts and circumstances that are beyond the Foundation's knowledge or control. The Foundation encourages donors to consult with a professional advisor when establishing a fund. Tax considerations vary according to assets:

Cash

The deduction is for the amount of the cash contribution but is limited to 50% of the donor's adjusted gross income ("AGI") in the tax year in which the contribution is made. Deductions may be subject to certain other limitations based on income.

Publicly Traded Securities

- For publicly traded securities held for more than one year, the deduction is the mean of the high and low prices reported on the date of the contributions.
- For mutual fund shares held for more than one year, the deduction is the closing price on the date of the contribution.
- For securities or mutual fund shares held for one year or less, the deduction is the lesser of the asset's cost basis or fair market value.

Deductions for contribution of appreciated securities held for more than one year are limited to 30% of AGI. Donors may carry forward and deduct any excess amount for up to five years after the year of the contribution.

Private Securities, Real Property and Business Interests

The deduction is the fair market value on the date of the contribution if the assets contributed have been held for more than one year. The deduction is the lesser of the cost basis or fair market value for assets held a year or less. The IRS requires a qualified appraisal for any contributed property (other than money and publicly traded securities) for which a donor will claim a deduction of more than $5,000.

Tax Treatment of Fund Investment Earnings and Distributions

Income and capital gains are credited to the fund and not to the donor or the donating business entity. Investment earnings will be reflected in the market value of the fund. Donors receive a charitable deduction at the time of a contribution but will not be entitled to take charitable deductions for ongoing investment earnings or grant distributions from the fund. Amounts distributed may include appreciation since the date of the gift.

Tax Treatment for Gifts to Supporting Organizations of the Foundation

Contributions to a Supporting Organization of the Foundation or funds of the Supporting Organization are treated in the same way for tax purposes as those made to the Foundation.

Tax Treatment When Goods/Services Have Been Provided

The tax deductible amount is reduced by the fair market value of any goods or services received by the donor in connection with the gift.

6 funds

Donors may create an Endowed, Intermediate Endowed, or Non-endowed fund according to their specific needs, or they may contribute to a previously established fund that supports causes they favor. All funds, except those for which anonymity is requested, are listed in the Foundation's Annual Report.

NON-ENDOWED, INTERMEDIATE, OR ENDOWED FUNDS

Non-endowed Funds

Non-endowed Funds allow the donor or the donating organization maximum flexibility in structuring the fund. The fund maintains a minimum balance, any amount over is available for distribution. For individuals or corporations looking for a more efficient way to give, a Non-endowed Fund is a popular, flexible way to achieve philanthropic goals. The three types of Non-endowed Funds are:

- Donor Advised
- Scholarship
- Field of Interest

Intermediate Funds

Intermediate Funds are non-endowed funds that are treated like endowment funds for the purposes of investment. All principal, subject to the sale of investment assets, is available for distributions. Types of Intermediate Funds are:

- Donor Advised
- Field of Interest
- Designated
- Non-Profit Organization
- Scholarship
- Unrestricted

In an Intermediate Fund, all principal is available for distribution, but is not usually distributed.

This type of fund allows the donor to:

- Receive the services of the Foundation
- Benefit from the Foundation's investment strategies and spendable amount options
- Have the flexibility of principal distributions from the fund

This type of fund is not suitable for liquid investments. Donors can use this type of fund to receive the benefits of an endowed fund and the flexibility of a non-endowed fund.

Endowed Funds

Endowed Funds are permanent funds in which the assets are owned by the Foundation and managed according to the charitable purposes designated. Since one of the goals of Endowed Funds is to preserve the principal, only the spendable amount is available for distribution. Types of Endowed Funds are:

- Donor Advised
- Field of Interest
- Designated
- Non-Profit Organization Endowment
- Scholarship
- Unrestricted

With an Endowed Fund, donors can:

- Create a philanthropic legacy for the donor's family
- Make permanent provisions for favorite charities
- Provide for the community through Field of Interest and Unrestricted Funds to help meet pressing needs
- Help strengthen Foundation operations
- Potentially increase the fund over time through investment

Spending Policy For Endowed and Intermediate Endowed Funds

The Board of Directors of the Taos Community Foundation has determined that the annual spendable amount to be distributed by Endowed Funds is five percent of the 12 quarter average balance of the fund at the end of each year. For funds that have not been in existence for 12 quarters, the spendable amount will be five percent of the quarterly average balance of the fund since it was created.

The Board of Directors considers these factors in determining the annual spendable amount:

- The long and short-term needs of the communities served by the Foundation
- Expected and reasonable total return on the investments of permanent funds
- The reasonable cost of investing and administering funds
- The effect of inflation
- Price level trends and general economic conditions
- The purpose of the Fund
- The donor's intent and instructions in establishing the Fund

For example, the amount designated for the first year of spendable income on a $50,000 fund would be no more than $2,500. By limiting the spendable amount to 5% or less, the amount available for distribution over the years is less susceptible to market fluctuations. Thus, the fund advisor can better anticipate the annual amount available for charitable purposes.

Contributions to Enable Additional Distributions

Donors may make contributions to the fund to add to the fund's amount Available to Grant for the year. For example, if the spendable amount of an endowed scholarship fund is $750 and the donors want to grant a $1,000 scholarship, they could make a donation of $250 to the fund for the purpose of adding to the amount Available to Grant. Donors should let the Foundation know whenever they intend a contribution to a fund to be added to the amount Available to Grant, otherwise it will be added to the historic dollar value and be unavailable for distribution.

Variations on Spendable Amount

The Foundation's Board of Directors determines annually the spendable amount (which is between 2% and 5%). Donors may wish to vary that spendable income policy and may elect to do so in a separate agreement with the Foundation. Donors shall be aware that, historically, endowment funds that distribute annually more than 6% of assets are likely to experience a decline in the principal of the fund over time. Please contact the Foundation for further information about spending policies for funds.

Spendable Amount Policies of Supporting Organizations and Their Funds

Because Supporting Organizations have separate Boards of Directors, the Board of each Supporting Organization makes its own decisions about its spendable amount policies.

Non-endowed, Intermediate or Endowed Funds—Additional Information

	Non-Endowed	Intermediate	Endowed
Annual Spendable Amount	100% of principal is available for distribution	Like an Endowed Fund, up to 5% annual spendable amount is usually distributed, but 100% of fund is available	Up to 5% of average fund value over 12 quarters
Investment Strategies	Focuses on capital preservation and liquidity; all interest earned belongs to the Foundation	Focuses on full market cycle and long-term investment strategies	Focuses on full market cycle and long-term investment strategies
Minimums and Charges	• Minimum: $500 • Service Charges: ½ of 1% of fund deposits • Set-up Charge: $100 set-up fee for non-endowed scholarships	• Minimum: $500 • Service Charges: 1.5% of the fund value each year • Set-up Charge: $250	• Minimum: $10,000 in contributions by the end of 3 years • Service Charges: 1.5% of the fund value each year • Set-up Charge: $250
Charitable Deduction	Up to 50% of Adjusted Gross Income (“AGI”) for cash gifts; 30% of AGI for long-term capital gain property		
Gifts Accepted	Cash, stocks, bonds, mutual fund shares, private securities, real property (donations to Charitable Holdings), retirement assets (IRAs, retirement plans, etc.), business interests (partnerships, LLC membership interests, etc.) trust assets, and estate assets are subject to acceptance criteria found in Section 4, *Gifts Accepted*		

Options for Giving

E I N Donor Advised Funds. Make a gift to the Foundation, and then remain actively involved in recommending grants from the fund.

E I N Designated Funds. Support the good work of one or more nonprofit charitable organizations.

E I N Field of Interest Funds. Target gifts to address needs in an area of particular interest (e.g. child abuse; performing arts; environment.

E I N Scholarship Funds. Provide assistance for individuals attending institutions of higher education or vocational schools

E I N Unrestricted Funds. Helps the Foundation be able to respond to requests for community needs.

E Endowed Funds: permanent asset of the Foundation, principal is preserved for long term; up to 5% annual spendable amount

I Intermediate Funds: invested for long term, with entire balance available for distribution

N Non-endowed Funds: entire balance available for distribution, very liquid, no investment earnings

Types of Funds

Donor Advised Funds. Donor Advised Funds enable donors to receive an immediate tax deduction up

to the maximum allowed by law for irrevocable contributions of cash, securities, real property, business interests and other gifts to public charities. Donor Advised Funds may appreciate through a range of professional investment management options. They permit grants from annual earnings and principal to benefit favorite charities as determined by donor interests. Distributions from Endowed Donor Advised Funds, like all permanent funds, may be made only to the extent of the annual spending rate determined and set by the Board of Directors.

Designated Funds. When donors already know which charitable organizations they want to support, a Designated Fund offers the ability to designate a Fund for one or more charitable organizations. Individuals use this Fund to support a nonprofit organization in which they have a special interest.

For example, a donor may establish a Designated Fund for the benefit of XYZ Charity and name the executive director of the charity as the fund's advisor. The executive director would have the customary advisory privileges associated with the Fund (see the section titled Fund Advisors in this Guide for detailed information). If the benefited organization ceases to exist or changes its status as a charitable organization, the Foundation's Board, as authorized by its bylaws, may select an alternative organization compatible with the donor's original purpose. The benefited organization itself may recommend to the Foundation other potential recipients of the spendable amount from the fund.

Nonprofit Organization Funds. These funds are variations of the Designated Fund, only it is the nonprofit organization that establishes the fund (instead of an individual). Nonprofit organizations can benefit from the Foundation's investment strategies to create endowments or intermediate funds using this type of Fund for support of operating expenses, programs or other needs.

Unrestricted Funds. These funds give the Foundation discretion to meet the changing or unforeseen charitable needs in the communities it serves. Donors can name these funds to honor or memorialize a loved one. Typically, the Foundation determines recipients through a competitive grantmaking process.

Field of Interest Funds. These funds benefit a broad charitable category rather than naming a particular charitable organization. Donors may describe the field of interest broadly or narrowly. For example, the fund could benefit the environment and emphasize air quality. It may benefit an entire area such as Travis County or a smaller community, such as the town of Davidson. The Foundation's staff will assist donors in tailoring a fund to reflect their particular interests.

Scholarship Funds. Scholarship Funds provide grants for educational purposes at both graduate and undergraduate levels. Donors may recommend an academic focus for their Scholarship Fund (e.g., nursing or the arts) and eligibility criteria (e.g., financial needs, academic merit, geographic residence, community service). Scholarship Funds can be endowed, intermediate funds, or non-endowed.

Scholarship Fund Policies. Guidelines are developed for each Scholarship Fund. Standard content of the guidelines includes:

- Purpose of the Scholarship Fund
- Eligibility criteria (e.g., field of interest, minimum GPA, residency requirements, special eligibility requirements, etc.)

- Selection criteria (e.g., academic merit, financial need, community service)
- Application and selection procedure
- Scholarship selection process
- Amount of awards (if appropriate)
- Non-discriminatory clause

Notification and Payment of Scholarships. The Foundation will notify students in writing of the amount and general terms of Scholarship awards. No payments are made to individuals. Scholarship awards are paid to the students' schools or a related auxiliary organization (e.g., bookstore).

Scholarship Renewal. Scholarships are awarded for one year but are subject to renewal if the fund provides for it and if students continue to meet the fund's requirements for participation. Students may have to file an application for renewal each year and must demonstrate continued eligibility as stated in the guidelines, including fulfilling all responsibilities to the fund (e.g., submitting grades, meeting special conditions of the award).

7 fund advisors

Depending upon the type of fund selected, advisors may make recommendations to the Foundation about investments, annual spendable amount, distributions and succession options. Please note: Advice is a non-binding recommendation to the Foundation.

Number of Advisors

All advisors to a fund must be listed in the Fund Agreement or on the Fund Information Form. The primary advisor(s) should be chosen as the contact for the Foundation. When two or more advisors are named, each will have full and equal privileges to make recommendations unless other instructions are provided to the Foundation.

Advisors for Nonprofits and Business Entities

Nonprofit organizations and business entities establishing funds may name individuals to serve as advisors for such funds. Organizations creating funds must certify as to the authority of the advisors named.

Defining Advisory Privileges

The type of fund established will determine which advisory privileges apply. Advisory privileges available for the various funds are as follows:

Donor Advised Fund advisory privileges

- Recommend grants
- Select succession plan
- Recommend investment pool for Endowed or Intermediate funds
- Change or add advisors and successor advisors
- Serve as fund contact for questions, statements and correspondence
- Designated Fund advisory privileges
- Recommend grants
- Scholarship Fund advisory privileges
- Recommend amount of scholarship grants
- Select succession plan

Field of Interest advisory privileges

- Recommend grants
- Foundation board or staff may serve as advisors to the funds

Unrestricted Fund advisory privileges

- Foundation board serves as advisor to these funds

Naming the Foundation as the Fund Advisor

In certain cases, the Donor may consider it desirable not to name an advisor; in these instances, the Foundation serves as the fund's advisor to recommend grants.

This option is used most often for Unrestricted Funds, Field of Interest Funds and Designated Funds for nonprofit organizations where the donor wants the Foundation to serve as the advisor in lieu of the nonprofit organization.

Naming Family, Friends, or Professionals as Advisors

Donors may name family members, friends, professional advisors or others as advisors to the fund.

All Fund Advisors Have an Equal Privilege to Act

Each advisor named will have the privilege of making recommendations for the fund. For example, if the donor and the donor's spouse are named advisors to the fund, each one acting alone has the privilege of recommending investment preferences and distributions for the fund. The Foundation will recognize recommendations from any single advisor unless otherwise specified in the Fund Agreement.

If a nonprofit organization, group of individuals, or business entity has established a fund, one or two individuals may be designated to make recommendations.

Changing or Adding Advisors

Only advisors named in the Fund Agreement or appointed in accordance with the Agreement may make advisory recommendations for the fund. During the lifetime of the donors establishing the fund, the donors may request in writing that the Foundation add or change advisors to the fund by submitting a Fund Information Form, which is available by contacting the Foundation or by visiting the Foundation's website. The donors may also add or change advisors by a direction in his or her will.

Fund Correspondence

The Foundation assumes that Advisor 1 (as named in the Fund Agreement) will be the primary contact to receive statements and other information pertaining to the fund. Donors should keep the Foundation informed of any address changes. The Foundation will send correspondence to other Advisors provided that is set forth in the Fund Agreement or a written request to that effect has been sent to the Foundation.

Disposition of Inactive Non-endowed Funds

The Foundation reserves the right to transfer the assets from a fund to the Foundation's community funds, as the Foundation may determine if, after a period of three consecutive years, there were neither contributions made to the fund nor any recommendations as to distributions from the fund, and neither the donor nor fund advisors responded to communications from the Foundation sent to the addresses for such persons on file with the Foundation.

Death or Incapacity of Advisors

Upon the death or incapacity of an advisor, the remaining advisors for the fund will retain advisory privileges, including the ability to recommend grant distributions and investment preferences and to designate successor advisors. (See the section titled Succession Plans in this Guide.)

8 succession plans

Succession Plans

The Foundation allows Donors to create succession plans that meet their charitable objectives. We offer a variety of options including the ability to transfer advisory privileges relating to Donor Advised Funds to successor advisors upon the death or incapacity of an initial advisor and the ability to recommend how such funds should be distributed upon the death or incapacity of the last surviving advisor.

Successor Advisors

For Donor Advised Funds, the initial advisor(s) (who may be the donor) have the privilege of appointing persons to serve as successor advisor for the fund upon the death or incapacity of the initial advisor(s). A successor advisor, when serving, has the same advisory privileges as the initial advisor(s) as described in the Fund Advisors section of this Guide.

The appointment of successor advisors may be made in the Fund Agreement or in a Change of Succession Plan Form available on the Foundation's Web site or from the Foundation.

Succession Plan for Distribution of Assets of Donor Advised Funds

With respect to a Donor Advised Fund, a donor may recommend that upon the death or incapacity of the fund's last surviving advisor as selected by the donor, or if earlier, the expiration of the period during which the last surviving advisor may exercise advisory privileges, any assets remaining in the fund shall be administered or distributed in one or more of the following ways:

Allow the Foundation's Board to Determine Distributions. The advisor may recommend that the fund become an Endowed Fund of the Foundation with distributions to be made by the Foundation to respond to requests or broad community purposes. The advisor may indicate a preference for a particular focus or particular geographic area to be benefited.

Direct Distributions to Public Charities. An advisor for a Non-endowed Donor Advised Fund may recommend that assets of the fund be distributed to one or more public charitable organizations. Distributions to such organizations are subject to the same approval process as in the case of distributions from such funds during an advisor's lifetime. In the event that a charitable organization is no longer in existence, the Foundation can use its variance power to identify one or more organizations that support similar purposes provided that the organizations are qualified charities and are acceptable to the Board of Directors of the Foundation.

Create an Endowed Designated Fund. An advisor may recommend the creation of a new Endowed Designated Fund for the benefit of one or more named charitable organizations. The organizations to be benefited by the new fund are subject to the same approval process as are organizations receiving distributions from the original fund. Designation of the organizations to be benefited by the new fund may be indicated through the Fund agreement.

Donor Advised Funds with No Succession Plan

In the event that the donor has not otherwise provided for the distribution of the assets upon the death or incapacity of the last surviving advisor of a Donor Advised Fund, the fund will become a Named Endowed Fund of the Foundation, unless the Fund is either a Non-endowed Fund or an Intermediate Fund, in which case it will be an Intermediate Fund of the Foundation, with distributions to be made by the Board of Directors of the Foundation in response to requests or other broad community purposes.

Criteria for Selection of Grantmaking Focus

With respect to funds to be distributed for broad community purposes of the Foundation, the Foundation will consider the following:

- The donor’s charitable interests as indicated by grant distributions made from the fund in the past
- Any geographical considerations recommended by the donor
- Critical community needs
- Any relevant information about the donor’s particular civic or charitable interests

9 investments

The Foundation's investment pool is a diversified portfolio of fixed income, large cap, small cap, international and alternative strategy investment vehicles managed by investment managers. These managers are selected and monitored by the Investment Committee.

Foundation Investment Oversight

The Board of Directors of the Foundation provides oversight of the investments of its various funds through its Investment Committee, and directs the staff to apply investment policies it has adopted.

Investment Committee. All funds are invested at the direction of the Foundation's Investment Committee. The Investment Committee is comprised of individuals knowledgeable in investment and business practices. The Committee sets objectives, selects professional managers and monitors performance with the goal of achieving maximum return while minimizing risk.

Investment Policy Statement. The Investment Committee seeks to adopt a sound investment policy for the Foundation that focuses on appropriate investments. Asset allocation strategies are adopted for endowment and intermediate endowment funds. At the same time, donor investment preference is considered.

General Investment Objectives

The Foundation's investment objectives and guidelines are designed to enable all intermediate and endowed funds to meet the following general investment goals:

- Meet realistic income requirements of the funds
- Provide sufficient liquidity to meet distribution requirements
- Seek an increase in assets both from appreciation of principal and from accumulation of income
- Maintain or increase total principal purchasing power after inflation over the long term

Diversification and Risk

The Foundation's investment pools maintain diversified portfolios and are benchmarked against appropriate indices.

Quality of Investments

Investment managers are generally expected to invest in readily marketable, high-quality securities.

IRS Rulings on Investment Preference

IRS rulings enable donors to recommend which investment pool or style the donors prefer but require the Foundation to retain final discretion regarding those recommendations for all funds.

Investment Options

The Foundation is pleased to extend to qualified donors (dependent on the asset balance of their fund) the opportunity to provide recommendations for the asset allocation of their funds. IRS rulings validate this policy but require the Foundation to retain final discretion regarding investment decisions.

Endowed or Intermediate Funds

All investment options for Endowed or Intermediate Funds include allocations for both equity and fixed income. The following chart shows a breakout of investment options.

The Foundation's Investment Committee recommends a preferred investment strategy for all Endowed and Intermediate Funds from the Foundation. The recommendation is intended to provide a guide for donors and fund advisors. It also serves as a default option should a donor, a nonprofit organization or fund advisor not identify an investment preference. Because the Foundation evaluates all investments on a periodic basis, donors and fund advisors are strongly encouraged to consider the committee's recommendation. For funds with a significant relationships, donors and fund advisors may choose a customized strategy, if you are interested in this option, please discuss this with the Foundation staff before establishing a fund.

Description of Equity, Fixed Income, Hedged and Real Assets Strategies

The Foundation's equity, fixed income, hedged and real assets strategy vehicles represent a diversified array of specialized investment options. Below are descriptions of investment pools and the strategic diversification of the assets under management.

Equity Investments. Historically, equity investments have provided superior long-term returns over other kinds of investments (e.g., fixed income, treasuries). However, not all equities respond the same way to market stimuli. At times, the market is value-driven; at other times, it is in a growth mode. In addition, returns can vary greatly between large and small capitalization stocks. Because of the uncertainty of predicting which market sectors will perform well over periods of time, the Foundation's Investment Committee has determined targets for each of it market sectors within its overall asset allocation.

Fixed Income. The Foundation's fixed income sector is designed to generate interest income for the portfolio. In addition, these securities provide an important diversification element when combined with equities.

Asset Allocation. In order to achieve its investment objectives over a long-term horizon, the Foundation's Investment Committee has established a Strategic Asset Allocation of 45% equities, 20% fixed income, 15% hedged strategies and 20% real assets strategy in the Foundation's primary investment pool. Below are targets set for each market sector of the equity portion of the asset allocation.

Annual Spendable Amount and Total Return Policy (Endowed & Intermediate Funds only)

The Foundation's Board of Directors has adopted a total return policy that is applicable to all funds intended by donors to be permanent endowment funds. This policy enables the Foundation to invest in a way that is not dependent upon generating interest and dividend income to support the charitable objectives of the fund. Instead, the annual spendable amount can come from several sources including interest income, dividends, realized and unrealized gains on securities as authorized under the New Mexico Uniform Prudential Management of Institutional Funds Act ("UPMIFA"). The annual spendable amount for a fund for a given year is calculated as a percentage of the fund balances at the end of the year. The current annual spendable amount as determined by the Board of Directors of the Foundation is based on up to 5% of the previous 12 quarters value of the fund. For endowment funds this amount is calculated as of each December 31. This calculation becomes the spendable amount for the following year.

Historic dollar value ("HDV") means the value of the Fund at the time of the original contribution to the Fund, plus the dollar value of any subsequent gifts to the Fund (not including any investment earnings or losses). If the value of the Fund falls below HDV, the Spendable Amount varies depending on the remaining value of the Fund.

Investment Policy

Each investment manager operates within investment policies established by the Foundation's Investment Committee. These policies, which are subject to change, are stated in the Foundation's Investment Policy. A copy of the Investment Policy may be obtained by contacting the Foundation.

Administration of Funds

Valuation. The frequency of fund valuations depends on the type of fund and investment.

Reporting. Statements showing the detailed activity of funds, including information on distributions, gifts and investments will be provided at least annually and more frequently as agreed upon by the donor and the Foundation. The Foundation will reconcile the fund when it receives all custodian and Manager reports. Late receipt of these reports may delay the Foundation's allocation process, reconciliation and delivery of statements.

Fund Accounting Procedures. IRS rules allow the Foundation to commingle assets of funds for investment purposes and to credit each fund according to a unitized fund accounting system. This system allows the Foundation to produce separate fund accounting information for each fund. Investments in pooled funds are made and credited as follows:

Allocation of Investment Earnings. Investment earnings for the donor's fund include interest, dividend income, accrued income and realized and unrealized gains and losses less investment management fees charged by the investment managers. The market value of each fund will include the principal together with accumulated earnings of the investment pool in which the fund is managed.

- Dividend and Interest Income Received on Stock Gifts or Stock Held by the Foundation in Funds. Dividend and interest income will be credited back to the fund and the Foundation will assess its customary service charges for funds.
- Distributions to Funds Holding Partnerships or Closely Held Stock. The fund will be credited with proceeds received from distributions of illiquid assets (such as partnership interests or stock held in an S Corporation).

10 supporting organizations

Donors and existing private foundations can avoid or terminate burdensome tax restrictions by affiliating with the Foundation by becoming a “Supporting Organization.” A Supporting Organization is a corporation or trust affiliated with the Foundation. The necessary relationship is created under Code Section 509(a)(3) merely by allowing the Board of Directors of the Foundation to appoint a majority of the directors or trustees of the supporting entity.

At the same time, the Supporting Organization receives substantial benefits from the public charity tax status of the Foundation. The Supporting Organization pays no excise tax on investment income or on “jeopardy” investments; avoids liability for taxable expenditures; is not subject to rules governing excess business holdings or self-dealing; and can receive gifts that are deductible to the maximum extent provided by law.

Supporting Organizations can receive grantmaking and accounting support from the Foundation. The Foundation can also handle all investment management of the Supporting Organization. The Supporting Organization should retain its own legal counsel to establish the Supporting Organization.

Supporting Organizations should have substantial assets. Supporting Organizations are separate entities and are required to file a tax return for the organization each year.

Section 509(a)(3) of the Internal Revenue Code permits Supporting Organizations to enjoy public charity tax status while maintaining a separate identity and active role in the non-profit community.

To establish a supporting organization, a donor must comply with Internal Revenue Service requirements and the Foundation’s policies as follows:

1. Draft or amend governing instruments to provide that the purpose of the organization is to act for the benefit of, perform the functions of, or carry out the purposes of the Taos Community Foundation.

2. Permit the Foundation to elect or appoint a majority of the directors or trustees of the organization. The remaining directors or trustees may be appointed by the donors or managers of the organization or by others.

3. Retain the Foundation to provide management and professional services to the organization on a continuing basis.

11 private foundations

A private foundation is a charitable organization, usually established by an individual, family or corporation for the purpose of controlling, to the greatest extent possible, the use of the donor's charitable gifts. It is subject to more complex tax and administrative rules than other charitable vehicles. Donors who have established private foundations may find over time that those foundations have become administratively burdensome or may simply wish to have the benefit of more knowledge and expertise regarding the operation of a charitable foundation.

Comparison of Donor Advised, Supporting Organizations and Private Foundation Funds

Comparisons	Donor Advised Fund	Supporting Org.	Private Foundation
Creating the Foundation	Established at the Taos Community Foundation ("TCF") by a simple agreement	Nonprofit corporation or trust created with assistance from TCF	Nonprofit corporation or trust organized as a private foundation
Tax Exempt Status	Shares the public charity tax exempt status of TCF, as a "component" of TCF	Shares the public charity tax exempt status of TCF	Must apply for private foundation tax exempt status from the IRS
Start-up Costs	No cost to donor	Primarily legal fees, similar to a corporate start up	Similar to a corporate start-up requiring what may be substantial legal accounting, and operational start-up costs
Recommended Size	$5,000 or more	$2 million or more	Substantial assets required. Generally, $10 million or more is recommended
Charitable Deductions for Cash Gifts	Tax deduction of up to 50% of adjusted gross income (AGI)	Tax deduction available of up to 50% of adjusted gross income (AGI)	Tax deduction of up to 30% of adjusted gross income (AGI)

Charitable Deductions for Appreciated Property	Tax deduction available for full fair market value of marketable securities and other property Tax deduction available up to 30% of adjusted gross income (AGI)	Tax deduction available for full fair market value of marketable securities and other property Tax deduction available up to 30% of adjusted gross income (AGI)	Tax deduction may be taken for the fair market value of marketable sec. Tax deduction for other property is limited to the lower cost or fair market value and is limited to 20% of AGI
Donor Control	Donor makes advisory grant recommendations; final decisions rest with TCF's board of directors	Donor holds significant organizational influence and may appoint a minority of the total number of board members	Donor retains complete control over investments and grant making, subject to IRS requirements
Self-Dealing Rules	Private foundation self-dealing rules do not apply	Private foundation self-dealing rules do not apply	Strict regulations prohibit most transactions between a private foundation and its donors *(including related persons or organizations)*
Payout Requirements	Do not apply	Do not apply	Must pay out for charitable purposes up to 5% of its asset value annually, regardless of its income
Administrative Concerns ***(personnel, facility, gift, and grant managing)***	Services provided by TCF	Affiliation with TCF provides access to existing services	Must establish and/or obtain these services
Annual Costs	Minimal	May be shared by TCF and therefore may be kept to a minimum	Administration can be costly
Annual Taxes	None	None	Subject to an excise tax of up to 2% of net investment gain, including net capital gains and income

Annual Tax Filings and Returns *(990 Report)*	Not required *(reported as part of TCF's annual reporting)*	Must be filed by the Supporting Organization *(Form 990)*	Must be filed by the private foundation with required reporting schedules *(Form 990 PF)*
Investments	Fund assets are professionally invested through TCF's investment program	May avail itself of investment services by TCF or manage itself	Must research, secure, and carefully monitor its own investment vehicles
Fiduciary Responsibility	TCF fulfills the associated fiduciary responsibilities	The board of the Supporting Organization has fiduciary responsibilities	The private foundation board has fiduciary responsibility
Liability and Risk Insurance	Provided by TCF	May be shared by TCF	Must be purchased by the private foundation
Liability and Risk Insurance	Provided by TCF	May be shared by TCF	Must be purchased by the private foundation

12 planned giving

Planned giving is a critical part of community support for the Foundation. Since our inception in 1998, we have received millions of dollars in assets as the result of planned gifts. We are committed to providing planned giving options to assist donors and non-profits in the community. By including philanthropy in an estate plan, donors and their heirs often benefit from lower income and estate taxes. The Foundation offers a number of options to make a planned gift that will support favorite charities far into the future. All of the following services are available to any person or business entity. Options for planned giving include: Gifts by Will, Retirement Plan Assets, Charitable Trusts, Charitable Gift Annuities, Life Insurance and Gifts of Personal Residence.

Analysis

The Foundation will assist in evaluating the following factors in order to provide analysis of the effects to be expected by donors, their heirs, income beneficiaries and recipient charities touched by the proposed gift.

- **Tax Effect**. The Foundation will review the potential tax effect to donors, income beneficiaries (if any) and recipient charities.
- **Accounting Treatment**. The Foundation may provide information on how accounting treatment may affect donors, income beneficiaries and recipient charities.
- **Gift Value**. The Foundation will analyze the present and future value of a proposed planned gift.
- **Administrative Requirements**. Foundation staff will consider administrative requirements imposed by the IRS and accounting rules, and will apply pragmatic considerations to ease the difficulty of administration.

Foundation staff can work with attorneys, accountants, bankers, brokers, financial planners and other professional advisors to assure that planned gifts meet the expectations of donors.

IRS Circular 230 Notice: The Foundation advises you to seek your own legal and tax advice in connection with gift and planning matters. The Taos Community Foundation does not provide legal or tax advice. The information contained herein is not intended or written to be used, and cannot be used, for the purpose of avoiding tax-related penalties.

Gifts by Will

A will is a simple and effective way to provide support for favorite charitable organizations. A bequest of a specific amount or a portion of the residuary estate can be made to a fund at the Foundation. The Foundation can provide sample language for consideration. An attorney should review each estate plan from time to time to assure that estate planning documents are accomplishing the donor's goals. Bequests to the Foundation may include:

Outright Bequests. The donor directs in his or her will that certain assets be transferred to the Foundation in the form of cash, real estate, business interests, personal property, life insurance or other property.

Residuary Bequests. The donor makes a gift of all or a portion of his or her residuary estate to the Foundation and other qualifying charities.

Contingent Bequests. The donor makes a bequest that will come to the Foundation only if a specific contingency occurs. For example, "I give $10,000 to my niece, Judy, but if Judy predeceases me, I give that amount to the Taos Community Foundation for the Capital Area, Taos New Mexico.

Remainder Interests. The donor creates a Charitable Remainder Trust by will, providing for annual payments to be made to one or more named individuals for the lifetime of these individuals, or for a specified period of time not more than 20 years, after which the remainder will be distributed to a fund.

Income Interests. The donor creates a Charitable Lead Trust by will to provide that the income be paid to the Foundation and other qualifying charities for a specified period of time, after which, the remainder will be distributed to individuals named in the will.

Retirement Plan Assets

Assets held in qualified retirement plans or individual retirement accounts ("IRAs" can be gifted to charity. The Foundation can help donors review possible tax effects of using retirement plan assets for charitable giving. Under current tax law, a gift of qualified plan assets to a charity during life is a taxable event for the donor, but a gift of qualified plan assets at death can reduce adverse tax consequences and provide a wonderful gift. The donor may name the Foundation (or a fund) as the designated beneficiary of retirement account assets upon either his/her death or the death of family beneficiaries. The Foundation recommends consultation with a professional advisor to complete such forms. The types of retirement plan assets accepted by the Foundation include:

- 401(k) Plans
- 403(b) Plans
- IRAs
- Roth IRAs
- Keogh Plans
- SEP Accounts

Charitable Trusts

Charitable Remainder Trusts ("CRT"). The donor irrevocably transfers cash, securities or other property to a Trustee, who manages those assets and makes payments to the donor or other named individuals for their lifetimes or for a period not to exceed 20 years. On the death of the beneficiary (or surviving beneficiary if more than one), the assets of the Trust are distributed to the Foundation or other named charitable beneficiaries.

There are two types of Charitable Remainder Trusts:

> **Charitable Remainder Annuity Trust.** The Trustee pays the donor (or other named individual beneficiaries) a fixed dollar amount annually from the Trust for the life or lives of the income beneficiaries or for a period not to exceed 20 years.
>
> **Charitable Remainder Unitrust**. The Trustee pays the donor (or other named individual beneficiaries) a fixed percentage of the net fair market value of the Trust's assets, as determined each year, for the life or lives of the beneficiaries or a period not to exceed 20 years.
>
> There are variations of Unitrusts:
>
> - Net Income with Makeup Unitrust ("NIMCRUT"). The Trustee pays the beneficiaries the lesser of the net income or a fixed percentage of the value of the Trust assets stated in the Trust Agreement. In years when the net income is less than the fixed percentage, the Trustee may pay the lesser amount but distribute the shortfall in subsequent years if the net income exceeds the fixed percentage. NIMCRUTs may be useful when the contributed assets do not produce a high level of income and may be difficult to see quickly or if the beneficiaries do not have an immediate need for income.
> - Net Income Unitrust ("NICRUT"). Similar to the NIMCRUT, except there is no makeup provision.
> - FLIP Unitrust or FLIP Unitrust with Makeup. A FLIP Unitrust begins as a NIMCRUT but is later converted to a straight CRT when the Trust sells certain assets such as real property, a business or other hard-to-value assets. After the sale, the CRT pays the non-charitable beneficiary the amount stated in the Trust Agreement. A FLIP Unitrust may be attractive to a donor who desires to contribute to hard-to-value assets and to receive a stable income but does not know when the assets will sell.
>
> **Charitable Lead Trusts ("CLT").** Payments are made to a fund or other charitable beneficiaries for a period of years or for the lifetimes of one or more named individuals. The assets are distributed to designated non-

charitable beneficiaries such as a spouse or other family member at the end of the term of the Trust. CLTs provide current gifts for charitable purposes and can result in substantial savings of estate and gift taxes. The Foundation strongly recommends that donors meet with a professional advisor to make a CLT fit within the overall estate plan because of its complexity and possible tax consequences.

Other Planned Gifts

Bargain Sales. A bargain sale is part sale, part gift. A donor receives cash for a portion of the value of an asset transferred to a charity, and the difference between the cash consideration received and the fair market value of the asset, as determined by an IRS qualified appraisal, is deductible as a charitable gift.

Life Insurance. Donors may make a gift of life insurance to the Foundation either by irrevocable designating the Foundation as the owner and beneficiary of the policy or by designating the Foundation as a beneficiary of all or a portion of the proceeds of a policy. Change of ownership and beneficiary designation forms may be obtained from the insurance representative. Prior to accepting a policy requiring ongoing premium payments, the Foundation will obtain a written agreement from the policy holder detailing how premiums will be paid. The donor may also elect to cash out existing life insurance policies and donate the proceeds to his or her fund.

Gift Remainder in a Personal Residence or Farm. Donors may obtain income and estate tax benefits by contributing a personal residence or farm to the Foundation and retaining the right to occupy the property during their lifetimes. The Foundation will receive the entire interest in the property upon the donor's death. The Foundation normally will not accept gifts of the remainder interest in personal residences or farms when the property is mortgaged; however, the Foundation may in certain instances make an exception. The IRS bargain sale rules referred to above may apply to the transaction.

13 service charges

Endowed Funds $10,000
(Donor may establish over five years, with an initial gift of $1,000.) **A permanent asset of the community foundation, principal is preserved, invested for long-term; subject to current spending policy.**

Non-endowed Funds $5,000
Entire balance above $5,000 available for distribution.

Supporting Organizations $10,000
A nonprofit charitable corporation that qualifies as a "public charity" due to its affiliation with the community foundation.

Annual Administrative Fees

Assessed quarterly

Core Services

Endowed Funds

Donor Advised and Agency	1.50%
TCF Directed	2.50%

Intermediate Funds

Donor Advised and Agency	1.50%
TCF Directed	2.50%

Annual Funds

Earnings	100%
Per year	$100

Special Project additional services plus 15.00%

Events additional services plus 15.00%
Pass Through Funds up to 15.00%

Additional services base rate $200.00/hr

Fund Set Up $250.00/fund

Taos Community Foundation is pleased to provide exemplary service to all of our donors through its Core Services and Additional Service programs.

Core Services

- Gift administration and acknowledgment services
- Fund Statements/Accounting
- Investment services
- Grant processing and distributions
- Auditing and IRS reporting services

Fees for Additional Services
Additional fees may be negotiated and charged to a fund on a case-by-case basis for special service requests such as:

- Fiscal sponsorship services
- Direct expenses incurred on behalf of a gift to a fund such as gift maintenance, fees, storage, sales, title work, etc.
- Sale of real estate and other real property
- Legal and accounting costs associated with agreed upon services, with prior written notification
- Outsourcing design and production of brochures and other publications, with prior written notification
- Staff support of Advisory Committee(s)
- Scholarship and/or Grant Applications screening
- Supervision of Outreach (Contract) Staff
- Design and production of brochures and/or applications, in-house (maximum quantity of 250 annually)
- Advice on fundraising
- Training

14 fund distributions

Some types of funds give donors advisory privileges for distributions. Fund advisors can recommend grants from the fund to qualified charitable organizations or governmental entities. Advisor recommendations will be reviewed by the Foundation after they are submitted. If approved, the Foundation will mail a check to the recommended organization(s).

Recommended Grant Distribution Amounts

The Foundation recommends a minimum grant distribution of $150.

Grants to Public Charities

Distributions can be made only to charitable organizations that are tax-exempt under IRS Code Section 501(c)(3) and which have been classified under Code Section 509 as not being a private foundation. Distributions also may be made to governmental entities and most religious organizations. Foundation policy prohibits the Foundation from making distributions to nonprofit organizations in satisfaction of legally enforceable pledges, non-operating private foundations or for any purpose in which the donor will receive any goods or services from the grantee for the funds which would be distributed by the Foundation. Distributions may not be made for political purposes.

Geographic Region

The Foundation can make distributions to organizations in any geographic region of the United States.

Grants to Foreign Charitable Organizations

The Foundation makes grants to domestic 501(c)(3) charities that fund and exercise expenditure responsibility over foreign charitable activities.

List of Approved Organizations and Research Procedures

The Foundation maintains a list of organizations approved by the Board of Directors as eligible to receive distributions from funds. The Foundation encourages and welcomes suggestions for additions to this list. If a donor wishes to recommend a gift to an organization not currently approved, he or she may submit a request for such a gift. The Foundation staff will research the organization to determine that it is recognized by the IRS as tax deductible, that it is in general good standing in the charitable community, and that the organization’s purposes are consistent with those of the Foundation. The current list of Approved Organizations may be found on the Web site.

Number of Grant Distributions

The Foundation allows an unlimited number of grants from each fund.

Grant Check Processing

Recommendations for distributions will normally be processed within five business days if the recommended charitable organizations have been qualified by the Foundation as approved. Checks to charitable organizations are accompanied by a letter from the Foundation indicating the fund name as well as the donor's name and address, unless anonymity has been requested.

Anonymity

Donors may wish to remain anonymous with regard to some or all of fund distributions. The Foundation offers three degrees of anonymity:

- Indicate total anonymity on the Fund Agreement. Distributions made from the fund, no matter what its name, will be anonymous.
- Give the fund an anonymous name (e.g., ABC Fund). Distributions will be made in the name of the fund without reference to the donor.
- Designate a particular distribution as anonymous on the distribution recommendation form. The Foundation will show that specific distribution as anonymous when the distribution check is processed.

15 information printed in this guide

The information contained in this guide is current as of the printing of this document. The Foundation will make every effort to keep this policy statement up-to-date. From time to time, changes or additions may be possible. Please check with the Foundation to make sure this disclosure statement is the most current copy available.

IRS Circular 230 Notice: We advise you to seek your own legal and tax advice in connection with gift and planning matters. The Taos Community Foundation does not provide legal or tax advice. This booklet is not intended or written to be used, and cannot be used, for the purpose of avoiding tax-related penalties.