



Planned Giving Program Policy

Effective: November 10, 2016

1.0 PURPOSE

- 1.1. To provide management with the criteria and framework by which donations of planned gifts may be accepted, managed, and conveyed in appropriate circumstances.

2.0 BACKGROUND

- 2.1. Parasol Tahoe Community Foundation ("Parasol") will assist potential donors by informing them of philanthropic techniques which are best suited to achieve the individuals' objectives. Specifically, the Planned Giving Program is designed to offer donors the opportunity to give, while reserving income for life for themselves and other beneficiaries; to make such gifts by will; and to make outright gifts by bequest.

3.0 POLICY

3.1. General.

- 3.1.1. All accepted gifts are to be managed for benefit of Parasol, consistent with its policies.
- 3.1.2. Contributions are accepted by Parasol as planned gifts permitted by the Internal Revenue Code and the laws of the State of Nevada.
- 3.1.3. Although Parasol staff may propose and negotiate such agreements, it is recognized that only Parasol's CEO, advised by Parasol's Executive Committee, is authorized to execute agreements on behalf of Parasol.

3.2. Donor Considerations.

- 3.2.1. In soliciting and negotiating gifts, Parasol recognizes a responsibility to be cognizant of the interests and concerns of the donor related to his or her financial position. Accordingly, the following principles will be adhered to:
 - 3.2.1.1. In matters involving donors or prospective donors, the interests and concerns of the donor will be given the full consideration in relation to those of Parasol.
 - 3.2.1.2. All agreements proposed to prospective planned giving donors will contain information regarding benefits, limitations and possible tax implications. They will be made aware of the irrevocability of the gift and the lack of guaranteed yield. Donors will be provided with copies of agreements before a gift is made to allow for the documents' review by the donor's financial advisor or legal counsel.
 - 3.2.1.3. All proposed agreements shall be reviewed and approved by Parasol's CEO prior to presentation to the donor. Parasol may engage legal counsel to draft documents, in cooperation with the donor's own counsel.
 - 3.2.1.4. All prospective donors will be urged to seek the advice of their own attorney in reviewing the legal and tax consequences of their gift, the terms of any annuity agreement, and the advisability of the gift in light of the donor's overall estate plan and financial circumstances. Parasol's staff shall not give legal or tax advice to prospective donors.

- 3.2.1.5. Designated Parasol officials may be called upon to review and comment upon documents drafted by the donor's attorney.
- 3.2.1.6. Any legal advice needed by Parasol in conjunction with negotiating and reviewing prospective gifts Parasol might be managing will be contracted by Parasol.
- 3.2.1.7. All activities undertaken on behalf of Parasol shall be in accordance with accepted professional standards of accuracy, truth, integrity and good faith, and in line with the Model Standards of Practice for the Charitable Gift Planner, specified in Section 7.0, References and Related Policy.
- 3.2.1.8. Parasol complies with the Donor Bill of Rights, specified in Section 7.0, References and Related Policy.
- 3.2.1.8. Information concerning a planned gift shall be kept in confidence, and no public announcement will be released without permission from the donor or income beneficiary.

3.3. Methods of Planned Giving.

- 3.3.1. A Planned Giving Program includes, but is not necessarily limited to, the following potential giving methods:
 - 3.3.1.1. Bequests by Will,
 - 3.3.1.2. Charitable Gift Annuities and Deferred Payment Gift Annuities,
 - 3.3.1.3. Charitable Remainder Unitrusts,
 - 3.3.1.4. Charitable Remainder Annuity Trusts,
 - 3.3.1.5. Charitable Income or "Lead" Trusts,
 - 3.3.1.6. Gift or Remainder Interest in a Personal Residence with Life Estate Retained by Donor,
 - 3.3.1.7. Beneficial Interest in Insurance Benefits, and
 - 3.3.1.8. Bargain Sales of Real or Personal Property
 - 3.3.1.9. Life Insurance
 - 3.3.1.10 Retirement plans (IRA, 401(k), 403(b), profit sharing plan, Keogh)

3.4. Thresholds and Limitations.

- 3.4.1. A **charitable gift annuity** is a contract between Parasol and the donor. Parasol agrees to pay the donor (and/or another person named by the donor) a lifetime annuity in exchange for an irrevocable gift to Parasol. The annual payment to the donor (or named beneficiary) is fixed and is based on the number and ages of the beneficiaries and the fair market value of the gift.
 - 3.4.1.1. The minimum amount required by Parasol to establish a charitable gift annuity is \$25,000. A charitable gift annuity is usually funded with cash or publicly traded securities. However, a charitable gift annuity may be funded with real estate upon approval by the Executive Committee.
 - 3.4.1.2. One hundred percent of the assets remaining in the contract after its termination must be designated to Parasol to support Parasol's mission.
 - 3.4.1.3. The rates of return payable to annuitants shall not exceed those recommended by the American Council on Gift Annuities as of the date of contribution. Annuity agreements shall be limited to two (2) lives. The minimum age for immediate annuities shall be 65, and 50 for deferred annuities with first payment at 65. In the case of a two-life annuity, the minimum age applies to the younger of the two annuitants.
 - 3.4.1.4. No portion of an annuity contract will be expended until its maturity, except for beneficiary payments, fees, and expenses.
 - 3.4.1.5. A reserve will be funded with the intent to pay the annuity obligation of any annuity contract directly benefiting Parasol whose contract assets are exhausted. The reserve will be funded by an annual withdrawal from the Operating Reserve Fund ("Fund") of up to .25% of the fair market value of the Fund. The annual funding of the reserve may be something less than .25%

down to and including zero for any particular year. Determination of the reserve will be at the discretion of the Executive Committee after review with and concurrence from the Investment Committee. The level of funding will be determined by the results of various stress tests run on the contracts, current and anticipated market conditions, the current mix of contracts and anything else deemed relevant at that time. The reserve will be held in a segregated fund and invested in accordance with Parasol's Investment Policy specified in Section 7.0, References and Related Policy.

- 3.4.2. A **charitable lead trust** is a trust from which the income or "lead" interest is paid to Parasol for a set number of years (not to exceed 20), after which the remaining trust assets pass to one or more non-charitable beneficiaries designated by the donor. The amount paid to Parasol may be either a fixed sum (an "annuity" interest) or a percentage of the trust assets valued each year (a "unitrust" interest). Moreover, charitable lead trusts may be established during the donor's lifetime or upon his death pursuant to his Will or Revocable Trust.
- 3.4.2.1. Charitable lead trusts shall not be accepted without the prior review and approval of the trust agreement by the Executive Committee.
- 3.4.2.2. A charitable lead trust may be advantageous for donors who have a larger income than they currently need and in low interest rate environments. The trust makes regular income-tax-deductible gifts to Parasol as the income beneficiary. When the trust terminates, the remaining principle is transferred to the beneficiaries named by the donor. This may present an opportunity for the donor to transfer assets to heirs at a reduced transfer tax cost. In addition, major gift donors may wish to use a charitable lead trust to fulfill a pledge.
- 3.4.2.3. Parasol will not serve as the Trustee of a charitable lead trust.
- 3.4.3. A **charitable remainder trust** is established by an irrevocable gift to a trustee made during the donor's lifetime or following his/her death. In general, the trustee is required to pay a fixed percentage (not less than 5%) of the value of the trust assets to at least one non-charitable beneficiary for the life or lives of the named beneficiary(ies), a term not to exceed 20 years, or a combination of the two. At the end of the trust term, the remaining assets pass to Parasol. The most common forms of charitable remainder trusts are Charitable Remainder Annuity Trusts ("CRATs") and Charitable Remainder Unitrusts ("CRUTs").
- 3.4.3.1. A CRAT must provide for the payment to one or more non-charitable beneficiaries of a fixed percentage (no less than 5% and no more than 50%) of the initial fair market value of the trust's assets, payable at least annually. No additional contributions may be made to a CRAT after the initial contribution.
- 3.4.3.2. A standard CRUT is similar to a CRAT, except that the payout to non-charitable beneficiaries is a fixed percentage (no less than 5%) of the trust assets, valued annually. Unlike a CRAT, the donor can add assets to a CRUT at any time during the donor's lifetime or following his/her death. There are many different variations of CRUTs, including Net Income Unitrusts, Net Income with Make-Up Unitrusts and Flip Unitrusts.
- 3.4.3.3. In general, Parasol will not serve as the Trustee or as a co-Trustee of a charitable remainder trust. Exceptions may be made with the prior approval of the Executive Committee. Factors to be considered in determining whether Parasol shall serve as the trustee of a charitable remainder trust shall include: the value of the initial contribution to the trust, the number of non-charitable beneficiaries, the ages of the non-charitable beneficiaries if the trust term is based on one or more lives, the present value of Parasol's remainder interest, and whether the designation of Parasol as the sole remainderman is irrevocable.

- 3.4.4. If Parasol is responsible for managing the trust assets, distribution of income will be within the first two weeks of February, May, August and November, unless otherwise requested.
- 3.4.5. The date for reevaluation of the fair market value of all agreements shall be the last business day in December, or such other valuation date that is specified in a particular agreement.
- 3.4.6. Parasol will consider gifts of **life insurance** policies under the following circumstances
 - 3.4.6.1. The donor shall provide the complete life insurance contract and a current vanishing in-force illustration.
 - 3.4.6.2. Term life insurance policies will only be accepted upon approval by the Executive Committee.
 - 3.4.6.3 Parasol is designated as the owner of the policy (by absolute assignment or change of ownership) and, as a result, neither the donor nor any other party retains any incident of ownership over the policy. Parasol should also be designated as the beneficiary of the policy. To the extent the donor wishes to place restrictions on Parasol's use of the policy proceeds, such restrictions should be expressed in a writing (*e.g.*, gift instrument, letter agreement, etc.) attached to the policy.
 - 3.4.6.4. There are no outstanding policy loans (unless Parasol plans to immediately surrender the policy).
 - 3.4.6.5. In general, the value of a gift of a paid-up insurance policy is the policy's "replacement cost," defined as the single-premium amount that the issuer of the policy would charge for a similar policy for the same amount on the life of a person who is the same age of the insured at the time of the contribution. If the estimated value of the policy exceeds \$5,000, the donor shall provide Parasol with a copy of a "qualified appraisal" prepared in accordance with IRS Regulations.
 - 3.4.6.6. A donor may also purchase a special policy for the benefit of Parasol. Policies can be written that provide an income tax charitable deduction for premiums paid and an estate tax deduction for the policy proceeds.
- 3.4.7. Parasol may accept amounts it receives as a designated beneficiary (primary or contingent) of a **retirement plan**, including; IRA, defined benefit plan, 401(k) plan, profit-sharing plan or other qualified plan.
- 3.4.8. Any exceptions to the aforementioned Thresholds and Limitations must have the approval of Parasol's Executive Committee.

3.5. Asset Management.

Assets donated for the ultimate benefit of Parasol will normally be managed by Parasol. Assets managed by Parasol will be invested in accordance with fiduciary principles consistent with Parasol's Investment Policy. Parasol will invest gifts in a manner that will assure the production of income and/or capital gains necessary to fulfill obligations to the donor, as well as assure Parasol of the use of an optimum amount of remainder.

4.0 DEFINITIONS

- 4.1. None.

5.0 PROCEDURES, GUIDELINES AND FORMS

- 5.1. The CFO is charged with the responsibility of implementing this policy through Guidelines, procedures and forms as needed.

6.0 COMPLIANCE

6.1. This policy applies to any contributions or gifts that would be accepted and held in Parasol’s name or funds.

7.0 REFERENCES AND RELATED POLICY

- 7.1. Donor Bill of Rights, adopted November 1993, by the American Association of Fund Raising Counsel, Association for Healthcare Philanthropy, Council for Advancement and Support of Education, and the Association of Fund raising Professionals.
- 7.2 Model Standards of Practice for the Charitable Gift Planner, adopted as revised April 1999, by the Partnership for Philanthropic Planning (formerly the National Committee on Planned Giving) and the American Council on Gift Annuities.
- 7.3 Parasol’s Investment Policy

Reference 7.1

A DONOR BILL OF RIGHTS

DEVELOPED BY:



Association of Fundraising Professionals (AFP)



Association for Healthcare Philanthropy (AHP)



Council for Advancement and Support of Education (CASE)



Giving Institute: Leading Consultants to Non-Profits

PHILANTHROPY is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To assure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the not-for-profit organizations and causes they are asked to support, we declare that all donors have these rights:

I

To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.

II

To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.

III

To have access to the organization's most recent financial statements.

IV

To be assured their gifts will be used for the purposes for which they were given.

V

To receive appropriate acknowledgement and recognition.

VI

To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.

VII

To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.

VIII

To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.

IX

To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.

X

To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

Reference 7.2



Model Standards of Practice for the Charitable Gift Planner

Preamble

The purpose of this statement is to encourage responsible gift planning by urging the adoption of the following Standards of Practice by all individuals who work in the charitable gift planning process, gift planning officers, fund raising consultants, attorneys, accountants, financial planners, life insurance agents and other financial services professionals (collectively referred to hereafter as "Gift Planners"), and by the institutions that these persons represent.

This statement recognizes that the solicitation, planning and administration of a charitable gift is a complex process involving philanthropic, personal, financial, and tax considerations, and often involves professionals from various disciplines whose goals should include working together to structure a gift that achieves a fair and proper balance between the interests of the donor and the purposes of the charitable institution.

I. Primacy of Philanthropic Motivation

The principal basis for making a charitable gift should be a desire on the part of the donor to support the work of charitable institutions.

II. Explanation of Tax Implications

Congress has provided tax incentives for charitable giving, and the emphasis in this statement on philanthropic motivation in no way minimizes the necessity and appropriateness of a full and accurate explanation by the Gift Planner of those incentives and their implications.

III. Full Disclosure

It is essential to the gift planning process that the role and relationships of all parties involved, including how and by whom each is compensated, be fully disclosed to the donor. A Gift Planner shall not act or purport to act as a representative of any charity without the express knowledge and approval of the charity, and shall not, while employed by the charity, act or purport to act as a representative of the donor, without the express consent of both the charity and the donor.

IV. Compensation

Compensation paid to Gift Planners shall be reasonable and proportionate to the services provided. Payment of finder's fees, commissions or other fees by a donee organization to an independent Gift Planner as a condition for the delivery of a gift is never appropriate. Such payments lead to abusive practices and may violate certain state and federal regulations. Likewise, commission-based compensation for Gift Planners who are employed by a charitable institution is never appropriate.

V. Competence and Professionalism

The Gift Planner should strive to achieve and maintain a high degree of competence in his or her chosen area, and shall advise donors only in areas in which he or she is professionally qualified. It is a hallmark of professionalism for Gift Planners that they realize when they have reached the limits of their knowledge and expertise, and as a result, should include other professionals in the process. Such relationships should be characterized by courtesy, tact and mutual respect.

VI. Consultation with Independent Advisers

A Gift Planner acting on behalf of a charity shall in all cases strongly encourage the donor to discuss the proposed gift with competent independent legal and tax advisers of the donor's choice.

VII. Consultation with Charities

Although Gift Planners frequently and properly counsel donors concerning specific charitable gifts without the prior knowledge or approval of the donee organization, the Gift Planner, in order to insure that the gift will accomplish the donor's objectives, should encourage the donor early in the gift planning process, to discuss the proposed gift with the charity to whom the gift is to be made. In cases where the donor desires anonymity, the Gift Planner shall endeavor, on behalf of the undisclosed donor, to obtain the charity's input in the gift planning process.

VIII. Description and Representation of Gift

The Gift Planner shall make every effort to assure that the donor receives a full description and an accurate representation of all aspects of any proposed charitable gift plan. The consequences for the charity, the donor and, where applicable, the donor's family, should be apparent, and the assumptions underlying any financial illustrations should be realistic.

IX. Full Compliance

A Gift Planner shall fully comply with and shall encourage other parties in the gift planning process to fully comply with both the letter and spirit of all applicable federal and state laws and regulations.

X. Public Trust

Gift Planners shall, in all dealings with donors, institutions and other professionals, act with fairness, honesty, integrity and openness. Except for compensation received for services, the terms of which have been disclosed to the donor, they shall have no vested interest that could result in personal gain.

Adopted and subscribed to by the National Committee on Planned Giving (now the Partnership for Philanthropic Planning) and the American Council on Gift Annuities, May 7, 1991. Revised April 1999. Reprinted with permission.

Reference 7.3

See Investment Policy