Central Indiana Community Foundation, Inc.

Gift Acceptance
Policies and Procedures Manual

Approved by the Boards of Directors of:
Central Indiana Community Foundation, Inc.
December 8, 2016

Note: This manual supersedes prior gift acceptance policies and manuals, including those dated July 10, 1997 and June 1, 2003.

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Policies and Procedures

EXECUTIVE SUMMARY

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1. **Mission.** The mission of Central Indiana Community Foundation, Inc. (herein, "CICF") is to inspire, support, and practice philanthropy, leadership, and service in our community.

2. **Application.** These policies and procedures are approved by and shall apply to CICF, the Legacy Fund, Inc., The Indianapolis Foundation, Inc. as well as the supporting organizations of CICF: Indianapolis Parks Foundation, Inc., McCaw Family Foundation, Nextech, Thomas P. and Sondra D. Sheehan Charitable Foundation, Inc., and The William E. English Foundation. "CICF" in these policies and procedures incorporates by reference all of these other organizations.

3. **Prior Agreements.** CICF will honor commitments made in all agreements executed with or on behalf of donors that are in existence at the time these policies and procedures are enacted even if the terms of said agreements conflict with the policies and procedures stated herein, subject to the variance power of CICF as retained in all agreements. To the extent any provisions in prior agreements are silent or unclear as to issues addressed by these policies and procedures, then the provisions contained herein will serve as default, subject to the variance power of CICF.

4. **Variance Power.** All gifts accepted by CICF whether endowed or pass-through shall be subject to the ultimate variance or amendment power as defined and provided by federal (e.g., Treasury Regulation Section 1.170A-9(f)(11)(v)(B)) and state law (e.g., Uniform Prudent Management of Institutional Funds Act).

5. **Definition of "Donors".** The words "donor" and "donors" in these policies and procedures may refer to individuals, organizations of all types (for-profit, non-profit, corporations, limited liability companies, partnerships, unincorporated associations, trusts, public benefit corporations, etc.) and governmental units according to the circumstances of a particular gift.

6. **Independent counsel encouraged.** Persons acting on behalf of CICF shall not provide legal and/or tax advice and shall in all cases encourage the donor to discuss the proposed gift with independent legal and/or tax advisors of the donor's choice so as to ensure that the donor receives a full and accurate explanation of all legal and/or tax implications of the proposed charitable gift.

7. **Confidentiality.** CICF staff shall adhere to strict confidentiality with regard to any information, records, letters and personal documents pertaining to donors and gifts. Breaches of confidentiality by staff may result in disciplinary action.

8. **Charitable gift annuities authorized.** CICF is authorized to issue charitable gift annuities, immediate and deferred, subject to the policies contained herein.

9. **CICF as trustee.** CICF may serve as trustee of charitable remainder trusts and charitable lead trusts where CICF is the sole named charitable beneficiary, subject to the policies contained herein.

<u>Types of Funds: Procedures</u>

1. **Community (Unrestricted) Funds.** Funds providing unrestricted support for strategic needs as determined by CICF.

2. **Field-of-Interest Fund.** A fund providing support for programs and services identified within a defined area such as arts and culture, care for children, elderly services, the environment and others recommended by donors.

3. **Donor Advised Fund.** A fund that allows the donor the right to recommend grants to specific charitable organizations, programs or services, subject to CICF approval.

4. **Designated Fund.** A fund providing support for specific charitable organization(s) or program(s) designated by the donor.

5. **Charitable Organization Fund.** A fund providing support for a charitable organization created by the charitable organization, whereby it may transfer its funds to invest with CICF's investment pools.

6. **Scholarship Fund.** A fund providing support for students with specific award criteria set by the donor and approved by CICF.

7. **Fiscal Sponsorships.** Community groups and individuals can partner with CICF to support important local charitable initiatives.

8. **Supporting (Organization) Foundation.** A separate legal entity related to CICF that is an alternative to a donor advised fund or a private foundation.

<u>Types of Planned Gift Arrangements: Procedures</u>

1. **Bequest.** Sample bequest language for unrestricted and restricted gifts, including endowments, will be available to donors and their attorneys to ensure that the bequest is properly designated.

2. **Retirement Plan Designation.** Donors will be encouraged to designate CICF as primary or contingent beneficiary of a retirement plan pursuant to the plan's appropriate designation procedure, such as a specific form.

3. **Life Insurance.** A donor may irrevocably assign ownership and beneficiary of a paid up policy to CICF. A donor may irrevocably assign to CICF a life insurance policy on which premiums remain to be paid. A donor may name CICF as primary or successor beneficiary (but not owner) of a life insurance policy.

4. **Charitable Gift Annuity (Immediate and Deferred).** The minimum amount for an annuity agreement is $25,000. Rates offered for immediate and deferred gift annuities will be as currently recommended by the American Council on Gift Annuities.

5. **Charitable Remainder Trust.** The minimum amount for a charitable remainder trust for which CICF is trustee and sole remainder beneficiary will be $500,000 (i.e., the initial amount donated to the trust).

6. **Charitable Lead Trust.** The minimum amount for a charitable lead trust with CICF as trustee and sole income beneficiary is $500,000.

7. **Gift of Remainder Interest in Personal Residence or Farm with Retained Life Estate.** CICF and the donor shall execute an agreement or contract that will stipulate that the donor shall continue to be responsible for all real estate taxes, property insurance, utilities, and maintenance.

8. **Bargain Sale.** CICF may purchase real property, stock, personal property, or other property for less than fair market value.

9. **Charitable Pledges.** Pledges are accepted by CICF to all funds.

<u>Assets for Gifts: Procedures</u>

1. **Gifts of Real Property.** CICF may accept real property gifts of all types pursuant to these procedures and subject to final approval by CICF.

2. **Gifts of Tangible Personal Property.** CICF may accept gifts of tangible personal property, such as grain, art, automobiles, books, manuscripts, scientific or computer equipment, computer software, antiques, rugs, collections of all types, boats, jewelry, cut crops/timber, clothing and other property, pursuant to these procedures and subject to final approval by CICF.

3. **Gifts of Intangible Personal Property.** CICF may accept gifts of intangible personal property, such as cash, publicly traded stock, closely held business interests, corporate or municipal bonds, U.S. Savings Bonds, mutual fund shares, Federal Reserve items, partnership interests, mineral rights, and intellectual property, pursuant to these procedures and subject to final approval by CICF.

4. **Closely Held Business Interests.** CICF may accept gifts of closely held stock and partnership interests so long as CICF assumes no liability, management, fiduciary

duties, excess business holdings or unrelated business taxable income, pursuant to these procedures and subject to final approval by CICF.

Documentation: Procedures

1. **Receipts for Gifts.** CICF shall comply with all state and federal laws, regulations, rules and rulings with regard to providing donors a receipt for gifts.

2. **Documentation of Gifts.** CICF shall request appropriate documentation for all gifts.

3. **Documentation of Gift Restrictions.** With regard to the acceptance and documentation of gifts with restrictions requested by the donor, CICF shall comply with all applicable federal and state laws, rulings, rules and regulations.

Recognition and Crediting: Procedures

1. **Crediting of Gifts.** CICF seeks to give credit to all donors for purposes of donor recognition and for achievement of advancement goals in an equitable manner for the appropriate amount of planned and outright gifts.

2. **Recognition of Planned Gifts.** Membership in the *Heritage Circle Society* will be offered to all donors who confirm a planned gift in any amount.

3. **Recognition of Outright Gifts.** Donors of community (unrestricted) funds of $1,000 or more shall be recognized by membership in the *Alphonso Pettis Society* for twenty-five years. Cumulative lifetime giving of community (unrestricted) funds of $100,000 or more shall be recognized by permanent membership in the *Alphonso Pettis Society*. Donors supporting CICF community leadership initiatives, including *Angel Investors*, shall be recognized as determined by CICF.

Mission Statement

The mission of Central Indiana Community Foundation, Inc. ("CICF") is to inspire, support and practice philanthropy, leadership, and service in our community.

Authorization

The Central Indiana Community Foundation, Inc. ("CICF") authorizes and encourages donors to make outright, planned and endowment gifts. These policies and procedures are approved by and shall apply to CICF, the Legacy Fund, Inc., The Indianapolis Foundation, Inc. as well as the supporting organizations of CICF: Indianapolis Parks Foundation, Inc., McCaw Family Foundation, Nextech, Thomas P. and Sondra D. Sheehan Charitable Foundation, Inc., and The William E. English Foundation. "CICF" in these policies and procedures incorporates by reference all of these other organizations.

Planned gifts may include bequests, charitable gift annuities (immediate and deferred), charitable remainder trusts, charitable lead trusts, remainder interests in real property, bargain sales, qualified conservation easements, gifts of life insurance, retirement plan designations and endowment gifts. CICF also authorizes the facilitation of non-cash gifts of assets such as real property and other tangible personal property and intangible personal property of various types, provided that acceptance of all such gifts is subject to the sole and absolute discretion of CICF.

Other gift arrangements and exceptions are subject to approval upon the recommendation of the gift acceptance committee consisting of the following members of the Central Indiana Community Foundation, Inc. staff: President/Chief Executive Officer, Vice President for Development and Philanthropic Services and Chief Financial Officer, who will consult with others as they deem appropriate. In addition to the foregoing members of the gift acceptance committee, the gift acceptance committee responsible for the approval of gifts to Legacy Fund, Inc. shall also include the President of Legacy Fund, Inc.

GIFT ACCEPTANCE POLICIES

1. **Primacy of charitable intent.** Central Indiana Community Foundation ("CICF") shall promote those gifts that fulfill its mission and that comply with fundraising laws and ethical standards. To this end, CICF reserves the right to refuse gifts that do not fulfill its mission or that violate any applicable law or ethical standard.

2. **Assistance to donors.** The policy of CICF is to inform, serve, guide, provide financial/tax illustrations and other information to assist donors who wish to support CICF's activities.

3. **Independent counsel encouraged.** Persons acting on behalf of CICF shall not provide legal and/or tax advice and shall in all cases encourage the donor to discuss the proposed gift with independent legal and/or tax advisors of the donor's choice so as to ensure that the donor receives a full and accurate explanation of all aspects of the proposed charitable gift.

4. **Authorized to negotiate.** The Vice President of Development and Philanthropic Services and other staff as authorized by the Vice President of Development and Philanthropic Services may negotiate gift agreements with prospective donors in accordance with policies and procedures contained herein. Additional staff and legal counsel may be consulted and informed as gift agreements are negotiated, particularly as their expertise is needed to evaluate the appropriateness and cost efficiency of potential gifts.

5. **Signatory authority.** All forms, agreements and other documents necessary to accept and enter into planned gift arrangements as authorized in this document shall be signed by the President/Chief Executive Officer, Vice President for Development and Philanthropic Services or Chief Financial Officer on behalf of CICF.

6. **Ethical standards.** All gifts will be negotiated in compliance with the Model Standards of Practice for the Charitable Gift Planner and the Code of Ethical Principles and Standards of Professional Practice of the Association of Fundraising Professionals. See Appendix.

7. **Reporting fundraising totals.** Unless otherwise indicated, all gifts and/or campaign totals may be reported and valued in accordance with the current standards as deemed appropriate by CICF such as the counting, reporting and valuation standards promulgated by the National Association of Charitable Gift Planners.

8. **Donor recognition.** CICF offers individual recognition and stewardship for donors pursuant to the procedures stated herein. Donor recognition and stewardship shall be carried out in a manner that is fair and consistent for all donors, yet allows for a flexible approach that permits personalized opportunities for recognition that satisfies the interests of donors. All requests for donor anonymity shall be respected.

9. **Confidentiality.** CICF staff shall adhere to strict confidentiality with regard to any information, records, letters and personal documents pertaining to donors and gifts.

10. **Financial accounting.** All gifts shall be accounted for in the audited financial records of CICF in accordance with the appropriate accounting standards such as the current Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) statements.

11. **Charitable gift annuities authorized.** CICF is authorized to issue charitable gift annuities, immediate and deferred, and invest assets contributed for annuities, subject to the policies contained herein. CICF shall follow the rates recommended by the American Council on Gift Annuities. CICF may employ agents and advisors to facilitate the investment of these assets. CICF shall comply with the laws of all states in which gift annuities are offered.

12. **CICF as trustee.** CICF may serve as trustee of charitable remainder trusts and charitable lead trusts where CICF is the sole named charitable beneficiary, subject to the policies contained herein. CICF shall reserve the right to hire or select a successor trustee or other fiduciary agent for any charitable remainder trust or lead trust for which CICF serves as trustee. CICF reserves the right to charge a management fee sufficient to cover administrative costs, and this fee may be an expense of the respective trusts.

13. **Procedure for approval of exceptions.** Where the acceptance of a gift represents a deviation from these policies and procedures, then approval shall be made by the gift acceptance committee the following members of the Central Indiana Community Foundation, Inc. staff: President/Chief Executive Officer, Vice President for Development and Philanthropic Services and Chief Financial Officer, who will consult with others as they deem appropriate. In addition to the foregoing members of the gift acceptance committee, the gift acceptance committee responsible for the approval of gifts to Legacy Fund, Inc. shall also include the President of Legacy Fund, Inc.

PROCEDURES for GIFT ACCEPTANCE

Types of Funds

1. Endowment Funds and Pass-Through Funds

A. Description.

CICF holds funds as endowment funds and pass-through funds. The words "endowment" or "endowment fund" are used to describe a gift defined as a permanently restricted net asset pursuant to the applicable Financial Accounting Standards Board ("FASB") definitions. Endowment funds are permanently restricted by the designation of donors with consent of CICF in an agreement signed with CICF or pursuant to a planned gift document. The word "pass-through" is used to describe non-endowed gifts. Pass-through funds are temporarily restricted by the designation of donors with the consent of CICF in an agreement signed with CICF or pursuant to a planned gift document. Non-permanent gifts that are treated like endowment by approval of the CICF board of directors are deemed "quasi-endowments" pursuant to FASB definitions.

B. Procedures for endowment and pass-through funds.

(1) Both endowment and pass-through funds may be restricted by the donor for donor advised funds and certain types of scholarship funds.

(2) Both endowment and non-permanent funds may be restricted by the donor for charitable organization funds.

(3) Only endowment funds may be restricted by the donor for community (unrestricted) funds, designated funds, field-of-interest funds and certain types of scholarship funds.

(4) Minimum amounts shall be required to establish endowments and pass-through funds. See Appendix for current schedule of minimum requirements.

(5) Any fundraising for new or existing endowment or pass-through funds must comply with CICF's applicable policies and procedures. See Appendix for Fundraising for a Component Fund policies and procedures.

(6) Fees for administration and investment shall be charged to all funds in accordance with CICF's then-current fee schedule. See Appendix for current fee schedule.

(7) Unspent spendable distributions from endowment funds from one year to next or future years are reinvested but available for expenditure in future years.

(8) Outside investment advisors may be recommended by donors for the investment of endowment and pass-through funds. Funds invested by an outside investment advisor shall be subject to CICF administrative fees as well as fees charged by the outside investment advisor. See Appendix for current CICF fee schedule.

(9) **Deferred gifts designated for endowment.** CICF staff shall encourage donors to establish endowments using planned gift instrument language and supplementary "future fund" agreements executed with CICF that will recognize the minimum amount required for a named endowment fund at the time of the ultimate receipt of the gift rather than at the time of the execution of the gift instrument.

(10) **Designation for endowment in gift instrument but donor does not execute a supplemental endowment agreement with CICF**. In some cases, a donor may manifest an intent that his gift is for endowment in a gift instrument such as a will or trust but the donor has not executed a supplemental fund agreement with CICF. If CICF chooses to accept the gift, it will do so with the obligation to recognize the donor's intent by treating the gift as endowment. In addition, acceptance of the gift will obligate CICF to adhere to other restrictions stipulated by the donor as deemed possible and appropriate under the circumstances such as adhering to donor preferences as to use, offering permanent name recognition and so forth in order to approximate the donor's intent as closely and reasonably as possible.

(11) **Designation for endowment in gift instrument and donor has executed a supplemental endowment agreement.** If a donor has executed a fund agreement with CICF in addition to the planned gift instrument such as a will, the terms of the document executed later in time by the donor prior to his or her death shall control, so long as the final executed fund agreement is legally compatible with the terms of the will or other planned gift instrument. In addition, acceptance of the gift will obligate CICF to adhere to other restrictions stipulated by the donor as deemed possible and appropriate under the circumstances such as adhering to donor preferences as to use, offering permanent name recognition and so forth in order to approximate the donor's intent as closely and reasonably as possible.

(12) **Deferred gifts not designated for endowment: quasi-endowment.** Pursuant to the Financial Accounting Standards Board (FASB), quasi-endowment is defined as a gift to be treated like endowment by decision of the CICF board of directors. Consideration of gifts as quasi-endowed will

depend on whether the donor has specified a designated or specific use for the gift as well as the dollar value of the gift.

(13) **Gift meets current required minimum for a named endowment and donor designated a specific purpose for the gift**. In cases where the donor in a planned gift instrument or other document specifies a specific use for a gift and the dollar value of the gift meets the current amount required for a named endowment, then CICF may consider a quasi-endowment named for the donor.

(14) **Gift does not meet current required minimum for a named endowment and donor designated a specific purpose for the gift.** In cases where the donor has designated a specific purpose for a gift but has not expressed a preference for endowment and the gift does not meet the required current minimum for an endowment, the gift will be added to an existing or new endowment fund approximating the donor's intent as to use as closely as possible under the circumstances, except as otherwise provided by the gift acceptance committee.

(15) **Unrestricted deferred gifts to the community endowment funds of CICF.** Unrestricted estate gifts of any dollar amount shall be designated as quasi-endowment for the Endowment for Indianapolis or the Endowment for Hamilton County (collectively, the "community (unrestricted) funds"), as determined by the gift acceptance committee.

2. Community (Unrestricted) Funds.

A. Description.

Community (unrestricted) funds, The Indianapolis Foundation Community Endowment Fund, the Legacy Fund Community Endowment Fund, and the Central Indiana Community Endowment Fund, are unrestricted by the donors as to use or purpose. CICF has the discretion to use these funds for charitable purposes at its discretion. Community (unrestricted) funds are a source of discretionary and flexible grant-making by CICF to assist with short- and long-term needs of the community.

B. Procedures for Community Funds.

(1) Administrative and investment fees will be charged to community (unrestricted) funds as required by CICF. See Appendix for current fee policies.

(2) When considering grants from community (unrestricted) funds, CICF shall follow due diligence and expenditure responsibility procedures to assure charitable use including:

- Contacting the organization to confirm grant contact, phone numbers, and mailing information.
- Checking *GuideSta*r for 501(c)(3) verification, mission statement, and 990 information.
- Checking websites for additional information regarding mission, programs and services.

(3) The community (unrestricted) funds have been known by a number of names since the Indianapolis Foundation's founding in 1916. The Endowment for Indianapolis has also been referred to as, and may have been called in prior fund agreements, the Endowment for Indianapolis, the Fund for Indianapolis, the Marion County Community Endowment Fund, and the Unrestricted Community Endowment Fund. The Endowment for Hamilton County has also been referred to as, and may have been called in prior fund agreements, the Endowment for Hamilton County, the Fund for Hamilton County, the Hamilton County Community Endowment Fund, and the Unrestricted Community Endowment Fund. All references to prior or current names of the community (unrestricted) funds, in fund agreements, other giving instruments, and elsewhere, shall be deemed to include all prior and current names of the community (unrestricted) funds.

3. Field-of-Interest Funds

A. Description.

Field-of-interest funds are restricted by the donors as to use or purpose by designating a charitable interest area such as for the benefit of arts and culture, child welfare, care of seniors, education and the environment. CICF has the discretion to use these funds for specific programs that serve within the defined fields of interest. Field-of-interest funds are a source of grant-making by CICF to assist with short and long term needs of the community within targeted charitable fields. See Appendix for template endowed field-of-interest fund agreement.

B. Procedures for Field-of-Interest Funds.

(1) CICF has many existing field-of-interest funds such as the Women's Fund of Central Indiana, Community Scholarship Funds and the Central Indiana Senior Fund.

(2) Donors can establish a new named field-of-interest fund or contribute to an existing field-of-interest fund. The minimum amount required to establish a new named field-of-interest endowment is $25,000. There is no minimum amount required to contribute to an existing field-of-interest fund.

(3) Administrative and investment fees will be charged to field-of-interest funds as required by CICF. See Appendix for current fee policies.

(4) When considering grants from field-of-interest funds, CICF shall follow due diligence and expenditure responsibility procedures to assure charitable use as with donor advised funds including:

- Contacting the organization to confirm grant contact, phone numbers, and mailing information.
- Checking GuideStar for 501(c)(3) verification, mission statement, and 990 information.
- Checking websites for additional information regarding mission, programs and services.

(5) Donors shall not have any advisory privileges with respect to a field-of-interest fund.

4. Donor Advised Funds

A. Description.

Pursuant to IRC Section 4966, donor advised funds are funds: (i) which are separately identified by reference to contributions of a donor or donors that may be individuals or for-profit entities; (ii) which are owned and controlled by CICF; and (iii) with respect to which a donor (or any person appointed or designated by such donor) has, or reasonably expects to have, advisory privileges with respect to the distribution or investment of amounts held in such fund or account by reason of the donor's status as a donor. See Appendix for template endowed and pass-through donor advised fund agreements.

B. Procedures for donor advised funds.

(1) The minimum amount for a named donor advised endowment fund as well as a donor advised pass-through fund shall be $25,000.

(2) Administrative and investment fees will be charged to donor advised funds as required by CICF. See Appendix for current fee policies.

(3) **Women's Fund GO (Donor Advised Pass-Through) Funds.**
(a) Minimum Contribution: $1,000; $10,000 minimum fund balance by the child's 18th birthday.
(b) Minimum Balance to Grant Awards: $10,000
(c) Fees. See Appendix for current fee schedule

(4) **Residual.** The residual of an endowed or pass-through (if any) donor advised fund at the death, incapacity or resignation of the sole or final advisor may be designated by the donor(s) for a specific fund at CICF. If a residual use of an endowed donor advised fund is not designated by the donor(s) then the residual shall be transferred to the Community Funds. If a residual use of a pass-through donor advised fund is not designated by the donor(s), then the residual may be granted for a charitable purpose by CICF.

(5) **Multiple Advisors.** The donor may designate joint and/or successor advisors subject to these procedures:

- A joint advisor may be a partner, husband, wife or another person living when the fund is created.
- A successor advisor may succeed at the death, incapacity or resignation of the donor, or the donor and the joint advisor as the case may be,

provided the successor advisor is age 18 at the time of succession and the balance of the fund is at least $100,000.

- A second successor advisor may succeed at the death, incapacity or resignation of the successor advisor, provided the successor advisor is age 18 at the time of succession and the balance of the fund is at least $1 million.

(6) **Advisor Recommendation Process.** Fund Advisor recommendations may be made in three ways:

- CICF Connect
- Faxed form to the Operations Department
- E-mailed or mailed instructions to CICF staff

(a) All recommendations must have written documentation from the donor.

(b) Recommendations received by Friday in any given week are processed and mailed by the following Friday unless due diligence issues interfere with processing. In most cases, if a recommendation comes in on Monday or Tuesday and there are no issues, the Operations Department will make every attempt to get it out on Friday of the same week.

(7) **Due Diligence**. CICF performs basic due diligence on any organization that has not received a grant from the foundation during the past year. This level of due diligence consists of:

- Contacting the organization to confirm grant contact, phone numbers, and mailing information.
- Checking GuideStar for 501(c)(3) verification, mission statement and 990 information.
- Checking websites for additional information regarding mission, programs and services.

The basic due diligence policy is consistent regardless of the size of the organization, or grant recommendation ($250 minimum). However, for grants of more than $50,000, or if requested by a fund advisor with a fund of more than $1,000,000, a more comprehensive due diligence process will be performed.

(8) **Payment.** The Operations Department uses Electronic Fund Transfers for grant payments whenever possible. To facilitate this, grantee organizations are asked to complete an information form, provide their bank account information, and a voided check to set up this process. In the event that an organization will likely not receive multiple grants from CICF, payments are made by check.

(9) **Grant agreements.** Contractual grant agreements are not required for non-competitive donor-advised grants in most cases. Language is in the grant award letters, regardless of dollar amount, that states the use and purpose of the funds:

"The grant funds referenced are to be used solely for the purposes described above and your organization's accounting and financial records should note this restriction. Any unused funds must be returned to the foundation immediately unless an amended purpose for the grant is authorized by the foundation in writing. To comply with regulations regarding foundations, this grant must be used only for charitable and educational activities consistent with your organization's tax exempt status under the Internal Revenue Code and we request you notify us immediately of any changes in, or IRS proposed or actual revocation of, the organization's tax exempt status. Acceptance or negotiation of the funds will constitute agreement to the conditions of the grant as outlined in this letter.

By accepting this contribution, you are affirming that no personal benefit is accruing to any individual and that this contribution is not being used to fulfill a personal, family or corporate pledge or other obligation. Our policy and federal law prohibits charitable grantees from providing quid pro quo benefits to either the Foundation or its donors because of gifts from donor advised funds. Examples of quid pro quo benefits may include, but are not limited to: tickets to public events, seating at fundraising dinners, membership fees, or parking privileges."

(10) **Grant Thank You Letters.** If requested by the donor, CICF staff should send the donor a copy of the grantee thank you letter. However, donors receive a charitable contribution deduction at the time of their contributions to their donor-advised fund and therefore, are not entitled to receive another deduction when they recommend a grant. Since many organizations include a paragraph telling donors that the thank you serves as an acknowledgement for tax purposes of their charitable gift, CICF staff should attach a note to the donor reminding them that they are not entitled to another deduction.

(11) **Grant Evaluation.** Grantees must submit a grant report at the end of the grant period for any donor advised grant over $25,000 (see attached form), or if requested by a donor. Reports are forwarded to the appropriate staff, for review to be sure that the organization:

- Did what they proposed to do with the grant
- Spent the funds appropriately
- Can articulate the benefit realized from the grant

CICF staff is required to document the results of the grant in Foundation Power on the grant assessment tab, and document their approval. CICF staff should then send the donor a copy of the report (if requested), and their assessment.

(12) **No Excess Business Holdings.** Gifts of business interests to a donor advised fund may raise the issue of excess business holdings under the Pension Protection Act and Internal Revenue Code section 4943. Excess business holdings exist when the holdings of a donor advised fund together with the holdings of disqualified persons exceed 20% of the voting stock of the incorporated business, 20% of the profit interest of a partnership or joint venture, or 20% of a beneficial interest of a trust or similar entity. In such a case, CICF must divest of the excess business holdings within a period not exceeding five years. Ownership of unincorporated businesses that are not substantially related to the fund's purposes is also prohibited.

(13) **Prohibitions.** Donor advised funds shall not:

- make payments on pledges of the donor, advisor or others;
- make grants to individuals such as scholarship awards;
- make grants to pay for the charitable and/or non-charitable components of a fundraising event such as a dinner or golf outing;
- receive IRA charitable rollovers;
- grant to private foundations, except upon completion of expenditure responsibility;
- grant to establish a gift annuity or to a charitable remainder trust, charitable lead trust or pooled income fund;
- grant to foreign (non-U.S.) organizations, except upon completion of expenditure responsibility or equivalency determination; and/or
- allow a grant resulting in a quid pro quo to the donor, advisor or other except for a token benefit.

5. Designated Funds.

A. Description.

A designated fund is one for which the donor has designated one or more specifically named charitable organization(s) to benefit from grants from the fund. Designated funds may only be endowed and not pass-through.

B. Procedures for Designated Funds.

(1) The minimum required for an endowed donor designated fund shall be $25,000.

(2) Administrative and investment fees will be charged to designated funds as required by CICF. See Appendix for current fee policies.

(3) The fund representative recognized in the fund agreement may designate one or more charitable organizations to receive distributions.

(4) The designated organizations must be publicly supported charities qualified pursuant to IRC Section 501(c)(3), schools or government entities, and the designated organizations must use grants for charitable purposes.

(5) Fund representatives may recommend disbursements for general support or a specific program or activity of the charitable organization.

(6) CICF staff will research and document the charitable status of the recipient organization, and the charitable nature of the activities of the recipient organization.

(7) Donors shall not have any advisory privileges with respect to a designated fund.

6. Charitable Organization (Agency) Funds.

A. Description

A charitable organization fund is created by a gift or grant from a publicly supported charitable organization qualified pursuant to IRC Section 501(c)(3) to support the organization. Grants from the fund to the charitable organization may be used for qualified charitable purposes subject to the oversight and due diligence of CICF relative to the use of the grants. Charitable organization funds may be endowed or non-permanent.

B. Procedures for charitable organization funds.

(1) **Permanently endowed charitable organization funds.**

(a) The minimum required to establish an endowed charitable organization fund shall be $100,000.

(b) These funds are subject to the investment and fee policies of CICF. See Appendix for current policies. These funds are charged the lowest administrative fee of all fund types.

(c) CICF will assume the liability and administration of charitable gifts annuities that promise 100% of the residual for a charitable organization endowment, subject to the policies contained herein.

(d) CICF will assume trustee responsibilities for charitable remainder trusts and charitable lead trusts that promise 100% of the residual for a charitable organization endowment, subject to the policies contained herein.

(e) CICF will assist the charitable organization staff and board of directors with gift solicitations, planned giving and endowment fundraising.

(2) **Non-permanent organization funds.**

(a) The minimum required to establish a non-permanent organization fund shall be $25,000.

(b) These funds are subject to the investment, investment and fee policies of CICF. See Appendix for current policies. These funds are charged the lowest administrative fee of all fund types.

(c) CICF will assist the charitable organization staff and board of directors with gift solicitations and planned giving.

(3) No disbursements from a CICF charitable organization endowment or non-permanent fund are to be directed to vendors to pay bills. All disbursements from the CICF charitable organization fund must go directly to the charitable organization. The charitable organization must pay any bills or expenses it incurs.

(4) CICF will not accept or process individual checks from a charitable organization’s fundraising events for endowment or non-permanent funds. These must be accepted, processed, and acknowledged by the charitable organization itself. Only net proceeds from a charitable organization’s fundraising events can be transferred to the CICF charitable organization fund.

(5) CICF’s address must not be promoted as the location for donors to send checks. A charitable organization must receive all its donations.

7. Scholarship Funds.

A. Description.

Qualified scholarships for students enrolled in accredited educational programs may be created by donors with suggested granting award criteria subject to CICF approval.

B. Procedures for scholarship funds.

(1) CICF offers four scholarship options:

(1) **Community Scholarship Endowment Funds.**

(i) **Selection Criteria**. High school graduates in Hamilton and Marion Counties who show academic promise and financial need.

(ii) **Selection Process.** Each high school in Hamilton County and Marion County nominates two students. A committee of community leaders reviews applications and offers recommendations to CICF.

(iii) **Annual Award.** $2,000.00 minimum. Whenever possible, scholarship awards shall be renewable for the lesser of: (i) four years and (ii) degree attainment, if the student remains in school, in good academic standing, continues to meet criteria and applies for renewal.

(iv) **Minimum Contribution.** No minimum.

(v) **Donor Recognition.** Endowed gift of $25,000 or more is recognized in the name of the donor's choice for 25 years. Endowed gift of $100,000 or more will recognize the donor's choice permanently.

(vi) **Fees.** See Appendix for current fee schedule.

(2) **Designated Endowment Scholarships.**

(i) **Selection Criteria.** Students graduating from a high school or attending an educational institution of the donor's choice. In agreement with the educational institution receiving the endowed donation distribution and selecting the scholarship recipient, the donor may designate other criteria such as fields of study or demographic profiles.

(ii) **Selection Process.** The educational institution selects the student following its award processes.

(iii) **Annual Award.** When annual distributions can support renewable scholarship awards of at least $1,000 per year, scholarship awards shall be renewable for the lesser of: (i) four years and (ii) degree attainment, if the student remains in school, in good academic standing, continues to meet criteria and applies for renewal.

(iv) **Minimum Contribution.** $25,000.

(vi) **Fees.** See Appendix for current fee schedule.

(3) **Blue Ribbon Endowed or Pass-Through Scholarships.**

(i) **Selection Criteria.** Donor may recommend award criteria to CICF.

(ii) **Selection Process.** Applications are reviewed and awards are recommended to CICF by the Blue Ribbon Selection Committee. The donor can participate on the committee.

(iii) **Annual Award.** When annual distributions can support renewable scholarship awards of at least $1,000 per year, scholarship awards will be renewable for at least four years to degree attainment if student remains in school, in good academic standing, continues to meet criteria and applies for renewal.

(iv) **Minimum Contribution.** $100,000.

(v) **Fees.** See Appendix for current fee schedule.

(4) **Donor Endowed or Pass-Through Scholarships.**

(i) **Selection Criteria.** Donor recommends award criteria, subject to CICF approval.

(ii) **Selection Process.** Donor recommends members of the selection committee and award criteria subject to requirements of the Pension Protection Act of 2006 which requires control and final decision by CICF.

(iii) **Annual Award.** When annual distributions can support renewable scholarship awards of at least $3,000 per year, scholarship awards shall be renewable for the lesser of: (i) four years and (ii) degree attainment, if the student remains in school, in good academic standing, continues to meet criteria and applies for renewal.

(iv) **Minimum Contribution.** $250,000

(v) **Fees**. See Appendix for current fee schedule.

(5) Administrative and investment fees will be charged to scholarship funds as required by CICF. See Appendix for current fee policies.

(6) Donor advised funds shall not grant scholarships. Pursuant to IRC Section 4966, donors may serve on a scholarship recommendation committee serving a scholarship fund subject to these rules:

- The committee is appointed by CICF;
- The donor or the donor's designees have no control, i.e., the donor and designees represent a minority vote; and
- Grants are awarded on an objective and non-discriminatory basis.

(7) **Corporate Scholarship Funds.** CICF may hold endowed or pass-through scholarship funds for the assistance of for-profit entities for the benefit of employees and the family of employees, but shall follow the private

foundation corporate scholarship guidelines required by Rev. Proc. 76-47, 1976-2 C.B. 670 in the administration of such corporate scholarship funds.

(8) CICF shall implement procedures for scholarships including those listed below. See Appendix for additional scholarship procedures. CICF procedures for scholarship funds include:

- a fund statement identifying the income available for disbursement;
- acknowledgements to donors;
- verifies the student's name, address, and educational institution registration;
- mails the scholarship check directly to the appropriate educational institution office;
- instructs the recipient on payment stipulations and procedures;
- maintains the records for all scholarship funds and award recipients;
- recognizes the scholarship fund in its annual report (unless anonymity is requested);
- distributes scholarship information and availability to appropriate applicant pools;
- approves eligibility guidelines, application procedures and timeline, and the selection criteria and process;
- documents processes and procedures of the scholarship fund and selection committee to ensure due diligence and provides accurate records for the future;
- publicizes scholarships in appropriate Foundation publications; and
- administers and invests the assets of the scholarship fund.

8. Fiscal Sponsorship

A. Description.

Pursuant to a fiscal sponsorship agreement, CICF may provide fiduciary oversight, financial management, and other administrative services to help build the capacity of charitable projects. Fiscal sponsorships are typically of a short time duration at the discretion of CICF.

B. Procedures for fiscal sponsorship.

(1) CICF may consider serving as fiscal sponsor in cases such as:

(a) Fiscal sponsorship may be used to assist newly formed nonprofits that need to raise money during the start-up phase before or after the IRS exemption application 1023 is filed but before recognized as tax-exempt by the IRS.
(b) Fiscal sponsorship enables a program or organization that is not yet independently qualified as tax-exempt pursuant to IRC Section 501(c)(3) to attract funding for its operations that will be tax-deductible to donors since the gift is made to CICF on behalf of the identified program or projects.
(c) Fiscal sponsorship may be used to assist some volunteer associations to "test" drive ideas to determine whether there is a market for donors in the public to fund the program longer term.

(2) CICF shall prepare and sign with the appropriate parties, a pass-through fund agreement that will govern the administration of the fund receiving gifts on behalf of the charitable program or project that is the goal of the fiscal sponsorship. This agreement will include variance power held by CICF. See Appendix for sample agreement.

(3) CICF shall prepare and sign a fiscal sponsorship agreement with the appropriate parties that will provide the terms and conditions of the working relationship on behalf of the fiscal sponsorship including but not limited to:

(a) Proof of insurance coverage by fiscal sponsorship group;
(b) Release of liability and indemnification of CICF;
(c) Adherence to gift acceptance policies and procedure of CICF;
(d) Compliance with donor-initiated fundraising policies and procedures of CICF (see Appendix for Fundraising for a Component Fund);
(e) Adherence to marketing and promotion policies and procedures of CICF; and
(f) Compliance with expenditure responsibility policies and procedures of CICF including but not limited to:
(1) accounting for all use of granted funds;
(2) segregation of granted dollars in separate accounts; and
(3) post-grant reports on use of funds.

9. Supporting (Organization) Foundation.

A. Description.

CICF facilitates the creation of a type one supporting organization of CICF pursuant to IRC Section 509(a)(3) that a donor and family may use as a personalize grant-making vehicle. For marketing purposes, the supporting organization is labeled a "supporting foundation" though it is not a private foundation subject to the specific private foundation rules, i.e., IRC Section 4940, et al. Rather, the supporting organization is qualified as a publicly supported charity by virtue of its supporting relationship with CICF which satisfies the public support test of IRC Sections 509(a)(1) and 170(b)(1)(A)(vi). Therefore, gifts to the supporting foundation receive the same tax benefits as a gift to CICF. The supporting foundation may allow more service and engagement from CICF than the typical donor advised fund but at less cost, more potential tax benefit and less burden on the donor than a private foundation.

B. Procedures for supporting (organizations) foundations.

(1) CICF requires a minimum gift of $2 million to create a supporting foundation.

(2) CICF shall approve the articles of incorporation, bylaws and IRS 1023 application for federal tax exemption of the supporting (organization) foundation prepared by the donor's counsel.

(3) The supporting foundation shall be established as a type one supporting organization pursuant to IRC Section 509(a)(3) to assure on-going control and variance power by CICF.

(4) CICF shall prepare an operating agreement signed with the supporting foundation for various administrative, grant-making and gift acceptance services, including:

(a) meeting facilitation,
(b) record-keeping,
(c) bookkeeping,
(d) annual federal and state tax forms, filings and reports,
(e) gift receipting,
(f) director and officer liability insurance and
(g) grant expenditure responsibility.

(5) The donor and family may be active members of the board of directors of the supporting foundation appointed as provided in the bylaws that will consist of 3-7 members. The board of directors recommends:

(a) Supporting foundation investment policy,

(b) Supporting foundation investment advisors, and
(c) Supporting foundation grant-making.

(6) The supporting foundation shall be subject to the administrative, grant-making and gift acceptance support services of CICF as well as the associated CICF policies and procedures for gift acceptance, grant-making and administration.

Types of Planned Gifts

1. Bequests.

A. Description.

A bequest gift may be included in a donor's estate plan as a part of the donor's will, inter vivos ("living") trust, or as a beneficiary designation of a life insurance policy, commercial annuity, or retirement plan. In additions, will "substitutes" such as payment on death (POD) of bank accounts and transfer on death (TOD) on stock accounts and real property can be popular. Encouraging bequests, and donors and/or their advisors to notify CICF of same, will be one of the highest priorities of CICF.

B. Procedures for bequests:

(1) Sample bequest language for unrestricted and restricted gifts, including endowments, will be available to donors and their attorneys to ensure that the bequest is properly designated. Sample language will encourage percentage designations but may also include bequests of specific dollar amounts or specific assets, as well as residual or contingent remainders.

(2) Donors may be asked to provide a confidential copy of the section of that portion of their will, trust or other estate plan document naming CICF as a beneficiary. Reasons for this request include: an opportunity to offer the donor appropriate recognition if permitted and desired; to be certain that CICF and its geographic location are spelled correctly; to become aware of gift restrictions that may be impossible, impractical or illegal to follow and to offer alternatives; to maintain a permanent record so that CICF is aware of and can assist with fulfillment of the donor's wishes; and to assist CICF with its long-range planning.

(3) During the probate of estates containing a bequest to CICF, and during the post-death administration of revocable trusts and/or beneficiary designations from retirement plans, life insurance, commercial annuities, and other planned gifts, the Director of Charitable Gift Planning, in consultation with CICF staff and, as determined by the Director of Charitable Gift Planning, outside legal counsel, shall coordinate CICF's communication with the estate's attorney, family and personal representatives of the estate.

(4) With regard to a bequest of real property, closely held stock, partnership interests, and other assets, acceptance shall be conditioned upon a due diligence review and the advice of legal counsel, the business office and other entities as appropriate. Issues upon which acceptance may be conditioned include considerations such as: potential debts, mortgages, liabilities, taxes owed, insurance and other carrying costs, marketability of the asset. Applicable

procedures required for an outright gift of real property or other non-cash gift as defined below should be followed for a gift by bequest such as environmental review, title insurance and other evaluations.

(5) CICF may serve as executor or personal representative of estates as determined on a case-by-case basis upon review by legal counsel and approval of the CICF board of directors.

(6) Unrestricted estate gifts of any dollar amount shall be designated as quasi-endowment for the Endowment for Indianapolis or the Endowment for Hamilton County, as determined by the gift acceptance committee.

2. Retirement Plan Designations and IRA Charitable Rollovers.

A. Description.

A gift may be planned by designation of CICF as the sole or partial beneficiary of qualified retirement plans such as 401(K), 403(b), IRA, TIAA/CREF, ESOPs and other plans. Direct rollovers of cash from IRAs may be also be accepted subject to legal requirements.

B. Procedures for retirement plan designations and rollovers:

(1) Donors will be encouraged to designate CICF as primary or contingent beneficiary of all or a percentage of a retirement plan pursuant to the plan's appropriate designation procedure, such as a specific form. Further, this designation may also be included as a specific bequest in a will or living trust document.

(2) Donors will be educated as to the tax value of bequests of Income in Respect of a Decedent (IRD) assets such as retirement plans and savings bonds. Bequests of these assets may save deferred income taxes as well as estate taxes.

(3) Charitable remainder trusts or gift annuities may also be the named beneficiary of retirement plans, with CICF as the remainder beneficiary of the trust or residuary of the gift annuity. CICF may serve as trustee of such trusts, subject to these policies and procedures.

(4) CICF may respectfully request copies of retirement plan beneficiary designations (with account numbers) when it is a named beneficiary. Having this form and account number may expedite the ultimate stewardship of the gift with the retirement plan administrator.

(5) IRA charitable rollovers (i.e., identified on IRS tax forms as QCD or "qualified charitable distributions") must be transferred by cash wire delivery from the donor's IRA administrator to CICF's authorized bank or broker account. In the alternative, a check made payable to CICF from the donor's IRA account may be sent. The rollover maximum is $100,000 per year by an IRA owner from all his or her IRAs. A husband and wife can each give up to $100,000 from their respective IRAs. The IRA charitable rollover is available only to persons who are age 70.5 and older. The rollover counts toward the required minimum distribution (RMD). An IRA charitable rollover does not qualify the donor for an income tax charitable deduction. Rather, the donor will owe no income tax on the withdrawal. CICF will acknowledge all IRA charitable rollovers with a gift receipt or

other written acknowledgement sent to the donor, stating the dollar amount received, the date of the gift and that no goods or services were received in exchange for the gift. IRA charitable rollovers may pay pledges or be donated to an endowment. However, they cannot be donated for a charitable gift annuity or to a charitable remainder trust. Furthermore, in accordance with the policies stated herein, IRA charitable rollovers cannot be donated to donor advised funds, except in the event of a change in federal law.

3. Life Insurance.

A. Description.

There are various methods to contribute a life insurance policy to CICF. Pursuant to Indiana law, CICF has an insurable interest in the lives of donors. The procedures for gift acceptance may vary depending on the nature of the donated policy.

B. Procedures for a gift of life insurance:

(1) A donor may irrevocably assign a paid up policy to CICF. The donor must complete and sign the appropriate life insurance company form to evidence a change in ownership and beneficiary status naming CICF as both. The donor's income tax charitable deduction equals the interpolated terminal reserve of the policy, less any outstanding loans. IRS form 712 may be signed by the life insurance company representative and filed by the donor along with IRS form 8283 signed by a qualified independent appraiser to claim the deduction. IRS form 8283 shall also be signed, or otherwise acknowledged in writing, by CICF.

(2) A donor may irrevocably assign to CICF a life insurance policy on which premiums remain to be paid. The donor must complete and sign the appropriate life insurance company form to evidence a change in ownership and beneficiary status naming CICF as both. The donor's income tax charitable deduction equals the interpolated terminal reserve value of the policy, less any outstanding loans. IRS form 712 must be signed by the life insurance company representative and filed by the donor along with IRS form 8283 signed by a qualified independent appraiser to claim the deduction. IRS form 8283 shall also be signed, or otherwise acknowledged in writing, by CICF. As the new owner, CICF will receive future premium notices and be responsible for payment. However, the donor may wish to make future charitable gifts equal to or exceeding the premium payment amount. So long as there is no legal obligation to make these gifts, the donor will be entitled to an income tax charitable deduction for the value of the gift up to 50% of the donor's adjusted gross income.

(3) A donor may name CICF as primary or successor beneficiary (but not owner) of a life insurance policy. The donor must complete and sign the appropriate life insurance company form to evidence a change in beneficiary status naming CICF as primary or successor beneficiary. The donor will not receive a current income tax charitable deduction because CICF is not the named owner. However, an estate tax charitable deduction is available for the amount given to CICF at the

death of the insured. The donor will continue to be responsible for premium payments as the policy owner.

(4) **Charitable reverse split dollar life insurance.** Pursuant to current IRS regulation, CICF shall not accept or promote gifts of charitable reverse split dollar life insurance. A common trait of a split dollar policy is the naming of more than one owner of the policy (e.g., charity and donor or donor's children).

(5) **Other life insurance techniques.** CICF and staff will critically review any other life insurance techniques, taking into account current laws and financial viability. Other techniques include: life settlements, premium financed insurance, arbitrage plans, life insurance as an investment of charitable remainder trusts and charitable lead trusts.

(6) **Evaluation of life insurance policies.** In cases where donors no longer wish to make gifts that cover the cost of annual premiums, CICF may evaluate whether the policy should remain in force by CICF's continued payment of premiums from its operating budget. If premiums are paid by CICF, then CICF may be ultimately reimbursed from the death benefit amount. Other options may include one or more annual internal loans on the policy to pay the premiums owed, cashing in the policy or exchange for a life settlement with an independent broker company. In all such cases, CICF staff should make prudent financial decisions in consultation with the donor if appropriate and helpful. If donors have designated specific qualified uses for the proceeds of life insurance policies, then these designations will be honored whether or not the policy is cashed in early, exchanged as a life settlement or matures at the death of the donor with receipt of a death benefit.

4. Charitable Gift Annuity (Immediate and Deferred).

A. Description.

The charitable gift annuity is a contract between CICF and the donor. CICF agrees to pay the donor (or other person(s) named by the donor) a lifetime annuity payment in return for a gift of cash, securities, or other property. The payment may continue for the life of a second individual, such as a spouse or child. The annual payment is a fixed sum, the amount of which is based on the size of the gift and the number and ages of the beneficiaries. The payments may begin at a later time (i.e., deferred gift annuity). A deferred gift annuity contract may include a commutation clause to pay income in a lump sum or for a finite time period (i.e., not more than ten years; the "college annuity"). In addition, a deferred gift annuity contract may provide for deferral of the beginning date for income payments (i.e., "flexible annuity").

B. Procedures for gift annuities:

(1) All applicable federal rules must be followed, such as a minimum charitable remainder equal to ten percent (10%) of the initial gift amount.

(2) The minimum amount for an annuity agreement is $25,000 with 100% of the residual to an endowed fund at CICF. See Appendix for sample gift annuity contracts and checklist.

(3) Income will generally be paid on a quarterly basis, unless a donor or other circumstances suggest a more or less frequent payment schedule. If acceptable and appropriate, CICF or its agents may directly deposit payments into beneficiary bank accounts.

(4) CICF shall comply with all tax reporting requirements, e.g., IRS 1099-R forms to donors and copies to IRS, blank IRS 8283 forms to donors and 8282 forms disclosing the sale of donated non-cash assets.

(5) Gift annuities shall be managed by CICF, which may employ agents and advisors to assist with the administration and investment of gift annuity assets. CICF may choose to reinsure gift annuity payment obligations on any or all gift annuity contracts.

(6) Rates offered for immediate and deferred gift annuities (including commutation clauses and/or optional beginning dates) will be as currently recommended by the American Council on Gift Annuities, which assume a charitable residual or remainder value for CICF of approximately 50% of the original gift face value, unless otherwise approved by the gift acceptance committee.

(7) A disclosure letter shall be provided to all gift annuity donors prior to the gift in accordance with federal law explaining the nature of the annuity payment obligation. See Appendix for sample disclosure letter.

(8) All gift annuity donors shall be provided a summary explaining the potential income, the taxable nature of income, and potential tax implications, such as income tax deduction, capital gains tax savings, and gift/estate tax implications associated with the donation. Donors shall be advised to share these summaries with their independent professional advisors.

(9) The CICF business office shall be provided a copy of all gift annuity contracts, tax information summaries, and other related documents.

(10) In general, CICF limits gift annuity donations to donors who are residents of the State of Indiana, as Indiana does not have any registration or compliance requirements with respect to charitable gift annuities. The gift acceptance committee may consider gift annuity contracts with donors residing in other states, but CICF reserves the right to refuse gift annuity donations from donors who reside in states where the gift annuity regulations are considered to be unreasonably restrictive or where compliance costs are prohibitive.

(11) In general, gifts of non-cash assets such as stock, real property in exchange for gift annuities must be readily marketable to provide cash to invest to support the gift annuity. Exceptions may be made in cases where the CICF desires to retain the donated asset in-kind (e.g., real property) and fund the annuity payments from the CICF budget and/or endowment. Acceptance of non-cash assets for a gift annuity must follow applicable procedures required for receipt of such assets as outright gifts. For example, gifts of real property for a gift annuity must follow the real property acceptance procedures that include environmental review, title insurance, and so forth.

5. Charitable Remainder Trust.

A. Description.

The charitable remainder trust is a separately administered trust established by the donor. It provides for payments to the donor and/or other named beneficiary(ies) either for life or a term of years (not exceeding twenty), whereupon the remaining trust assets are distributed to one or more charities. These trusts may be established during life ("inter vivos") or at death ("testamentary").

A <u>charitable remainder annuity trust</u> pays a fixed amount, which must be at least 5 percent of the fair market value of the assets initially contributed to the trust. This amount does not change, and no additional gifts may be made to the annuity trust after its creation.

A <u>charitable remainder unitrust</u> pays a fixed percentage of at least 5 percent of the fair market value of the assets, as valued annually. Because the value of the assets can be expected to change from year to year, the unitrust payment will vary in amount each year. Additional contributions may be made to the trust after it is established. Three variations of the unitrust are possible:

(1) A "straight" or "regular" unitrust pays the stipulated amount, even if it is necessary to invade principal to do so.

(2) The "net income" unitrust pays the lesser of the stipulated amount or the actual net income as defined by the trust, so principal is not invaded.

(3) A "net income with make-up" unitrust is like the net income unitrust except that excess earnings can be applied to cover accrued deficiencies resulting when the net income is less than the stipulated amount.

(4) A "flip" provision may be included in a "net income" unitrust (with or without a make-up provision) to allow this trust to change or flip into a "regular" unitrust at a later date or upon the occurrence of a specific event, such as the sale of a certain asset (e.g., real property or closely held stock) which has been donated to the trust.

CICF may provide copies of the Internal Revenue Service prototype charitable remainder trust forms to prospective donors and their legal counsel with appropriate disclaimers and explanation.

Note: In cases where CICF is a remainder beneficiary, but not trustee, of a charitable remainder trust, then a copy of the trust document may be respectfully requested by CICF staff, as well as an annual report of the trust's value.

B. Procedures for charitable remainder trusts with CICF as trustee:

(1) All applicable federal tax rules must be followed, such as a minimum charitable remainder equal to ten percent (10%) of the initial gift amount.

(2) The minimum amount for a charitable remainder trust for which CICF is trustee will be $500,000 (i.e., the initial amount donated to the trust).

(3) CICF shall not serve as trustee of charitable remainder trusts for which there are charitable remainder interests other than an endowment fund at CICF, unless otherwise excepted.

(4) If CICF should choose to pool the investment of charitable remainder trust funds with CICF's other endowment funds, a disclosure statement will be provided to all prospective donors.

(5) If fiscal agent(s) are hired to invest and manage the charitable remainder trust funds, prospective donors may be provided the investment prospectus of mutual fund and other options provided by the agent. However, in no case shall CICF's investment authority as trustee be legally restricted by the donor, other persons or entities.

(6) Income will generally be paid on a quarterly basis, unless a donor or other circumstances suggest a more or less frequent payment schedule. If acceptable and appropriate, CICF may directly deposit payments into beneficiary bank accounts.

(7) Compliance with tax reporting (e.g., IRS K-1/1040 forms to donors and copies to IRS, IRS 5227 form, blank IRS 8283 forms to donors, and IRS 8282 forms disclosing the sale of donated non-cash assets) shall be coordinated between CICF staff and any agents employed by CICF.

(8) All charitable remainder trust donors who establish a trust with CICF as trustee shall be provided a summary explaining the potential income, the taxable nature of income, and potential tax implications such as the income tax deduction, capital gains tax savings, and gift/estate tax implications associated with the donation. Donors shall be advised to share these summaries with their independent professional advisors.

(9) The CICF business office staff shall be provided a copy of all charitable remainder trust documents, tax information summaries and other related information.

(10) Due to the complexity of charitable remainder trusts, donor's legal counsel review and approval of trust documents must be secured. In all such cases,

the trust document shall require that the laws of the state of Indiana will govern the trust.

(11) Applicable procedures required for an outright gift of any non-cash assets such as real property as defined below should be followed for a gift of such an asset to a charitable remainder trust. For example, for gifts of real property to a charitable remainder trust, these procedures include environmental review, title insurance, and so forth.

(12) Charitable remainder trusts shall comply with the private foundation rules that prohibit self-dealing (IRC Section 4941), no excess business holdings (IRC Section 4943) and no jeopardizing investments (IRC Section 4944).

6. Charitable Lead Trust.

A. Description.

A charitable lead trust is a trust in which the income or "lead" interest is paid to CICF for a term of years, and the "remainder" interest is given to one or more non-charitable beneficiaries, who could be either the donor or family members. The amount paid to CICF may be either a fixed sum (a lead annuity trust) or a percentage of trust assets as valued each year (a lead unitrust). A "grantor" lead trust is one in which the donor is deemed the owner of the trust assets and receives a significant income tax deduction when the trust is established. A "nongrantor" lead trust does not allow the initial income tax deduction, but may allow significant gift/estate tax savings by permitting the payment of gift tax when the trust is funded, thereby avoiding a more substantial gift/estate tax liability in the future at the end of the lead trust term, provided that the trust assets appreciate in value during the lead trust term.

B. Procedures for lead trusts of which CICF is trustee:

(1) The minimum amount for a charitable lead trust with CICF as trustee is $500,000 if a majority of the payments are to CICF for an endowment or pass-through fund.

(2) Due to the complexity of lead trusts, donor legal counsel review and approval of lead trust documents must be secured. In all such cases, the trust document shall require that the laws of the state of Indiana will govern the trust.

(3) In cases where CICF is beneficiary but not trustee of a lead trust, the CICF staff may respectfully request a copy of the lead trust document and an annual valuation of the lead trust assets in the case of a lead unitrust.

(4) Compliance with tax reporting such as IRS K-1/1040 forms to donors and copies to IRS, IRS 5227 form, blank IRS 8283 forms to donors, and other required forms, shall be coordinated among CICF staff and any agents hired by CICF.

(5) All lead trust donors shall be provided a summary explaining the potential income for use by CICF and potential tax implications (e.g., income tax deduction, capital gains tax savings, gift/estate tax implications) associated with the donation. Donors shall be advised to share these summaries with their independent professional advisors.

(6) The CICF business office staff shall be provided a copy of all lead trust donation agreements, tax information summaries and related information.

(7) Donors and remainder beneficiaries of all charitable lead trusts with CICF as trustee will be provided an annual Investment Policy Statement for review and signature. This statement shall disclose the current investment strategy, fees and spending percentage of the trust.

(8) Applicable procedures required for an outright gift of any non-cash assets such as real property as defined below should be followed for a gift of such an asset to a charitable remainder trust. For example, for gifts of real property to a charitable remainder trust, these procedures include environmental review, title insurance, and so forth.

(9) Lead trusts are taxable complex trusts. Therefore, CICF staff and/or agents must file annual tax returns to pay all appropriate tax owed.

(10) If fiscal agent(s) are hired to invest and manage the charitable remainder trust funds, prospective donors may be provided the investment prospectus of mutual fund and other options provided by the agent. However, in no case shall CICF's investment authority as trustee be legally restricted by the donor, other persons or entities.

7. Gift of Remainder Interest with Retained Life Estate in Personal Residence or Farm.

A. Description.

An individual may transfer to CICF the title of a remainder interest to a personal residence and/or farm, and the donor may retain the use of the property for the life of the donor (i.e., life estate). The donor is entitled to a current income tax charitable deduction for the value of the gift which represents the present value of charity's future interest in the property.

B. Procedures for a gift of a remainder interest:

(1) CICF and the donor shall execute an agreement or contract that will stipulate that the donor shall continue to be responsible for all real estate taxes, property insurance, utilities, and maintenance. See Appendix for sample agreement. The donor will provide evidence of these payments to CICF on an annual basis. The agreement should also stipulate that the donor may not sell, lease or otherwise transfer the interest to a third party without approval of CICF.

(2) The donor will be responsible for payment of a current qualified independent appraisal of the real property to file with the IRS 8283 form in order to claim an income tax charitable deduction.

(3) If the donor decides to leave the property, then there are a number of options. The remaining life estate may be contributed to CICF, providing another income tax charitable deduction. CICF then owns the complete property (present and future interest). Another available option, subject to CICF's approval, may include selling or leasing the life estate to CICF or a third party.

(4) Applicable procedures required for an outright gift of real property as defined below should be followed for a gift of a remainder interest in real property. These procedures include environmental review, title insurance, and other evaluation.

8. Bargain Sale.

A. Description.

A bargain sale is a sale of property to CICF, such as real property, tangible or intangible personal property, for less than the property's current fair market value. The excess of the current value over the sales price represents a potential income tax charitable contribution. In addition, the donor escapes capital gains tax on the sale (not charitable gift) percentage of the transaction. The bargain sale price may be paid either in a lump sum or in installments (i.e., installment bargain sale) of equal or unequal amounts for an agreed upon number of years.

B. Procedures for a bargain sale:

(1) CICF may purchase real property, stock, or other property for less than fair market value. The purchase and price must be approved by the gift acceptance committee.

(2) The donor should obtain a qualified independent appraisal of the bargain sale property for the claim of a deduction over $5,000.00. The appraiser must sign the IRS 8283 form filed by the donor.

(3) Applicable procedures required for an outright gift of real property as defined below should be followed for a bargain sale. These include environmental review, title insurance and other evaluations.

(4) Applicable procedures required for an outright gift of real property as defined below should be followed for all types of planned real property gifts. These procedures include environmental review, title insurance, and so forth.

9. Commitments by Charitable Pledges.

A. Description.

(1) Donors may commit gifts by pledge payable over a period of time during life and/or subsequently at death from the donor's estate through a planned gift such as bequest from a will, trust, retirement plan, life insurance or other deferred gift.

(2) Charitable pledges ("pledges") may be deemed legally enforceable and irrevocable contracts pursuant to the applicable Indiana or other state law.

B. Procedures for charitable pledges and charitable intentions:

(1) Pledges must be booked on financial statements pursuant to the financial accounting standards promulgated by the Financial Accounting Standards Board (FASB).

(2) Financial auditors will conduct independent confirmations with donors who have pledge agreements on file to confirm the pledge commitment.

(3) Charitable pledges should be documented in writing and signed by the donor. See Appendix for sample pledge document.

(5) In the case of significant pledges upon which CICF may rely to construct a building, incur debt or make other significant financial liabilities, it would be advisable for legal counsel to prepare a pledge contract that will provide for pledge fulfillment from the donor's estate through a planned gift.

(6) Pursuant to federal law, a donor cannot satisfy his personal charitable pledges from the donor's donor advised fund(s) or private foundation. Private foundation may satisfy institutional multi-year gift commitments but not personal pledges on behalf of disqualified persons such as the private foundation donor(s).

(7) Pledges and may be fulfilled from a charitable lead trust, charitable remainder trust or charitable gift annuity as follows:

- Income from a charitable lead trust.
- Income and/or principal of a charitable remainder trust.
- Income and/or original gift amount of a gift annuity.

(8) Pledges may be fulfilled by gifts of IRA charitable rollovers, cash or noncash assets such as stock, real property or personal property if considered acceptable to CICF and the donor.

(9) As a matter of best practice, CICF will encourage outright gift pledges that do not exceed five years. Pledges from an estate may represent longer time periods such as the lifetime of the donor.

Assets for Gifts

1. Gifts of Non-Cash Assets: Real Property.

A. Description.

Gifts of real property may be made in various ways: outright, charitable remainder trusts, charitable lead trusts, remainder interests with retained life estate, gift annuity, bargain sale, conservation easements and other gift plans. The tax and other implications of charitable planning with real property should be reviewed with the donor by CICF staff prior to donation. A gift of real property is complete when the deed of transfer is executed by the donor.

B. Procedures for gifts of real property:

(1) CICF shall create a supporting organization and consider use of limited liability companies to accept gifts of real property in order to insulate potential liability. See Appendix for the complete Policy for Gifts of Real Property and related documents.

(2) Upon receipt of a gift of real property, an acknowledgement will be sent to the donors by CICF. The receipt need only describe the donated property and is not required to state a dollar value. A copy of the IRS 8283 form with instructions may be enclosed. The donor must complete and file IRS form 8283 to claim a deduction over $500 and an appraisal is required to claim a deduction over $5,000.00. The donor should consult IRS Publication 561, Determining the Value of Donated Property, for a summary of the valuation rules.

(3) If the donated property is sold within three years of receipt, then the IRS 8282 form reporting the sale is filed by CICF with a copy provided to the donor as required.

(4) Applicable procedures required for an outright gift of real property as defined below should be followed for all types of planned real property gifts. These procedures address environmental review, title insurance, and so forth. Real property can be accepted by CICF, following a due diligence review and subject to the sole and absolute discretion of CICF, so long as CICF assumes no unwanted liability, management or fiduciary duties, and other costs or liabilities unless otherwise approved. See Appendix for the complete Policy for Gifts of Real Property and related documents.

(5) CICF shall independently determine if the donor has clear title to the property. CICF must also secure qualified inspections of any buildings to be donated to reveal problems such as asbestos, lead paint, radon, etc. Other issues for consideration include marketability, zoning, property tax

liability, liens, easements, encumbrances and so forth as listed on the checklist in the Appendix. The donor may pay for these expenses.

(6) At the discretion of CICF, a Phase I environmental site assessment may be required. Phase II or III environmental site assessments may be necessary if the Phase I indicates possible contamination. The costs of environmental testing shall be paid as agreed upon by the parties. No property that would subject CICF to environmental liability shall be accepted by CICF. Unless determined otherwise by the gift acceptance committee, in the case of a gift of a personal residence, the donor may arrange a home inspection by a qualified engineer or home inspector in lieu of an environmental audit.

(7) Mortgaged property may be accepted as an outright gift provided the property has sufficient value to CICF to justify assumption of the liability and/or provided the property is marketable. Mortgaged property may not be accepted into a charitable remainder trust pursuant to current law. Assumption of mortgaged property reduces the donor's tax deduction by the amount of the mortgage as well as triggering capital gains tax of an amount represented by the ratio of the mortgage to the property's fair market value.

(8) If real property is donated to a charitable remainder trust with CICF as trustee, the preferred type of trust may be a net income unitrust with a "flip" provision, allowing the trust to convert to a regular unitrust once the real property is sold.

(9) If real property is donated in exchange for a gift annuity, CICF must be certain the property is marketable and may consider negotiating an annuity rate lower than normal to account for carrying costs, insurance, and other factors. Another technique is to use a deferred annuity contract to allow sufficient time to sell the real property.

2. Gifts of Non-Cash Assets: Tangible Personal Property.

A. Description.

Donors may make gifts of tangible personal property such as inventory, grain, art, books, manuscripts, scientific or computer equipment, computer software, antiques, rugs, collections of all types, automobiles boats, jewelry, cut crops/timber, clothing and other property. Gifts of tangible personal property may be made in various ways, including outright, charitable remainder trusts, charitable lead trusts, gift annuity, bargain sale and other gift plans. The tax and other implications of charitable planning with tangible personal property should be reviewed with the donor by CICF staff and the donor's professional advisors prior to donation. Gifts of tangible personal property put to a use unrelated to CICF's mission shall limit the donor to an income tax charitable deduction for the lesser of his/her cost basis and fair market value. Gifts of tangible personal property made at death from a donor's estate plan qualify for an estate tax deduction for the full fair market value regardless whether CICF puts the property to a related use.

B. Procedures for gifts of tangible personal property:

(1) Non-cash assets can be accepted by CICF, following a due diligence review and subject to the sole and absolute discretion of CICF, so long as CICF assumes no unwanted liability, management or fiduciary duties, and other costs or liabilities unless otherwise approved.

(2) In most cases, the non-cash gift of tangible personal property will be delivered to CICF. Delivery costs should be paid by the donor unless otherwise agreed to by CICF. Insurance for delivery must be secured.

(3) Upon receipt of a non-cash gift of tangible personal property, an acknowledgement will be sent to the donors by CICF. The receipt need only describe the donated property and is not required to state a dollar value. A copy of the IRS 8283 form with instructions may be enclosed. The donor must complete and file IRS form 8283 to claim a deduction over $500 and an appraisal is required to claim a deduction over $5,000.00. The donor should consult IRS Publication 561, *Determining the Value of Donated Property*, for a summary of the valuation rules. The receipt letter should specifically describe the related use of the property by CICF if applicable.

(4) If the donated property is sold within three years of receipt, then the IRS 8282 form reporting the sale is filed by CICF with a copy provided to the donor as required. The donor's income tax deduction may be retroactively repealed and income tax owed if the subsequent sale within three years is not supported by conditions such impracticality of use or significant

intervening use. In such cases, CICF will provide donors with documentation to define and describe the reasons for the sale or other disposition.

(5) CICF will be responsible for assuring sufficient insurance coverage of the donated property.

(6) Tangible personal property, such as art, books or manuscripts donated to CICF shall be accompanied by a letter or other document signed by a donor to transfer ownership and control of copyright and other intellectual property interests, if applicable. See IRS Publication 526, *Charitable Contributions*, for an overview of the tax rules for gifts of intellectual property.

(7) Gifts of artwork shall be accompanied by a provenance to establish the ownership history of the art.

(8) In the event a gift of tangible personal property interests is made by bequest, acceptance may be conditioned upon a due diligence review of associated costs, appraisals, marketability, potential unrelated business income tax, legal counsel review and other relevant issues.

3. Gifts of Non-Cash Assets: Intangible Personal Property.

A. Description.

Donors may make gifts of intangible personal property such as cash, publicly traded stock, closely held stock, corporate or municipal bonds, S corporation stock, closely held business interests, U.S. Savings Bonds, mutual fund shares, federal reserve items, partnership interests, mineral rights, and intellectual property (patents, copyrights, royalties, trademarks). On a case by case basis, the gift may be made to a supporting organization established by CICF to accept asset gifts that my present unique concerns for liability or facilitation. Gifts of intangible personal property may be made in various ways: outright, through charitable remainder trusts, charitable lead trusts, gift annuity, bargain sale and other gift plans. The tax and other implications of charitable planning with intangible personal property should be reviewed with the donor by CICF staff and the donor's professional advisors prior to donation.

B. Procedures for gifts of intangible personal property:

(1) Non-cash gifts can be accepted by CICF, subject to the sole and absolute discretion of CICF, following a due diligence review if necessary and in accordance with the applicable policies in the Appendix and so long as CICF assumes no unwanted liability, management or fiduciary duties, and other costs or liabilities unless otherwise approved.

(2) Gifts of intangible personal property should be acknowledged with a receipt. The receipt is not required to state a dollar value of the gift. For gifts which the donor claims a deduction of $500.00 or more, the donor must file IRS form 8283. If the deduction exceeds $5,000.00, the donor must secure a qualified independent appraisal. IRS form 8283 must be signed by the appraiser and staff of CICF. The donor should consult IRS Publication 561, *Determining the Value of Donated Property,* for a summary of the valuation rules.

(3) If the donated property is sold within three years of receipt, then the IRS 8282 form reporting the sale is filed by CICF with a copy provided to the donor as required.

(4) *Gifts of publicly traded stock, securities, and corporate or municipal bonds*.

a. *Wire delivery*. If assets are to be delivered from a brokerage account, bank or corporate account, and they are Depository Trust Company (DTC) eligible, the current DTC delivery instructions for CICF's agent bank or broker will be given to the donor and/or the donor's broker.

b. *Mail delivery*. If the assets are not DTC eligible, or if the donor wishes to donate the original certificates, the properly endorsed certificates (unsigned) and a signed stock/bond power form, with a gold medallion guarantee of the donor's signature, should be mailed in separate envelopes to prevent theft. In the case of mailed stock certificates, the date of delivery may be advised to be the latest postmark date. The original mailing envelope with the postmark date shall be retained in the donor's file.

c. *Personal delivery***.** If the stock or bond certificates are hand-delivered, then the date of transfer (donation) is the day that the certificate along with the corresponding fully executed stock/bond power form with a gold medallion guarantee of the donor's signature is unconditionally delivered to CICF or CICF's agent (bank, broker, etc.). See Appendix for sample stock/bond power form.

d. *Brokerage accounts*. If a donor wishes CICF to establish an account with the donor's broker into which assets may be transferred and sold and the proceeds given to CICF, then designated staff may open and close said accounts.

(5) *Gifts of mutual fund shares* typically require opening an account with the mutual fund company since these companies do not usually transfer shares by DTC.

(6) *Gifts of cash.* Gifts of cash may be accepted by check, wire, credit card, payroll deduction, or electronic fund transfer (EFT).

(7) *Federal Reserve Items***.** U.S. Treasury bonds, government bonds, treasury bills, and similar items shall be transferred pursuant to current procedure.

(8) *U.S. Savings Bonds***.**

a. Series E Bonds. Series E bonds may be donated to CICF by converting them to Series HH bonds in the name of CICF or by cashing the Series E bonds and donating the proceeds. In no event does the donor escape the accrued income tax liability upon transfer.

b. Series HH Bonds. Series HH bonds may be donated to CICF by registering them in the name of CICF or by cashing the Series HH bonds and donating the proceeds. In no event does the donor escape the accrued income tax liability upon transfer.

(9) *Partnership Interests.* Partnership interests may be accepted following a due diligence review of the partnership agreements, amendments and other relevant documents by CICF staff and/or counsel to protect against

unwanted liability or adverse tax consequences for CICF or donor. See the following section for more on CICF's procedures for accepting gifts of partnership interests and see the Appendix for the complete Policy for Gifts of Partnership Interests.

(10) *Closely held stock* may be accepted following a due diligence review by CICF staff to protect against unwanted liability or adverse tax consequences for CICF or donor. In no event shall CICF be legally obligated to sell closely held stock (or any donated property) to particular individuals or entities. See the following section for more on CICF's procedures for accepting gifts of closely held stock and see the Appendix for the complete Policy for Gifts of Closely Held Stock.

(11) *Stock options* are generally not directly transferable to CICF. However, stock options may be used to donate the optioned stock to CICF. Intermediary brokers may be used to advance the exercise fee to provide a "cashless" option for the donor. Authorized staff of CICF may open accounts at intermediary brokers to facilitate a gift of stock from options so long as the associated fees are reasonable.

(16) *Intellectual property* gifts may include patents, royalty interests, copyrights, trademarks, service marks and so forth. Gifts of intellectual property may be accepted following a due diligence review by CICF staff to protect against unwanted liability or adverse tax consequences for CICF or donor. Donors will be required to sign a form to transfer legal ownership and control to CICF.

(17) *Subchapter S stock* may be donated permitting the donor a deduction that will likely be less than the appraised value of the stock. An outright gift of S corporation stock does not risk loss of the S status for the corporation, but a gift of S stock to a charitable remainder trust will disqualify the corporation from S status. CICF will be subject to unrelated business income tax (UBIT) on its portion of the S corporation's accounting income for every day that it owns the S corporation stock. CICF receives the donor's adjusted cost basis in the stock and must pay federal and state capital gains tax as unrelated business income tax (UBIT) when the S corporation stock is sold.

4. Closely Held Stock.

A. Description.

Closely held stock is a general term that may include stock of C-corporations or S-corporations. Proposed gifts of closely held stock, whether current or deferred, can be an important gift and will be evaluated on a case-by-case basis in accordance with CICF's policies and procedures.

B. Procedures for gifts of closely held stock.

(1) **C-Corporations.** The donor may be advised that if stock of a C-corporation is held by CICF and obtains S-corporation status, CICF must give consent for such conversion on Internal Revenue Service (IRS) Form 2553

(2) **S Corporations.** In general, due to the structure of S-corporations, any debt-financed income is likely to subject CICF to unrelated business income tax ("UBIT"). Additionally, the income generated by the S-corporation during the time CICF would hold it and any gain on the sale of the S-corporation stock may be subject to UBIT. There should be adequate assurances that the affected fund will have adequate cash to pay any UBIT that may be incurred by holding or through the sale of S-corporation stock, either from the investment itself or from further contributions from the donor. Prior to accepting the gift, the donor should agree in writing that there will be sufficient funds to pay such tax or other costs. Generally, CICF's Operating Fund will not advance funds for such expenses. CICF will work with the donor to determine the best structure (trust or corporate form) into which the S-corporation stock should be contributed in order to minimize UBIT (note: income tax rates may differ between trusts and corporations).

(3) **Documentation.** CICF will review any relevant documentation in consideration of the proposed gift which may include: a qualified appraisal and/or appraisal summary, shareholder agreements, buy-sell agreements or other agreements, proposed transfer instruments, and any proposed agreements or arrangements between CICF and the donor that pertain to the property. Such documentation may be reviewed by CICF, and upon such review, CICF may accept the proposed gift in its sole and absolute discretion, but is under no obligation to do so.

(4) **Sale or Liquidation.** As a general rule, all gifts of securities are sold as soon as possible, usually on the same day as the gift. The fund designated to receive the gift is then credited with the proceeds from the sale, after commissions and expenses, if any. In the case of gifts of stock of closely held corporations or partnership interests that are not

readily marketable at the time of the gift, it should appear reasonably certain that the interest proposed to be transferred to CICF will be sold or liquidated at fair value and proceeds received into a component fund of CICF within a specific time frame, which by law is not to exceed five years.

In the alternative, it should appear reasonably certain that the closely held interest proposed to be transferred to CICF will generate annual income sufficient to provide a reasonable rate of return for the component fund into which it is received.

For purposes of this policy, the definition of “a reasonable rate of return” shall be determined by CICF, in its sole discretion. The Vice President for Development and Philanthropic Services and/or the Chief Financial Officer shall have the authority to determine whether the requirements of this paragraph have been met. In negotiating the sale of closely held business interests, a fair market value (price per share) will be established at the time of sale. No warranty is given by CICF that the valuation will be acceptable to the IRS. In some cases, CICF may obtain an independent appraisal of the value of the interest prior to agreeing to a proposed sale of the interest. In addition, the donor will be advised that if the stock is sold, liquidated, or otherwise disposed of within three years of receipt, per the IRS, CICF is required to file IRS Form 8282 (“Donee Information Return”), unless the gift was valued below $500 or was distributed for charitable purposes. See Treas. Reg. 1.6050L-1.

Note: Excess Business Holdings. Gifts of business interests to a donor advised fund may raise the issue of excess business holdings under the Pension Protection Act and Internal Revenue Code section 4943. Excess business holdings exist when the holdings of a donor advised fund together with the holdings of disqualified persons exceed 20% of the voting stock of the incorporated business, 20% of the profit interest of a partnership or joint venture, or 20% of a beneficial interest of a trust or similar entity. In such a case, CICF must divest of the excess business holdings within a period not exceeding five years. Ownership of unincorporated businesses that are not substantially related to the fund’s purposes is also prohibited.

(5) **Administrative Fees.** Funds holding closely held business interests will be charged the same administrative fees as all other funds at CICF. The donor should provide adequate assurance that the affected fund will have adequate cash to pay administrative fees, either from the investment itself or from further contributions from the donor. All paid dividends will be used to offset all or a portion of the fee charged to the fund in the same year ending with the anniversary date of the gift.

Dividends will be available for grant-making only to the extent that they exceed fees.

(6) **Tax Deductibility.** The allowable tax deduction for gifts of closely held business interests will be subject to the IRS rules for gifts of closely held business interests. CICF will provide the donor with any substantiation required for the donor to obtain a tax deduction.

(7) **Responsibilities of Donor:**

- Appraisal. The donor will be responsible for obtaining a qualified appraisal and/or appraisal summary in compliance with IRS regulations for the purposes of establishing the value of the gift for federal income tax purposes, including the preparation of Form 8283 ("Noncash Charitable Contributions"). See Treas. Reg. 1.170A-13(c).
- Transfer Instruments. It is the donor's responsibility to prepare the appropriate instruments which are necessary to transfer the stock to CICF.
- Documentation of Restricting or Limiting Agreements. The donor must provide documentation of any shareholder, buy-sell, or other agreements that impose any restrictions or limitations upon the sale or transfer of the stock.
- Acceptance Agreement. Prior to or upon acceptance of the gift, the donor and CICF must agree in writing to all the terms of the gift which will include the following (see Appendix for a Sample Agreement for the Terms of a Gift of Closely Held Stock):
  - (a) No Material Restrictions. Prior to or upon transfer of the stock to CICF, the donor and CICF will sign an agreement stating the terms of the gift, which must specify that there are no restrictions on CICF's right to use or convey the closely held stock.
  - (b) Expenses Associated with the Gift. Prior to acceptance of the closely held stock, CICF and the donor must agree in writing on arrangements for paying expenses associated with the stock, such as commissions or potential UBIT.
  - (c) Administrative Fees. The donor should provide adequate assurance that the affected fund will have adequate cash to pay administrative fees, either from the investment itself or from further contributions from the donor.
- Expenses in Preparation of Gift. The donor is responsible for all expenses incurred during the preparation of the transfer of the stock.
- Discuss Gift with Professional Advisors. The donor is encouraged to and responsible for discussing all benefits, liabilities, and tax

consequences derived from the gift of closely held stock with their professional advisors before the gift is made.

- Discuss Gift with Family or Interested Parties. Donors will be encouraged to discuss contemplated gifts of real property with their family or other interested parties before the gift is made.

(8) **Prohibitions.**

- Donor Expenses. In general, CICF's Operating Fund will not pay for legal assistance, appraisals, or other services or expenses on behalf of the donor. In extraordinary circumstances, the expenses will be deducted from the proceeds of the sale or otherwise charged against the fund holding the gift.
- Corroboration of Value. CICF will not establish or corroborate the value of any property for the purpose of substantiating the donor's income tax charitable deduction.
- Stock Purchase Agreements. In many cases, upon the subsequent sale of closely- held stock, there will be a stock purchase agreement setting forth the proposed terms and conditions of sale. CICF cannot join in or participate in the issuance of warranties and representations and in indemnification agreements.
- Pre-Arranged Re-Sale. CICF will not participate in pre-arranging a re-sale or re- purchase of the proposed gifted stock back to the donor.
- Best Interest. CICF will not accept any gift that would not be in the best interest of CICF or the donor.

Documentation

1. Receipts for Gifts.

A. Description.

CICF shall comply with all state and federal laws, regulations, rules and rulings with regard to providing donors a receipt for gifts, including Internal Revenue Code sections 170(f)(8) and 6115, 16 CFR Parts 1 and 602, and Reg. Sec. 1.170A-1 and 13 and any amendments to these rules and regulations. CICF shall comply with the requirements of IRS Publication 1771 that explains the rules for gift acknowledgments and receipts.

B. Procedures for receipts for gifts:

(1) *Cash contributions.* CICF shall provide a receipt, letter or other written communication acknowledging receipt and appreciation and including CICF's name, the name of the donor, the date of the gift, the amount of the gift if cash, a good faith estimate of any quid pro quo good or service provided or a statement that no goods or services were received by the donor in exchange for the gift.

(2) *Contributions of assets other than cash.* CICF shall provide a letter or other written communication acknowledging receipt and appreciation for the gift, describing the assets donated (no dollar value needs to be stated as defined by law), the dollar amount credited to the donor for recognition purposes (if applicable), and a statement that no goods or services were received by the donor in exchange for the gift, if applicable. In the case of stock gifts, an illustrative calculation (using the average of the high and low) may be included. In the case of gifts of scientific equipment, inventory, and similar items, the law may require statements of other specific assurances. For all non-cash gifts, donors shall be advised of their responsibility to assign value for purposes of the income tax charitable deduction, using IRS form 8283.

(3) *Planned Gifts.* CICF shall provide a summary of accounting and tax information to donors who establish planned gifts. These summaries may be accompanied by a sample deduction calculation, IRS 8283 form and instructions, signed gift document, and other appropriate documents. The summary may include an overview of the deduction calculation, projected income payout, capital gains tax and gift/estate tax ramifications. In all cases, donors shall be encouraged to share this information in consultation with their accountants, attorneys and other professional advisors.

(4) *Disclosure of quid pro quo*. Pursuant to current federal law, CICF shall disclose the value of any quid pro quo goods or services provided to donors in exchange for their gifts. In the alternative, all receipts shall state that “no goods or services” were received as required by current law. Token quid pro quos may not be disclosed subject to a dollar value threshold that is annually indexed by the IRS.

(5) *Member benefits.* Member benefits shall comply with the rules described in IRS Publication 1771 to determine whether the value of the member benefits must be disclosed as a good or service thereby reducing the donor’s income tax charitable deduction.

(6) *Sponsorships.* Sponsorships shall comply with the rule describes in IRS Publication 598, *Tax on Unrelated Business Income of Exempt Organizations*, to determine whether the sponsorship will be deemed a qualified sponsorship payment or a payment for advertising. Qualified sponsorship payments allow the donor an income tax charitable deduction and the payment is not considered unrelated taxable business income. Paid advertising will not qualify as a charitable deduction and is considered unrelated taxable business income. Advertising includes: 1. Messages containing qualitative or comparative language, price information or other indications of savings or value, 2. Endorsements, and 3. Inducements to purchase, sell or the use the products or services. The use of promotional logos or slogans that are an established part of the sponsor’s identity is not, by itself, advertising.

2. Documentation of Gifts.

A. Description.

CICF shall require appropriate documentation for all gifts and pledges. CICF requests documentation in order to assist donors, assure accuracy of the form and information (such as correct spelling and location of CICF), confirm donor recognition, fulfill any legal responsibilities, deal with any gift restrictions that may be impractical, illegal or incapable of fulfillment and confirm gift expectations for future planning.

B. Procedures for documentation of gifts.

CICF staff may respectfully request from donors, family of donors, personal representatives, executors, trustees, guardians, agents, professional advisors and others as appropriate, copies of any or all of the following documents as relevant:

(1) The portion of a will, codicil, trust, or other document with a bequest to CICF.

(2) The complete document of any charitable remainder or lead trust, charitable gift annuity, retirement plan beneficiary designation, life insurance beneficiary or owner designation, partnership interest document, and/or any other planned gift instrument in which CICF is the named owner, beneficiary, trustee, or otherwise named or designated.

(3) An agreement or other document defining a named endowment or pass-through fund. Such memorandum may include the name of the fund, gift restrictions, expenditure of appreciation, and other information. See Appendix for a sample endowment agreement.

(4) A letter or card documenting a multi-year pledge.

(5) An annual report of CICF's interest in any perpetual or time limited trust, community foundation fund, or other entity that is invested and managed by other individuals or organizations.

(6) Any other document deemed appropriate and necessary.

3. Documentation of Gift Preferences.

A. Description.

With regard to the acceptance and documentation of gifts with restrictions or preferences requested by the donor, CICF shall comply with all applicable federal and state laws, rulings, and regulations. Donors shall be advised to consult independent counsel as well.

B. Procedures for documentation of gift restrictions:

(1) Unrestricted Gifts. Unrestricted gifts to CICF shall not require confirmation from the donor that the gift is unrestricted.

(2) Gift Preferences. Any gift with a restriction or preference must be approved by appropriate CICF staff prior to acceptance and receipt of the gift by CICF. In all cases, donors will be encouraged to state their restrictions as preferences in fund or gift agreements and/or other planned gift documentation so that the preferences may be amended over time. In compliance with applicable law, CICF's gift and fund agreements shall include a variance or amendment power to vary from donors' preferences in cases where the preference becomes impossible, impractical, illegal or wasteful as determined by CICF staff and ultimately the CICF board of directors. This amendment power is necessary since CICF programs necessarily change over time to reflect new or changed priorities.

4. Reporting Non-Cash Gifts.

A. Description.

CICF shall comply and shall encourage donors to comply with all applicable filing requirements of the IRS and other agencies.

B. Procedures for reporting non-cash gifts:

(1) CICF shall file IRS 8282 form for all applicable non-cash gifts sold within three years of receiving the gift.

(2) CICF shall provide to all donors of non-cash gifts, a blank copy of IRS 8283 form and instructions. CICF staff with signature authority may sign the Donor Acknowledgement in the 8283 form. If the claimed deduction appears unreasonable, the donor, advisor or legal counsel may be notified by CICF staff as appropriate.

(3) In no case shall CICF staff provide a valuation or appraisal for non-cash gifts for purposes of donors completing the 8283 form to claim potential income tax charitable deductions.

5. Changes to Endowment and Fund Preferences or Purposes.

A. Description.

CICF staff may exercise reasonable discretion in making decisions in good faith among uses, programs or purposes that otherwise qualify pursuant to the original preferences or purposes for an endowment or fund as designated by donors. However, the original preferences or purposes for permanent endowments or pass-through funds as designated by donors in properly executed fund agreements or letters of agreement with CICF may no longer be possible, practical, legal, or otherwise capable of fulfillment due to changed circumstances over time. As a result, CICF may amend the preferences or purposes pursuant to these procedures and applicable law to most closely approximate the donor's intent as expressed by the original criteria, purpose or preference. Current fund agreements expressly give CICF authority to amend. See templates in Appendix.

B. Procedures for changing criteria or purpose of an endowment or fund:

(1) If the original donor, surviving spouse or other persons named by the donor are alive, then they will be consulted to explain the reasons why an amendment is necessary. The donor or surviving spouse may consent to a newly signed agreement with the revised preferences.

(2) Upon the death or disability of the original donor or surviving spouse, other persons may consent to a newly signed agreement with the revised preferences if the donor or surviving spouse has so authorized these persons in the original fund agreement or other written document such as a power of attorney signed by the donor or surviving spouse and delivered to CICF. Consent by the donor or surviving spouse to authorize others to agree to changed preferences will not be assumed if the other persons are only named as recipients of fund statements in the original fund agreement.

(3) If the original donor, surviving spouse or other persons properly authorized by the donor or surviving spouse expressly disapproves of a change or amendment to the preferences, then CICF will either cease consideration of an amendment or may elect to pursue other appropriate legal or equitable action in order to seek the amended preference.

(4) If the original donor or surviving spouse no longer survives, and the donor or surviving spouse did not identify another person to consider amended preferences on their behalf, then CICF staff in consultation with legal counsel, will recommend new preferences or purposes that most closely approximate the donor's intent and that are possible, practical, legal, and capable of fulfillment. Final approval of a change to the purpose of a gift will be made by the CICF board of directors.

(5) In determining whether to recommend changes to the preferences of an endowment or fund, CICF shall determine in consultation with legal counsel:

- Whether there is any genuine issue of material fact that the current preferences are illegal, impossible, impractical or incapable of fulfillment; and
- Whether the contemplated changes to the preferences are a good faith approximation of the donor's original intent as expressed in original documents.
- Whether and how the amendment provisions of the Indiana Uniform Prudent Management of Institutional Funds Act are applicable.

(6) In all cases of a change to the purpose of a fund, if the gift was intended for endowment, then such gifts shall remain in endowment for the new or amended purpose.

Recognition and Crediting

1. Crediting of Gifts.

A. Description.

CICF seeks to give credit to all donors for purposes of donor recognition and for achievement of Advancement goals in an equitable manner for the appropriate amount of planned and outright gifts. The crediting and recognition procedures are meant to fulfill CICF policies and are not intended to reflect the financial accounting procedures required by the Financial Accounting Standards Board or American Institute of Certified Public Accountants. Crediting and recognition are not intended to necessarily reflect the federal charitable tax deduction rules and regulations promulgated by Congress, the Internal Revenue Service and other entities.

B. Procedures for crediting of gifts.

CICF may adhere to fundraising and campaign reporting as provided in the most current reporting standards as promulgated by the Partnership for Philanthropic Planning (PPP). See standards in Appendix. Personal recognition of donors shall be provided according to the procedures outlined below.

2. Recognition of Gifts.

A. Description.

CICF shall recognize all planned gifts in an equitable and appropriate manner. Donors or their personal representative, family, guardians, and others must consent prior to any public recognition. All gifts, regardless of size and type, shall receive a timely thank you letter and gift acknowledgement. Additional recognition is allowed pursuant to the procedures stated below. In special circumstances, extraordinary recognition may be personalized for a donor. For example, in the case of matured planned gifts or memorial gifts, recognition may involve surviving family or friends as permitted and considered appropriate.

B. Procedures for recognition of gifts:

(1) Membership in the *Heritage Circle Society* will be awarded to all donors who confirm a revocable or irrevocable planned gift. See Appendix for acceptance form.

(2) Donors of Community (unrestricted) Funds of $1,000 or more shall be recognized by membership in the *Alphonso Pettis Society* for twenty-five years.

(3) Cumulative lifetime giving of Community (unrestricted) Funds of $100,000 or more shall be recognized by permanent membership in the Alphonso Pettis Society.

(4) Donors supporting CICF community leadership initiatives, including Angel Investors, shall be recognized as determined by CICF.

(5) Funds may be named by donors, pursuant to the policies contained herein, when such funds are established with the required fund minimum and meet all other requirements for recognition. See above and Appendix for named fund minimums.

(6) Matching corporate gifts are not included as part of a donor's contribution for recognition purposes.