

## **GIFT DEVELOPMENT AND ACCEPTANCE POLICY**

### **Purpose of Development**

The Northwest Connecticut Community Foundation, Inc. ("Foundation") endeavors to enrich the quality of life for residents of Northwest Connecticut by encouraging and facilitating local philanthropy, convening stakeholders in community welfare, strengthening the regional nonprofit network and collaborating with other funders to ensure efficient resource deployment. The Foundation's work is primarily funded through distributions from the Foundation's endowment, a corpus of funds contributed by many individual donors and groups who work with the Foundation to achieve common charitable goals.

The Foundation has established a development program to encourage outright, planned, and testamentary gifts in order to further its charitable mission. The Foundation's President works in concert with the Foundation staff and Board of Directors to implement the organization's fund-raising goals and objectives.

### **Purpose of Gift Acceptance Policy:**

This gift acceptance policy is set forth to:

- Protect the interests of donors of charitable gifts to the Foundation. Protect the interests of the Foundation.
- Delineate the administrative responsibilities of the Foundation with respect to charitable gifts.

Gift acceptance procedures cannot embrace all areas in which judgment must be exercised. The Foundation's senior staff and board members must exercise sound judgement in handling situations not specifically covered. In view of the importance of charitable gifts to the Foundation and the community-at-large, those charged with attracting and maintaining them must be given wide latitude and, at the same time, must insure that the dignity and integrity of the Foundation, the good of the community and the best interest of its donors be maintained.

To that end in part, the Foundation subscribes to the *Model Standards of Practice for the Charitable Gift Planner* as adopted by the National Committee on Planned Giving and the Committee on Gift Annuities. In addition the Foundation has developed its own *Statement of Values and Code of Ethics*.

## **ROLES AND RESPONSIBILITIES**

### **A. Foundation Staff**

Foundation staff will disclose to all prospective donors certain important benefits and liabilities that reasonably could be expected to influence the donor's decision to make a gift to the Foundation. In particular, donors will be made aware of:

- The irrevocability of a gift,
- Prohibitions on certain donor restrictions,
- Items subject to external conditions not controlled by the Foundation (market value, investment return and income yield, for example), and
- Cost associated with administering unique component funds of the Foundation.

The Foundation will not provide specific tax, financial or legal advice to a donor. The role of the Foundation staff is to inform, guide and assist the donor in fulfilling his or her philanthropic wishes but never to pressure or unduly influence a donor's decision.

### **B. Board of Directors**

The Board of Directors (the "Board") is responsible for policy-making and oversight of the Foundation's operations. All financial policies referenced in this gift acceptance policy have been adopted by a majority vote of the Board of Directors. The Board may amend or supplement these policies at any time.

#### **B.1 Variance Power**

Federal tax regulations require that a community foundation's governing instruments include a "variance power." The variance power contained in the bylaws of the Foundation states that the Board of Directors can modify any restriction or condition on the charitable distribution of funds for any specified charitable needs of the community.

## **FUNDS**

The Foundation has developed several types of funds to help donors carry out their philanthropy and encourage donors to help the Foundation accomplish its mission. These funds (and their establishment) are subject to policies approved by the Board of Directors. A donor may contribute to any existing fund of the Foundation or may wish to establish a new component fund in accordance with the menu of fund types described below. As a general policy, the Foundation will establish a separate component fund upon the donor's request subject to a minimum contribution value established by the Foundation. The current minimum needed to create a fund is as follows:

- Endowed Fund by living donor: Scholarship: \$25,000

- Endowed Fund by living donor: Donor-Advised, Field of Interest, Designated, Unrestricted: \$10,000
- Endowed Agency Fund: \$25,000 by the end of Year 3 from date of creation
- Non- endowed Fund \$5,000
- Pass-through Fund (determined on a case by case basis)

Funds created in accordance with the stated minimums in effect at the time of creation will be grandfathered. Grants from a fund will be made in the calendar year following the year in which the minimum amount is reached. The donor is expected to meet minimum fund levels within a thirty-six month period. The minimum contribution needed to begin a fund may be waived in circumstances where it is deemed appropriate by the Board of Directors. Grants may be made, by exception, while the fund is building to the minimum level.

All funds described in this section below are governed by a written fund agreement between the Foundation and the donor as well as applicable state and federal laws.

The following is a brief description of the types of funds available through the Foundation.

### **1. Discretionary Fund**

Discretionary funds (also referred to as unrestricted funds) are those funds where the donor does not designate any particular charitable purpose or charitable organization for fund distributions. The Board of Directors, at its sole discretion, determines how distributions from discretionary funds are used.

### **2. Field of Interest Funds**

Field of interest funds are those funds where the donor expresses a preference that the fund be used for a specific charitable purpose, without designating the recipient organizations or programs through which such charitable purposes shall be served. The Board of Directors, at its sole discretion, determines how distributions are used within a particular field of interest.

### **3. Donor-Advised Funds**

Individuals or organizations may establish donor-advised funds where they or persons they designate retain the right to offer grant recommendations to the Foundation's Board. The Board has final authority to accept or reject recommended distributions from donor-advised funds. Donor advised funds must comply with the Foundation's *Donor-Advised Guidelines*.

When the fund is set up, donors may specify that once advising ceases, the fund will either become a discretionary or a field of interest fund (donors may name the field of interest). This charitable use will become effective upon the death, resignation or incapacitation of the final advisor of a donor-advised fund. If the ultimate charitable use of the fund's

distributable income is unspecified when advising ceases, the fund will become a discretionary fund.

#### **4. Designated Funds**

Designated funds are earmarked by the donor for a particular charitable organization or organizations. The Foundation's Board must approve the acceptance of a designated organization(s). All grants made from designated funds are made to or for the use of the designated recipient organization.

#### **5. Agency Funds**

An agency fund is established by a nonprofit for its own benefit and has the following characteristics:

- The nonprofit agency is both the donor and the beneficiary of the fund. The fund has been established by the nonprofit agency with its own funds.
- Agencies wishing to transfer money to the Foundation to establish a fund must submit a resolution from their Board of Directors stating that the majority of the members of their board approved the action.

#### **6. Scholarship Funds**

Scholarship funds are dedicated to providing grants for educational purposes. They may be restricted in several ways, such as for use at a designated educational institution or for a particular course of study. A donor establishing a scholarship fund must formulate a specific written set of guidelines under which such scholarship will operate. Staff will assist with this process. Scholarship Funds must comply with the Foundation's *Policy and Procedures for Awarding Scholarships and Other Grants to Individuals*.

#### **7. Special Funds**

**Special purpose funds:** The Foundation will consider establishing funds for special purposes that further the Foundation's mission. This type of fund may be established to hold funds for a specific public purpose (to pay for a monument or celebration, for example). Generally, they are limited in duration.

**Focus Funds:** The Foundation may establish funds aimed at building a permanent endowment to focus on a specific concern or objective. Examples of focus funds include giving circle funds (relating to a particular community), women's funds, catalyst funds (encouraging philanthropy among younger people), etc.

**Administrative Endowment/ Operational Reserve:** The Foundation may, in the future, vote to establish an administrative endowment or an operational reserve designed to help the Foundation cover its present and future operating costs. The Foundation provides many more services to the community than fund management, for which it receives a fee. An administrative endowment fund and/or operational reserve can help assure that the Foundation will be able to continue its valuable role in our community by encouraging citizens to contribute to its future strength and

stability.

## **8. Supporting Organizations**

A supporting organization is a grantmaking organization that avoids the burdens of private foundation tax status by being operated, supervised, or controlled by, or in connection with, the Foundation. Although supporting organizations generally operate somewhat independently of the Foundation, they must operate exclusively for the benefit of the Foundation. Currently the Foundation permits relationships with Type I Supporting Organizations only.

## **PROCESS AND PROCEDURES FOR ACCEPTING GIFTS**

### **A. Committees:**

Three committees have specific responsibilities with respect to development.

Governance Committee: The Governance Committee will ensure annual review, revision, and drafting of by-laws, personnel policies, and all other Foundation policies, including the Gift Development and Acceptance Policy, for continued relevance, clarity, and legality.

The Development Committee: The Development Committee will assist in developing fund-raising plans and goals for the Foundation and will actively participate and carry out the Foundation's development efforts. In addition, the Development Committee will periodically review and recommend changes to the Gift Development and Acceptance Policy to the Governance Committee.

The Gift Acceptance Committee: The Gift Acceptance Committee will have primary responsibility to review proposed gift transactions referred to it. The Committee will be composed of the President and the Executive Committee of the Board.

### **B. Gift Acceptance Procedures**

The President has the overall authority to handle inquiries, negotiate with donors, assemble documentation, and retain expert technical consultants on behalf of the Foundation. The President is authorized to accept all gifts and bequests on behalf of the Foundation unless one or more of the following circumstances apply:

- a. The gift or bequest includes a restriction or suggestion regarding the Foundations use of funds that would raise legal, ethical, policy or practical concerns for the Foundation.
- b. The gift or bequest includes instructions on investment allocation of gift assets or designation of investment manager not consistent with approved policies of the Foundation; or
- c. In the judgment of the President, there are other risks or concerns that should be reviewed by the Gift Acceptance Committee.

### **C. Gift Review Process**

When the President determines that a potential gift requires further review, the President will present the terms of the gift to the Gift Acceptance Committee. Gifts requiring Gift Acceptance Committee review will be handled promptly and confidentially.

If one or more members of the Gift Acceptance Committee believes that a gift or bequest should not be accepted, or that the full Board of Directors should review it, the issue will be referred to the full Board of Directors for consideration at its next regular meeting or, if time considerations make it necessary, at a special meeting. Results of the review process will be presented to the Board of Directors at its next regularly scheduled meeting.

The President has the authority to reject a gift valued at less than \$5,000. All recommended rejections over \$5,000 require the approval of the Gift Acceptance Committee. If a gift is not accepted, the donor will be notified in writing by the staff.

Gifts requiring immediate action (e.g. gifts on December 31 or pending sale of property) may be exempted from full Gift Acceptance Committee review if, in the judgment of the President, in consultation with the Board Chairperson, that gift may be accepted without significant reservations or in any way jeopardizing the Foundation's tax exempt status.

The Chairperson may, in an emergency or for other good reason, modify the protocol set forth in this policy for a particular gift or bequest, but shall do so only after reasonable consultation with other members of the Gift Acceptance Committee and shall report the modification to the full Board of Directors at its next regular meeting.

## **GIFT REVIEW**

### **A. Criteria**

In reviewing gifts to the Foundation, the staff and Gift Acceptance Committee will consider the following criteria:

- Is there charitable intent and will the community ultimately benefit? Do any potential gift restrictions comply with Foundation policies?
- Is the gift permanent, or in the case of a non-permanent fund, how long will the fund remain with the Foundation?
- Will the property require ongoing management? What are the projected costs of managing the gift asset? Who will bear the expense? Who will bear the liability?
- Can the property be converted into an income-producing asset?
- Does the property expose the Foundation to unreasonable risk or

burden, either in terms of dollars or staff/professional time?

**Gifts that (generally) do not require special review:**

Gifts of cash, publicly traded securities or paid up life insurance policies may be accepted by the President without prior approval of the Gift Acceptance Committee.

**1. Cash**

The Foundation will accept an outright gift of cash of any amount, although gifts to establish a separate fund at the Foundation must meet the minimum funding requirements set by the Board. A donor may establish a fund in a single transaction, or agree to build to the minimum over whatever period of time is mutually acceptable to the donor and the Foundation.

**2. Publicly-traded Securities**

The Foundation will accept gifts of publicly traded stocks and bonds at fair market values as determined under Internal Revenue Service rules. In general, gifts of publicly traded securities will be sold as soon as possible, and the fund the donor established will be credited with the proceeds from the sale, after commissions and expenses, if any.

**3. Life Insurance Policies**

The Foundation will accept outright gifts of life insurance. The transfer of existing policies should be absolute with full ownership vested in the Foundation, which will have the right to surrender the policy if it so desires. The policy should have a net cash value with no outstanding loans. When applicable, the donor must agree to contribute on an annual basis the amount necessary to maintain the policy in force.

**4. Gifts of Retirement Plans or other "Income with Respect to Decedent" (IRD) Assets**

The Foundation may be named as primary, secondary, partial or contingent beneficiary of an IRA and /or retirement plan. The retirement plan administrator should be consulted to determine the proper designation protocol. The underlying assets will determine the level of gift acceptance review.

Gifts of U.S. savings bonds are generally acceptable without special review.

**Gifts that may require special review:**

The following gifts may need to be considered by the Gift Acceptance Committee, in consultation with legal counsel where appropriate, on a case-by-case basis.

**1. Tangible Personal Property**

The Foundation may accept gifts of tangible personal property. In order to claim a deduction the donor will be required to seek a qualified appraisal for gifts of \$5,000 or greater. This is discussed further in section F. "Donor Responsibility". Donors should consult with their tax advisors regarding the effect of the type of property and its tax characterization (for example, depreciated or appreciated) on the possible charitable deduction available.

The Foundation will evaluate proposed gifts of personal property on a case-by-case basis with specific consideration of the salability of the property and expenditures necessary to accept or maintain the gift. The donor will be responsible for obtaining any necessary qualified appraisal complying with IRS regulations for the property.

## **2. In-kind Gifts**

In-kind gifts may be accepted and acknowledged by the Foundation. The Foundation will not attempt to place a value on donated equipment or services. It is the donor's responsibility to verify the value on the donated goods or services, though contributions of services receive no tax deduction.

## **3. Real Estate**

The general policy regarding gifts of real estate is as follows:

- a) The real estate must have significant value in relation to the costs of holding and selling the real estate and any liability or exposure in connection with ownership of the real estate.
- b) No resale agreement may be made or signed, nor any purchaser identified, prior to the gift being made.
- c) The real estate must be considered to be marketable within a six month, or other reasonable time period.
- d) As a rule, the foundation will liquidate such assets as soon as practical and reinvest the proceeds in the appropriate fund.
- e) The Foundation will evaluate the cost of holding and/or improving the real estate against the cost of liquidating the real estate immediately.
- f) The Foundation will not accept debt encumbered real estate, unless special circumstances so warrant.
- g) The Foundation will not accept real estate located outside the U.S. unless special circumstances so warrant.
- h) The Foundation reserves the right to refuse any gift of real estate.
- i) All expenses associated with the evaluation, acquisition, retention and sale of the real estate will be paid for and accounted for by the Foundation and reimbursed to the Foundation at the time the real estate is sold, with net proceeds used to create the named fund.

## **4. Interests in Business Entities**

If the Foundation is offered a gift of a business interest, (e.g. a limited partnership interest), the Gift Acceptance Committee will consider at minimum the following: the nature of the underlying assets, the identity and reliability of the general partner, whether income flowing from the asset is unrelated business income, whether the veil of limited liability is a reliable shield from actual liability, and whether the cash flow from the asset gives the Foundation an adequate return after possible tax liabilities and assessments. The following



will also be reviewed: the partnership agreement or other organizational documents, leasing arrangements, debt obligations, tax returns, K-1's, and an exit strategy.

#### **4a. Excess Business Holdings**

The Foundation will identify and monitor any new gift to a donor advised fund of any interest qualifying as an "excess business holding" under the Pension Protection Act of 2006 (PPA). The Foundation will exercise its best effort to dispose of the contributed interest at the best possible price within five years of the date of the gift, as required under the PPA. In any event, The Foundation will dispose of any excess business holding prior to the five year time limit, except in the event that the Treasury Department grants an additional five year holding period. The Foundation will notify potential donors of such interests of this requirement prior to the contribution of such interest.

Under the Pension Protection Act of 2006 (PPA), the private foundation excess business holdings rules now apply to donor advised funds as if they were private foundations<sup>1</sup>. That is, the holdings of a donor advised fund in a business enterprise, **together with the holdings of persons who are disqualified persons with respect to that fund**, may not exceed any of the following:

- Twenty percent<sup>2</sup> of the voting stock<sup>3</sup> of an incorporated business
- Twenty percent of the profits interest of a sole proprietorship, partnership or joint venture or the beneficial interest of a trust or similar entity
- Ownership of unincorporated businesses that are not substantially related to the fund's purposes is also prohibited.
- Donor advised funds receiving gifts or interests in a business enterprise after August 17, 2006 will have five years to divest holdings that are above the permitted amount, with the possibility of an additional five years if approved by the Secretary of the Treasury. Funds that currently hold such assets will have a much longer period to divest under the same complicated transition relief be given to private foundations in 1969<sup>4</sup>.

#### **Definition of business enterprise**

A "business enterprise" is the active conduct of a trade or business, including any activity which is regularly carried on for the production of income from the sale of goods or the performance of services,. Specifically excluded from the definition are:

- Holdings that take the form of bonds or other debt instruments unless they are a disguised form of equity
- Income from dividends, interest, royalties, and from the sale of capital assets

- Income from leases unless the income would be taxed as unrelated business income
- “Functionally-related” business and program-related investments
- Businesses that derive at least 95 percent of their income from passive sources (dividends, interest, rent, royalties, capital gains) Gifts of interests in many but not all family limited partnerships, and other types of holding company arrangements may fall within this exception.

### **Definition of disqualified person**

Donors and persons appointed or designated by donors are disqualified persons if they have (or reasonably expect to have) advisory privileges with respect to the donor-advised fund by virtue of their status as donors. Members of donors’ and advisors’ families are also disqualified, but the section does not define “family” and does not cross-reference either section 4958 or 4946 for the definition. Finally, the term includes 35-percent-controlled entities as defined in section 4958(f)(3).

*<sup>1</sup> The language is clear that it is only the donor advised fund – not the sponsoring charity – that is to be treated as a private foundation. Accordingly, it appears that this section does not apply to assets held by the sponsoring charity’s investment pools, or assets held by funds that are not donor advised.*

*<sup>2</sup>Thirty-five percent if it can be shown that persons who are not disqualified persons have effective control of the business.*

*<sup>3</sup>Additionally, the donor advised fund will be barred from holding non-voting stock of an incorporated business unless the disqualified persons collectively own less than 20 percent of the voting stock. Under the de minimus rule, the donor-advised fund could continue to hold an interest that did not exceed two percent of the voting stock and two percent of the value. Additional rules apply to cover situations such as mergers, redemptions and acquisitions.*

*<sup>4</sup>Excess holdings acquired by purchase must be disposed of immediately. If purchases by disqualified persons cause the donor advised fund to have excess holdings, they have 90 days to dispose of the excess.*

### **5. Bargain sales**

A “bargain sale” is a sale of property to the Foundation for an amount less than the property’s current fair market value.

### **6. Life Estate Arrangements**

A donor may contribute a personal residence, vacation home, farm, etc., to the Foundation and retain the right to occupy the property until death. Upon the donor’s death, the Foundation will own the entire interest in the property. Such gifts will be subject to the same rules governing other gifts of real estate.

## **DONOR RECOGNITION, STEWARDSHIP AND GIFT ACKNOWLEDGEMENT**

The Foundation recognizes the paramount role of donors as partners with the Foundation in achieving its charitable purposes. In carrying out the Foundation's development program, the staff and Board of Directors will recognize and acknowledge donors in appropriate ways both publicly and privately, subject to the confidentiality provisions outlined below. The Foundation will inform donors and other interested parties of gifts to and grants from named funds.

All gifts to the Foundation will be acknowledged and receipted in writing in a timely fashion and in accordance with then current IRS law. The Foundation will provide donors with periodic written reports regarding the fund's activities as may be appropriate or required, including market value and information necessary to the donor for preparing federal and state tax returns.

### **A. "Distributable" Gifts**

The Foundation permits donors establishing a fund (both endowed and non-endowed) to designate part of their initial gift over the stated minimums to be distributable. For endowed funds the maximum amount distributable is determined by the Foundation's *Spending Policy* then in effect. The money designated as distributable may be awarded as a grant after the fund is established (even prior to the fund being invested for four quarters). Donors may earmark subsequent gifts to the fund as distributable as well.

### **B. Confidentiality and Anonymity**

All agreements with donors and all information concerning donors and prospective donors will be held in strict confidence by the Foundation, subject to legally authorized and enforceable requests for information by government agencies and courts. No employee of the Foundation will provide any information in response to a subpoena or other form of request without consulting legal counsel to the Foundation.

All other requests for or releases of information concerning a donor will be honored or allowed only if permission is obtained from the donor prior to the release of such information.

All staff and volunteers of the Foundation must abide by the Foundation's *Confidentiality Policy*. In this policy is an agreement not to release, sell or license any information in its database without the donor's consent.

A donor's expressed wishes for public anonymity will be respected. Internally, only those staff members with a need to know for legal, processing or other substantive reasons will have access to the donor's name or details of the gift.

### **C. Foundation's Legal Counsel**

The Foundation will seek the advice of legal counsel when appropriate in matters pertaining to its development program. All agreements, contracts and other legal documents relating to the development program will be reviewed by legal counsel prior to execution or use, with the exception of standard form

documents described below.

#### **D. Standard Forms**

For administrative ease and convenience, the Foundation will develop standard fund agreements and other documents relating to the Foundation's development program as deemed appropriate. The standard forms will be updated and revised as needed. The Foundation will provide standard grant recommendation forms to a prospective donor and the donor's advisors upon request and encourage their use whenever practical.

#### **E. Donor's Counsel**

The foundation's staff will encourage each prospective donor to seek professional advice when considering a gift to the Foundation and to have the terms of all proposed agreements reviewed by the donor's own legal and/or financial advisors.

#### **F. Donor's Responsibility**

The Foundation will advise donors that it is the donor's responsibility to obtain and pay for any necessary appraisals, to file appropriate tax returns, and to defend against any challenges to claims for tax benefits. The Foundation will also advise the donor that there are no representations or indemnities with regard to the income, estate, or gift tax consequences of any gift to the Foundation.

Additionally, when the value of a gift of property (other than cash or publicly traded stock) is over \$500, Donors should file I.R.S. Form 8283 with the I.R.S.

It is the donor's responsibility to provide an appraisal of all property (except cash and publicly-traded securities) with a value of \$5,000 or over to support a charitable deduction [Reg. Sec. 1.170A-13(c)(i)(i)]. The appraisal must be done either within 60 days of the date of the gift or any time prior to the due date (or extended due date) of the income tax return.

If it receives property valued at over \$5000 (or \$10,000 in the case of non-publicly traded stock), the Foundation will, upon request, sign a copy of the appraisal report (Form 8283) which the donor attaches to his/her income tax return. The Foundation is certifying receipt of the gift but not necessarily agreeing with the value.

The foundation will file I.R.S. form 8282 (Donee Information Return) with the I.R.S. and send a copy to the donor if the Foundation sells the gifted property within two years of receipt. I.R.C. sec, 6050L (a).

In the event that the Foundation agrees to incur any costs related to the acceptance of donated property (including but not limited to appraisals, surveys, shipping, storage, repair, sale, etc.), all such costs will be expensed against the value obtained for the item prior to either the inclusion of the gift in the Foundation's endowment or the establishment of a component fund as agreed to with the donor.

## **G. Integrity of the Foundation's Activities**

Foundation staff and Board members:

- Cannot benefit personally from fees related to gifts received;
- Cannot participate in any activity which could be deemed a conflict of interest;
- Shall not pay a finders fee or other private inurements to anyone as a result of such person's involvement in acquiring gifts for the Foundation.

Programs, trusts, contracts or commitments that would benefit the Foundation at the expense of the donor's interests will not be urged upon any donor. To ensure donor's desires are accomplished, all efforts will be made to solidify those desires through meetings and appropriate documentation.

## **H. Promotion and Public Education**

Foundation staff will establish appropriate ongoing programs and systems for educating and informing donors and prospective donors about the Foundation, its mission, activities and the community's charitable needs.

## **I. Material Restrictions**

The Foundation reserves the right to refuse any gift that it believes is not in the best interests of the Foundation. In conformity with Treasury Department regulations governing community foundations, gifts to the Foundation may not be directly or indirectly subjected by a donor to any material restriction or condition that prevents the Foundation from freely and effectively employing the transferred assets or the income derived there from, in furtherance of its exempt purposes.

# **INVESTMENT OF GIFTS**

## **A. General**

It is the preference of the Foundation that, to the extent feasible, assets from current and future gifts will be commingled with other assets of the Foundation for investment purposes. All investments shall be selected in conformance with the *Investment Policy* established and approved by the Foundation Board of Directors. The Investment Committee of the Foundation oversees the investment of all Foundation assets and reports to the Board of Directors.

## **B. Gifts are Irrevocable**

All gifts to the Foundation are irrevocable. Once transferred to the Foundation, these gifts become the property of the Foundation

## **C. Trust and Corporate Entities**

The Foundation exists in two forms: 1) as a trust, and 2) as a not-for-profit corporation. The investment, grant-making, and administrative policies and practices of both forms are identical, and the Board governs both forms.

There is, however, a difference between the two forms relative to fiduciary responsibility.

In the trust form, the Foundation's trustee banks are the fiduciaries and in that capacity also serve as custodian and investment manager of funds in the trust. Donors may choose to place a fund in trust form.

The Foundation's Board of Director's is the fiduciary for funds held by it in corporate form. The Foundation selects investment managers for the assets held in corporate form.

The Foundation has an *Investment Policy* and *Spending Policy*, as well as an asset allocation plan for both trust and corporate assets. It closely monitors investments of all assets. All gifts to the Foundation, unless otherwise specified, are established in corporate form.

#### **D. Separate Investment of Fund Assets**

Donors who establish funds in the Foundation give up all right, title, and interest to the assets transferred and such gifts may contain no material restriction that would prevent the fund from being considered as a component fund of the Foundation under Internal Revenue Service rules. In particular, donors give up the right to choose investments and investment brokers or to veto investment choices for their gifts.

According to the Foundation's Policy for *Donor Recommended Investments* the Foundation will consider requests from donors for the separate investment of specific fund assets, or for retaining or engaging a particular investment broker or agent, and will consult with donors of such funds, only when circumstances warrant it. The Foundation may apply additional administrative fees to separately invested fund assets to cover any additional expenses associated with such investment.

## **DONOR-INITIATED FUND RAISING**

People interested in organizing an event intended to encourage gifts to a fund at the Foundation fund must consult with the President or his designee prior to proceeding with the event. Interested parties will be furnished with a copy of the Foundation's *Fundraising Policy*. This policy is intended to establish procedures governing these events.

Specifically, organizers must:

1. Submit a proposed event budget and event plan and be willing to furnish proof of insurance coverage for the event prior to the Foundation's approval.
2. Furnish proof of compliance with the registration or exemption requirements of the Connecticut Charitable Solicitation Act.
3. Obtain Foundation approval for any publicity and promotional materials for the event (materials should make clear that funds are being raised on behalf of rather than by the Foundation).

Prior to the event, the fund-raising group and the Foundation must agree to a plan as to how expenses will be paid. The procedures for a fundraising plan are outlined as part of the Foundation's *Fundraising Policy*.

In all cases the fund-raising group will be responsible for any and all fund-raising losses. The Foundation will not lend its name or that of any of its funds to the following activities:

- Casino nights, raffles or events that use professional fund raising solicitations which involve registration with the State of Connecticut.
- Events that involve political speakers or lobbying.
- Events that take place over a period of time that exceed 1 day. Travel programs.
- Activities involving sales of goods or personal property involving payment of sales tax or where the Foundation must determine market values.

## **UNRESTRICTED AND RESTRICTED GIFTS**

### **A. Unrestricted Gifts**

An unrestricted gift is not restricted to a fund or for a particular purpose by the donor. These gifts may be used for current operations and community leadership needs.

When an unrestricted gift comes at the death of a donor, the gift will be used as follows:

- If below \$10,000, it will be added, in the donor's name, to the Foundation's General Fund for operational expenses and community leadership programs.
- If between \$10,000 and \$50,000 it will be added, in the donor's name, to the Northwest Connecticut Philanthropy Fund, an unrestricted grant fund where small donations are pooled for general use by the Board of Directors.
- If over \$50,000 the Foundation will establish an endowed Discretionary Fund (unrestricted) in the donor's name with the full amount.

### **B. Restricted Gifts**

A restricted gift has restrictions as to the use of the gift. The Foundation will accept gifts restricted by the donor for special use if that use is consistent with the mission and plans of the Foundation. The Foundation reserves the right to refuse a restricted gift deemed unusable or impractical by the Gift Acceptance Committee.

## PLANNED GIVING PROGRAM GUIDELINES

### A. Introduction

Gifts to the Foundation take a variety of forms. Many are outright gifts by living donors either on a one-time or periodic basis. Others are testamentary gifts that take effect upon a donor's death. Some are other forms of deferred or split-interest gifts.

*Current Gift:* A donor transferring money or property to the Foundation without receiving consideration or economic benefit. The donor retains no control over the money or property transferred to the Foundation.

*Deferred Gift:* A donor transfers an irrevocable gift to the Foundation. The donor generally retains either an income stream or a remainder interest in compliance with stipulations in the Internal Revenue Code.

Donors planning to name the Foundation as a beneficiary are always encouraged to speak with the Development staff before finalizing their plans. This helps to assure the donor that the Foundation can accomplish the donor's charitable goals and that these goals are clearly described in accompanying documentation.

### B. Authorization

The Board of Directors of the Foundation, in furtherance of the charitable purposes of the Foundation, has authorized the Foundation's staff to conduct and administer a planned giving program for the Foundation, and to act as its representative for this purpose within the limits set forth in this Policy.

### C. Purpose

The purpose of the Foundation's planned giving program is to further the Foundation's charitable purpose and mission by maximizing financial support for the Foundation and other charities. Such financial support may be in form of current gifts, bequests, or deferred gifts. Specifically, the program seeks to: (1) help donors meet their charitable goals by making planned gifts tailored to suit their individual circumstances; (2) encourage planned gifts to the Foundation that benefit the Foundation and/or other charities, in our community; and (3) increase the permanent endowment funds of the Foundation, thereby providing a growing charitable resource for future generations in our community.

## Planned Gifts

The following planned giving arrangements are available to donors and should be established through consultation with their professional advisors.

### 1. Charitable Remainder Unitrust

Under the Charitable Remainder Trust, the donor irrevocably transfers money, securities or other property to a trustee selected by the donor. The trustee pays the donor (or one or more income beneficiaries designated by the donor) a fixed percentage of the net fair market value of the trust's assets, as determined



each year. The donor determines the assets used to fund the remainder trust and the payout percentage. The payments are made for the life or lives of one or more income beneficiaries or for a fixed period of time not to exceed twenty years. Upon termination of the income beneficiary's interest, the assets of the unitrust (or a portion thereof) are transferred to the Foundation.

## **2. Charitable Remainder Annuity Trust**

Charitable Remainder Annuity Trust is similar to a unitrust, except that the income beneficiary receives a fixed dollar amount annually from the trust based on the value of the trust assets as of the date of the creation of the trust. The donor determines the assets used to fund the remainder trust and the annual payout amount.

## **3. Charitable Lead Trust**

The charitable lead trust is used both for lifetime charitable giving and for charitable bequests. It is often part of a plan for transfer of the remainder to the younger generation of family members. Under a charitable lead trust, the Foundation is given an income interest in the trust assets for a period of years or the lives of one or more individuals, at the end of which time the assets of the trust are distributed to non-charitable beneficiaries designated by the donor. The donor and his/her legal or financial advisor select assets used to fund a lead trust.

## **4. Charitable Gift Annuity Program**

Under a charitable gift annuity ("CGA"), a donor irrevocably transfers property to the Foundation in exchange for a commitment by the Foundation to pay the donor, or beneficiaries (maximum of two) designated by the donor, a specified amount each year for the life or lives of designated beneficiaries. Upon termination of the income beneficiary's interest, the remainder interest in the property is transferred to the Foundation for uses specified by the donor at the time the gift is made.

The Foundation's obligation to make gift annuity payments is considered to be a general obligation of the Foundation, and thus all of the Foundation's assets are potentially available to make such payments. Unlike charitable remainder unitrusts and annuity trusts the assets are not held in a separate trust. The Foundation generally uses gift annuity rates as recommended by the American Council on Gift Annuities.

Only gifts of cash or stock may be used to fund a charitable gift annuity. The minimum contribution required is \$25,000 and additional contributions to annuities are not allowed. Instead, a donor may establish additional new annuities. Annuitants must be 55 years of age or older.

The Foundation offers deferred CGAs to persons at least 40 years of age at the time the contract is signed. With deferred CGAs, the Foundation will accept a minimum gift of \$10,000 if the nonprofit beneficiary is the Foundation. For all other contracts benefiting other nonprofit organizations, a \$50,000 minimum is required.

## **5. Gifts by Will (bequests)**

Bequests will be applied for the charitable purpose requested by the donor, as long as those requests are reasonable and promote the broad mission of the Foundation.

## **Planned Gift Considerations**

### **A. Disclosure to Donor in the Donor's Interests**

The Foundation's staff will discuss with a prospective donor the benefits and liabilities that could reasonably be expected to influence the donor's decision to make a planned gift to the Foundation. In particular, the donor should be advised that all gifts other than testamentary gifts are irrevocable. Items subject to variability (such as market value, investment return and amount of income payments) should be discussed fully.

Donors will be urged to check with their own legal and financial advisors before making an intervivos or a testamentary charitable gift or creating a life income plan. They should review charitable gifts with their legal and financial advisors due to the complexity of such transactions and the appropriateness of a charitable gift according to each person's particular situation. If a donor requests advice on tax or estate planning issues, the Foundation staff may provide names of at least three (3) estate/tax planning attorneys practicing in the Foundation's service area.

### **B. The Foundation as Trustee**

The Foundation may serve as trustee of charitable remainder trusts, charitable lead trusts, or other trust arrangements. The foundation will encourage that the donor seek advice and guidance from a professional advisor as well as other personal or professional trustees. The donor of a gift to the Foundation involving the creation of a trust has the right to select the trustee of the trust. No staff member of the Foundation may knowingly serve as trustee, conservator or executor of a charitable trust involving the Foundation for a donor or prospective donor without the express permission of the Foundation Board of Directors.

### **C. Conflicts of Interest**

The staff of the Foundation will avoid personal conflicts of interest with respect to the planned giving program. No staff member shall receive a commission for planned gifts (or any gift).

### **D. Records**

Administrative records will conform to all applicable state and federal law.

### **E. Distribution of Proceeds**

When the planned gift is established, donors may specify one or more funds to receive the proceeds of deferred gift arrangements when the gift matures. These proceeds will be transferred into the funds specified at the Foundation for the purpose specified by the donor.

**F. Investment of Planned Gifts**

**1. General**

All investments for the Foundation’s planned giving program will be selected in conformance with the *Investment Policy* established by the Foundation in effect at the time the investment is made.

Donors who establish charitable gift annuities, pooled income funds, and charitable gifts by will or trust with the Foundation give up the right to choose investments and investment brokers or to veto investment choices for the gift and will be so informed.

**2. Reports**

The Foundation will provide charitable gift annuity donors with periodic written reports regarding the donor’s charitable gift annuity that may be appropriate or required, including any and all information the Foundation possesses that is necessary to donors for preparing their federal and state tax returns.

**G. The Fyler Society**

The Fyler Society was established to formally recognize those individuals who have indicated that they will support the foundation through a planned future gift.

The Fyler Society is intended to promote good will and partnerships in philanthropy. The Foundation does not require written or signed verification of a person’s plan for a future gift in order for the person to qualify as a member of the Society.

Upon request, those in the Fyler Society may be listed as anonymous. All specific information regarding amounts of designations of endowment gifts will be kept in confidence unless permission is obtained from the donor or his or her executor/trix to release this information.

*Reapproved by corporate action of the Board of Directors on May 28th 2013*

Original signed by William Harding

5/28/2013

Board Chairperson

Date

Original signed by Guy Rovezzi

5/28/2013

President/CEO

Date