



Zack's Place Enrichment Center, Inc.

Gift Acceptance Policy and Procedures

Prepared by the Zack's Place Sustainability/Finance Committee: August 2018

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Mission

The mission of Zack's Place is to provide a safe, free, weekday setting where individuals of all ages with special needs are free to explore art, cultural, fitness, and educational programs while developing friendships. Our programs engage participants with the instructors, each other, and the community at large while instilling a sense of confidence and citizenship. Our participants are vital and talented individuals with much to offer. Our programs give them opportunities to contribute to and benefit from the community.

Purpose

The purpose of this policy is to provide guidance to the Zack's Place Enrichment Center, Inc. (ZP) Board of Directors, its staff, volunteers and donors in soliciting and donating current and deferred gifts to further and fulfill the ZP mission. It is intended to:

- Define the difference among gift types,
- Outline the different ways that donors may give to ZP,
- Govern the acceptance and recognition of gifts, and
- Provide guidance to ZP's board members and volunteers who solicit on behalf of ZP.

These policies apply to all charitable gifts received by ZP.

Gift Definition

A gift is defined as a voluntary transfer of assets from a person or organization to ZP. Gifts usually take the form of cash, securities, real estate, or personal property. ZP may accept or decline any gift. The following criteria generally identify a gift:

- A. A gift is motivated by charitable intent.
- B. Gifts are irrevocable transfers of assets.
- C. Gifts are not generally subject to an exchange of materials or contractual duties between ZP and the donor, except for certain split-interest gifts as set out in this Policy.
- D. Generally, funds received from individuals, closely held corporations, and family foundations will be classified as gifts. Funds received from corporations, corporate foundations, and major foundations will be classified as gifts unless the grant requires performance or other consideration.
- E. A gift is completed when it leaves the donor's control and has been accepted by ZP, or in the case of securities or mutual funds, when deposited into ZP's account. All legal documents, if necessary, should be received by ZP, before acceptance is final.
- F. If the donor received benefits in return for the contribution, the amount of the gift recorded and reported is reduced by the fair market value of all benefits given, according to the US Internal Revenue Service regulations. ZP has no obligation to report to the donor how the gift is used or invested, but may choose to provide such a report as part of donor stewardship.

Finance – Accounting

ZP accounts for all gifts in its financial statements in accordance with generally accepted accounting principles (GAAP). Gifts are identified and recorded as with or without donor stipulations. The same reporting classifications are recorded in ZP donor database.

Executive Director Counting and Reporting

“Counting” and “reporting” are terms used by ZP to refer to the Executive Director’s tracking current gifts, deferred gifts and pledges received during a specific period and used towards a specific fundraising goal. The intent of counting and reporting is to reflect the total impact of fundraising efforts by representing all current gifts, and pledges at their face value and deferred gifts dependent on valuation standards.

Physical Acceptance of Funds

ZP Executive Director serves as the central receiving, acknowledging, recording and reporting office for all ZP gifts. Donor records are maintained exclusively in this office. When a ZP staff or board member receives a check, cash, or other currency it is the responsibility of that staff member to deliver the funds to said office as soon as possible.

Legal Counsel

ZP shall seek the advice of legal counsel in matters relating to the acceptance of gifts when appropriate.

All prospective donors shall be strongly urged to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and/or estate planning consequences.

At no time should any ZP staff member or volunteer involved in solicitation serve as a professional legal, tax, or financial advisor to a donor or prospect in matters relating to a gift.

Conflicts of Interest

When soliciting or procuring gifts for ZP, board members, staff and volunteers are under obligation to disclose any conflict of interest – or potential conflict of interest – to ZP at any time when he or she becomes aware of it. In determining whether a potential conflict of interest exists, the fact that the situation could subject ZP to criticism, embarrassment, or litigation should be considered and discussed with the President of the Board or the Gift Acceptance Committee (described below).

Individuals shall at all times act in a manner consistent with his or her responsibilities to ZP and shall exercise due care to avoid situations that create conflict between his or her private interests and those of ZP.

Ethical Considerations

ZP is committed to ethical engagement. All solicitations on behalf of ZP shall comport with the standards in the *Donor Bill of Rights*, see Appendix A.

Privacy and Confidentiality

ZP adheres to the highest standards of privacy and confidentiality in regards to ZP donors. Unauthorized use of any information in files whether in print or electronic format that are maintained, stored or processed by ZP is not permitted. All information received from prospects and donors regarding their assets, heirs, gifts, advisors and other personal information shall remain strictly confidential, with only those staff members and volunteers with a “need to know” having access to such information. ZP on occasion, may request permission from a donor to use his/her name or personal information to assist the ZP in its ongoing development efforts.

ZP providers and staff are not permitted to seek personal benefit from any confidential information that has come

to them by virtue of their work assignment, nor are they permitted to exhibit or divulge the contents of any records to any person except in the conduct of their work assignment.

ZP never knowingly includes or causes to be included in a record or report a false, inaccurate, or misleading entry. Requests for anonymity are honored as are requests concerning solicitation.

Role of ZP Board of Directors – No Compensation

The primary role of the ZP Board of Directors is to inform, serve, guide and assist prospects and donors in reaching their philanthropic goals. They shall never be compensated with a commission on such gifts.

Gift Acceptance

If ZP receives a complex or out of the ordinary gift, the Sustainability/Finance Committee will review the gift to determine the logistics of the gift and whether or not to accept it. Members of the Committee may consult with others as appropriate (member would recuse themselves if there is a conflict of interest). Professionals may also be added to the team as needed for this purpose.

This group may convene to:

- Review complex gifts to ensure compliance with all legal and financial standards.
- Ensure that the proposed gift will not unduly restrict ZP if accepted.
- Review any gift that requires the use of ZP resources to either accept or maintain.
- Permit flexibility in the application of the Gift Acceptance Policy and Procedures.
- Approve certain naming and other special recognition decisions.

Unique gifts requiring review include but are not limited to:

- Any security with sale restrictions or stipulations.
- Any gift of real property, regardless of its estimated fair market value.
- Any trust where ZP is named Trustee.
- Any gift that is a non-cash asset that cannot be readily liquidated.
- Any gift or challenge grant that will require an outlay of ZP resources to accept, maintain, or provide any exposure or liability.
- Disposition of Auction Items

Gift Designation

In order to insure the most flexibility, ZP recommends unrestricted giving; however, donors may indicate a preference for a specific project or program they would like to support.

If a donor chooses to make a restricted gift, the gift must first be approved by the Sustainability/Finance Committee to determine whether or not the gift fits the mission of ZP and will be sustainable beyond the donated gift. In addition, if conditions or circumstances have changed making the use or investment incapable of fulfillment or inconsistent with the mission of ZP, the Board of Directors may, by affirmative vote of a majority thereof, order that a use or application of the whole or any part of the principal or income of the gift, be applied to more effectively serve the charitable purposes of ZP in a manner as to most closely approximate the original purposes of the gift. No such action of the Board of Directors shall require the approval of any investment manager or agent of the fund in which the gift may be held or invested. .

If the donor does not designate what the gift is for, the gift will be considered unrestricted. In cases where the gift is \$25,000 or more, the allocation of the gift will be reviewed by the Sustainability/Finance Committee as to where the gift will be allocated and they will make their recommendation to the Board of Directors for review and approval. The gift will be placed in ZP Operating Budget in the respective fiscal year unless otherwise earmarked by the Sustainability/Finance Committee. All gifts made to ZP Annual Fund, unless otherwise noted, are unrestricted and go into ZP operating budget.

Donor Stewardship

Donor relations are the comprehensive effort of ZP to ensure that donors experience high-quality interactions with ZP that foster long-term engagement and investment. When a donor invests in ZP generally the gift should be acknowledged by the Executive Director with a letter acknowledging the gift as well as tax receipt where appropriate.

In addition, for donors of unique gifts or in excess of \$500, the Executive Director will not only provide the donor with the above described letters, but a Board member volunteer will phone the donor personally to thank the donor for the gift. The Executive Director will maintain a report of such gifts for review by the Board at regular board meetings every three months with the purpose of maintaining and nurturing the donor relationship. The Executive Director shall also report in a letter to the donor, at a minimum on a yearly basis, on fund utilization and the impact of the gift on ZP mission. This letter will state the original purpose of gift and agreement to follow up with a report on an annual basis.

Executive Director Financial Controls

- Pledges and gifts are received face to face, through the mail or online.
- Pledges and gifts are entered into our accounting system depending on volume, every one to three days.
- Once entered, checks are photocopied and the original is retained in the Executive Director's office with a copy going to the Accounting office. Copies of each gift or pledge are attached to deposit reports.
- At the end of each month, monthly reports are produced to reflect the gifts pledged and received during the month. Copies of these reports are found in the Executive Director's and Accounting offices.

Accounting Financial Controls

- The Accounting office receives the deposits from the Executive Director and records the deposit in the ZP accounting system.
- Utilizing the ZP donor database, the Accounting office posts the deposit to each specific fund.
- The Executive Director takes the deposit to the bank.
- At the end of each month, Accounting will post the activity into the ZP donor database in the ZP accounting system. Once the activity has been posted, the donor database end of the month report is tied back to the ZP accounting system.
- If a discrepancy is found between the ZP accounting system and the ZP donor database, the Executive Director will work collaboratively with the Accounting office to review the original copies of the gifts.

Outright Gifts

Types of Assets which can be used for Gifts

1) Cash

- a) Cash and checks may be accepted regardless of the amount. The value of any cash or check gift is its face value. Checks should be made payable to Zack's Place, and sent to:

Zack's Place Enrichment Center, Inc.
P O Box 634
Woodstock, VT 05091

- b) Checks dedicated to the Sustainability Campaign can be made payable as above, or made payable to:

Merrill Lynch FBO Zack's Place Enrichment Center, Inc.
Account # 71E-02077
Mailed to:
The SWP Group, at Merrill Lynch
63 South Main Street, Hanover, NH 03755

- c) Funds dedicated to the Sustainability Campaign may be wire transferred to ZP from donors' bank accounts. Donors should consult a representative of their financial institution to make contributions via wire transfer. Donors should also notify the Executive Director when such transfers are initiated to ensure appropriate and timely gift acknowledgement and proper gift credit.

Federal Fund Wire Instructions

ABA Number: 026009593
Bank: Bank of America
For Credit to: Merrill Lynch
Beneficiary Account: 6550113516
For Further Credit To: 71E-02077
Account/Customer Name: Zack's Place Enrichment Center, Inc.

- d) Credit Card Contributions can be made online, through ZP website: www/zacksplacevt.org
- e) Donors can also phone or visit ZP Executive Director at 802 457 5868 for credit card donations. There is no minimum amount for individual donors making credit card contributions.

A tax receipt for the cash value of the gift will be sent to the donor. All receipts contain the date the gift was processed by the Executive Director, the amount of the gift, the purpose of the gift and a statement as to whether any goods or services were provided in exchange for the gift.

Cash, check and credit card gifts are counted at face value on the date ZP processed the gift. The date on which ZP processes a cash, check or credit card gift is not necessarily the date used for the donor's IRS purposes. It is the responsibility of each donor to maintain an accurate record of the gift dates. Donors should not rely on ZP gift receipts for such proof.

2) Pledges

A pledge is a legally enforceable written agreement to contribute cash or other assets to ZP. Pledges must be fulfilled by the individual or legal representative of the entity that made the pledge. The pledge agreement

must be signed by a Board member or the Executive Director and the donor making the pledge and must contain the pledge amount, term of payment and purpose of the commitment. Generally, pledges should not exceed two years except in exceptional circumstances.

Acknowledgment of the pledge is sent to the legal entity making the commitment. Since no gift has been transferred, no tax language is included in the acknowledgement. Pledge reminders are usually sent two times a year to all donors with open commitments, whether the donor is delinquent or not. The pledge reminders include:

Date of pledge	Original pledge amount	Fund
Fund	Date of next payment due	Pledge balance

Pledges will be counted at the face value of the pledge. For multi-year pledges, this is the full value of the pledge and not the value for the single year.

3) **Securities**

Securities that are actively traded on recognized stock exchanges and other readily marketable securities may be accepted as gifts by ZP, according to the policies described below. ZP brokerage account professionals shall determine whether the stocks shall be immediately sold or added to the portfolio. This decision shall be based on ZP investment policy guidelines and whether the addition compliments the existing portfolio holdings. For donors making a contribution through the use of securities, please notify ZP Executive Director to insure appropriate and timely gift acceptance and proper gift credit.

a) **Publicly Traded Securities**

The value of a gift of securities is the mean (average) of the high and low of the stock(s) or bond(s) on the day the securities are transferred by the donor to ZP broker. ZP should be notified in advance of the securities being transferred; the number of shares, the intended gift date, and the intended designation of the gift, if any. Publicly Traded Securities may also be donated to ZP utilizing the ZP web site donor page which can be found at: zacksplacevt.org.

Donation of Securities via electronic stock delivery is the recommended method of giving. DTC eligible securities may be wired directly to ZP brokerage account as follows:

DTC Eligible Securities:

DTC Clearing Number 0015
FBO Zack's Place Enrichment Center, Inc.
Account # 503-013535-026

If you have questions, contact information for said securities follows:

Merrill Lynch
63 South Main Street
Hanover, NH 03755
Contact: Ryan R. Longfield, Financial Advisor
Phone: 603-653-5122 or toll free 800-581-3343.

b) **Closely Held or Restricted Securities.**

Closely held or restricted securities may be accepted only after prior review and approval by the Sustainability/Finance Committee. The Committee must determine that there are no adverse tax

implications for ZP if the gift is accepted. The following documentation must be provided to the Sustainability/Finance Committee before a gift of closely held securities will be considered for acceptance:

- i. copies of any shareholder buy/sell agreements,
- ii. copies of transfer restrictions on the transfer contained in the bylaws and/or reflected on the stock certificates.

Donors are advised to consult their own counsel and IRS Publication 561, which describes the protocol in detail, including the procedures for appraisers and the contents of appraisals, in establishing the value of their gift for tax purposes. ZP would appreciate a copy of any appraisal which is made of the gift property.

c) Privately Traded Stock.

A gift of private stock is a charitable gift to ZP for which there exists no market on a stock exchange, over-the-counter market, or otherwise. Gift acceptance considerations include:

- Can the stock be liquidated immediately?
- Are there any conditions that prohibit the disposal of the stock?
- Is the gift credit the donor will receive consistent with his or her intentions?

All gifts of privately traded stock must be evidenced by a stock certificate. If the security is determined to have stipulations or a restriction regarding the disposal of the stock or the gift is \$5,000 or more, the Sustainability/Finance Committee must approve the gift. The Sustainability/Finance Committee together with ZP Investment Adviser (or other reliable source) will establish a valuation method for the securities and will liquidate the stock. It is the policy of ZP to sell all securities upon receipt and identification of the donor. ZP Broker will notify the Executive Director of the valuation. Gifts of securities are entered in ZP donor database once the stock is sold.

Gifts of privately traded stock that exceed \$10,000 in fair market value are reported at the fair market value placed on them by a qualified independent appraiser and as recorded on IRS Form 8283. Privately traded stock that is expected to be \$10,000 or less will be valued at the per share cash purchase of the most recent transaction or by another method at the discretion of the Sustainability/Finance Committee.

d) Mutual Fund Shares and Bonds

Mutual fund shares may be accepted by ZP and are most easily given through a wire transfer as with publically traded securities. The Executive Director should be notified in advance of the mutual funds or bonds being transferred, the number of funds or bonds, the intended gift date, and the intended designation of the gift.

Mutual Funds and Bonds may be wired directly to ZP brokerage account utilizing the information contained in item a) above titled "Publicly Traded Securities". Mutual Fund Shares or bonds may also be donated utilizing the ZP web site donor page at www.zacksplacevt.org.

The fair market value of mutual fund shares will be determined by the public redemption price of the shares on the date of the gift to ZP account. If such a price is not readily available, then the value shall be determined as if the shares were non-publicly traded securities in accordance with IRS Publication 561.

e) Limited Partnerships

ZP can receive limited partnerships if publically traded. Non-publically traded limited partnerships are subject to approval by the Sustainability/Finance Committee which must determine that there are no sale restrictions, that the partnership is marketable, and that there are no adverse tax implications for ZP if the gift is accepted. ZP should be notified in advance of the limited partnerships being transferred, the intended

gift date, and the intended designation of the gift.

Limited Partnerships may be wired directly to ZP brokerage account.

4) Gifts of Real Estate

Gifts of real estate are accepted only after careful review of all facts and determination by the Sustainability/Finance Committee that the property is suitable and has market value. ZP reserves the right to accept or decline any gift of real estate that is offered.

Acceptance Criteria

To be considered acceptable, potential gifts of real estate should meet the following criteria:

- a. Be of sufficient value so that ZP will ultimately realize significant benefit from the gift, considering legal, administrative, and other costs likely to be incurred by ZP in accepting and sale of the real estate;
- b. Be readily marketable at or close to the appraised value; and
- c. Be free from any liens, loans or other special conditions that would place ZP in a position of incurring significant potential additional expense, risk or liability, or which would restrict ZP ability to use the property in any manner ZP determines best for furthering the purposes of ZP, or which would place undue burdens on ZP in maintaining the gift prior to sale.

Required Documentation

Documentation must be provided to the Sustainability/Finance Committee before a gift of real estate will be considered. The Sustainability/Finance Committee may require some or all of the following information in order to consider acceptance of a gift of real estate:

- a. A title insurance commitment showing marketable title in the donor's name, free and clear of unacceptable encumbrances, issued by a title insurance company;
- b. A qualified appraisal (see additional comments below);
- c. A phase one environmental audit by a qualified engineer indicating that ownership will not expose ZP to environmental liabilities;
- d. A market feasibility study for the property;
- e. ALTA (American Land Title Association) survey of the property by a registered land surveyor;
- f. Evidence of compliance with Americans with Disabilities Act (when applicable);
- g. A structural engineering report (when applicable);
- h. A review of any leases and corresponding documents including but not limited to proof of tenant's insurance;
- i. A disclosure statement for residential property (when applicable) including any mineral, oil or gas rights.

It is the responsibility of the donor to pay all costs incurred in transfer of the property, including the cost of compliance with any of ZP requirements outlined above.

Gifts of real estate initially offered after December 1 of any year may or may not be accepted in that calendar year. Donors need to be aware of the time constraints for such gifts when they are proposed. A gift of real property will not be considered complete until all legal documents necessary to transfer the title to ZP have been recorded.

Bargain Sales (including mortgaged property)

A bargain sale is a sale of property to ZP for an amount less than the property's current fair market value as determined by a recent, qualified appraisal. The excess of the value over the sales price generally represents a contribution to ZP.

ZP prefers that the purchase price always be less than 50% of the total fair market value. All bargain sales must be reviewed and approved by the Board of Directors after initial review by the Sustainability/Finance Committee.

d. Tangible Personal Property (accepted with intent to sell)

Gifts of personal property items such as cars, boats, paintings, computers, books, and similar items are acceptable if they can be converted to cash. Donors are alerted that for personal property items which cannot be used by ZP to further its charitable mission, the donor's tax deduction may be limited to cost basis.

Gifts of tangible property may be given outright or may be left to ZP through a donor's will. ZP reserves the right to accept or to decline any gift of tangible personal property. Donors should know that gifts of tangible personal property will not be considered complete until they include written documentation of the gift to ZP. In most instances, donors must obtain an independent qualified appraisal of donated items in order to claim an income tax deduction on Form 8283; however, if the donor is claiming the value of the gift is valued at \$5,000 or more, the donor must prove same in order to claim an income tax deduction on Form 8283. These appraisals are the responsibility of the donor and will not be paid for by ZP. ZP would appreciate a copy of the donor's appraisal to help it value the gift for the donor's giving record and for any subsequent sale. Once a sale occurs, ZP will fill out the appropriate IRS forms indicating the actual sale value of the property.

Matching Gifts

A matching gift is a gift made to ZP by businesses or foundations that match the voluntary contributions of employees or other eligible participants. Matching gifts cannot be used to fulfill pledges unless the matching company permits such payments; therefore, matching gifts are credited to the business or foundation and soft credit is given to the donor.

In most cases, a donor wishing to maximize his or her contribution to ZP with an employer match may obtain a matching gift claim form from the corporate employment or benefit office. The company may also provide this information online. The donor completes the portion of the form with the appropriate information then submits the form with his or her gift to ZP. The Executive Director will complete the matching form and submit it to the company or foundation according to the instructions on the claim form.

All matching gifts are credited to the same fund as the donor's gift unless prohibited by the company's matching gift policy.

Retirement Plan Distributions

A retirement plan distribution is the payment made from a retirement plan to the account owner, or in the case of the account owner's death, the beneficiary. A beneficiary may transfer funds from a retirement plan by taking a distribution from the plan, paying income tax on the distribution and then making a gift to ZP. In this case, the donor would be making an outright cash gift and would be eligible for a deduction.

The Internal Revenue Service has made permanent provisions of the American Taxpayer Relief Act of 2012 that

stipulate that donors 70 ½ years and older can make gifts totaling up to \$100,000 directly from their IRA's to a qualified charity and avoid paying income tax on the distribution. In addition, the transfers will count towards the minimum required distribution each individual is required to take from retirement accounts each year.

For gifts made under the IRA Charitable Rollover provision, a specific receipt containing language that the gift was received directly from the plan trustee/administrator, that the organization is qualified under specific IRS code, that the gift was not transferred to a donor advised fund or supporting organization and that no goods or services were provided in exchange will be provided. In addition, a letter acknowledging the gift shall be sent by the Executive Director, a Board Member, or the Sustainability/Finance Committee, as appropriate.

Retirement plan distribution gifts are treated as outright gifts and counted at the face value of the gift.

Gifts to Endowment

A donor who wishes to establish a named endowment fund may do so with a minimum gift of \$10,000 unless otherwise approved by the Board of Directors. The purpose of an endowment fund is determined between the donor and the Sustainability/Finance Committee. The Executive Director working with ZP Treasurer and Accountant will report annually on the endowment performance and income utilization.

Types of Planned Gifts Encouraged by ZP

Bequests

A bequest is a gift made through a will or a trust substituting for a will, such as a revocable trust. Gifts through estate giving allow donors to make a larger charitable gift than they might have been able to make during their lifetime as it allows them to use their assets during their life. A bequest may be outright or contingent. Donors may designate ZP as the recipient of a specific dollar amount or percentage amount of the residual of their estate. A charitable deduction is available to the estate for funds left to ZP.

The following are examples of language that may be incorporated in the donor's will, written as a codicil to an existing will, or included in the donor's revocable trust:

"I give, devise, and bequeath the sum of \$50,000 to Zack's Place Enrichment Center, Inc., a 501(c)(3) organization in Woodstock, Vermont, for its general purposes."

"I give and bequeath the sum of \$50,000 to my niece, Jane Doe, if she survives me and to Zack's Place Enrichment Center Inc., a 501(c)(3) organization in Woodstock, Vermont, for its general purposes, if my said niece has predeceased me."

"If neither of my children, Jane and Jack, is living at the time of my death, then I give and bequeath the rest, residue, and remainder of my estate to Zack's Place Enrichment Center, Inc., a 501(c)(3) organization in Woodstock, Vermont for its general purposes."

"I give and bequeath 20% of the rest, residue and remainder of my estate to Zack's Place Enrichment Center, Inc., a 501(c)(3) organization in Woodstock, Vermont, for its general purposes."

ZP prefers that all bequests be made without restriction to ZP. However, if restricting the gift is so desired, donors are encouraged to contact the Sustainability/Finance Committee or the Executive Director of ZP to ensure proper wording and designation. Donors are encouraged to notify ZP when considering a bequest in order to ensure that the assets left to ZP meet the criteria set forth in this policy.

Under no circumstances will any representative of ZP draft a Last Will and Testament or other related estate planning documents for a donor, as this would be conflict of interest. ZP representatives will not sign as witnesses when ZP has been named as a beneficiary.

Notice of such a bequest should be communicated to the Sustainability/Finance Committee or the Executive Director so that they may acknowledge the intent; however, no amount should be stated in the acknowledgment. A bequest is not counted nor recorded in ZP donor records for development totals.

For public reporting purposes, the Zack's Place Legacy Gift acknowledges and thanks these donors.

Life Insurance Beneficiary Designations

A donor may name Zack's Place beneficiary of a life insurance policy without transferring ownership of that policy to ZP. When a donor names ZP as beneficiary and does not transfer ownership, he or she has made a revocable deferred gift, similar to a bequest in a will.

A donor may choose to name ZP as either primary or secondary beneficiary. If ZP is the second beneficiary, then the expectancy is contingent as it depends on the occurrence of another event.

Naming a charity as beneficiary of a life insurance policy can have an impact on a donor's estate plan. Accordingly, any donor considering such a gift should consult with his or her legal and financial advisors before making such a gift. If possible, the Sustainability/Finance Committee or the Executive Director should work to get a copy of the life insurance beneficiary designation from the insurance company.

A receipt for the face value of the gift will be sent to the donor. The receipt contains the date the gift was processed by the Executive Director, the face value of the gift, the purpose of the gift and a statement that no good or services were provided in exchange for the gift.

Life insurance beneficiary designations are counted at a rate stated in the Valuation Standards in the Appendix section.

Types of Life Insurance

Term Life

Form of pure life insurance having no cash surrender or loan valued and generally furnishing insurance protection for only a specified or limited period of time.

Whole Life

A life insurance policy in which the insured pays a level premium for his or her entire life and in which there is constantly accumulating cash value against which the insured can withdraw or borrow.

Universal Life

A policy of Insurance over a specified period of time that builds cash value for policyholders. This type of policy emphasizes the separation of the portion of the premium that is used to cover the insurance protection from the portion of the premium allocated to an investment that is used to build the policy's cash value.

Variable Life

A distinct type of whole life insurance in which some amount of the death benefit is guaranteed by the insurer, but the total death benefit and the cash value of the insurance before death depend on the investment performance of

that portion of the premium which is allocated to a separate fund.

Group Life Insurance

Type of life insurance commonly offered by companies to their employees in which there is a master insurance contract providing life insurance benefits to each covered employee.

Gifts of life insurance must be approved by the Gift Acceptance Committee. A donor must transfer all ownership rights in a life insurance policy to receive a charitable deduction. If he or she only specifies ZP as the beneficiary of a policy, but retains ownership, the donor has made a revocable deferred gift, which will be addressed later in these policies.

The Accountant will work with the Executive Director to determine the cash surrender value of the gift. Once this value has been established, the Executive Director will enter the information in ZP donor database. The date of the gift is the date ZP became the owner and beneficiary.

A tax receipt for the cash value of the gift will be sent to the donor. The receipt will list the date ZP became the owner and beneficiary, the cash surrender value of the policy, the purpose of the gift and a statement as to whether any goods or services were provided in exchange for the gift.

The cash surrender value of the policy when transferred, as well as any subsequent premium payments are counted as outright gifts as long as ZP is the owner and beneficiary of the policy.

Deferred Gifts - Split Interest Gifts

A split interest gift divides the income and principal benefits between charitable and non-charitable beneficiaries.

Charitable Gift Annuity (CFA)

This is contract under which a qualified charity, in return for a transfer of cash, marketable securities or other assets, agrees to pay a fixed amount each year to one or two beneficiaries (the annuitants) for life. The amount of the annuity payment will depend on the ages of the annuitants and value of the assets donated.

Example:

Donor, age 75, makes a cash gift of \$100,000 to ZP this year in exchange for a charitable gift annuity. The donor will receive annual payments of \$5,800 from ZP for the rest of donor's life. Donor is entitled to an income tax charitable deduction for current income tax purposes of about \$41,000 (based on an IRS discount rate of 1.2%). Assuming donor is in the 35% federal income tax bracket for ordinary income and can use up the entire deduction, donor will save about \$14,350 in income taxes. Of the \$5,800, donor receives each year, only \$1,044 will be taxed at ordinary rates, and \$4,756 per year would be tax free for 12 years.

Charitable Remainder Trusts (CRT)

A CRT is an irrevocable trust authorized and governed by federal tax law that benefits the donor or other individuals named by the donor (known as "income beneficiaries") for a term of years or lives. Upon the termination of the trust, the remaining assets pass to one or more qualified charities (known as "remainder beneficiaries".) CRTs are tax-exempt trusts. To establish a CRT, a donor should consult an attorney to draft the trust document. There are two types of standard CRTs, see below for details:

Charitable Remainder Unitrust (CRUT)

A CRUT distributes a fixed percentage of the fair market value of the trust assets, calculated annually. A donor may make additional contributions to a CRUT after it is established.

Example:

Donor hires an attorney to plan his estate and includes a CRUT. The attorney drafts the document and the donor executes it naming XYZ bank as Trustee and ZP as one of the two remainder beneficiaries. XYZ bank sets up a new account for the trust assets. Donors transfer approximately \$500,000 to the CRUT. Donor specifies a 5% payout rate and name himself and spouse as income beneficiaries. They will receive a payout of roughly \$25,000 in the first year of the trust. Their payout fluctuates over the years as the assets in the trust grow and decline. When both pass away, the remaining assets in the CRUT are split between ZP and the other beneficiary.

Charitable Remainder Annuity Trust (CRAT)

A CRAT distributes a fixed dollar amount based on the original fair market value of the assets contributed to the trust. No additional contributions are allowed.

Example:

Donor is single and wants to establish a CRT. Donor funds the trust with \$1.5 million and opts for a 5.5% payout rate. Donor's attorney recommends a CRAT. Donor is the lone lifetime beneficiary and the trust will terminate when he dies. He receives \$225,000 each year until his death. His payout amount does not change, regardless of the performance of the trust assets. When donor passes away, ZP will receive all of the assets remaining in the trust, as the donor named ZP the sole remainder beneficiary.

Gift acceptance considerations include:

- Can the proposed funding asset be readily liquidated?
- If there is another proposed remainder beneficiary, are there any conflicts or other reasons not to accept the fiduciary responsibility for a trust that benefits them?
- Are there any other extenuating circumstances that make acceptance risky for ZP?

If a CRT is already in existence, thank the donor and ask for documentation of the trust as appropriate for continued cultivation. Ideally, ZP would like a copy of the entire trust document. Alternatively, ZP would like a copy of the provision naming ZP as beneficiary or a letter from the donor or the donor's attorney stating that his or her client has included ZP in a CRT. The documentation enables proper stewardship of the donor.

The Sustainability/Finance Committee has to be involved in the review and acceptance of a CRT. If a CRT is proposed as a gift option, the payout rate must be at least 5% and the trust must pass a federal test for likelihood of exhaustion before termination. It is suggested that ZP be the irrevocable remainder beneficiary of at least 50% of the CRT and that all life income beneficiaries must be at least 55 years of age.

The Executive Director will acknowledge the gift to the donor noting the face value of the gift, purpose of the gift and statement noting no goods or services were provided in exchange for the gift.

Charitable Lead Trust (CLT)

A Charitable Lead Trust is the opposite of the Charitable Remainder Trust (CRT). In a CRT, the income beneficiaries are individuals and the remainder beneficiary is a charity. In a CLT, the charity receives the annual income and at the end of the trust term, the remainder is distributed to individuals. A CLT document specifies beneficiaries, the term of

the trust and the payout rate, and designates a Trustee. The Trustee is responsible for administering the income payout for a specific time period. To establish a CLT, a donor should consult an attorney to draft the trust document.

There are two types of CLT:

Charitable Lead Unitrust (CLUT)

A CLUT distributes to charity a fixed percentage of the fair market value of the trust, calculated annually. The annual payout for a CLUT will vary.

Example:

A donor creates a CLUT and transfers approximately \$1 million to it. Three charities are named as income beneficiaries, ZP is one of them. The donor and trusts set a 6% payout rate, which means that in the first year approximately \$60,000 will be distributed from the trust (ZP received one-third of that payout, \$20,000). Subsequent payout amounts will depend on the investment performance of the trust assets. The donors specify a 20 year term. At the end of 20 years, the trust will be terminated and the remaining assets will be transferred back to the donors and the payouts cease. This is a grantor CLUT.

Charitable Lead Annuity Trust (CLAT)

A CLAT distributes a charity a fixed dollar amount based on the original fair market value of assets contributed to the trust. The annual payout for a CLAT will not vary. Unlike charitable remainder trusts, CLTs do not have a minimum or maximum payout rate by law, and their term can be for any number of years, or for the life of one or more living individuals. Unlike CRTs, CLTs are not exempt from income taxation.

Example:

A donor creates a testamentary CLAT. She dies and her entire estate funds the CLAT. The initial funding value is \$35 million and she specified a payout rate of 10% in her will, so each year for ten years ZP as the sole beneficiary, will receive \$3.5 million. This payout amount will not change, regardless of the performance of the investments in the trust. At the end of the ten year trust term, the assets that remain in the trust will be distributed to the donor's designated recipients and the payouts to ZP cease. This is a non-grantor CLAT.

Grantor CLT

A grantor CLT returns the remainder interest to the donor at the end of the term.

Non-Grantor CLT

A non-grantor CLT distributes any remaining assets after termination to other individuals named by the donor, typically the donor's descendants.

Because of the liability, the sophisticated nature of a CLT, and the oversight required to ensure that a CLT benefits the donor and remainder beneficiaries, ZP will not serve as a Trustee for a CLT.

There is a tax deduction for the total value of the income contributed to ZP over the life of the trust. The donor will receive a receipt for the income on the trust on a yearly basis for the life of the trust, stating the purpose of the gift and noting that no goods or services were provided in exchange for the gift. The Executive Director will send an annual report on fund utilization.

Gifts from charitable lead trusts are counted at the value of the income from the trust.

End of the Calendar Year Giving Guidelines

ZP adheres to the following procedures for gifts made at the end of the calendar year.

Checks

Checks sent by mail must be dated and postmarked on or before December 31. Envelopes must be retained for gift processing in the Executive Director's office; the date on the envelope substantiates the date of the donor's gift. There is a grace period of one week into the new calendar year to accept gifts. During this time, any gifts meeting the above requirements will be processed with a December 31 gift date.

Credit Cards

Federal law mandates that credit card gifts must be authorized by the credit card company before year-end in order to be tax-deductible for a given tax year. Credit card gifts must be received and processed by the Executive Director by December 31. There is no backdating of credit card gifts.

Wire Transfer

Wire transfer gifts made must be credited to ZP account by December 31.

Sustainability Campaign Guidelines

The following guidelines relate to the sustainability campaign and are not intended to supersede or conflict with existing policies.

1. Effective August 1, 2016, gifts and pledges of cash or convertible property made during the campaign and directed specifically to the sustainability campaign will be counted toward the sustainability campaign goal, provided they are unrestricted.
2. For recognition purposes, individuals whose gifts are matched by their employers will receive additional campaign credit for the amount matched but not an IRS tax-deductibility receipt.
3. Campaign pledges may be paid on an agreed upon schedule between the donor and Sustainability/Finance Committee. The pledge period is 2 years with a 3-year option for gifts of \$100,000 or more. The goal is to have all gifts paid within a three year period. Pledge reminders are mailed twice a year or dependent on donor preference and agreed to by the Sustainability/Finance Committee.
4. Campaign pledges will be considered to be "in arrears" after the pledge is 180 days delinquent. At such time, the Executive Director working with the Sustainability/Finance Committee will contact the donor to determine if there is intent to complete the pledge. On an annual basis, the Sustainability/Finance Committee, after all collection efforts have been exhausted, will determine if a pledge should be written off.
5. Bequests are not counted in the campaign totals until they are realized. They are acknowledged in the Zack's Place Legacy Society total for full value.
6. Charitable remainder trusts and gift annuities should generally be credited at 50% fair market value (the full amount of the asset given) or according to actuarial tables, whichever is less. Charitable lead trusts will record only the income received during the period of operation of the trust in the campaign. Actuarial tables and gift expectations are noted in the appendix section.
7. Insurance gifts must name Zack's Place Enrichment Center, Inc. as both beneficiary and irrevocable owner of the policy. When a new or existing policy is given, ZP should report the cash value of the policy rather than its face value, as the amount of the gift. If the donor is paying further premiums on the policy ZP would add this amount to the donor's gift total.

8. Blank campaign pledge forms should not be left with a donor. Campaign volunteers need to return *signed* pledge forms to the Sustainability/Finance Committee to be included in the campaign totals.
9. Pledges and gifts are managed by the Executive Director working with the Sustainability/Finance Committee. The Executive Director will maintain a record of all signed pledge forms, pledge payments and other gift information.
10. Acknowledgement letters will be created and signed by the Sustainability/Finance Committee or the President of the Board of Directors. Gifts may also be acknowledged by the Campaign Co-Chairs or volunteer who solicits the donor. Copies of all acknowledgements are forwarded and filed in the Executive Director's office.
11. In addition to the above indicated acknowledgement letters, the Sustainability/Finance Committee and the Board of Directors, working with the Executive Director and ZP staff, shall create a staged display that at ZP that cumulatively and prominently recognizes donors gifts either by category, dollar amount, or any combination decided upon by the Board of Directors.
12. Individual donors, foundation and corporate donors shall all receive telephone calls from a volunteer board member personally thanking them for their gift.
13. Regular follow up stewardship can include invitations to ZP events, opportunities to appear as a speaker at ZP, or other continuing overtures that may appeal to the donor's areas of expertise or interest.

Appendix A: Donor Bill of Rights

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

1. To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.
2. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.
3. To have access to the organization's most recent financial statements.
4. To be assured their gifts will be used for the purposes for which they were given.
5. To receive appropriate acknowledgment and recognition.
6. To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.
7. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.
8. To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.
9. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.
10. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

DEVELOPED BY

- American Association of Fundraising Counsel (AAFRC)
- Association for Healthcare Philanthropy (AHP)
- Council for Advancement and Support of Education (CASE)
- Association of Fundraising Professionals (AFP)

ENDORSED BY

- Association of Philanthropic Counsel
- Independent Sector
- National Catholic Development Conference (NCDC)
- National Committee on Planned Giving (NCPG)
- National Council for Resource Development (NCRD)
- United Way of America

Appendix B: Publications

IRS Form 8282 Donee Information Return (Sale, exchange or other disposition of donated property)

Donee organization uses this form to report information to IRS about disposition of certain charitable deduction property made within three years after the donor contributed the property.

IRS Form 8283 Non Cash Charitable Contributions Appraisal Summary

Individuals, partnerships and corporations file this form to report information about noncash charitable contributions when the amount of their deduction for all noncash gifts is more than \$500.

IRS Publication 561 Determining the Value of Donated Property

This publication is designed to help donors and appraisers determine the value of property (other than cash) that is given to a qualified organization. It also explains what kind of information you must have to support the charitable contribution deduction you claim on your return.

IRS Publication 526 Charitable Contributions

This publication explains how to claim a deduction for charitable contributions. It discusses organizations qualified to receive them, the types of contributions you can deduct, how much you can deduct, what records to keep, and how to report them.

Accounting Standards Codification 958

This Statement establishes standards for contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair values. Conditional promises to give, whether received or made, are recognized when the conditions are substantially met. Contributions must be distinguished between ones received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets.

FASB 117 Financial Statements of Not-for-Profit Organizations

This Statement establishes standards for general purpose external financial statements provided by the not-for-profit organization. Its objective is to enhance the relevance, understandability, and comparability of financial statements issued by those organizations. Financial statements must provide certain basic information that focuses on the entity as a whole and meets the common needs of external users of those statements. It requires statement of financial position, statement of activities and a statement of cash flows.

Council for the Advancement and Support of Education (CASE) *Management and Reporting Standards*

Partnership for Philanthropic Planning (PPP) *Guidelines for Reporting and Counting Charitable Gifts*

IRA CHARITABLE ROLLOVER

The IRA charitable rollover, which was made permanent by Congress in 2015, allows individual taxpayers older than 70 ½ years to donate up to \$100,000 from their individual retirement accounts (IRAs) and Roth IRAs to charitable nonprofits without having to treat the withdrawals as taxable income. Donations reduce the amount of the minimum distribution requirements in that fiscal year.