



GIFT ACCEPTANCE POLICY



TABLE OF CONTENTS

| <u>ITEM</u> | <u>PAGE</u> |
|---|-------------|
| I. TYPES OF GIFTS | |
| A. Cash Gifts | 2 |
| B. Endowed Fund Policies | 2 |
| C. Securities | 2 |
| D. Tangible Personal Property | 3 |
| E. Real Property | 4 |
| F. Life Insurance | 6 |
| G. Other Assets | 7 |
| II. PLANNED GIFT VEHICLES | |
| A. Bequests | 9 |
| B. Charitable Remainder Unitrusts with SRJC Foundation as Trustee | 10 |
| C. Charitable Remainder Annuity Trust with SRJC Foundation as Trustee | 12 |
| D. Charitable Lead Trust | 12 |
| E. Retained Life Estate | 13 |
| F. Bargain Sale | 13 |
| G. Revocable Trusts | 14 |
| H. Generation-Skipping Transfers | 14 |
| I. Pooled Income Funds | 14 |
| J. Gifts of Retirement Plan Interests | 14 |
| III. FEDERAL AND STATE TAX INFORMATION | 14 |
| IV. APPENDIX 1: NCPG MODEL STANDARDS OF PRACTICE FOR THE CHARITABLE GIFT PLANNER | |

GIFT ACCEPTANCE POLICY

TYPES OF GIFTS

CASH GIFTS

Cash gifts can take the form of currency, coin, checks, money orders, or bank drafts. Checks should be made payable to the Santa Rosa Junior College Foundation with a letter or pledge form stating the donors designation of the gift. Gifts should be delivered or mailed to the SRJC Foundation, 1501 Mendocino Avenue, Santa Rosa, CA 95401-4395.

ENDOWED FUNDS POLICY

An endowed fund is a perpetual fund where only the allocated earnings are distributed. The SRJC Foundation establishes and manages endowment funds to benefit the educational mission of Santa Rosa Junior College. The minimum sum to establish an endowment is \$10,000. The fund may be named and the donor may specify how the fund will be used.

In the event of unforeseen political, economic, social or educational changes, or by request from the donor or fund agent, the president of Santa Rosa Junior College and the SRJC Foundation Board of Directors are authorized to make changes in the terms and use of income from an endowment as they deem advisable.

The endowment's annual payout rate is set by the SRJC Foundation board of directors with guidance from the SRJC Foundation investment committee.

Endowment Fee Policy

The SRJC Foundation will charge an annual administration fee on all endowed funds to support the operations of the Foundation.

SECURITIES

Publicly-traded securities, shares of stock in closely held companies, bonds, and government issues may be given to Santa Rosa Junior College Foundation for Santa Rosa Junior College. It is critical that title to gifts of securities be transferred to the SRJC Foundation, not SRJC. Gifts of securities may be made by sending the certificate and an executed stock power for each separate issue of stock or bond to the Executive Director or the Manager for the SRJC Foundation.

Publicly-Traded Securities: These are securities regularly traded on a public stock exchange. The value of the gift will be the mean of the highest and lowest selling prices quoted for the stock on the day of the gift, as defined below.

Closely-Held Securities: These are shares of stock in the entities which have been organized for profit-making purposes, and are rarely traded on stock exchanges. Donors may give shares of closely-held corporate securities to SRJC in the name of the SRJC Foundation in the same manner as publicly-traded securities. However, because closely-held stock is not publicly-traded, these securities present special concerns. (Normally the Foundation will not, formally or informally, enter into any redemption agreement with the donors.) Gifts of closely-held

securities may only be accepted by the Executive Director for the SRJC Foundation after review by the Gift Acceptance Committee (GAC) (see page 16). An independent qualified appraisal is required for gifts of closely-held stock exceeding \$10,000.

Methods of Delivery: If securities are hand-delivered to the SRJC Foundation, the value of the gift will be the mean of its fair market value on the date of delivery. Donors should endorse stock certificates only upon delivery to the SRJC Foundation.

After receiving information provided by the Foundation, the donor may also mail or deliver stocks to an investment house where accounts have been established by the SRJC Foundation.

If securities are mailed to the SRJC Foundation, the value of the gift will be its fair market value on the date the securities were mailed. Donors should obtain a stock power from their banker or broker, signing their name exactly as it appears on the certificates, and have their signature guaranteed by their banker or broker. The stock power and a letter of instruction should be mailed to the Executive Director or the Manager for the SRJC Foundation under separate cover from the stock certificate(s). The SRJC Foundation should be designated on the stock certificate(s), stock power, or related instruments of transfer. The stock certificate(s) should be sent by registered mail, return receipt requested, to the Executive Director or the Manager for the SRJC Foundation. Unendorsed stock certificates are non-negotiable. The postmarked date on the stock power will be used as the gift date when the stock certificate and stock power are mailed under separate covers.

Securities can also be transferred to the SRJC Foundation through a direct wire transfer. Information on wire transfers is available through the Manager of the Foundation.

TANGIBLE PERSONAL PROPERTY

Criteria for Acceptance

The SRJC Foundation welcomes and seeks gifts of tangible personal property such as jewelry, artwork, collections, and antiques. If the gift does not fit within the stated missions of the College and have a use related to the College's exempt purpose, there must be a reasonable plan to sell or otherwise convert the property to a usable asset to ultimately benefit the College.

Tangible personal property gifts of \$5,000 or greater require an independent qualified appraisal. Gifts (acquired within 6 months) over \$5,000 require a recent bill of sale, or appraisal from corporation, or independent appraisal. All other gifts of over \$5,000 require an independent qualified appraisal. If equipment is donated by the corporation that purchased it, the Foundation credits the value determined by a recent bill of sale or an independent qualified appraisal. If an independent appraisal is needed, the donor pays for it. The donor should be informed that the cost of an independent appraisal is tax deductible. Appraisals made by the Foundation and/or College personnel are unacceptable because both are party to the transaction.

The SRJC Foundation is responsible for filing Form 8282 for gifts of tangible personal property, valued at more than \$5,000 sold by the SRJC Foundation within two years of the date of the gift. Copies will be forwarded to Business Services.

REAL PROPERTY

Criteria for Acceptance

Market Value and Marketability: The GAC must receive a reasonably current appraisal of the fair market value of the property and donor's interest in the property the Foundation would receive if the proposed gift is approved. The Executive Director will inform the donor that, if the gift is completed, the IRS will require a qualified appraisal made within 60 days of the date of the gift. The Executive Director must understand and communicate to donors that it is the College and the Foundation's policy to dispose of all gifts of real estate as expeditiously as possible. (Occasionally the Foundation may decide to retain a property.) Thus, regardless of the value placed on the property by the donor's appraisal, the Foundation will attempt to sell at a reasonable price in light of current market conditions, and the donor needs to be informed that any such sale occurring within two years of the date of gift will be reported to the IRS on Form 8282.

In most cases, IRS regulations require that either the donor pay for the appraisal directly, or if the charity (SRJC Foundation) pays for the fee, the donor will be issued an IRS Form 1099 characterizing the fees as miscellaneous income.

Site Visit: The SRJC Foundation's Executive Director, or a representative, should verify the condition of the property. Through this visit, he/she should take note of the improvements and amenities, if present. Defects in paint, plumbing, appliances, roofs, foundation, walls, floors, should be observed. If necessary, the opinion of a contractor should be secured if a major problem is suspected.

Potential Environmental Risks: In order to protect Santa Rosa Junior College and the SRJC Foundation from the high risk associated with accepting contaminated property, all proposed gifts of real property, including gifts from estates, must be accompanied by a Phase I environmental audit performed at the donor's expense or at the expense of the Foundation and/or the College. All prospective donors should be alerted to this process as discovery of a potential problem may have an economic impact on them, whether or not the gift is accepted by the Foundation. Under existing law, current owners can be held fully liable for cleaning up property contaminated by hazardous wastes, even when prior owners or operators were responsible for causing the contamination. There have been instances in which donors have knowingly, or unknowingly, given contaminated property to charities. Although a current property owner may be able to sue prior owners and operators to recover clean-up costs, the costs, delay and legal risks associated with such lawsuits are often prohibitive.

Only the GAC may allow an exception to this requirement, and only on residential property which has been used solely for residential purposes for a significant (at least twenty-year) period of time. In cases where this exception applies and no environmental audit is undertaken, the Foundation may require the donor to execute an environmental indemnity agreement.

Carrying Costs: The existence and amount of any carrying costs, including but not limited to property owners' association dues, country club membership dues and transfer charges, taxes and insurance must be disclosed and funded by the donor or the Foundation and/or the College for a determined time period.

Title Information: A copy of any updated preliminary report within 30 days of the transfer, title information in the possession of the donor, such as the most recent survey of the property, and a title insurance policy.

Approval/Acceptance Process

1. The Executive Director of the SRJC Foundation will submit a written summary of the proposed gift to the GAC. At a minimum the summary shall include the following information:
 - Complete legal description of real property and copy of warranty deed, if possible.
 - Tax status of the property and any current or proposed LID assessment.
 - Preliminary title report.
 - Current zoning and any proposed changes.
 - Mortgage balance, if any.
 - Lease or rental information, if appropriate.
 - Any oil, gas, mineral, or other rights that may or may not be transferred.
 - The purpose of the gift (e.g., to fund an endowed chair, a deferred gift, an unrestricted gift) and the department(s), program(s), or endowment(s) to benefit from the gift.
 - An appraisal of the property and its marketability.
 - Real estate listing information if property is currently on the market
 - Any potential for income and expenses, encumbrances, and carrying costs prior to disposition
 - Any environmental risks or problems revealed by audit or survey
 - Any potential Foundation and/or College use.
 - Any special arrangements requested by the donor concerning disposition (e.g., price considerations, time duration prior to disposition, potential buyers, realtors or brokers with whom the donor would like the Foundation to list the property, etc.).
2. All gifts of real property must be approved by the SRJC Foundation and the President of SRJC, following the President's notification of the District Board of Trustees.
3. The GAC will review the material presented and make a determination as to whether to recommend to the College and the SRJC Foundation acceptance or rejection of the proposed gift of real property (or, if necessary to postpone a decision pending the receipt of additional information). The Executive Director shall communicate the final determination of the College and the SRJC Foundation to the donor in writing, including any conditions imposed by the GAC, the College or the SRJC Foundation prior to acceptance.
4. If a proposed gift of real property is approved by the GAC, and given approval by the College, the Executive Director of the SRJC Foundation will prepare an acknowledgement and receipt of the gift on behalf of the Foundation upon notice that the property has been properly recorded in the local Recorder's Office.
5. The gift will be completed by the execution and delivery of a deed of gift or other appropriate conveyance. The costs associated with the conveyance and delivery of the gift, including, but not limited to if deemed necessary, a current survey, recording fees and title

insurance, will be either paid by the donor or charged to the fund account of the department(s), program(s), or endowment(s) to benefit by the donation. In addition, the filing of Form 8283 by the donor may be required by the IRS for gifts of real property. The SRJC Foundation will complete and execute the Section of Form 8283 required to be completed by the donee. Copies will be forwarded to Business Services.

LIFE INSURANCE

Criteria of Acceptance

Gifts of life insurance may be accepted without special approval if the insurance policy is fully paid and in cases where the donor intends for the policy to be cashed in immediately for its cash surrender value. The SRJC Foundation must be named the owner and beneficiary of the policy. Gift credit will be given equal to annual premiums made by donor if the SRJC Foundation owns the policy.

Donors can also name the SRJC Foundation as a charitable beneficiary (and not the owner) of a life insurance policy. In this instance, there is no income tax charitable deduction because the donor has not relinquished ownership of the policy. As such, the proceeds of the life insurance policy will be included in the donor's estate at death. However, in this circumstance, the law allows an offsetting estate tax charitable deduction.

Gifts of life insurance with a cash value of at least \$10,000 and which are partially paid, or, on which no payments have been made at the time of gift, will be reviewed for acceptance on a case-by-case basis by the GAC. The donor is expected to make a written pledge to continue paying the premiums on the policy.

If no payment is received from the donor within 45 days of the premium payment due date, cash value policies will be surrendered for the net cash surrender value and term life policies will be allowed to lapse.

The value of paid-up life insurance gifts will be recorded and reported at net cash surrender value rather than face value of the policy, in accordance with CASE/NACUBO guidelines.

Approval/Acceptance Process

1. The Executive Director will prepare a written summary of any proposed gift of a life insurance policy which fails to meet all of the criteria specified above and submit that summary to the GAC. At a minimum, the summary shall include the following information:
 - Description of the type of life insurance policy, face value, premium payment schedule, interest rate, age of insured(s), and other relevant policy information
 - The purpose of the gift (e.g., to fund an endowed chair, a deferred gift, an unrestricted gift) and the department(s), program(s), or endowment(s) to benefit from the gift
2. The GAC will review the material and make a determination as to whether to accept or reject the proposed gift or, if necessary, to impose any terms (e.g., the donor's written pledge to make contributions to cover premiums, a revision in the payment schedule) as a condition

of approval. The Executive Director shall communicate the final determination of the GAC to the donor in writing, including any conditions imposed by the GAC prior to acceptance.

3. If a proposed gift of a life insurance policy is approved by the GAC, the Executive Director will prepare acknowledgement and receipt of the gift on behalf of the SRJC Foundation.
4. The gift will be completed upon the execution and delivery of the life insurance policy to the SRJC Foundation or transfer of ownership of the policy in the event that the SRJC Foundation is not the original owner of the policy.

Administration

The Santa Rosa Junior College Foundation shall administer all gifts of life insurance policies and shall maintain records of all donor policies, contribution schedules, donor designations of death benefits, and the like. This office shall also be responsible for pledge reminders and monitoring payments of premiums.

The Foundation shall be responsible for confirming the existence and cash value of all policies in force at least annually and for collecting and distributing death benefits. Upon receipt of death benefits, The SRJC Foundation shall provide notice to the department(s), program(s), or endowment(s) to benefit from the gift.

OTHER ASSETS

Criteria of Acceptance

The GAC will consider gifts of other assets including but not limited to promissory notes, assignment of promissory notes, partnership interest, and restricted or non-publicly traded securities, mineral rights, deeds of trust, stock options, and other negotiable instruments, only after a thorough review of the criteria set forth below.

Market Value and Marketability: The GAC must receive a reasonably current appraisal of the fair market value of the property and interest in the property the Foundation would receive if the proposed gift is approved. The Executive Director will inform the donor that, if the gift is completed, the IRS will require an appraisal made within 60 days of the date of gift. The appraisal and other information must indicate clearly and convincingly that there is in fact a market for the asset under consideration and that the asset can be sold within a reasonable period of time.

Potential Environmental Risks: All proposed gifts in which the SRJC Foundation would acquire an interest in real property must be accompanied by a Phase I environmental audit performed at the donor's expense. (See Acceptance of Real Estate Gifts for further information.)

Limitations and Encumbrances: The existence of any and all mortgages, deeds of trust, restrictions, reservations, easements, mechanic liens and other limitations of record must be disclosed. No gift of an interest in real estate will be accepted until all mortgages, deeds of trust, liens and other encumbrances have been discharged, except in very unusual cases where the fair market value of the SRJC Foundation's interest in the property net of all encumbrances is substantial or where a separate agreement to pay any such encumbrances which might be charged to The Foundation has been approved by the SRJC Foundation's Board of Directors.

Carrying Costs: The existence and amount of any carrying costs, including but not limited to property owner's association dues, country club membership dues and transfer charges, taxes and insurance, must be disclosed and funded by the donor or the SRJC Foundation and/or the College.

Title Information: A copy of any title information in the possession of the donor, such as the most recent survey of the property, a title insurance policy, and/or an attorney's title opinion, must be furnished.

Approval/Acceptance Process

1. The Executive Director of the SRJC Foundation will submit a written summary of the proposed gift and submit that summary to the GAC. At a minimum, the summary shall include the following information:
 - Description of the asset
 - The purpose of the gift (e.g., to fund an endowed chair, a deferred gift, an unrestricted gift, and the department(s), program(s), or endowment(s) to benefit from the gift
 - An estimate or appraisal of the asset's fair market value and marketability
 - Potential for income and expenses, encumbrances, and carrying costs prior to disposition
 - Any environmental risks or problems revealed by audit or survey
 - Credit history or financial statement of financially responsible party, if applicable
 - Any special arrangements requested by the donor concerning disposition (e.g., price considerations, time duration prior to disposition, potential buyers, realtors or broker with whom the donor would like the College to list the property, etc.)
2. The GAC will review the material and make a determination of whether to accept, condition, or reject the proposed gift (or if necessary, to postpone a decision pending the receipt of additional information). The Executive Director shall communicate the final determination of the GAC to the donor in writing, including any conditions imposed by the GAC prior to acceptance.
3. If a proposed gift of an asset in this category is approved by the GAC, the Executive Director will prepare an acknowledgement and receipt of the gift on behalf of the SRJC Foundation. The Foundation will not appraise or assign a value to the gift property. It is the donor's responsibility to establish a value for the gift and to provide, at the donor's expense, a qualified appraisal required by the IRS in the case of assets valued in excess of \$5,000 (\$10,000 for non-publicly traded stock).
4. The gift will be completed by the execution and delivery of a deed of gift or other appropriate conveyance, and the delivery of the property, as applicable. The donor will pay the costs associated with the conveyance and delivery of the gift. In addition, the filing of Form 8283 by the donor is required by the IRS for gifts of assets valued at more than \$500.

PLANNED GIFT VEHICLES

The following guidelines govern the solicitation and acceptance of planned gifts by Santa Rosa Junior College Foundation. All representatives of the SRJC Foundation shall use their best judgment to help donors to make appropriate planned gifts. The SRJC Foundation may decline gifts if it is not satisfied that the donor has received proper independent legal and/or financial counseling, or that the gift is not in the best interest of the donor.

SRJC and the SRJC Foundation endorse the National Committee on Planned Giving's Model Standards of Practice for the Charitable Gift Planner and require all of its representatives to abide by them. A copy of the Model Standards of Practice is included in the appendix.

All planned gift agreements shall follow the format of the specimen agreements approved by the SRJC Foundation or other agreements approved as to form by the SRJC Foundation. All prospective donors shall be urged to seek their own counsel in matters relating to planned gifts and tax and estate planning. The Foundation will use legal counsel as it deems necessary.

The Executive Director is authorized to negotiate planned gift agreements with prospective donors, following these guidelines and the format of the specimen agreements approved by the SRJC Foundation. All agreements that vary in any substantial respect from the format of the specimen agreements, or otherwise vary from the requirements of these guidelines, must be approved in advance by the GAC and the SRJC Foundation.

Investment Policies and Practices for Planned Gifts

Investment policies and practices for planned gifts are similar to those for Endowment Funds. The investment approach and asset mix for trusts are dependent on the objectives of each individual trust.

In order to enhance prudent management and investment performance, the SRJC Foundation uses a pooling concept that consolidates funds with similar investment objectives. Although funds are pooled for investment purposes, separate accounts are established to maintain the separate identity of each fund, thus assuring each fund's share of the income and gains of the pool. Through this means, investment risk is reduced and earnings potential is increased.

Although pooling of individual planned giving vehicles is permissible under current law, it may not be practical for some trusts because of conflicting objectives. However, where possible and desirable, pooling trust assets is considered for diversification and minimizing risk.

BEQUESTS

A bequest is a gift of any amount or form made to the Santa Rosa Junior College Foundation for the benefit of SRJC in a donor's will. Bequests may provide for a specific dollar amount in cash, percentage of estate, specific securities, specific articles of tangible personal property, or be established as indicated in the section on "Outright Gifts." A gift in any amount may be accepted as a contribution to an existing fund so long as the terms and conditions of the existing fund so permit.

Among donors' options are residuary and contingent bequests. A residuary bequest will give the SRJC Foundation all or a portion of the estate after all debts, taxes, expenses, and all other bequests

have been paid. A contingent bequest will ensure that, despite unforeseen circumstances, specified property will pass to the SRJC Foundation rather than unintended beneficiaries.

In order to expedite Estate distributions, a provision in the Donor's will or trust agreements should include the statement... "To the Santa Rosa Junior College Foundation for the benefit of Santa Rosa Junior College."

Donors may also establish, by will, an annuity trust or unitrust. The bequest can be arranged so as to provide a life income for a designated beneficiary by directing that the bequest be used to establish a charitable remainder annuity trust or charitable remainder unitrust. If such a gift is made by will, the principal will pass to the SRJC Foundation only after the death of the life income beneficiary.

Gifts may be made to the SRJC Foundation for the College through the execution of a new will or addition, or through a codicil to an existing will. Donors may also add either a residual or contingent gift through a codicil in their wills.

Donors are encouraged to recognize that over the many years following the establishment of an endowment, the needs, policies, and circumstances of the College can change in unforeseen ways. The SRJC Foundation and the College administration must have the flexibility to make use of funds in the best interest of the institution and in accord with donor interests and specifications. Thus, donors are advised to describe the specific purpose of their gifts as broadly as possible and to avoid detailed limitations and restrictions. Donors considering bequests for a specific purpose are encouraged to consult the Executive Director of the SRJC Foundation. The inclusion of a flexibility clause similar to the "Changes of Conditions" clauses in the Endowment Fund Worksheet is most desirable.

CHARITABLE REMAINDER UNITRUSTS WITH SRJC FOUNDATION AS TRUSTEE

Definition

A charitable remainder unitrust is a gift vehicle which irrevocably transfers the remainder interest of an asset's value to Santa Rosa Junior College Foundation upon the death of the named income beneficiaries or at the end of a specified term of not more than twenty years. The donor can name him or herself and/or others as income recipients, with payments made concurrently or consecutively.

In a unitrust, the donor creates a formal trust arrangement through which donated assets may be transferred to the SRJC Foundation as trustee. The donor cannot stipulate in the trust agreement that the original assets placed in the trust be retained for the life of the trust. These assets are then managed according to the investment strategy of the trustee.

Types of unitrust gifts:

- Straight Unitrust – This type of unitrust pays a fixed percentage of the net fair market value of its assets, as valued annually (January 1) to the designated beneficiaries. Additional contributions may be added at any time.
- Net Income Unitrust – This agreement stipulates that the trust will distribute either the actual amount of income earned or the established percentage payout rate, whichever is less.

- Net Income Unitrust with Make up Provision – This agreement uses current excess income from the trust to pay the beneficiary(ies) income lost during the years when earnings are insufficient to reach the established percentage.

Minimum Funding Level

The minimum suggested amount to establish a qualified charitable remainder unitrust shall be \$100,000 — and the charitable contribution, computed using standard government tables, should be the greater of \$50,000 or 25% of the initial level of funding. The amount of the initial gift may be less than \$100,000 and/or the charitable contribution may be less than that prescribed in the preceding sentence if other factors dictate that to make an exception to this rule would be in the best interest of the College or the Foundation.

Minimum Age Levels

The minimum age of beneficiaries for all life income gifts is 50 years old at the time payments begin. The minimum age, however, is not applicable for trusts of terms of years and the payment rate is subject to negotiation. For donors below 50, in special cases, approval may be granted by GAC.

Rate of Payment

In accordance with IRS regulations, the fixed percentage cannot be less than five percent and is established when the trust is created and cannot be changed. The maximum payment limitations are dependent upon the ages of the beneficiaries, type of trust, anticipated investment strategy, and prevailing economic conditions. Currently, payment guidelines are as follows, but these should not be taken to mean that the rates would be offered in every given case:

- Beneficiaries ages 50-59 = 5%
- Beneficiaries ages 60-69 = 6%
- Beneficiaries ages 70-79 = 7%
- Beneficiaries ages 80-89 = 8%

It must be recognized that the fixed percentage rate is established by the donor and does not require approval by the SRJC Foundation. However, when making proposals to prospective donors, the Executive Director shall not use a rate above eight percent (8%) without first consulting with and receiving approval from the GAC. Prospective donors should also be advised that as the fixed percentage and number of income beneficiaries increases, the charitable contribution deduction to which the donor is entitled will correspondingly decrease. The GAC will review the maximum payout percentage annually.

The payout rates are subject to negotiation in the case of net income unitrusts. There is no maximum number of income beneficiaries, but there shall be no more than two generations of income beneficiaries.

Funding Assets

Gifts of cash and appreciated securities are appropriate for any of the three types of unitrust. Charitable remainder unitrusts funded with real estate or other non-liquid assets shall take the form of a “net income” or “net income with make-up” unitrust. The net income unitrust (with or without make-up provisions) is the best way to handle gifts of real estate, which would temporarily provide no income between the closure of the gift and the date the property is sold. In a net income

arrangement, no payments are due to the beneficiary(ies) until the trust is generating income. However, the trust remains intact.

CHARITABLE REMAINDER ANNUITY TRUST WITH SRJC FOUNDATION AS TRUSTEE

Definition

Like the unitrust, the charitable remainder annuity trust is an income vehicle, which irrevocably transfers the remainder interest to the SRJC Foundation upon the death of the income beneficiaries (or for a specified term of not more than 20 years). The concept of an annuity trust is simple and straightforward. As its name implies, it pays income beneficiary(ies) a fixed dollar amount annually.

Minimum Funding Level

(See above Charitable Remainder Unitrust)

Minimum Age Levels

(See above Charitable Remainder Unitrust)

Rate of Payment

The amount must be specified in the trust instrument as either a dollar figure or a percentage of the initial fair market value of the assets used to fund the trust. This amount may never be less than five percent (5%) of the initial contribution. The higher the rate of return, the lower the value of the remainder interest, and the lower the benefit of the charitable income tax deduction. (See above Charitable Remainder Unitrust.)

Funding Asset

As with the unitrust, gifts of cash and appreciated securities are appropriate funding assets. Annuity trusts funded with real estate or other non-liquid assets generally will be accepted when the net income from the real estate or other non-liquid assets exceeds the required payout, unless otherwise determined by the Executive Director.

CHARITABLE LEAD TRUST

Definition

A charitable lead trust is an arrangement whereby income generating assets may be placed in trust to the SRJC Foundation for a designated period of years, after which period the assets transfer to non-charitable beneficiaries named by the donor. The trust is called a “lead” trust because the income interest paid to the Foundation “leads” or precedes the “remainder” interest paid to the beneficiaries.

Types of lead trusts:

- **Grantor Lead Trust** – This is a gift arrangement in which the donor (grantor) transfers income producing assets to a trust, income is paid to a charitable institution (SRJC Foundation) over the trust term, and at the end of the term the trust principal returns to the donor. In this case, the donor receives an income tax deduction based on the present value of the gift. He/she also pays income tax on the trust income each year.
- **Non-Grantor Lead Trust** – In this situation, the donor chooses another non-charitable beneficiary (other than him/herself) to receive the assets at the end of the trust term. The donor does not receive an income tax deduction; however, he/she is not liable for income tax on the annual income of the trust. This type of trust is a taxable entity. The donor receives a gift and estate tax deduction for the present value of the gift of future income.

Minimum Funding Level

The minimum amount suggested to establish a charitable lead trust shall be \$100,000 and trust terms shall not exceed 20 years unless approved by the GAC.

Minimum Age Levels

N/A

Rate of Payment

The annual payments of a charitable lead trust must be in one of the following forms:

- As a unitrust payment, which is a stated percentage of the fair market value of the assets of the trust, determined at least annually.
- Or, as an annuity payment, which is a fixed dollar amount.

Unlike other gift vehicles, there is no required minimum percentage payout.

Funding Asset

Any money or personal property may be used to fund a lead trust. Real property will not be used except in special circumstances approved by GAC and the SRJC Foundation Board of Directors. However, income must be produced by that property or its proceeds.

RETAINED LIFE ESTATE

While not a life-income type of gift, the irrevocable donation of real estate while retaining the right to use the property has become an increasingly attractive charitable gift arrangement. A donor can give a personal residence or vacation home to the SRJC Foundation for benefit of the Santa Rosa Junior College and reserve the use of the property for life (or a term of years), and/or the lifetime of another resident beneficiary. This arrangement can be ideal for the older donor who owns property and has no heirs. The gift would provide tax savings and the security of knowing that he or she, and a surviving spouse could make a major lifetime gift of a significant asset without relinquishing its use.

The immediate benefit of a gift of real estate with retained life estate is often a substantial tax deduction for the charitable gift. This deduction is equal to the remainder interest in the property, (the appraised fair market value of the real estate less the calculated value of the retained life use).

As with other gifts of real property, it is the donor's responsibility to obtain an independent appraisal of the value of the property. The income tax deduction can mean significant tax savings in the year of the gift and may be carried forward for up to five additional years, to a limit of 30 percent of the donor's adjusted gross income each year. The President of Santa Rosa Junior College and the SRJC Foundation Board of Directors must approve all gifts of real property.

For more information, see Acceptance of Real Estate Gifts.

BARGAIN SALE

The bargain sale of real estate to a charity is part sale and part gift. When a property is sold to the SRJC Foundation for less than its fair market value, the seller's charitable gift is the difference between the sale price and the property's appraised fair market value.

For more information, see Acceptance of Real Estate Gifts.

REVOCABLE TRUSTS

The SRJC Foundation will serve as trustee of a revocable trust in situations where the Foundation is a major beneficiary of the trust and the arrangement is beneficial to both the Trustor and the SRJC Foundation. All proposed revocable trust must be approved by the GAC.

GENERATION-SKIPPING TRANSFERS

Deferred gifts that would be “generation-skipping” transfers shall be accepted only with specific prior approval of the GAC.

POOLED INCOME FUNDS (TO BE DISCUSSED AS A POSSIBLE PLANNED GIFT VEHICLE)

Pooled income fund trust agreements must be funded with at least \$10,000 and additional contributions must be at least \$1,000. All income beneficiaries must be at least 50 years of age at the time the agreement is executed.

There is no maximum number of income beneficiaries, but there shall be no more than two generations of beneficiaries. Real estate, tax-exempt securities, and non-liquid assets shall not be accepted for transfer to any pooled income fund.

GIFTS OF RETIREMENT PLAN INTERESTS

Donors may wish to name the SRJC Foundation as the partial or complete beneficiary of a retirement plan interest. Before accepting transfer of the interest, it should be reviewed by the Executive Director.

FEDERAL AND STATE TAX INFORMATION

Since the SRJC Foundation is organized and operated exclusively for educational purposes, it is exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. Because the SRJC Foundation is not a private foundation under Section 509(a) of the IRS Code, contributions made to the SRJC Foundation on behalf of the College are charitable contributions for federal and state tax purposes and are deductible by donors in computing corporate, partnership, estate and personal income taxes.

Composition of the GAC: members of SRJC Administration, SRJC Foundation, and SRJC Foundation executive staff with input from the Planned Giving Council.

Policy Adopted by the Santa Rosa Junior College Foundation Board on August 26, 1998