



Tree Research & Education Endowment Fund Policy/Procedure Statement

Subject: Planned Gift Policy

Policy No.: 03-BOD

1. Use of Legal Counsel

- a. All prospective donors shall be encouraged to seek their own professional counsel regarding their planned gifts to the Tree Research & Education Endowment Fund (TREE Fund) and shall be encouraged to have all proposals and illustrations presented to them reviewed by their own advisors. Should a prospective donor seek a recommendation from a staff member as to competent counsel, the donor shall be provided the names of at least three professionals known to be aware of charitable giving within financial and estate planning.
- b. Staff members shall not present or accept for final execution any planned gift agreement between the TREE Fund and the donor which has not been reviewed thoroughly by the TREE Fund's own legal counsel.

2. Authorization for Negotiation and Acceptance of Planned Gifts, Both Outright and Deferred

- a. Staff members authorized to negotiate planned gift agreement with prospective donors are the President/CEO or others so directed by the President/CEO.
- b. All gift arrangements under consideration by the Development Committee shall be reviewed by the Acceptance Task Force, an ad hoc committee of the Board of Trustees, for final approval. Exceptions are:
 - i. Outright gifts of cash or commonly traded securities;
 - ii. Gifts of income or remainder interests in a qualified trust managed by an outside corporate trustee which would not obligate the TREE Fund to use the income or principal for an unacceptable or non-standard purpose;
- c. When real property in any form is given, outright or to be used to fund a deferred

gift arrangement, a qualified appraisal which meets the Substantiation Requirements will be required. A second qualified appraisal will be required for the funding of Charitable Gift Annuities.

3. The Acceptance Task Force

- a. The Acceptance Committee shall consist of at least two officers or employees of the TREE Fund, including, but not limited to, the following:
 - i. Chairman of the Board
 - ii. Vice-Chairman
 - iii. Development and Communications Committee Chair
 - iv. Secretary/Treasurer
 - v. Chair of the Planned Giving Advisory Council
 - vi. President/CEO
- b. The Acceptance Task Force shall approve only those gifts or gift arrangements which are, in its considered judgment, structured on a sound business basis and will serve the best interest of the TREE Fund. Outside expertise and opinions shall be sought, when it is deemed necessary, to reach a sound decision.

4. Guidelines for Life-Income Gifts

- a. Charitable Gift Annuity, Immediate and Deferred
 - i. Development Staff will obtain from the donor all pertinent information regarding beneficiaries and the property to be transferred.
 - ii. The Acceptance Task Force will review the proposed gift for approval or disapproval.
 - iii. If approved, development staff will arrange for transfer of the property, real or personal, to the TREE Fund, compute the charitable deduction for the donor, and execute all other documents and correspondence pertaining to the gift.
 - 1. Illustration of Benefits.
 - 2. Gift Annuity Agreement with Schedule A.
 - 3. Federal Income Tax Computation.
 - 4. I.R.S. Form 8283, when applicable.
 - 5. Instructions for reporting charitable income and gift tax deductions.
 - iv. The minimum initial contribution to establish a gift annuity shall be \$10,000 and \$2,000 for each additional contribution or annuity.
 - v. The number of income beneficiaries shall be no more than two and their

- minimum age shall be at least 45.
- vi. Payments to the beneficiaries shall be based upon the prevailing rates of return recommended by the American Council on Gift Annuities and shall be made quarterly on March 31, June 30, September 30 and December 31.
 - vii. Income to the beneficiaries shall accrue from the date of the gift. Payment for a partial quarter will be prorated from the gift date to the last day of the quarter.
 - viii. Unless decided otherwise by the Acceptance Task Force, due to extenuating circumstances, the annuity obligation shall be reinsured through a commercial life insurance company. The difference between the value of the gift and the cost of the annuity will be amount which is entered into the donor's record of contribution. This amount is not the charitable deduction taken by the donor for income tax purposes.
 - ix. For annuities which are paid by the TREE Fund and not reinsured with a commercial life insurance company, the full value or net proceeds of the gift will be transferred to the Endowment Fund and maintained as a separate account. All earnings of each account shall be credited and all payments to annuitants shall be debited to the separate accounts.
 - x. For investment purposes the assets within each annuity account will be commingled with the assets of the Endowment Fund. For accounting purposes, separate accounts will be established for each Gift Annuity. This is necessary to determine the value of the residuum upon the death of the annuitant.
 - xi. For any annuity paid by the TREE Fund, it shall be the responsibility of the Development Department to file the following forms with the Internal Revenue Service:
 - 1. Form 1099-R, summarizing all payments to annuitants;
 - 2. Copy A of all Form W-2P's are to be attached to Form 1099-R;
 - xii. For any annuity paid by the TREE Fund, it shall be the responsibility of the Development Department upon the death of the annuitant to inform the President/CEO and bookkeeper that the annuity obligation has ended as of the last quarterly payment and to close this account. The residuum will be distributed for the purpose stated in the Gift Annuity Agreement.
 - xiii. A disclosure statement will be given to prospective donors as part of each

illustration of benefits or gift proposal letter. This disclosure statement will emphasize donatives intent as the primary reason for participating in the gift annuity and will explain fully and fairly the operation of the fund, using the Guidelines for Charitable Gift Annuities (see appendix A at the end of this chapter).

- b. Charitable Remainder Trusts – TREE Fund as Trustee or Co-trustee.
 - i. Development staff will obtain from the grantor all pertinent information.
 - ii. The Acceptance Task Force will review the proposed gift for approval or disapproval.
 - iii. If approved, the Acceptance Task Force will bring the proposed gift to the attention of the Chairperson of the Board of Trustees. If he agrees with the approval, the development staff will proceed accordingly. If he does not agree with the approval, the proposed gift will be brought to the next meeting of the Board of Trustees for a final decision.
 - iv. If the gift is approved, the President/CEO will arrange for transfer of the property to the TREE Fund, compute the charitable deduction for the grantor, and execute all other documents and/or correspondence pertaining to the gift.
 - 1. Illustration of Benefits
 - 2. I.R.S. Form 8283, when applicable
 - 3. Charitable Remainder Computation
 - 4. Instructions for reporting charitable income and gift tax deductions
 - v. If the trust is managed solely by the TREE Fund, the value of the charitable remainder shall be at least \$50,000 for life-income trusts. The minimum initial contribution to establish a charitable remainder trust shall be \$100,000.
 - vi. The number of income beneficiaries shall be no more than two and their minimum age shall be at least 45.
 - vii. Payments to the beneficiaries shall be based upon the specific language and requirements of the trust document and shall be paid at the end of each quarter, March 31, June 30, September 30 and December 31.
 - viii. Development staff shall endeavor to provide all possible assistance and cooperation to the grantor's legal and financial advisors.
 - ix. Development staff will assist the President/CEO in filing the following forms with the Internal Revenue Service:
 - 1. Form 1041-B;

2. Form 5227;
 3. Copy A of Schedule K-1;
 4. Copy of the Trust Agreement, accompanied by a written declaration of trustee that it is a true and complete copy, to be attached to Form 1041-B in the first taxable year.
 5. Form SS-4 for the acquisition of the trust's Tax Identification Number.
 - x. The payments to any beneficiary shall terminate with the last quarterly payment preceding the beneficiary's death. No income is payable to the beneficiary's estate for the period between the last regular payment and the date of death. The third quarterly payment shall be accompanied by a cover letter from the President/CEO.
 - xi. When the last beneficiary dies, the remaining principal in the trust will be distributed to the Endowment Fund, unless otherwise stated in the Trust Agreement
 - xii. Development staff will communicate with the personal representative of the estate and provide whatever information they may need for filing the estate tax forms.
5. Gifts of Life Insurance
- a. When the donor has given up all incidents of ownership in the policy and the TREE Fund is named as both the beneficiary and the irrevocable owner of the policy, the charitable deduction will be:
 - i. The replacement value for a paid-up policy, or
 - ii. The interpolated terminal reserve for a policy on which premiums remain to be paid. In most instances these values will be approximately equal to the cash surrender value.
 - b. The donor shall be encouraged to make outright contributions in cash or in appreciated securities, directly to the TREE Fund. The TREE Fund, in turn, shall pay the premiums to the insurance company. This contribution will be the donor's charitable deduction in the year of the contribution.
 - c. If the donor pays further premiums on the policy directly to the insurance company, the charitable deduction and gift credited to the donor shall include only the annual increases in the cash surrender value.
 - d. In those cases in which the TREE Fund is named as the beneficiary of a policy but not the owner, this is not completed gift until the death of the insured. At that

time the full amount of the death proceeds will be reported as a gift and, for purposes of donor recognition, will be regarded as part of the donor's cumulative gifts.

- e. The cash value of insurance policies owned by the TREE Fund are assets at the disposal of the TREE Fund and, therefore, shall be carried on the balance sheet of the Endowment Fund. At the discretion of the Acceptance Task Force and with the acknowledgement of the donor, these cash values may be borrowed against and used in a capital campaign or acquisition of specific capital equipment.
- f. For purposes of donor recognition the full death benefit of the insurance policy shall be credited to the donor's cumulative gifts.

Appendix A: Guidelines for Charitable Gift Annuities

The following items will be included in the disclosure statement on gift annuities issued by the TREE Fund:

- 1. Existence of contractual relationship with the TREE Fund.

2. The fact that the annuity is a general obligation of the TREE Fund.
3. The existence of a reserve fund that complies with state law requirements.
4. The donor is a general creditor of the TREE Fund.
5. The income tax, gift tax, estate tax and long-term capital gains tax, if any, consequence to the donor as a result of the gift.
6. The general terms of the annuity, such as payment dates, nature of the income received and termination of the annuity payments.
7. The irrevocable nature of the gifting arrangement.
8. Brief history of the TREE Fund and its present financial situation.
9. The contact person and/or department at the TREE Fund.
10. Statement that the donors are advised to consult with their own advisors regarding the specific tax treatment of the gift annuity.
11. Statement that compliance with state law requires this disclosure statement but does not require registration with the Securities and Exchange Commission.

Appendix B: Guidelines for Charitable Remainder Trusts

The following items will be included in the disclosure statement on the pooled income fund and charitable remainder trusts of which the TREE Fund is the designated Trustee or Co-trustee.

1. Income tax consequences to the donor

- a. Charitable deduction
 - b. Taxation of payments
 - c. Treatment of long-term capital gains
 - d. Reporting requirements to the IRS
 - e. Tax implication of naming third-party beneficiaries
2. Gift and estate tax consequences.
3. Investment considerations
 - a. Commingling of funds
 - b. Investment philosophy (e.g., income vs. growth)
 - c. Payment fluctuations due to changing interest rates, valuation of trust assets
4. General terms of the trust document
 - a. Trustee and successor trustees
 - b. Payment schedule
 - c. Accounting method
 - d. Valuation of units
 - e. Disclosure of fees and their source of payment
 - f. Irrevocable nature of the gifting arrangement
 - g. Frequency and nature of periodic reports
5. Representative types of securities in portfolio.
6. Brief history of the TREE Fund and its present financial situation.
7. The contact person and/or department at the TREE Fund.
8. Statement that the donors are advised to consult with their own advisors regarding the specific tax treatment of the trust or pooled income fund payments.
9. Statement that compliance with state law requires this disclosure statement but does not require registration with the Securities and Exchange Commission.

This Planned Gifts Policy is approved by action of the Board of Trustees of the Tree Research & Education Endowment Fund at a Board Meeting on this 26th day of August, 2013. This Planned Gift Policy supersedes any and all other documents approved prior to this date.

Issued by

Date revised: 8/26/13

Board Action (give date of vote) 8/26/13

-or-

TREE Fund Chairman's Signature _____

-or-

President/CEO's Signature _____