

COMMUNITY FOUNDATION OF THE NORTH STATE GIFT ACCEPTANCE POLICIES AND PROCEDURES

I. Purpose

This manual states the policies and procedures for accepting various types of gifts for Community Foundation of the North State (Foundation). The policies have been established to maximize donor intent, minimize undue risk to the Foundation, and facilitate the gift acceptance process. The document describes operating procedures from which the Foundation may choose to deviate based on specific circumstances.

To conform with U.S. Treasury Department regulations governing community foundations, gifts to the Foundation may not be directly or indirectly subjected by a donor to any material restriction or condition that prevents the Foundation from freely and effectively employing the transferred assets, or the income derived therefrom, in furtherance of the Foundation's exempt purposes.

II. Authority

In general, the Chief Executive Officer of the Foundation, contingent on Board approval, may accept any gifts with stipulation. The Executive Committee shall be called upon to review proposed complex, life income and/or deferred gift arrangements to determine potential costs, risks, and suitability. The Board must approve all such gifts.

III. Disclosures Provided to Donor

Foundation staff will explain to all prospective donors the benefits and liabilities that might reasonably be expected to influence a donor's decision to make a gift to the Foundation. Donors should be made aware of the following:

- The irrevocability of a gift
- Certain prohibitions on donor restrictions
- Investment returns are variable (market value, investment return and income yield)
- The Foundation's variance power: Federal Tax Regulations require that every community foundation have the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to any specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or area served
- The Foundation does not provide tax, financial or legal advice; donors should seek professional tax, financial and/or legal advice

Foundation staff's role will be to inform, guide and assist donors in fulfilling their philanthropic objectives. The staff will not attempt to influence a donor's decision. Confidentiality regarding all donors, gifts and gift reviews must be strictly maintained.

IV. Gift Purpose

The purpose of a gift must fall within the broad charitable purposes of the Foundation's standard fund agreements as approved by legal counsel and the Foundation's Board of Directors. In order to further the purpose of encouraging charitable giving within the Foundation's service area, the primary beneficiaries of grants from funds established under the Foundation's auspices should have a clear connection to the service area.

If a donor wishes to make an unrestricted current or testamentary gift to the Foundation, the purpose should be defined in written letter, fund agreement, deferred gift instrument, or Memorandum of Charitable Intent signed by the donor and, if necessary, an officer or Executive Committee member of the Foundation.

Fund agreements will be prepared by the Foundation staff and/or legal counsel. In most cases, donors may make gifts to existing Foundation funds without restating the original purpose of the gift.

V. Types of Giftable Assets Considered

Gifts to the Foundation may be made in any amount, subject to appropriate gift policy minimums, and may take a variety of forms. Certain types of assets, as noted, require review or approval by the Board of Directors prior to acceptance.

- A. Cash/Checks/Cash Equivalents:** The Foundation accepts outright gifts of cash and cash equivalents in any amount. Checks and other instruments should be made payable to "Community Foundation of the North State".
 - i. **Unrestricted cash gifts less than \$5,000:** Unrestricted cash gifts of less than \$5,000 may be placed in the operating fund at the discretion of the Foundation. Unrestricted gifts above \$5,000 will be reviewed on a case-by-case basis and acted on by the Board of Directors.

- B. Marketable Securities:** The Foundation accepts gifts of publicly traded securities (stocks, bonds, mutual funds, etc.). A donor's gift credit will be based on the net proceeds (sales price less brokerage fees) from liquidating the donated securities. The Foundation reserves the right to make all decisions as to retention or sale of donated securities.

- C. Non-Marketable Securities:** Donors wishing to give securities of closely-held or S Corporations or other securities for which there is not a ready market will need a qualified appraisal prior to making the gift. The Foundation may assist in this process. If the securities are immediately marketable, they will be sold. If the Foundation accepts a gift of securities for which there is not a ready market, the Foundation will hold the securities until they can be redeemed or sold for cash. The donor's gift credit will be based on the net proceeds received from disposing of the securities. Credit for a donor's gift will be deferred until sale proceeds are realized.
 - i. Securities that are not readily marketable will require approval by the Board of Directors

- D. Tangible Personal Property:** Donors may gift tangible personal property to the Foundation. If the property's value exceeds \$4,999, donors are required to have a qualified appraisal performed and submitted on IRS Form 8283. If the Foundation sells the property within two years, IRS Form 8282 must be filed by the Foundation informing the donor and IRS of the sale price of the item.
 - i. Tangible or personal property that is not readily marketable or that will not be used in the Foundation's offices or programs will require approval by the Board of Directors.

- E. Cryptocurrency:** The Foundation may accept gifts of cryptocurrency after due diligence is performed on the type and source of the cryptocurrency and to determine that it is able to be transferred and liquidated. A donor's gift credit to the Foundation will be based on the net proceeds (sale price minus applicable sales costs and fees).

- F. Retirement Accounts including IRAs:** Retirement plans owned by the donor may be gifted to the Foundation while living, or at death. These include, but are not limited to, Individual Retirement Accounts (IRA), 401(k), 403(b), and defined contribution plans.
 - Qualified Charitable Distributions (QCD) may be directed to the Foundation to create a new fund (must meet fund minimums), be added to a current fund, pass-through to the nonprofits of the donor's choosing, or fund a one-time Charitable Gift Annuity. QCDs cannot be directed to Donor Advised Funds per IRS rules.

- G. Partnership Interests:** Generally, gifts of partnership interests are not appropriate for charitable purposes. However, acceptance of a gift of a limited partnership interest depends on the ultimate financial liability to the Foundation. Fair market value of the partnership must be determined by a qualified appraisal within 30 days of the gift. If the Foundation accepts the gift, the donor's credit will be based on the net sales price after all fees and costs of sale.
 - i. Prior to accepting any partnership gift, the Foundation will review the marketability of the partnership interest and give consideration to whether the partnership might generate unrelated business income tax (UBIT) that might subject the Foundation to income tax. Partnership interest gifts require approval by the Board of Directors.

- H. S Corporation:** The Foundation will not accept partial interest in a closely-held or S Corporation to establish a Donor Advised Fund.
- I. Distribution Rights and Royalties:** The Foundation may accept gifts of royalties or distribution rights on published works (such as books or films) where there is clear evidence of marketability or assurance of an income stream. A qualified appraisal is required. A completed IRS Form 8283 (“Noncash Charitable Contributions”) must accompany gifts of royalties or distribution rights.
- J. Oil, Gas and Mineral Interests:** The Foundation may accept oil and gas property interests, when appropriate. Prior to acceptance of an oil and gas interest the gift shall be reviewed by the Foundation’s legal counsel and approved by the Investment Committee. Criteria for acceptance of property shall be:
- Gifts of surface rights should have a value of \$20,000 or greater;
 - Gifts of oil, gas, and mineral interests should generate at least \$5,000 per year in royalties or other income (as determined by the average of the three years prior to the gift);
 - The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate;
 - A working interest is rarely accepted. It may only be accepted when there is a plan to minimize potential liability and tax consequences;
 - The property should undergo an environmental audit to ensure that the Foundation has no current or potential exposure to environmental liability.
- K. Real Property:** The Foundation established Shasta Regional Community Real Estate Foundation (CREF) to accept donations of real property. Refer to **Appendix B** for CREF Acceptance of Donated Real Property policies.
- L. Accounts receivable** (loans, notes, mortgages, etc.): Gifts that include encumbrances will require approval by the Board of Directors.
- M. Gifts whose structure falls outside the Foundation’s ordinary purposes and procedures:** All other assets or gift types will require approval by the Board of Directors.
- N. Excess Business Holdings Rules**
 The holdings of a donor plus the holdings of the donor advised funds cannot be more than 20%. That is, the holdings of a donor advised fund in a business enterprise, together with the holdings of persons who are disqualified persons with respect to that fund, may not exceed any of the following:
- Twenty percent of the voting stock of an incorporated business
 - Twenty percent of the profits interest of a partnership or joint venture of the beneficial interest of a trust or similar entity
- Ownership of unincorporated businesses that are not substantially related to the fund’s purposes is also prohibited.

VI. Planned/Deferred Gifts

The Foundation’s Planned Giving Program encompasses gifts whose benefits do not fully accrue to the Foundation until some future time (death of the donor or other beneficiary). Types of planned giving opportunities considered by the Foundation include the following:

- A. Beneficiary Designations:** Naming the Foundation as primary, successor or contingent beneficiary for all or part of the assets upon death of either the retirement asset owner or spouse.
- B. Bequests:** The Foundation receives bequests from persons who direct through a will, trust, or life insurance policy that certain money or property be transferred to the Foundation.
- C. Life Estates:** Donors may contribute a property to the Foundation and retain a life estate, the right to occupy and use the property until death. Upon the donor’s death, the Foundation must own all in the

property. During the donor's lifetime, the donor may reserve the right to specify the charitable use of the remainder portion of the gift. The Foundation will evaluate each gift on a case-by-case basis.

- D. Life Income Arrangements:** Several types of giving arrangements can be established during a donor's lifetime or at the donor's death that can be structured to provide a life income to the donor or a designated beneficiary. Life income arrangements include charitable trusts and charitable gift annuities.
- a. Charitable Trusts
 - i. A donor may establish a Charitable Lead Trust (CLT) or Charitable Remainder Trust (CRT) naming the Foundation as the charitable beneficiary for the Lead payments or the Remainder portion
 - ii. The donor may direct the lead or the remainder be added to an existing endowed fund; to establish a new endowed fund; and/or to provide direct distributions to donor-designated charity/ies over a period of years (ie, spend-down distribution).
 - a. If the donor elects a spend-down distribution, the Foundation will retain 10% of the charitable portion to be added to the Fund for the North State, unless otherwise approved by the Board.
 - b. If the remainder is directed to create a new endowed fund and does not meet the minimum amount required to establish an endowment at the time the remainder is received, it will be directed to the Fund for the North State, unless otherwise approved by the Board.
 - iii. The Foundation will consider serving as trustee for charitable trusts as long as the Foundation is named irrevocably as the beneficiary of a minimum of 50% of the charitable portion of the trust, unless otherwise approved by the Board. The use of the charitable portion must follow the guidelines outlined above.
 - b. Charitable Gift Annuities (CGA)
 - i. Refer to **Appendix C** for CGA policies
- E. Life Insurance:** Donors may make gifts of life insurance in several ways. An irrevocable gift of a fully paid policy may be made naming the Foundation as the owner and beneficiary. An irrevocable gift of a policy that is not fully paid can be made naming the Foundation as the owner and beneficiary. The donor, in this case, would pledge to make additional annual gifts to the Foundation in the amount of remaining premiums due on the policy until fully paid. The Foundation would make the premium payments on the policy when received from the donor. The Foundation also is able to accept tax deductible gifts of insurance policy dividends.

VII. Gifts Declined

The Foundation reserves the right to decline any gift that it believes is not in its best interest or is not permissible by law. If a gift is not accepted, staff will contact the prospective donor and provide the reason for declining their gift.

VIII. Administrative Fees

Fees are charged according to the Administrative Fee Schedule (**Appendix A**) which may be updated from time to time. Additional legal, bank, tax or other costs related to the gift may be charged on a case-by-case basis.

APPENDIX A

Administrative Fee Schedule

The Community Foundation of the North State assesses reasonable fees for the costs associated with administering charitable funds. Administrative Fees are calculated as an annual percentage, assessed quarterly and based on the average daily balance for the quarter. Funds established in the last month of the quarter, and having no transactions, will not be assessed a fee for that quarter.

ENDOWED FUNDS	MINIMUM	FEE
Donor Advised	\$10,000	1.75% up to \$500,000
Donor Designated	\$10,000	1.50% from \$500,000 to \$1,000,000
Field of Interest	\$10,000	1.25% from \$1,000,000 to \$1,500,000
Organization	\$50,000	1.00% over \$1,500,000
Competitive DAF	\$25,000 awarded	7% - 10% of amount awarded plus DAF fee
Scholarship	\$25,000	3.00%
NON-ENDOWED FUNDS	MINIMUM	FEE
Donor Advised	\$10,000	2.50% or \$250, whichever is greater
Donor Designated	\$10,000	2.50% or \$250, whichever is greater
Field of Interest	\$25,000	2.50% or \$250, whichever is greater
Competitive DAF	awarded	7% - 10% of amount awarded plus DAF fee
Special Projects	No Minimum	5.0% to 10.0% upon receipt

Bequests

All bequests are charged a fee of 1% upon receipt. Thereafter, fees are assessed based on fee schedule.

Charitable Gift Annuities (CGA)

CGAs are assessed a 1% fee annually for administration and investment. The remainder is assessed based on fee schedule and remainder policies for CGAs.

Charitable Remainder Trusts (CRT) and Charitable Lead Trusts (CLT)

Charitable trusts are charged fees for administration and investment which may vary depending on the structure of the trust. Charitable payments (CLT) or remainder amounts (CRT) are charged a fee of 1% upon receipt. Thereafter, fees are assessed based on fee schedule.

Investment Fees

The Foundation engages and pays professional managers for investment services. All funds, trusts, and annuities bear their proportionate share of these fees.

Reservation of Rights & Extraordinary Costs

These fees apply only to funds that are not conducting special programs or projects requiring additional staff work. The Board of Directors gives management the right to negotiate fees based on the size of the gift and amount of staff time required.

Any extraordinary legal, bank or other costs associated with a fund, trust, annuity or gift will be charged to the fund, trust, annuity or the donor.

The Foundation Board of Directors reserves the right to modify the Administrative Fees as conditions warrant and without prior notice.

Approved 9.13.23

APPENDIX B

SHASTA REGIONAL COMMUNITY REAL ESTATE FOUNDATION (CREF) ACCEPTANCE OF DONATED REAL PROPERTY

I. DEFINITION

This policy covers the terms of acceptance for gifts of real property, including private homes, commercial real estate, and vacant land. This policy does not apply to acceptance of personal property, such as common stock and bonds.

II. AUTHORITY

All proposed gifts of real property will be submitted to the Shasta Regional Community Real Estate Foundation (CREF) Board for review under the terms and conditions of this policy. If the proceeds of a gift will be used to setup a new fund at the Community Foundation of the North State (CFNS), the donor must have that new fund approved the CFNS Board according to CFNS procedures.

III. CONDITIONS

- A. **Generally Acceptable Conditions:** If a gift of real property meets the criteria set forth below, CREF is authorized to accept the donated property upon approval of the CFNS Board:
- The gift does not have any “material” donor-imposed restrictions on the use of the property, investments of the proceeds, or distribution of earning other than specifying a designated agency.
 - The property has no encumbrances or debt financing in excess of 25% of the market value.
 - The property has no toxic waste, asbestos, or other negative environmental conditions as evidenced by an environmental survey.
 - The property does not have any current or pending zoning or city plan ordinances which could create difficulties or limitations for CREF in selling, leasing, or utilizing the property.
 - The building meets municipal codes and earthquakes standards to an extent that will not preclude CREF from selling or disposing of the property, has not material structural or engineering defects, and is in compliance with applicable building ordinances.
 - The donor has legal capacity and title to convey the property, has 100% fee simple interest in the property, and the donor’s interest in the property is not fractionalized.
 - The Title Report indicated that no other persons or entities have an interest in the property, there are no restrictive easements or restrictions on the property, and there is no leasehold liability on the property that would affect the fee title.
 - The property has short-term leases and there is a professional property manager.
 - The value of the gift can be determined through a professional appraisal.
 - There is a ready market for the property, and the property is located in a geographical area where a prompt sale is deemed likely.
 - The donor will not receive any personal benefit from donation of the property, except for the tax deductions allowed under law
 - Exception for payout benefits to the donor or designated beneficiary for Charitable Remainder Trusts and Leads Trusts upon approval of the CFNS Board.
 - Lifetime occupancy arrangements may be an exception and require majority approval of the CFNS Board.

- Sale with share of proceeds may be considered if a minimum of 50% is gifted to CFNS, and with approval of the CFNS Board.
- No staff or board member will personally benefit from CREF's acceptance of the property, except to the extent of tax benefits if the gift is from a staff or board member; exceptions may be made if it is part of a charitable trust, a sale with share of proceeds, or as otherwise approved by the CFNS Board.

B. Unacceptable Conditions:

- Acceptance of the property by CREF will inure to the benefit of the donor, or a staff or board member.
- The gift has material donor-imposed restrictions that do not adhere to CREF's charter, or defined terms for acceptance of a gift.
- The property has significant environmental hazards or conditions deemed by CREF as likely to offset any potential financial benefit.
- The property is debt financed, or otherwise encumbered, where CREF will be subject to substantial unrelated business income tax, where the donor will receive a benefit from the contribution other than the allowable tax deduction, or where the debt or encumbrance is considered to be a material restriction.
- The property has significant current or pending zoning or city plan ordinances which would likely make the property difficult or impossible to sell.

C. Other Conditions: CREF has the right and obligation to consider any and all factors which may exist and which are not listed in the conditions outlined in this policy, and may accept or reject gifts or real property based on the Board's best judgment at the time of the gift.

IV. DUE DILIGENCE REVIEW:

Evaluation and review will be completed and documented using the Evaluation Form and Due Diligence Checklist attached. Consideration must include the following components:

- A. Unrelated Business Income Tax (UBIT):** The acceptance of income producing donated property which is debt financed may result in UBIT. In addition, acceptance of income-producing property that is not related to the nonprofit purpose of CREF may also result in UBIT. Each property that may result in UBIT will be reviewed to determine whether it should be accepted.
- B. Title Review:** A title search will be conducted by a professional title company for all donated real property, to ensure title vests in the donor. Title insurance will be obtained by CREF prior to acceptance of the property. The title report must include both a legal and common description of the property, and must disclose any monetary encumbrances, leasehold liabilities, easements or restrictions on the property. The title report also must indicate if there are any memorandums of lease recorded (leases of record) on the property.

When it is anticipated that property will be sold in a short period of time, CREF should consider obtaining a Title Binder in lieu of title insurance that is non-transferable. The title binder delays issuance of title insurance, and is transferable to the purchaser who can then have title insurance issued in the name of the purchaser. This provides additional incentive to the buyer.

- C. Physical Inspection:** Staff, volunteers, or a professional inspector will conduct a physical inspection on all proposed donations of real property. The inspection will verify the title report's common description of the property, and reveal any major repairs, hazardous conditions, and potential environmental matters that require consideration.

It is appropriate to request from the donor a written statement as to the condition of the property being donated, including disclosure of any defects or problems with the property. The owner is required to reveal to the buyer all defects and problems with the property, prior to entering escrow.

If the donation is commercial real estate, a Phase I environmental review is required and a professional engineering survey may be required to determine if structural defects exist, to discover possible encroachment by neighboring property owners or encroachment of the structure onto neighboring properties, and to identify any environmental concerns. If environmental concerns are identified, a Phase II environmental review is necessary. Inquiry should first be made of the donor, to determine if a previous recent survey and environmental review exist.

- D. **Appraisal:** The donor must have an appraisal in accordance with IRS guidelines completed for all donations of real property to CREF at the donor's expense to determine the fair market value of the donation. A copy of the appraisal must be provided to CREF. The appraisal must be current, completed 60 days or less from the date CREF accepts the property. On occasion, the appraisal can be completed after the acceptance of the property.
- E. **Deed:** The grant deed is required for transfer of the property to CREF. Acceptance of a quit claim deed requires approval of the CFNS Board, and will be accepted in special circumstances only with agreement by the title company to issue a commitment that the donor has not impaired the title to the property.
- D. **Property Management:** Before accepting gifts of real property, CREF shall analyze the amount of internal administration and costs required to acquire and dispose of the property, or to manage the property if retained by CREF. Issues to evaluate are structural and cosmetic repairs, holding costs including property taxes, insurance and maintenance, staff time to manage leases and tenant relations is applicable, and outside professional management costs if it is deemed not financially appropriate for staff to manage the property.

Before acceptance of property with tenant leases, CREF should analyze the feasibility of internal management of the property, the quality of the leases, and any unusual lease conditions. If CREF determines it is necessary to retain an outside management firm, costs of a management contract and additional insurance must be calculated, and the additional liability exposure evaluated. Additionally, CREF must ensure that the manager hired is licensed as required in California, and has adequate experience in managing that type of property.

- E. **Environmental Concerns:** A qualified professional consultant will evaluate any donated property that might be subject to environmental concerns. Environmental issues analyzed will include, but are not limited to, hazardous substances, toxic waste, buried tanks, chemicals, and sensitive habitat of wildlife or endangered species.

A Phase I reviews consist of searching government records, reviewing aerial photos, checking previous title ownership, and inspecting the site. If an environmental impact is identified, a Phase II review will further analyze environmental contamination by sampling the soil and other materials on the premises, including ground water.

All environmental reviews should include properties within a one-half mile radius of the donated property, to ensure the use of the property is not restricted within the border zone of hazardous waste disposal sites.

Costs for environmental review can be substantial. Indications of potential environmental concerns should be immediately evaluated in light of expected proceeds from future sale of the property, to determine if acceptance of the gift is advisable.

V. FUNDS AT COMMUNITY FOUNDATION OF THE NORTH STATE:

If donor would like CREF to use the proceeds from the sale of the donated real property to set up a fund at the Community Foundation of the North State (CFNS), then before the real property can be accepted, the new fund must be approved and established at CFNS according to CFNS procedures.

VI. ACCEPTANCE:

After all factors and evaluations have been fully reviewed by CREF, the appropriate officers or CFNS staff have the authority as defined in this policy and with CFNS Board approval to accept a donation of real property.

CREF Appendix updated June 12, 2024

APPENDIX C

CHARITABLE GIFT ANNUITY ACCEPTANCE POLICY

As a part of its planned giving program, the Community Foundation of the North State (Foundation) offers Charitable Gift Annuities (CGA) in accordance with our license issued by the California Department of Insurance. CGAs are contracts between the donor(s) and the Foundation whereby payments are guaranteed for the life of the annuitant(s) and backed by the assets of the Foundation. At the end of the annuity contract ("termination"), the remainder is retained and/or distributed by the Foundation according to the charitable purpose intended by the donor(s). Foundation staff will work with the Board, Investment Committee, and third-party CGA administrators to implement, monitor, and evaluate CGA policies and procedures.

1. Types of Annuity Contracts

- a. Current CGA, in which payments begin within one year of the gift date
- b. Deferred CGA, in which the initial payment will be made more than one year after the gift date
- c. Flexible Deferred CGA, in which the initial payment is deferred to an unspecified future date; the deferral period will be mutually determined by the donor(s) and the Foundation
- d. The effective date of the CGA is upon execution of the agreement by the donor(s) and the Foundation

2. Annuitant Requirements

- a. CGAs can be issued to annuitants who reside in the state of California
- b. CGAs can be issued for one life, two lives in succession, or joint and survivor lives
- c. CGAs shall be limited to one life or two lives at the time of the gift
- d. The minimum age of a current or deferred CGA annuitant on the date of the first payment is 65
 - i. For joint life annuities (a couple), only one must be age 65 or older; the other must be a minimum of age 60 on the date of the first payment.

3. Recommended Rates

- a. The Foundation will follow the recommended rates ("rate schedule") of the American Council on Gift Annuities (ACGA) set according to the ages(s) of the annuitant(s)
 - i. To conform to State law, the Foundation will disclose the maximum annuity rate to each potential donor(s)/annuitant, based on the actuarial age of the annuitant
 - ii. In addition to providing gift illustrations using standard ACGA rates, the Foundation can provide gift illustration options which show lesser rates
 - iii. If a rate less than the current ACGA recommended rate is offered, and has been accepted, the donor(s) shall acknowledge in writing that the rate accepted is less than the maximum currently available ACGA rate
- b. To conform to the federally mandated "Clay-Brown Rule," the annuity rate offered will generate a charitable deduction of at least 10% of the fair market value of the assets given, or the annuity rate will be reduced to qualify for the deduction

- c. The Foundation, upon approval from the Board, will inform the California Department of Insurance of any changes in its rate schedule

4. CGA Minimum and Maximum Gift Amounts

The minimum to establish a CGA is \$25,000; the maximum is \$150,000. If a donor wishes to establish multiple CGAs over time benefitting the same annuitant(s), any contract which would cumulatively exceed the maximum amount will require Board approval. The Board may approve CGA gifts outside the minimum and maximum amounts on a case-by-case basis.

5. Assets Accepted

- a. Liquid assets such as publicly traded securities and cash
- b. Illiquid assets will be considered on a case-by-case basis; such exceptions must be reviewed and approved by the Board
- c. CGAs are irrevocable and non-assignable, except that it may be assigned to the Foundation (excluding IRA-funded CGAs per the Legacy IRA Act)

6. Annuity Payment Options

- a. Payments to the annuitant(s) may be made monthly, quarterly, semiannually or annually
- b. Payments are made by direct deposit or check
- c. Payments are issued on or about the last day of the payment period

7. Separate Reserve Fund

The Foundation will maintain a CGA Reserve Fund in accordance with the requirements of California Insurance Code Sections 11521 through 11521.2; such Reserve Fund will be held legally and physically separate from the Foundation's other assets.

- a. CGAs will be administered by an external corporate trustee and the Reserve Fund invested according to the guidelines of the California Department of Insurance
- b. Appropriate accounting will be maintained to identify the changing market value of each CGA, so that the appropriate amount may be transferred from the Reserve Fund upon termination of an annuity contract

8. Disclosures

As required by the Philanthropy Protection Act of 1995, when providing gift illustrations, the Foundation will disclose to annuitants the investment of annuity assets and advise that they consult their financial, tax or legal advisor to discuss the risks and benefits of making such a gift.

9. Fees

A 1% administrative fee is assessed annually on the CGA Reserve Fund. In addition, reasonable fees may be assessed for investment costs, compliance, and tax services. Fees may be amended by the Foundation from time to time.

10. Reinsurance

The Foundation will not reinsure its annuity liability unless authorized by the Board and approved by the California Department of Insurance.

11. Remainder Amount

- a. The Foundation's obligation under the contract shall terminate with the regular payment immediately preceding the death of the annuitant(s)
- b. The Foundation's administrator will determine the final remainder interest based on the month-end valuation closest to the date of death, minus fees associated with the final processing, tax reporting or settling of the annuity
- c. The Foundation will retain and/or distribute the remainder according to the charitable purpose intended by the donor(s) and the guidelines for the Use of the Remainder

12. Use of Remainder

The use of the remainder and specific fund designation(s) will be stipulated by the donor(s) in the annuity agreement. Upon the death of the annuitant (or the surviving annuitant), the remainder of each annuity shall be allocated as follows:

- a. If the CGA was issued as part of our Agency Fund program:
 - i. 25% will be allocated to the Fund for the North State (unless the donor opts for a higher %);
 - ii. 75% will be allocated to an Agency Fund at the Foundation (unless the donor opts for a lower %). The Agency Fund portion will either:
 1. be added to the Agency's current endowed fund; or
 2. create a new Agency endowed fund (must meet minimum funding requirements for new funds or be invested until fund meets the minimum requirement)
- b. If the CGA was not issued as part of our Agency Fund program:
 - i. CGAs with a remainder of less than \$25,000 will be allocated to the Fund for the North State
 - ii. CGAs with a remainder of more than \$25,000 will be allocated as follows:
 1. 25% will be allocated to the Fund for the North State (unless the donor opts for a higher %);
 2. 75% (unless the donor opts for a lower %) may be designated as follows:
 - a. be added to a current endowed fund or funds; and/or
 - b. create a new endowed fund (must meet minimum funding requirements for new funds or be invested until fund meets the minimum requirement)
- c. Exceptions to the use of the remainder must be reviewed and approved by the Board