

Gift Policy

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Mission Statement and Purpose of Gift Acceptance Policy

The Rotary Club of Santa Rosa Foundation (RCSRF) mission is to increase charitable giving in the local community and to provide a stable base for future grant distributions. The financial goal of the RCSRF is to fund charitable community service projects and scholarships in the local community and reduce the need for annual labor-intensive fund-raising events by the Club. The RCSRF's mailing address is PO Box 1513, Santa Rosa, CA 95402. Its U.S. federal tax identification number is 68-0205619

The purpose of the RCSRF's Gift Acceptance Policy (the "Policy") is to govern the acceptance or non-acceptance of proposed gifts. All gifts are to be considered for acceptance in accordance with the policies in this document and with any other policies or procedures established by the RCSRF.

The scope of this Policy is limited to acceptance or non-acceptance of proposed gifts; it is not intended to cover disposition of property owned by the RCSRF or recognition of donors.

The RCSRF is separate from the Rotary Club of Santa Rosa and can accept, or consider for acceptance, contributions of cash and property from donors wishing to receive a charitable tax deduction under the US tax laws.

Acceptance of a gift of any kind must comply with the policies and procedures established

by the Trustees, including but not limited to those outlined in this gift acceptance policy as amended periodically. All monetary amounts in this Policy are in U.S. dollars and all references to “the IRS” are to the United States Internal Revenue Service.

Legal Counsel of RCSRf and Donor

Use of tax and/or legal counsel by the donor and the RCSRf is advantageous to both parties. The RCSRf cannot serve as both the donor’s adviser and the recipient of the donor’s gift. Therefore, potential donors are advised to consult independent tax or legal counsel before making gifts to the RCSRf.

It is the donor’s responsibility to retain appropriate independent tax and legal counsel in these transactions. Before signing gift agreements, such as gifts of partial interests, charitable gift annuities, charitable remainder trusts, and charitable lead trusts, counsel for the donor will be given the opportunity to review and approve the documents. RCSRf legal counsel may review split-interest gifts and outright gifts of assets other than cash or publicly traded securities.

Gift Definition

A gift is defined as a voluntary transfer of assets from a person or an organization to the RCSRf. Gifts are usually in the form of, but are not limited to, cash, securities, real estate, or personal property. The RCSRf may accept or decline any gift. The following criteria generally identify a gift:

- A gift is motivated by charitable intent.
- Gifts are irrevocable transfers of assets.
- Gifts are not generally subject to an exchange of consideration or other contractual duties between the RCSRf and the donor, except for certain split-interest gifts as set out in this Policy, although objectives may be stated, and funds may be restricted to a specific purpose. If certain conditions are met the fund may be given a name of the donor’s choosing and The RCSRf review and acceptance.
- Donors are not provided formal financial accountings. A general report to the donor stating the use or impact of the gift is appropriate and may be desirable, especially in the case of named gifts to the RCSRf’s endowment.
- Generally, funds received from individuals, closely held corporations, and family RCSRf’s will be classified as gifts. Funds received from corporations, corporate RCSRf’s, and major RCSRf’s will be classified as gifts unless the grant requires performance or other consideration.
- A gift is not completed until it has been accepted by the RCSRf. RCSRf reserves the right to decline any gift.

Gift Designation

When received without donor instructions, gifts will be placed in the Unrestricted Endowment Fund, with the annual spendable earnings directed to charitable projects or scholarship funds in our local community in accordance with the RCSRf's distribution policy.

Types of Acceptable Gifts

Outright Gifts

An outright gift involves the donor's voluntary and intentional transfer of money or assets to the RCSRf without expectation of receiving a benefit related to the value of the transfer. Although the donor may place restrictions on the use of the gift, the donor may not retain control over the money or property transferred to the charity. Examples of outright gifts include cash and cash equivalents, securities, tangible personal property, and certain real estate gifts.

Cash and Cash Equivalents

Cash and Checks — Cash and checks may be accepted regardless of the amount. The value of any cash or check is its face value. Checks must be made payable to RCSRf.

Electronic Funds Transfers — Funds may be transferred electronically to the RCSRf. Donors should consult a representative of their financial institution to make contributions via electronic transfer. Donors should also notify the RCSRf when such transfers are initiated, to ensure that proper electronic transfer information, appropriate and timely gift acknowledgment, and correct gift credit are given. Instructions for electronic funds transfers are available upon request.

Credit Card Contributions — Funds may be transferred to the RCSRf via credit card. Secure credit card contributions may be made at: www.FoundationRotarySantaRosa.org.

Securities

Securities that are actively traded on recognized stock exchanges in the United States and Canada will be accepted as gifts to the RCSRf in accordance with the policies described below. Securities traded on other stock exchanges and other readily marketable securities, including bonds, mutual funds, and closely held stock, may be evaluated, and accepted if it is in the best interest of the RCSRf. Securities given to the RCSRf typically are liquidated as soon as possible, however, the RCSRf reserves the right to transfer and preserve the securities donated in their respective equities.

Publicly Traded Securities — The value of a gift of securities is the average of the high and low of the stock(s) or bond(s) on the day the securities are received in the RCSRf's gifted securities brokerage account. The value of less actively traded securities, rarely traded securities, or securities that do not trade on the gift date should be determined according to the rules delineated in IRS Publication 561.

The RCSRf should be notified in advance about the securities being transferred, the number of shares, the intended gift date, and the designation of the gift (for example, Specified Scholarship Fund, or Unrestricted Funds). The RCSRf may liquidate securities as soon as possible after the securities and corresponding donor information have been received. If a

donor is not identified, the RCSRF may liquidate securities after 90 days and the gift will be allocated to the Endowment Fund.

Donation of securities via electronic transfer — Securities may be transferred directly to the RCSRF's brokerage account in the United States and Canada. Donors should contact the RCSRF for transmittal instructions.

Donation of securities via mail (U.S.) — If the donor has physical custody of stock certificates, they should be sent, unsigned, by registered mail. Signed stock or bond power forms must be sent separately from the stock or bond certificates. Signatures on the stock or bond power must exactly match the names on the certificates. Donors should contact the RCSRF for address information.

Mutual Fund Shares — Mutual fund shares may be accepted by the RCSRF. In most cases, the RCSRF's gifted securities brokerage accounts can accept and liquidate mutual fund shares. However, if they cannot, the RCSRF must open an account with another institution to accept the shares. Aspects of this process are beyond the RCSRF's control and can require several weeks to complete.

Therefore, donors are advised to allow at least two to three weeks for such transactions. The RCSRF reserves the right to decline a gift of mutual fund shares if the administrative costs exceed the fair market value of the gift.

To initiate a gift of mutual fund shares, the RCSRF must be notified of the mutual fund shares being given, the name of the institution at which the shares are held (a brokerage firm, a financial institution, or the mutual fund company itself), the number of shares, the intended gift date, and the intended use of the gift (for example, Specified Scholarship Fund, or Unrestricted Funds). If the shares are held at the mutual fund company, the donor and the RCSRF must follow the steps that company requires for transfer of ownership of the shares. In most cases, the shares may be liquidated as soon as possible after transfer into the RCSRF's account. The fair market value of mutual fund shares will be determined by the public redemption price of the shares on the date the shares are received into the RCSRF's account. If such a price is not readily available, then the value will be determined as if the shares were non-publicly traded securities in accordance with IRS rules currently in Publication 561.

Closely Held Securities — Closely held or non-publicly traded securities may be accepted only after prior review and approval by the RCSRF. A closely held stock is a circumstance wherein a company's common shares are predominantly owned by one individual owner or by a small group of controlling shareholders

Valuation of closely held securities may be challenging because of infrequent trading, which makes it difficult to establish fair market value. The RCSRF will consider gifts of closely held securities only in amounts of \$100,000 or more.

The following documentation must be provided to the RCSRF before a gift of closely held securities will be considered for acceptance:

- A qualified independent appraisal as defined in the Internal Revenue Code and IRS Publication 561
- Copies of any shareholder buy/sell agreements
- Copies of restrictions on the transfer contained in the bylaws and/or reflected on the stock certificates

Donors should consult their own counsel and review IRS Publication 561, which describes in detail the protocol for appraisers and the content of appraisals, to establish the value of their gift for tax purposes.

Restricted Securities — Restricted securities (also known as unregistered securities, investment-letter stock, control stock, or private placement stock) are infrequently given as gifts because of the difficulty in transferring ownership and determining fair market value. They may be accepted only upon prior approval by the RCSRF.

The RCSRF will consider gifts of restricted securities only in amounts of \$100,000 or more. The following documentation must be provided to the RCSRF before a gift of restricted securities will be considered for acceptance:

- A qualified independent appraisal as defined in the Internal Revenue Code and IRS Publication 561
- Copies of any shareholder buy/sell agreements
- Copies of transfer restrictions

Donors should consult their own counsel and IRS Publication 561, which describes in detail the protocol, including the procedures for appraisers and content of appraisals, to establish the value of their gift for tax purposes.

It is the responsibility of the donor to pay all costs incurred in transfer of the property, including the cost of complying with any of the RCSRF's requirements outlined above.

Under applicable IRS regulations, a donor must pay for any initial appraisal of the property. The appraisal must be made within 60 days before the date of the transfer, and before the filing of the tax return on which the deduction is first claimed.

Tangible Personal Property (accepted with intent to sell)

Tangible personal property is an asset that can be touched, handled, or moved by an individual (as opposed to intangible assets such as ownership in a company). The most common types of tangible personal property assets include art, jewelry, coin or stamp collections, furniture, or any similarly unique asset or collectible owned by a donor.

The RCSRF may accept gifts of tangible personal property upon review and approval by the RCSRF. The RCSRF will attempt to liquidate gifts of tangible personal property upon receipt. Generally, gifts of tangible personal property may be accepted if they (1) meet the RCSRF's minimum gift value requirements, (2) are readily marketable, and (3) are free and clear of encumbrances. Gifts of tangible personal property must be of sufficient value to cover holding, maintenance, sale, and administrative costs. If all other guidelines are met, the RCSRF will consider gifts of jewelry valued at \$10,000 or more and gifts of artwork and collectibles valued at \$25,000 or more.

Estate Gifts (testamentary gifts)

Estate gifts are generally arranged during the donor's lifetime, with the transfer of assets taking place after the donor's death. When practical, any estate gift that would require approval of the transfer of the asset should be reviewed and approved by the RCSRF prior to the commitment

being finalized. Donors are advised to consult with the RCSRF regarding how to designate the gift and to discuss any restriction that is being considered.

Legacy Gifts (bequests)

A legacy gift to the RCSRF is a gift made in the donor's will, revocable trust, or a similar estate planning document that effects a transfer at death. Popular designations that benefit the RCSRF include a gift of a specific amount, a percentage of the estate, or the remainder of an estate. Direct, unencumbered gifts will be accepted by the RCSRF if the underlying assets are in conformity with the guidelines set forth in this Policy, *Outright Gifts*. Donors are encouraged to notify the RCSRF when considering a bequest to ensure that it meets the criteria set forth in this Policy.

Designating the RCSRF as Beneficiary

The RCSRF will accept any funds that it receives as a designated beneficiary (or an alternate beneficiary) of a life insurance policy, a deferred annuity contract, an IRA, a defined benefit plan, a 401(k) plan, a defined contribution (profit-sharing) plan, charitable trust, or other qualified plan, unless the designation imposes restrictions or a trust arrangement, in which case prior review and approval by the RCSRF are required.

Life Insurance Policies

The RCSRF will accept beneficial interest in an insurance policy without minimum but reserves the right to decline to pursue receipt of funds offered under such interest if it proves administratively burdensome.

The RCSRF will accept ownership of life insurance policies that meet the following criteria:

- The policy to be gifted is fully paid as of the date of the gift
- The RCSRF must have the ability to liquidate the policy for cash value net of any liquidation charges
- The policy must be free of loans when the RCSRF takes ownership
- Only individual gifts of life insurance will be accepted; individual insurance policies purchased by a group of individuals will not be accepted. The RCSRF will not accept ownership of term life insurance policies.

Gifts in Kind (retained for RCSRF use)

Furniture, equipment, medical supplies, computer hardware and software, and Rotary memorabilia are examples of gifts in kind that may be considered for acceptance by the RCSRF. The RCSRF will consider such gifts case by case. Depending on the nature of the gift there may be associated maintenance, storage, shipping, and insurance costs. Generally, the RCSRF will use the following criteria to determine whether a gift in kind will be accepted by the RCSRF:

- Whether the property furthers the mission or enhances the history of the RCSRF
- Whether the donor has requested any restrictions on the use or display of the property
- The type of gift the donor intends to fund with the property — for example, most personal property is not appropriate for funding gift annuities or pooled income funds, charitable remainder trusts, or charitable lead trusts

- Whether the property is readily marketable and what additional costs may be involved with the sale of the property
- Whether the donor has requested any restrictions on the use, display, or sale of the property
- Whether the donor is aware of the RCSRF's policy of selling such gifts as soon as possible after receipt
- Whether the donor is willing and able to finance the packing, shipping, and in-transit security, insurance, and other costs associated with transferring the gift to the RCSRF. The RCSRF requires that personal property be insured at the donor's expense until it is delivered safely, and transfer of ownership is complete

Donors who intend to give gifts in kind to the RCSRF must submit a gift proposal in writing. The proposal must include a description of the gift, proof of ownership, the donor's cost basis, date of acquisition, and a qualified appraisal performed within 60 days of the gift proposal date. In addition, the donor must provide a written document clearly identifying the property (describing the items in detail) and stating the donor's clear intent to transfer all rights of ownership to the RCSRF.

Donors who intend to give tangible personal property to the RCSRF must submit a gift proposal in writing. The proposal must include a description of the gift, proof of ownership, the donor's cost basis, date of acquisition, and a qualified appraisal performed within 60 days of the gift proposal date.

Donors must complete IRS Form 8283 for all non-cash contributions over \$500. If the RCSRF sells a gift of tangible personal property within two years of receipt, the sale will be reported to the IRS through submission of Form 8282. In such cases, a copy of Form 8282 will be provided to donors. In considering gifts of tangible personal property, donors are advised to consult with a professional adviser regarding the related use rules that apply to such gifts and their tax deductibility. Unless it can be determined that the item being donated will be used by the RCSRF to further its mission, a donor's deduction will be limited to the lesser of his or her cost basis and the fair market value of the property.

Other Non-traditional Asset Gifts

Gifts of nontraditional assets are complicated and can carry with them additional risks and costs to both the donor and the RCSRF. This Policy is meant to ensure that the RCSRF makes prudent decisions that maximize the benefit of these gifts to RCSRF programs.

Intellectual Property — The RCSRF will consider gifts of intellectual property such as royalties, copyrights, patents, contract rights, and similar intangible interests only upon approval by the RCSRF. The committee will consider the appraised value of the intellectual property, the administrative costs involved in accepting such a gift, and whether the donor agrees to assign all rights related to the intellectual property.

Criteria for acceptance of a gift of intellectual property include the following:

- Whether ownership of the intellectual property right can clearly be transferred or assigned to the RCSRF
- Whether the intellectual property right is a full or fractional interest
- Whether the interest is worth more than \$100,000, the minimum for the RCSRF to consider such a gift
- Whether any costs are associated with acceptance of the intellectual property right
- Whether the donor has requested any restrictions on the retention or use of the property

Oil, Gas, and Mineral Interests — Because the RCSRF’s headquarters is not located in an active mineral-interest state, and these interests are generally difficult to sell and unpredictable in income generation, the RCSRF may accept oil and gas property interests only upon approval by the RCSRF after proper review. Criteria for acceptance of proposed gifts of oil, gas, and mineral interests include the following:

- Gifts of surface rights must have a minimum value of \$100,000
- Gifts of oil, gas, and mineral interests must generate at least \$5,000 per year in royalties or other income (as determined by the average of the three years preceding the gift)
- The property must not have extended liabilities or other considerations that make receipt of the gift inappropriate (the RCSRF may consult a professional adviser for further review with donor’s approval and payment for such review)
- The donor must provide an environmental review to ensure that the RCSRF has no current or potential exposure to environmental liability

Timeshare Units

Because of the limited value and market, and inherent expenses associated with timeshare units, the RCSRF will not consider a gift of this nature unless it has an estimated fair market value of \$100,000 or more. The RCSRF may accept gifts of timeshare units of this value only upon approval by the RCSRF Board. Donors who intend to gift a timeshare unit to the RCSRF must make their gift proposal in writing. The proposal must include a description of the gift, proof of ownership, and a qualified appraisal performed within 60 days of the gift proposal date.

Real Property Gifts

Given the complexities of gifts of real estate, each proposed gift of real estate will be evaluated on a case-by-case basis. Various considerations may influence the RCSRF’s decision such as maintenance and sale costs outweighing the benefit, or if unrelated business income erodes the purpose of the foundation.

Major Gift Pledges

The RCSRF may accept unconditional promises to give (pledges) with payment terms generally of five years or less and valued at \$25,000 or more. The first payment should represent an equal portion of the total value of the pledge. A pledge meeting these criteria is considered

active upon receipt of the signed pledge agreement with the terms established in writing. If the conditions are not met within the five-year period, the donation will be reallocated to another scholarship or grant.

Pledges must also comply with the following restrictions:

- Payments must come from the individual or entity making the pledge.
- Past giving cannot apply toward the pledge.
- If the intent is for the pledge to establish a named endowed fund, the fund will be officially established after \$25,000 has been received by the RCSRF for the intended purpose within the five years required period of time.

Gift Acknowledgment

The Rotary Club of Santa Rosa RCSRF is not responsible for maintaining records for proof of charitable contributions and will issue receipts for gifts in compliance with all laws and regulations.

Gift Agreements

Outright, life income agreements (LIAs), and testamentary gifts that will be directed to a named term fund or named endowed fund require a gift agreement. The gift agreement must be signed by the donor(s) and the President of the Board of Trustees of the RCSRF and is considered a legally binding contract.

The gift agreement will outline the following:

- Initial gift amount, if outright
- Estimated gift amount to be realized if LIA or testamentary
- The gift's purpose, including all restrictions and/or preferences
- Investment governance and general administration
- Amendment in case the intended purpose of the gift becomes illegal, impractical, impossible, or inconstant with current programs of the RCSRF
- Named term funds and named endowed funds will be tracked through a unique tracked-gift identification number, and the spending will be directed as agreed to in the gift agreement. If the intended purpose no longer applies, the Trustees of the RCSRF will modify the spending portion of the gift to comply with a current RCSRF program. Every attempt will be made to honor the original intent of the donor(s) as defined in the signed gift agreement.
- All donor designated and field of interest funds may be subject to an annual administrative fee as determined by the Trustees; such fee not to exceed two percent of account balance.