

Johnson County Library Foundation
Gift Acceptance Policy & Procedures

Revised 1-24-08

INTRODUCTION

The Johnson County Library Foundation welcomes traditional gifts of cash and securities, as well as “alternative” gifts including real estate, life insurance, collectibles, and closely held stock.

The following guidelines have been established to facilitate the charitable giving process for the Johnson County Library Foundation staff, prospective donors, and outside advisors who assist in the gift planning process. These guidelines encompass the following categories of charitable gifts:

- I. Gifts of Cash
- II. Gifts of Publicly-traded securities
- III. Gifts of Real Estate
- IV. Gifts of Closely Held Stock and Partnership Interests
- V. Gifts of Tangible Personal Property
- VI. Other Gifts

Each category contains specific guidelines for the Johnson County Library Foundation staff to follow when accepting such gifts. The guidelines include a general description of that type of gift, gift valuation parameters, and other gift acceptance parameters. Disposal guidelines also are included for those non-cash gifts, which are typically converted to cash to fund the donor’s charitable intentions.

Gifts of Cash

The Johnson County Library Foundation accepts cash gifts by check, credit card, wire or ACH transfer.

- A. **Checks** should be made payable to the Johnson County Library Foundation Enrichment Campaign. Checks are deposited within two business days of receipt.
- B. **Credit cards** are accepted: American Express, Visa, MasterCard or Discover. The value of the contribution is the gross amount of the credit card charge, before fees. The Johnson County Library Foundation will bear the fees associated with gifts received by credit card and the donor will receive the full value of the donation.
- C. **Wire transfers** are acceptable. The value of the contribution is recorded as the gross amount wired, before fees. The Johnson County Library Foundation will bear the fees associated with any wire or ACH transfers (Automated Clearing House transfers) made to accomplish a gift.
- D. **Gifts via Payroll Deduction**, if allowed by the County of Johnson County, will be accepted for charitable gifts made to the Library Foundation by employees of the Johnson County Library and its Foundation.

Gifts of Publicly-traded Securities

Gifts of **publicly-traded securities** can be accepted in the following manner: Common or preferred stocks, restricted stock, or mutual funds.

- A. **Common or Preferred Stock** of a publicly-held company can be traded on a public stock exchange. These stock contributions will be valued by taking the average of the high and low quotes on the date the gift is received by the Johnson County Library Foundation. The gift may be received in one of three ways. (1) The donor may hand deliver the stock certificate to the Johnson County Library Foundation, or (2) The donor may transfer the stock to the Johnson County Library Foundation via brokerage firm (Greater Kansas City Community Foundation), or (3) The stock may be transferred to the Johnson County Library Foundation on the books and records of the corporation.

(1) If hand delivered, the following documentation is needed from the donor:

- Stock certificate

- Letter of authorization from donor gifting stock to the Johnson County Library Foundation
- Signed stock power if the certificate is made out in the name of the donor. This is not needed if the certificate is made out to the Johnson County Library Foundation.
- Disclaimer if the certificate is in the name of a Trust, in which case it must be signed on the customer signature line and notarized.

In order to sell the stock, the following information must be completed:

- Stock power must be signed by an officer able to sell stock in the name of the Johnson County Library Foundation
- Dated corporate resolution
- Letter to broker

(2) If transferred via a brokerage firm, the Johnson County Library Foundation will send its wire transfer instructions to the donor. The Johnson County Library Foundation will utilize the Greater Kansas City Community Foundation's brokerage services.

(3) If transferred on the books of the corporation, the Johnson County Library Foundation staff will work with officers and transfer agent of issuing corporation to ensure timely and accurate transfer of gift.

Once the stock has been transferred to the Greater Kansas City Community Foundation, it will be sold by the close of business on the next trading day. The cash proceeds from such a sale will be held in the Johnson County Library Foundation's account at the Greater Kansas City Community Foundation or transferred to the Johnson County Library Foundation's bank account.

B. **Restricted stock** is also publicly-traded stock, but a ruling by the Securities and Exchange Commission has placed certain restrictions on its sale. There are three types of SEC restrictions:

- (1) Rule 144 stock for securities not registered with the SEC, and have been acquired from the issuing corporation or from a control person (officer or major stockholder).
- (2) Rule 145 stock for securities not registered with the SEC that have been acquired through substitution of one security for another through reclassifications, mergers, consolidations, etc.
- (3) S-3 stock for securities that have been registered with the SEC through short-term filings, typically for shelf registrations.

If restricted stock shares are being donated to the Johnson County Library Foundation, a qualified appraisal will be necessary to value the contribution. Refer to the Common or Preferred Stock procedures above for hand-delivery for brokerage firm options for accepting restricted stock. The type of restriction and the particular stock will determine the length of time necessary for the stock to be sold. Authorized Johnson County Library Foundation staff will work closely with the brokerage firm, and the Greater Kansas City Community Foundation, to ensure the stock has been sold in the most timely manner to mitigate market risk.

- C. **Mutual Fund Shares** represent an investment of pooled securities selected by investment professionals. Contributions of mutual fund shares will be valued at the net asset value as of the close of business on the date of the gift. Mutual fund shares will be accepted by the Johnson County Library Foundation by transfer via brokerage firm. See above Common or Preferred Stock procedures for acceptance of shares at brokerage firm. Once the mutual fund shares have been transferred into the newly created the Johnson County Library Foundation account, they should be sold within the guidelines adopted for disposition of individual securities.
- D. The Johnson County Library Foundation may accept gifts of a **life insurance policy** where the Foundation is named as beneficiary of a new or existing life insurance policy. In the case of an existing policy, the donor would need to rename the Johnson County Library Foundation as beneficiary of the policy. At that time, the cash surrender value of the policy would be the value of the gift, which would then be eligible for a tax deduction by the donor.

To ensure proper acceptance and to mitigate risks associated with the acceptance of life insurance policies, the following procedures be followed:

- (1) Obtain documentation to ensure that the Johnson County Library Foundation is named as beneficiary of the policy.
- (2) Ensure that adequate cash is available within the fund to pay future insurance premiums.
- (3) Review rating of insurance company.
- (4) Understand and thoroughly document term and other details of insurance policy.
- (5) Review status of policy and insurance company on an annual basis.

If the donor does not choose to continue paying the premiums, the Johnson County Library Foundation may elect to:

- (1) Continue paying the premiums and receive the full face value of the policy at the donor's death;
- (2) Convert the policy to paid-up insurance in a reduced amount with no further payments; or
- (3) Surrender the policy for its present cash value.

E. **Retirement plans** represent a potentially significant asset that may be subject to estate taxes upon death. Similar to life insurance policies, it is possible for an individual to name the Johnson County Library Foundation as beneficiary of the retirement plan assets upon death of the donor. In this case there would be no immediate tax deduction to the donor, but the donor's estate could avoid significant estate taxes on the amount of the gift transferred to the Johnson County Library Foundation. To ensure proper acceptance and to mitigate risks associated with the acceptance of retirement plan interest, the following procedures should take place throughout the gift acceptance process:

- (1) Obtain documentation to ensure that the Johnson County Library Foundation is named as beneficiary of the retirement plan.
- (2) Review rating of company where retirement plan assets are held.

- (3) Understand and thoroughly document term and other details of retirement plan interest.
- (4) Review status of retirement plan interest on an annual basis.

F. Gifts of Real Estate, Personal Property and Customized Gifts

Contributions of real estate, personal property and other customized gifts will be accepted on a case-by-case basis, as recommended by the Gift Acceptance Committee, the Campaign Steering Committee, or the Executive Committee of the Board. In each case, the benefits of accepting a gift will be weighed against the risks associated with accepting, holding or disposing of a gift. Because of the specialized nature of these gifts, who will bear costs associated with making the gift will be decided on a case by case basis.

Planned Giving

Planned gifts may be either deferred or outright. They involve the transfer of substantial assets that affect the distribution of the donor's estate. These gifts do not immediately confer institutional ownership and generally are not taken out of current earnings. The Foundation will serve as sole trustee of any deferred gift that requires the appointment of a fiduciary, but reserves the right to delegate and/or designate that authority.

The acceptable methods of creating deferred gifts to the Foundation are described below.

A. Bequest in Will

A bequest is a gift of any amount or form made to the Foundation in a donor's will. Bequests may provide for a specific dollar amount in cash, specific securities, specific articles of tangible personal property or a percentage of the residue of the estate.

Bequests may be given as unrestricted or restricted gifts. Unrestricted bequests are used for general purposes and can be applied to current needs. A named unrestricted endowment fund may be established as indicated in the above section on "Outright Gifts." The Johnson County Library Foundation trustees will designate the purpose and use of such a gift. A restricted bequest supports a certain purpose or program designated by the donor. Such a fund may 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

earmarked for a specific need 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 Johnson County Library 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 circumstance, specified property will pass to the Foundation rather than unintended beneficiaries.

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 Johnson County Library Foundation only after the death of the life income beneficiary.

Donors are encouraged to recognize that over the many years following the establishment of an endowment, the needs, policies, and circumstances of the Library can change in unforeseen ways. The Johnson County Library Foundation 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 purposes 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 with the Johnson County Library Foundation's Executive Director.

B. Charitable Remainder Unitrust

The primary feature of a charitable remainder unitrust is that it provides for periodic payment of income to the donor, or another person specified by the donor, for life or a specified term of years, after which the trust assets pass to the Johnson County Library Foundation.

During the lifetime of the donor, he or she creates a formal trust agreement under which assets such as cash, appreciated securities, or both are irrevocably transferred to a trustee who then pays the donor, or a person specified by the donor, an income for life or a specified term of years.

During the donor's lifetime, the trust assets are managed and invested by the trustee as a single fund. The donor cannot borrow or otherwise deal with the trust assets. The donor or person named by the donor receives payments based on a fixed percentage of the net fair market value of the trust as valued annually. Upon creation of the unitrust, the donor determines the fixed percentage, which may not be less than five percent. Donors may make subsequent additions to the unitrust during their lifetimes or by bequest upon their deaths.

C. Charitable Remainder Annuity Trust

The annuity trust shares many common features with the unitrust, the principal difference being the manner used to calculate the payment to the income beneficiary. Whereas the unitrust provides for a payout that varies with each annual valuation, the annuity trust provides for fixed payments based upon the fair market value on the date the trust is established. Another difference is that additional contributions cannot be made to an annuity trust.

The donor during his or her lifetime irrevocably transfers assets to a trustee, who pays the donor or another person a fixed dollar amount annually for life. The trust can also provide income for the donor's survivors for life; however, at the end of the term the trust assets become the sole property of the Johnson County Library Foundation.

D. Charitable Gift Annuity

A charitable gift annuity is a contract between the donor and the Johnson County Library Foundation, whereby in exchange for donor's cash or property, the Johnson County Library Foundation agrees to make fixed payments to one or two annuitants (beneficiaries) for life.

Unlike the charitable remainder trust that looks only to the trust corpus for its payments, the charitable gift annuity payments are backed by the entire assets of the Johnson County Library Foundation.

The charitable gift annuity is designed to assist a donor who would like to benefit the Foundation, but who does not desire to give up the income those available assets would produce.

E. Charitable Lead Trust

The primary feature of a charitable lead trust is that it provides for the immediate support of the Foundation through income generated by the assets in trust for a set period of time, after which the assets pass to a non-charitable beneficiary such as the donor, the donor's children, or other persons the donor specifies. Thus, a charitable lead trust is conceptually the opposite of a charitable remainder trust. In a lead trust, the donor gives the Foundation the current economic benefit of the transferred assets and retains the right to reacquire possession and control of the assets at a future date.

The donor during his or her lifetime creates an irrevocable trust agreement for a period of ten years or more. The agreement may take effect during the donor's lifetime or be part of the donor's will. Assets are transferred to a trustee, with the stipulation that the income from the assets be paid to the Johnson County Library Foundation for the life of the trustee, after which the principal or corpus of the trust reverts back to the donor or others of his or her choosing.

A lead trust may be advantageous for donors who have a larger income than they currently need and who desire to transfer assets to heirs.

G. Gift of a Remainder Interest in a Personal Residence or Farm

A donor can give a remainder interest in a personal residence, such as a home or condominium, or a farm to the Johnson County Library Foundation. The donor or other occupants may continue to occupy the residence or operate the farm without disruption for the duration of the donor's life. Thereafter, the residence or farm will either be sold or used by the Foundation for purposes specified by the donor, if any. The procedures for evaluating proposed gifts of real property, as outlined above, also apply to gifts of a remainder interest in property.

If a life estate is retained in the property, expenses for maintenance, real estate taxes, and any indebtedness relating to the property are to be borne by the donor.

Tax Aspects of Giving

The tax benefits of gifts made to the Johnson County Library Foundation during the donor's lifetime may reduce income taxes, inheritance taxes and/or estate taxes. Tax valuation and

reporting requirements are complex subjects, and donors are encouraged to seek the advice of competent tax experts to obtain the maximum tax benefit from their giving.

Donor Confidentiality

Information regarding all individual, foundation, corporate and association gifts is considered confidential, unless authorized for release by the donor and the Johnson County Library Foundation.

Approved: January 27, 2005

Johnson County Library Foundation