

**The Citadel
The Military College of the South
171 Moultrie Street
Charleston, South Carolina 29409**

Set forth for the approval of the Citadel Foundation Board of Directors

Adopted by The Citadel Board of Visitors November, 2003
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Policy and Procedures for Acceptance and Disposition

Contents

Acceptance and Disposition Policies Overview	Page 2
Gift Classing.....	Page 2
Tangible Personal Property.....	Page 2
Real Property.....	Page 4
Life Insurance.....	Page 7
Other Assets.....	Page 9
Addendum:	
Planned Gifts Policy of the Citadel.....	Page 11

Acceptance and Disposition Policies Overview

Purpose

These policies and procedures standardize guidelines for the proper acceptance and disposition of major gifts made to the Citadel Foundation; thereby, providing acceptance and disposition reference to gift officers in cases which donors offer hard assets other than cash.

Scope

This policy is established to govern the acceptance and disposition of all gifts made to The Citadel and any of its affiliated organizations, whether such gifts are inter vivos (lifetime) gifts or gifts from estates, other than gifts of: (a) cash, (b) publicly-traded equities traded on national exchanges, (c) whole life insurance policies meeting the criteria set forth in Section A of Category 3 below, (d) library books/collections valued at less than \$5,000 or donated specifically to the college library, (e) works of art valued at less than \$5,000 or donated specifically to The Citadel Museum, or (f) gifts of tangible personal property to be sold soon after receipt.

Process

The Citadel Foundation Board of Directors (CFBD) holds the responsibility of final approval of any gifts which lie within these policies' bounds. However, to streamline the approval process, the Board authorizes The Citadel Foundation to act as coordinator of gift agreements. Any officer of the college with a gift opportunity or working with an estate must present the relevant materials to the Board *before* final approval.

Gift Classing

Gifts subject to this policy will be considered in four categories: tangible personal property, real property, life insurance, and other assets. The latter category includes promissory notes, assignment of promissory notes, limited partnership interests, and restricted or non-publicly traded securities.

The following material maps the appropriate procedures associated with each type of gift and will serve as the primary guideline for the acceptance and disposition of any gift which lies within the scope of this policy.

CATEGORY ONE – *Tangible Personal Property*

The CFBD will consider gifts of tangible personal property, including works of art, manuscripts, literary works, boats, motor vehicles, and computer hardware, only after a thorough review indicates that the property is:

A. Criteria for Acceptance

- (1) readily marketable; or
- (2) needed by the college for use in a manner which is related to one of the

purposes consistent with the tax exempt status of the college.

B. Approval / Acceptance Policy

- (1) The development officer or other appropriate official will prepare a written summary of the gift proposal and submit that summary to the CFBD through the Director of Planned Giving. At a minimum, the summary shall include the following information:
 - (a) description of asset;
 - (b) the purpose of the gift (e.g., to fund an endowed chair, a deferred gift, an unrestricted gift) and the department(s), programs(s), or endowment(s) to benefit from the gift;
 - (c) an estimate or appraisal of the gift's fair market value and marketability;
 - (d) any potential college use (as opposed to sale) and, if so, written review by the department to benefit from the asset; and
 - (e) any special arrangements requested by the donor concerning disposition (e.g., price considerations, time duration prior to disposition, potential buyers, etc.).
- (2) The CFBD will review the material presented by the Director of Planned Giving and make a determination as of whether to accept or reject the proposed gift (or, if necessary, to postpone a decision pending the receipt of additional information). After the final determination of the CFBD is complete, the Director of Planned giving or the representative development officer must communicate the decision of the board to the donor in writing.
- (3) If a proposed gift of tangible personal property is approved by the CFBD, the Executive Director of Citadel Foundation will acknowledge receipt of the gift on behalf of the college. The college 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 gifts of tangible personal property valued in excess of \$5,000.
- (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 costs associated with the conveyance and delivery of the gift will be paid by the donor. In addition, the filing of Form 8283 by the donor is required by the IRS for gifts of tangible personal property valued at more than \$500. This form should be sent to The Citadel Foundation to be signed by a proper officer as required by the IRS.

C. Disposition

- (1) Upon approval of a proposed gift of tangible personal property by the CFBD, it will assign the responsibility for disposing of the gift, unless the gift is intended to be put to a specific college purpose. Any guidelines the CFBD wishes to impose on disposition, including minimum sales price and approval or rejection of any special arrangements with the donor, will be put in writing.
- (2) Upon approval of a proposed gift, an account will be established for charging expenses associated with the gift pending disposition.
- (3) Until the property is sold or otherwise disposed of, the person responsible for disposing of the gift will prepare quarterly status reports and distribute them to the Director of Planned Giving and to the Executive Director of the Foundation.
- (4) The Chair of the CFBD must be consulted and, if necessary in the judgment of the Chair, the entire CFBD polled or convened, before a gift of tangible personal property may be sold for less than appraised value, estimated fair market value, or guidelines imposed by the CFBD in approving the gift, as the case may be. If a current appraisal of the property would assist in disposing of the property, permission may be requested from the CFBD or its Chair to have the appraisal performed.
- (5) Upon sale of the property, a final report on the property, including a financial summary of net proceeds to the extent known, shall be distributed to the Director of Planned Giving, the Executive Director and the designated representative of the department to benefit from the gift.
- (6) The Citadel Foundation is responsible for filing Form 8282 for gifts of tangible personal property valued at more than \$5,000 sold by the college within two years of the date of gift.

CATEGORY 2 - *Real Property*

The CFBD will consider gifts of real property, both improved and unimproved, including gifts subject to a retained life estate, only after a thorough review of the criteria for acceptance set forth below under the direction and supervision of the Director of Planned Giving.

A. Criteria for Acceptance

- (1) **Market Value and Marketability.** The CFBD must receive a reasonably current appraisal of the fair market value of the property and the legal interest in the property the college would receive if the proposed gift is approved. Development officers will inform the donor that, if the gift is completed, the IRS will require an appraisal

made within sixty days prior to the date of gift or prior to the due date of the donor's tax return reporting the gift. In cases which the donor is unable to provide an appraisal, The Citadel Foundation may obtain any independent appraisal to substantiate the property's value.

Development Officers must understand and communicate to donors that it is the college's policy to dispose of all gifts of real estate (other than property which the college wishes to retain for a related use) as expeditiously as possible. Thus, regardless of the value placed on the property by the donor's appraisal, the college will attempt to sell at a reasonable price in light of current market conditions. The donor must be informed that any such sale occurring within two years of the date of gift will be reported to the IRS on Form 8282.

- (2) **Potential Environmental Risks.** All proposed gifts of real property, including gifts from estates, must be accompanied by a Phase I environmental audit. The only permitted exception to this requirement is for residential property that has been used solely for residential purposes for not less than twenty years. In cases where this exception applies and no environmental audit is undertaken, the donor/executor must have an outside party complete a Citadel Foundation Environmental Checklist and may be required to execute an environmental indemnity agreement. Even in cases where a Phase I audit is submitted, the CFBD may require that the donor sign an environmental indemnity agreement.
- (3) **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 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 college's interest in the property net of all encumbrances is substantial.
- (4) **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.
- (5) **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.

B. Approval / Acceptance Policy

- (1) The development officer will prepare a written summary of the gift proposal and submit that summary to the CFBD through the Director of Planned Giving. At a minimum, the summary shall include the following information:
 - (a) description of real property;

- (b) the purpose of the gift (e.g., to fund an endowed chair, a deferred gift, an unrestricted gift) and the department(s), programs(s), or endowment(s) to benefit from the gift;
 - (c) an appraisal of the property and, if not a fee interest, the fair market value of the college's partial interest.
 - (d) an assessment of the marketability of the property;
 - (e) any potential for income and expenses, encumbrances, and carrying costs of the properties prior to disposition, e.g., property taxes, assessments, association dues;
 - (f) any environmental risks or problems revealed by audit or survey;
 - (g) any potential college related use; and
 - (h) 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 college to list the property, etc.).
- (2) The CFBD will review the material presented by the Director of Planned Giving and make a determination as of whether to accept or reject the proposed gift (or, if necessary, to postpone a decision pending the receipt of additional information). After the final determination of the CFBD is complete, the Director of Planned giving or the representative development officer must communicate the decision of the board to the donor in writing, in which such documents may include conditions imposed by the CFBD prior to acceptance.
- (3) If a proposed gift of real property is approved by the CFBD, The Citadel Foundation will acknowledge receipt of the gift on behalf of the college upon notice that the deed to the property has been properly recorded in the appropriate the Registry of Deeds. 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.
- (4) 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 recording fees and, if deemed necessary by the CFBD, a current survey, title insurance and/or an attorney's title opinion, will be either paid by the donor or charged to the department, program, or endowment to benefit by the donation. In addition, the IRS requires donor facilitation of filling Form 8232 for gifts of real property. In accordance with IRS required practice, this form is then to be sent to The Citadel Foundation to be authorized by means of signature.

- (5) The Foundation will attempt to sell such property for its appraised value. However, sale for such a price might not always be possible. Accordingly, the Foundation may sell such property for what it reasonably determines is a fair sales price provided that if the appraised value exceeds \$50,000, the approval of the CFBD will be required for a sale at a price less than 90% of the appraised value. If the CFBD deems it appropriate, a new appraisal will be obtained by the Foundation if the proposed sales price falls below 80% of the gift appraisal value shown on Form 8283.
- (6) Upon acceptance of a gift, the Foundation will designate an account for charging expenses associated with the gift pending disposition.
- (7) Until the property is sold or otherwise disposed of, quarterly status reports will be distributed to the Director of Planned Giving and to the Executive Director of the Foundation.
- (8) Upon sale of the property, a final report will be prepared on the property, including a financial summary of net proceeds, and distributed to the CFBD.
- (9) The Foundation is responsible for filing Form 8282 for gifts of real property sold within two years of the date of gift.

CATEGORY THREE - *Life Insurance*

A. Criteria for Acceptance

The Foundation will automatically accept — without the necessity of review and approval by the CFBD — gifts of whole life insurance policies which meet the following three criteria:

- (1) The policy is a whole life insurance policy which is either paid-up or, if not paid-up as of the date of gift:
 - (a) may be surrendered for its current value by the Foundation; or
 - (b) may be converted to a reduced face amount paid up policy; or
 - (c) the donor agrees to make charitable contribution to the Foundation in the amount of any premiums, including unscheduled premiums, which may become due, or
 - (d) has sufficient value and/or dividend that will keep the policy in force without further payment of premiums.
- (2) The Citadel Foundation is designated as the owner and the beneficiary of the policy. (While the policy will identify the Foundation as the beneficiary, the development officer should work with the donor to clarify the purpose of the gift — whether it be for

endowment (existing or new), specific program or department, or unrestricted use — by attachment of a memorandum, letter, or endowment agreement to the policy.)

- (3) If intended for endowment purposes, the face value of the policy meets the minimum funding standards for endowments in force at the time of the maturity of the policy. The gift agreement establishing the endowment will specify that the policy proceeds will be added to the president's discretionary scholarship fund if the amount is insufficient to fund the endowment at the relevant time.

B. Approval / Acceptance Policy

- (1) The development officer will prepare a written summary of any proposed gift of any life insurance policy which fails to meet all of the criteria specified in Section A above and submit that summary through the Director of Planned Giving. At a minimum, the summary shall include the following information:
 - (a) description of the type of life insurance policy, face value, premium payment schedule, interest rate, age of insured(s), and other relevant policy information
 - (b) 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; and
 - (c) a copy of the insurance policy and the most recent policy statement of values
- (2) The CFBD will review the material presented by the Director of Planned Giving and make a determination as of whether to accept or reject the proposed gift (or, if necessary, to postpone a decision pending the receipt of additional information). After the final determination of the CFBD is complete, the Director of Planned giving or the representative development officer must communicate the decision of the board to the donor in writing, in which such documents may include conditions imposed by the CFBD prior to acceptance.
- (3) If a proposed gift of a life insurance policy is approved by the CFBD, The Citadel Foundation will acknowledge receipt of the gift on behalf of the college.
- (4) The gift will be completed upon the execution and delivery of the life insurance policy to the Foundation or an assignment of the policy in the event that the Foundation is not the original owner of the policy.

C. Administration

The Citadel 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. The Foundation also shall 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 Foundation shall provide notice to the department(s), program(s), or endowment(s) to benefit from the gift.

CATEGORY 4 - *Other Assets*

A. Criteria for Acceptance

The CFBD will consider gifts of other assets, including but not limited to promissory notes, assignment of promissory notes, limited partnership interests, and restricted or non-publicly traded securities, only after a thorough review of the criteria set forth below.

- (1) **Market Value and Marketability.** The CFBD must receive a reasonably current appraisal of the fair market value of the property and interest in the property the college would receive if the proposed gift is approved. Development officers will inform the donor that, if the gift is completed, the IRS will require an appraisal made within sixty days prior to the date of gift or prior to the due date of the donor's tax return reporting the 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.

B. Approval / Acceptance Policy

- (1) The development officer will prepare a written summary of the gift proposal and submit that summary to the CFBD through the Director of Planned Giving. At a minimum, the summary shall include the following information:
 - (a) description of the asset;
 - (b) the purpose of the gift (e.g., to fund an endowed chair, a deferred gift, an unrestricted gift) and the department(s), programs(s), or endowment(s) to benefit from the gift;
 - (c) an estimate or appraisal of the asset's fair market value and marketability;

- (d) potential for income and expenses, encumbrances, and carry costs prior to disposition;
 - (e) any special arrangements requested by the donor concerning disposition (e.g., price considerations, time durations prior to disposition, potential buyers, realtors or brokers with whom the donor would like the college to list the property, etc.).
- (2) The CFBD will review the material presented by the Director of Planned Giving and make a determination as of whether to accept or reject the proposed gift (or, if necessary, to postpone a decision pending the receipt of additional information). After the final determination of the CFBD is complete, the Director of Planned giving or the representative development officer must communicate the decision of the board to the donor in writing, in which such documents may include conditions imposed by the CFBD prior to acceptance.
 - (3) If a proposed gift of an asset in this Category 4 is approved by the CFBD, The Citadel Foundation will acknowledge receipt of the gift on behalf of the college. 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 in which the costs associated with the conveyance and delivery of the gift will be paid by the donor. In addition, the filing of Form 8283 by the donor is required by the IRS for gifts of assets valued at more than \$500. This form should be sent to The Citadel Foundation to be signed by a proper officer as required by the IRS.

C. Disposition

- (1) Upon acceptance of a gift, the Foundation will establish an account for charging expenses associated with the gift pending disposition.
- (2) Until the property is sold or otherwise disposed of, the person responsible will prepare quarterly status reports and distribute them to the Director of Planned Giving and the Executive Director of the Foundation.
- (2) Upon sale of the property, a final report will be prepared on the property, including a financial summary of net proceeds, and distribute it to the Director of Planned Giving and the designated representative of the department to benefit from the gift.
- (4) The Foundation is responsible for filing Form 8282 for assets valued at more than \$5,000 sold within two years of the date of gift.

Reference Addendum: Planned Gifts Policy of the Citadel

In an effort to maintain continuity and consistency with planned gifts to The Citadel, the following policy has been established by, and will be enforced by the Director of Planned Giving.

- (1) *Gifts Governed by This Policy.* All planned or deferred gifts to the college which are managed by The Citadel or its agent, The Citadel Foundation including but not limited to the following:
 - (a) gifts establishing charitable remainder trusts
 - (b) gifts to the pooled income funds
 - (c) gifts purchasing charitable gift annuities
 - (d) gifts funding charitable lead trusts
- (2) *Gifts Not Governed by This Policy:* Deferred gifts which do not require management: for example, gifts of personal residences or farms with retained life estate in donor and planned gifts which are managed by trustees other than The Citadel Foundation.
- (3) *Trusteeship:* The Citadel Foundation may serve as sole trustee of any deferred gift in which the college's irrevocable interest equals at least 51% of the total charitable interests.
- (4) *Payout Rates:* The payout rates offered to donors shall be consistent with the current recommended by the American Council on Gift Annuities.
- (5) *Applicable Restrictions:*
 - (a) *Value of Remainder:* no deferred gift (except for deferred gift annuities) shall be accepted in which the value of the college's remainder interest is less than twenty-five percent (25%) of value of the assets transferred.
 - (b) *Minimum Gift Amounts:*
 - (1) charitable remainder trusts: \$50,000;
 - (2) pooled income fund gifts: Not currently accepted
 - (3) charitable gift annuities: \$10,000

Note: Gift annuities may not be offered to residents of states in which such contracts are considered to be insurance products or securities. Currently almost one-half of the states (including Florida, New York and California) classify these contracts as either insurance or securities. Because this list is

constantly changing, approval should be obtained from the Director of Planned Giving before discussions for this gift type are initiated. Charitable Remainder Annuity Trusts may provide a viable alternative for residents of such states.

(4) charitable lead trusts: \$100,000

(6) Acceptable Gift Assets. The college will accept the following assets:

(a) money;

(b) publicly traded securities;

(c) real estate (subject to approval of the CFBD); and

(d) other assets such as closely held stock and partnership interests (subject to approval of the CFBD).

(7) Valuation of Gift Assets. See above.

(8) Final Approval, Acceptance, and Execution by college or a related foundation.

(a) all documents must be approved by legal counsel [note: pre-approved forms for most types of planned gifts will be provided by the Director of Planned Giving which should minimize the time for individual document approval in most instances];

(b) all documents must be sent first to the donor for signature.

(c) the documents shall be executed in duplicate and the originals distributed as follows:

(1) one original to donor; and

(2) one original to vault storage; with

(3) one copy each to the Director of Planned Giving, the appropriate development officer, and to the donor's file.

(9) Effective Date: This policy shall be effective January 1, 2002 and will supersede any existing policy which might cover the subject matter of this policy.

Life Insurance Campaign Credit:

To count gifts of life insurance, The Citadel must be the owner and irrevocable beneficiary of the policies.

- A. *Paid-up Life Insurance Policies:* Paid-up life insurance policies will be counted at their appraised value, and reported as a current outright gift.
- B. *Existing Policies Not Fully Paid Up:* A life insurance policy that is not fully paid up on the date of contribution, which is received during the period of the campaign, will be counted at the current appraised value and recorded as an outright gift. A pledge of continuing premium payments will be counted at the aggregate of the remaining projected premiums over the five-year pledge period at full value.
- C. *New Policies:* A pledge of premium payments for a new policy over a five-year pledge period will be counted at the aggregate of the projected premiums over such five-year pledge period at full value.
- D. *Realized Death Benefits:* The insurance company's cash settlement amount for an insurance policy whose death benefit is realized during the campaign period, whether the policy is owned by the institution or not, will be counted in campaign totals, provided no gift amounts in connection with said policy (fair market value of gifted policy or cash premiums received) were previously counted in campaign totals. To the extent any market value or premium amounts were previously counted in the campaign period, appropriate adjustments will be made so that only the excess of the settlement amount over the previously counted amounts will be counted.

Wholly Charitable Trusts Administered Outside The Citadel:

In the case of a wholly charitable trust administered outside of The Citadel or a related foundation, the fair market value of the trust assets, or such portion thereof, representing The Citadel's irrevocable income interest therein shall be credited as a current gift in the year in which the trust is established. All income from the trust will be treated as endowment income and, thus, will not be counted for campaign purposes.

Non-Government Grants and Contracts:

Grant income from private, non-government sources will be reported; all contract revenue will be excluded. The difference between a private grant and contract is judged on the basis of the intention of the awarding agency and the legal obligation incurred by The Citadel in accepting the award. A grant, like a gift, is bestowed voluntarily and without expectation of any tangible benefit in return. It is donative in nature; and subsequently, this contract carries an explicit "quid pro quo" relationship between the source and the institution.

Gifts Associated with Direct Benefits to Donors:

(Tickets, Memberships, Auctions, Raffles, Contests)

In accordance with IRS requirements, invitations, reply cards, tickets, letters and other printed materials produced for any fund raising event sponsored by any unit of the college must clearly reflect the fair market value of any benefit to the donor. This applies to all fund-raising events, including those that are underwritten. The following definitions should be kept in mind when reviewing this guideline:

Fund-Raising Event: An activity sponsored by The Citadel, or one of its related organizations for the purpose of fund raising to benefit the college. In exchange for the price of admission, the donor generally receives a benefit or privilege.

Auction: A fund raising event at which guests pay the college or other organization for goods and services donated by third parties.

Benefit: The fair market value of a ticket to any event, of any good or service purchased at an auction, or of consideration associated with membership. In relation to an event, the term benefit applies, but is not limited, to the fair market value of a meal or other food and beverage service, entertainment, performance, or sporting event. The benefit associated with a purchase at an auction is equal to the fair market value of the good or service bought. In relation to memberships, benefit refers to the fair market value of gifts and privileges associated with the level of membership. If the membership results in favorable seating consideration at on-campus athletic events, where no tangible value can be assigned, the IRS requires that donors only claim 80% of the "gift" as a charitable deduction.

Raffle: A means of raising funds in which each participant buys a ticket for an article put up as a prize with the winner being determined by random drawing. Amounts paid for chances to participate in raffles or similar drawings, and amounts paid to participate in contests for valued prizes, are not regarded as gifts under IRS regulation and do not qualify as deductible charitable contributions.

The concept of benefit, as defined above and as applied to all fund-raising activities, is applied even if the donor does not attend the event but receives a ticket, or does not exercise rights associated with membership.

Questions in regard to acceptable language on tickets and promotional literature should be referred to the Director of Planned Giving. Care must be taken, however, to ensure that when any benefit is associated with a contribution, applicable literature can not characterize the full face price of the ticket or membership to be a donation, contribution, or gift, nor may such items state the cost of the ticket or membership as being "deductible to the extent provided by law".

Fair market value of tickets should be determined in relation to comparable events. For example, concerts, theatrical and athletic performances should be related to the price normally charged for admission. Dinner and dinner/dances should be related to total expenses before underwriting. A reception or dinner plus performance should take both elements into account. If the event has no counterpart by which fair market value can be measured, then the benefit amount is determined by

reasonable estimate by a Citadel or Foundation staff member knowledgeable in such affairs, with such estimates well documented.

In the case of auctions, the fair market value of the items sold shall be printed in a program or announced to the participants before the bidding begins. Only the total paid above and beyond the documented value of items auctioned will be recognized as gifts and processed as such through the Foundation. All amounts equal to or below fair market value will be treated as non-gifts and processed as such by the area conducting the auction. Note that the actual item sold, if previously donated, has already resulted in Gift-In-Kind credit (see following policy) to a donor. Giving the purchaser of the item credit for the full amount would not only be incorrect in accordance with IRS regulations, but would result in double counting of the gift value.

Gifts of Non-Monetary Items:

Gifts of non-monetary items generally can be regarded in one of four ways with only the Gift-In-Kind category being eligible for counting in fund raising totals:

Gifts-In-Kind: Donated tangible and intangible assets and property such as real estate, notes, mortgages, limited partnership interests, royalty or copyright interests, art, books, equipment, automobiles, inventory, personal property, and other physical assets or materials which represent value to the college. See “Gift Acceptance Policy” for additional specifics.

Out of Pocket Expenses: Payments made by a donor to a vendor for material or services. This includes unreimbursed expenses paid by a person while volunteering time to the college. For example, the expenses incurred by a donor sponsoring a dinner party to promote the college, is such a gift.

Services: This term includes professional or personal services or time which are freely given and which easily can be valued by their usual market cost. Gifts of services may be recognized by the college, but are generally not recognized by the IRS as being tax deductible. Examples of gifts of services are the donation of broadcast time by a radio station or legal services by an attorney.

Limited Use of Private Property: The right to rent-free use of a home, office, piece of equipment or commercial property owned by a donor for a specific event for a specific period of time. Such gifts are only occasionally recognized by the college, but are generally not recognized by the IRS as being tax deductible. Examples include the rent-free use of office space, or the rent-free use of a vacation home to host a college event.

Typically, the only non-monetary gift considered for gift recognition purposes is a gift-in-kind. Gifts-in-kind must be reviewed with special care. Consideration should be given to the cost of maintenance, cataloging, delivery, insurance, display, and any space requirements for exhibiting or storage. All gifts of real estate or unusual items of questionable value must be presented to, and approved by, the CFBD prior to acceptance

Planned Giving Options/Definitions

Bequests: The most common and simplest form of planned giving, a bequest is a gift of property that is made through a donor's will.

Benefits to Donors: Donors do not have to part with any money until they die, and will not owe any estate tax on the amount of an outright bequest to charity.

Charitable Remainder Trusts: Two basic types of charitable remainder trusts qualify for federal tax benefits. In both arrangements, a donor gives stock, cash, or other assets to a trust. Those assets are invested, producing income for the donor--or other beneficiaries--either for a fixed period of time or until the donor or other beneficiary dies. The donor is allowed to claim a tax deduction for the estimated portion of the assets that will ultimately go to charity. When the donor dies, the charity keeps all remaining assets.

Two types of reminder trusts:

Unitrusts: Under a simple unitrust, the donor receives one or more yearly payments equaling a fixed percentage (not less than 5%) of the fair market value of the trust asset determined each year. Under a net-income unitrust, the donor receives only the income earned by the trust, even if the trust earns less than the payout rate. However, the trust can be set up to include a "make-up provision," which allows donors to make up the lost income, provided the trust earns more than the payout rate in future years.

Annuity Trusts: The donor receives a yearly fixed payment equaling at least 5 percent of the value of the asset at the time the deferred-giving agreement was signed.

Because real estate is not usually given through gift annuities and cannot be given to pooled income funds, charitable remainder trusts often represent The Citadel Foundation's donors with effective substitutes.

Benefits to Donors: Donors can get income-tax deductions and escape capital-gains taxes by making such gifts. Many donors find the trusts an appealing way to prepare for retirement. The assets can be invested to earn a lower rate of return when the donor is younger and then shifted to earn a higher rate of return, and thus provide more income, during a donor's later years.

Gift Annuities: Donors contribute cash, securities, or other assets to a charity. In exchange, they receive annual payments for the lifetime of the donor, or for the joint lifetime of the donor and another person. With a deferred gift annuity, the annual payments do not start when the gift is made; they begin at a future time specified by the donor when the gift is made.

Benefits to Donors: Gift annuities are attractive to donors who want to receive income from assets that have risen sharply in value, such as cash or stocks. In return for gifts of such assets, the charity guarantees the donors a fixed annual income for the rest of their lives and helps the donor avoid capital-gains tax. The donor also gets an income-tax break on a portion of the earnings from an annuity; the exact amount depends on a donor's age. The value of the

remainder interest is deductible by the donor as a charitable gift in the year the give annuity is established.

Pooled-Income Funds: The donor gives cash, securities, or other assets to a non-profit organization, which then invests those assets in a large, diversified portfolio. The donor receives income from the fund proportionate to the value of his or her contribution, as well as an income-tax deduction based on the estimated principal that will be left to the charity. Obtaining a "unit" in a pooled-income fund is similar to buying a share of a mutual fund.

Benefits to Donors: Like gift annuities, pooled-income funds appeal to donors who want to earn income on stock and other assets and escape capital-gains taxes. Unlike the annuities, a donor's income from a pooled-income fund is tied to fluctuating dividends and interest rates.

While The Citadel Foundation maintains a pooled income fund, it is no longer accepting contributions.

Charitable Lead Trusts: A charity receives the income from the donor's assets for a specified time, after which the asset is transferred back to the donor or to the donor's beneficiaries.

Benefits to Donors: A lead trust can reduce gift and estate taxes and may provide a current charitable deduction for the donor.

Charitable lead trusts are most appealing to wealthy donors who want to pass appreciated assets to their children or grandchildren without paying a substantial amount in gift and estate taxes. The donor pays a gift tax on the asset when it is placed into the trust; after that it can grow tax-free. At the end of a specified period, the asset is turned over to the donor's beneficiaries who do not have to pay any additional taxes.