

NATIONAL GIFT Annuity Foundation

THE COUNTRY'S LARGEST INDEPENDENT CHARITABLE GIFT ANNUITY POOL

Charitable Gift Annuity Policies & Procedures

Our Mission:

National Gift Annuity Foundation is a supporting organization of Dechomai Foundation, Inc. (Dechomai). Dechomai is a national donor advised fund that assists charitable organizations and donors in the process of receiving, managing, liquidating, and granting proceeds from non-cash donations. This helps charities receive as many charitable grants as possible, expanding the philanthropic pie. Dechomai is a not-for-profit organization organized under the laws of the State of Nevada.

National Gift Annuity Foundation was created to give charitable organizations the ability to offer charitable gift annuities to donors that they could otherwise not offer.

Overview:

A charitable gift annuity (CGA) is an agreement between the donor and NGAF, by which the donor agrees to make an irrevocable contribution to NGAF, in return for providing the donor or named beneficiary (annuitant) a fixed payment (annuity). Annuity payments never change in amount or frequency during the life of the annuitant(s). Once the CGA contract has terminated, NGAF will forward the residuum of the CGA to the charity designated by the donor. All annuity payments are backed by NGAF's assets.

While the CGA is an outstanding gift vehicle for many donors, it carries a potential risk and liability for NGAF. Therefore, NGAF will administer its CGA program under the following guidelines and criteria. Any of these guidelines and criteria may be waived or modified by the Board of Directors (Board). NGAF will also adhere to the guidelines set forth by the American Council on Gift Annuities (ACGA), including but not limited to the investment practices, and payout rates for charitable gift annuities.

Purpose of Policies and Guidelines:

The purpose of the NGAF's policies and procedures is to govern the acceptance or nonacceptance of proposed gifts and to provide guidance to donors and their professional advisers. 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 NGAF. These gifts once secured are used to further the mission of the designated charitable organization once the gift annuity has been terminated with NGAF. The provisions of these policies shall apply to all gifts received by NGAF for their charitable gift annuity program.

Donor's Use of Legal Counsel:

NGAF cannot serve as both the donor's adviser and the recipient of the donor's gift. Therefore, potential donors should consult independent tax or legal counsel before making gifts to NGAF. It is the donor's responsibility to retain appropriate independent tax and legal counsel in these transactions. Before signing a charitable gift annuity agreement, counsel for the donor will be given the opportunity to review and approve the document.

Furthermore, every donor has rights. Appendix A is the *Donor Bill of Rights* created by the Association of Fundraising Professionals (AFP), Association of Healthcare Philanthropy (AHP), Council for Advancement and Support of Education (CASE) and the Giving Institute: Leading Consultants to Non-Profits adopted in 1993.

NGAF Use of Legal Counsel:

NGAF shall seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by counsel is recommended for the below types of gifts:

1. Closely held stock transfers that are subject to restrictions or buy-sell agreements.
2. Gifts naming NGAF as the Trustee.
3. Gifts involving contracts, such as bargain sales or gifts requiring NGAF to assume an obligation.
4. Any gifts with a potential conflict of interest that may invoke IRS sanctions such as but not limited to UBIT.
5. Other gifts that the NGAF board deems appropriate.

Conflict of Interest:

NGAF will urge all prospective donors to seek the assistance and guidance of personal legal and financial advisors in all matters relating to their gifts and the resulting tax and estate planning consequences. NGAF will comply with the Model Standards of Practice for the Charitable Gift Planner promulgated by the National Association of Charitable Gift Planners. The guidelines can be found in Appendix B.

Eligibility Requirements:

CGAs will only be issued to annuitants who are 55 years of age or older. Individuals can enter into a charitable gift annuity agreement prior to being 55 years of age, but the annuity payments will not commence until the youngest annuitant is 55 years of age.

Acceptable gift annuities will be for one or two lives, either joint or survivor agreements.

The minimum amount required to establish a charitable gift annuity is \$20,000.00.

Types of Charitable Gift Annuities Offered:

Immediate – immediately pays a fixed income for life to either one or two annuitants minimum age of 55 for both annuitants when payments start.

Deferred – fixed income payments for life to either one or two annuitants with payments beginning on a specified future date.

Commuted-Deferred – Fixed income payments for a designated term of years. For one or two annuitants, the donor specifies the term of years. Once the term of payments is complete or the annuitant(s) pass away the CGA will terminate, and the funds will be liquidated to the for-benefit charity.

Flexible-Deferred – fixed income payments for life to either one or two annuitants, the donor specifies a range of possible starting dates for the annuity payments to begin. Each date offers progressively higher payment rates.

Testamentary CGA – TCGA the donor can guarantee an income for a beneficiary(s) at their death and leave a legacy to a charity of the donor's choice. Funded with contributed property such as an IRA, Life Insurance Policy, or a Commercial Annuity.

CGA Payments & Rates:

1. NGAF will offer rates no higher than those rates recommended by the American Council on Gift Annuities. Generally, the longer the donor waits for the annuity to begin payment, the higher the annuity rate will be. With regards to donors from the state of New York we will adhere to the rates set by the New York Department of Financial Services. New York rates are for single life immediate gift annuities.
2. Payments, charitable deductions, capital gains, and other appropriate tax reporting data will be calculated by NGAF using qualified software.
3. Payment's frequencies for CGAs are paid only on quarterly, semi-annual, or annual basis.
4. Annuity payments will be rounded upward to ensure that each payment is the same.
5. The obligation of NGAF to make annuity payments shall terminate either without payment if the annuitant dies before the first payment or with the payment prior to death of the annuitant. An annuitant who dies on the payment date shall be deemed to be entitled to the payment.
6. While a CGA is irrevocable and nonassignable, it may however be assigned to the designated charitable organization chosen at the time of submitting of the *Charitable Gift Annuity Application* or prior to the signing of the *Charitable Gift Annuity Agreement*.

State Laws and Compliance:

NGAF is registered in all fifty states. Per the ACGA guidelines gift annuity contracts will adhere to the state law of the donor(s) residence at the time of the execution of the contract. This means that if the donor were to move to a different state at any time after the signing of the *Charitable Gift Annuity Agreement* the state law will never change.

Restrictions on Gifts:

The NGAF will accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are not inconsistent with its stated mission, purpose, and priorities. The NGAF will not accept gifts that are too restrictive in purpose. Gifts that are too restrictive are those that violate the terms of the corporate charter, gifts that are too difficult to administer, or gifts that are for purposes outside the mission of the NGAF. All final decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the Board.

Types of Gifts:

1. Cash donations must be denominated in U.S. dollars and delivered by check, electronic funds transfer, or wire.
2. Marketable securities such as publicly traded common stock and mutual funds, and bonds.
3. NGAF will accept restricted stock, subject to the marketability of the securities and the approval of the Board and the issuer concerning the sale of such securities. If approval is denied, or in the event the securities are not saleable within a reasonable period of time (as NGAF determines), the donation will not be accepted, and the securities will be returned to the donor. NGAF also reserves the right to seek legal counsel when appropriate or deemed necessary by the Board.
4. NGAF will accept other non-cash assets, including but not limited to real estate, limited partnership interest, restricted securities, closely held or privately held companies, art and collectibles, and any other asset that NGAF deems acceptable with prior Board approval. NGAF also reserves the right to seek legal counsel when appropriate or deemed necessary by the Board.

Please note while gifts listed in number 3 and 4 cannot be given as immediate charitable gift annuities, they will however be accepted as deferred charitable gift annuities.

NGAF will review all donations prior to acceptance. Once NGAF accepts and receives the donation, a written receipt will be sent to the donor stating the date and description of the gift including amount (if cash), number of shares (if a security), or other relevant identifying details. NGAF will endeavor to provide the donor all necessary documentation should the donation come in the form of non-cash assets (as defined in number 4 and 5 of the above Types of Gifts). It is ultimately, however, the responsibility of the donor and his/her representatives to determine the value of the gift for charitable deduction purposes. Furthermore, with respect to non-cash assets NGAF reserves the rights to seek legal counsel when appropriate prior to accepting the gift.

For donations defined in number 3 and 4 of this section, please note that it is the responsibility of the donor to pay all cost incurred in the transfer of the property, including the cost of complying with any of NGAF requirements outlined above. Note that these donations will be accepted by Dechomai Foundation, Inc., or a supporting organization before being transferred to NGAF.

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.

Please refer to *IRS Publication 561 Determining the Value of Donated Property*. This document is updated annually by the Internal Revenue Service.

Timing of Donations:

Donations made by check are considered effective when there is an unconditional delivery of the check. When donations are made via U.S. mail, the donation will be effective on the postmarked date. NGAF recommends that the donor use a form of certified delivery/return receipt which records both the date the donation is sent and proves that NGAF receives the donation.

Donations made by electronic funds transfer or wire transfer are effective on the date the donation is credited to NGAF's account.

The effective date of donations of marketable securities held in "street name" form is effective on the date the transfer is irrevocably credited to NGAF's account. A donor's instructions to a broker to make a transfer of securities do not make that donation effective for tax purposes.

Any illiquid asset donations are generally considered complete when the property has been assigned/deeded to the charity, and approval has been given by the Board to accept the gift. Dechomai/NGAF must hold legal title to the illiquid asset for the donation to be complete. Furthermore, all appropriate forms must be completed and executed properly to validate the transfer.

Please refer to *IRS Publication 526 section When to Deduct*. This document is updated annually by the Internal Revenue Service.

Tax Compliance:

At the time the annuity is established, NGAF will provide the donor and/or annuitant all appropriate tax reporting data including but not limited to a gift acknowledgement letter and information on the charitable deduction, capital gains, tax-free and taxable annuity payments for all the years of the annuitant(s) projected life expectancy.

NGAF staff members will be available to answer basic questions about the tax consequences of establishing a charitable gift annuity, but **donors should consult with a tax professional for clarification on the consequences of a specific gift.**

At the end of each year, an annuitant will receive IRS Form 1099-R for personal tax reporting purposes. The 1099-R will indicate what portion of annuity payment is taxable as ordinary income and what portion is non-taxable. The IRS Form 1099-R will be mailed to the annuitant no later than January 31st for the previous tax year. If the CGA was funded with securities or other illiquid assets of which the donor is the annuitant, a portion of the payments will be classified as capital gain income. If the donor is not the annuitant, then the donor is responsible to claim the capital gains on his or her tax return the year that the asset was gifted. The non-taxable portion is considered a return of the principal and extends through the years of the annuitant(s) life expectancy calculated at the time of the gift.

Should the annuitant pass away before actuarial projection, the remaining return-of-principal portion is allowed as a future deduction for the annuitant's final income tax return. This is considered an undistributed investment, and a letter will be mailed to the estate notifying them of the deduction.

Financial Operations & Reporting:

When the CGA is accepted by NGAF, the entire gift amount is added to the NGAF charitable gift annuity reserve account. NGAF adheres to the investment standards set forth by the ACGA, and all CGA assets are segregated from all other assets of NGAF. Reserves for annuities originating with California donors are held in custodianship separately from the rest of NGAF's annuity reserves, in compliance with the State of California's statutes and regulations.

In certain instances, NGAF may make the decision to reinsure all or a portion of a charitable gift annuity by using a portion of the assets contributed to purchase a commercial annuity.

NGAF will maintain separate fund records for each annuity on record. All annuities in the annuity pool will share their fair portion of investment management and administrative fees.

Disclaimer:

Charitable gift annuities and their invested assets are exempt from the registration requirements of federal securities laws, pursuant to the Philanthropy Protection Act of 1995 which exempts collective investment funds and similar funds maintained by charitable organizations.

Prospective donors to the NGAF for an irrevocable charitable gift annuity are advised to consult with their attorney or tax advisor. This disclosure statement does not constitute legal or tax advice.

To ensure compliance with IRS requirements, be aware that any U.S. federal tax information contained in this disclosure statement is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code, or (ii) promoting, marketing, or recommending to another party to any transaction or matter addressed herein.

Policy Amendment and Review:

The president of NGAF has the authority to amend the *Gift Annuity Policies and Procedures* to comply with the law whenever it becomes inconsistent with the Internal Revenue Code of 1986 (the "IRC") as amended or other applicable state or federal laws as of the date the change goes into effect. The president of NGAF will notify the Board of any changes to the Policy prior to any modifications.

Policy Effective Date:

The Gift Annuity Policies and Procedures were adopted and became effective on April 1, 2019. All gifts will be governed by the Gift Annuity Policies and Procedures that was in effect when they were accepted.

Appendix A Donor Bill of Rights

PHILANTHROPY is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To assure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the not-for-profit organizations and causes they are asked to support, we declare that all donors have these rights:

- I. To be informed of the organization's mission of the way the organization intends to use donated resources and of its capacity to use donations effectively for their intended purposes.
- II. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgement in its stewardship responsibilities.
- III. To have access to the organization's most recent financial statements.
- IV. To be assured their gifts will be used for the purposes for which they were given.
- V. To receive appropriate acknowledgement and recognition.
- VI. To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.
- VII. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.
- VIII. To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.
- IX. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.
- X. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

Appendix B

Model of Standards of Practice for the Charitable Gift Planner

Preamble

The purpose of this statement is to encourage responsible gift planning by urging the adoption of the following Standards of Practice by all individuals who work in the charitable gift planning process, gift planning officers, fund raising consultants, attorneys, accountants, financial planners, life insurance agents and other financial services professionals (collectively referred to hereafter as “Gift Planners”), and by the institutions that these persons represent. This statement recognizes that the solicitations, planning and administration of a charitable gift is a complex process involving philanthropic, personal, financial, and tax considerations, and as such often involves professionals from various disciplines whose goals should include working together to structure a gift that achieves a fair and proper balance between the interests of the donor and the purpose of the charitable institution.

- I. **Primacy of the Philanthropic Motivation** – The principal basis for making a charitable gift should be the desire on the part of the donor to support the work of charitable institutions.
- II. **Explanation of Tax Implications** – Congress has provided tax incentives for charitable giving, and the emphasis in this statement on philanthropic motivation in no way minimizes the necessity and appropriateness of a full and accurate explanation by the gift planner of those incentives and their implications.
- III. **Full Disclosure** – It is essential to the gift planning process that the role and relationships of all parties involved, including how and by whom each is compensated, be fully disclosed to the donor. A Gift Planner shall not act or purport to act as a representative of any charity without the express knowledge and approval of the charity, and shall not, while employed by the charity, act, or purport to act as a representative of the donor, without the express consent of both the charity and the donor.
- IV. **Compensation** – Compensation paid to gift planners shall be reasonable and proportionate to the services provided. Payment of finder’s fees, commissions, or other fees by a donee organization to an independent gift planner as a condition for the delivery of a gift are never appropriate. Such payments lead to abusive practices and may violate certain state and federal regulations. Likewise, commission-based compensation for gift planners who are employed by a charitable institution is never appropriate.
- V. **Competence and Professionalism** – The gift planner should strive to achieve and maintain a high degree of competence in his or her chosen area and shall advise donors only in areas in which he or she is professionally qualified. It is a hallmark of professionalism for gift planners to realize when they have reached the limits of their knowledge and expertise, and as a result, should include other professionals in the process. Such relationships should be characterized by courtesy, tact, and mutual respect.
- VI. **Consultation with Independent Advisors** – A gift planner acting on behalf of a charity shall in all cases strongly encourage the donor to discuss the proposed gift with competent independent legal and tax advisors of the donor’s choice.
- VII. **Consultation with Charities** – Although gift planners frequently and properly counsel donors concerning specific charitable gifts without the prior knowledge or approval of the of the donee organization, the gift planners, in order to ensure that the gift will accomplish the donor’s objectives, should

- encourage the donor, early in the gift planning process, to discuss the proposed gift with the charity to whom the gift is to be made. In cases where the donor desires anonymity, the gift planner shall endeavor, on behalf of the undisclosed donor, to obtain the charity's input in the gift planning process.
- VIII. **Description and Representation of Gift** – The gift planner shall make every effort to assure that the donor receives a full description and an accurate representation of all aspects of any proposed charitable gift plan. The consequences for the charity, the donor and, where applicable, the donor's family, should be apparent, and the assumptions underlying any financial illustrations should be realistic.
- IX. **Full Compliance** – A gift planner shall fully comply with and shall encourage other parties in the gift planning process to fully comply with both the letter and spirit of all applicable federal and state laws and regulations.
- X. **Public Trust** – gift planners shall, in all dealings with donors, institutions and other professionals, act with fairness, honesty, integrity and openness. Except for compensation received for services, the terms of which have been disclosed to the donor, gift planners shall have no vested interest that could result in personal gain. Adopted and subscribed to by the National Committee on Planned Giving and the American Council on Gift Annuities, May 7, 1991. Revised April 1999.