



# THE PARK CITY FOUNDATION GIFT OPTIONS & POLICIES

MARCH 1, 2008

Every donor has different needs and values. The Park City Foundation will work with each interested donor to create a giving opportunity that is right for that person or group of people. There are four types of gift options: an unrestricted gift (The Community Fund) and the restricted Donor Advised Funds, Field of Interest Funds, and Designated Funds. Interested donors can choose one of these four alternatives, which are described more fully below:

## GIFT OPTIONS: RESTRICTED & UNRESTRICTED FUNDS

### **UNRESTRICTED GIFTS (THE COMMUNITY FUND)**

Our community needs are constantly changing and evolving. When today's concerns give way to tomorrow's issues, The Park City Foundation is in the best position to know the most pressing and emerging needs of the community. By giving an unrestricted gift, donors can be assured their charitable gift will always serve a vital purpose, even as the community changes and evolves.

Specifically, The Community Fund supports The Foundation's annual community grant making. All applications for grants from The Fund are reviewed by the Grants Committee, which submits its recommendations to the Board of Directors for the Board's review and approval.

Unrestricted contributions can be made through The Foundations' multi-tiered donor program or specified to the donor's wishes. The multi-tiered donor programs are:

- Founders Club - Donors give \$50,000 for four consecutive years
- Friends of Park City - Donors give \$25,000 for four consecutive years
- Silver Miner - Donors give \$12,500 for four consecutive years
- Main Street - Donors give \$5,000 for four consecutive years
- First Tracks - Donors give \$2,500 for four consecutive years

The Founders Club, Friends of Park City, Silver Miner, Main Street and First Tracks donors enjoy a variety of superb benefits, including lift passes to Park City resorts, tickets to Park City festivals, skiing/boarding before the lifts open to the public, invitations to our Gifts at Work Luncheons and other special social gatherings throughout the year.

Donors who want to give an unrestricted gift to The Foundation, but whose gift amount does not fall within one of the above programs, are encouraged to make any donation that suits them. All donations make a difference!



Unrestricted gifts can be made in the form of check, credit card, approved security, or transfer from a foundation.

#### Current General Granting Policy (Unrestricted Funds)

All grants that are made with unrestricted funds must meet the following requirements:

- Reviewed and approved by the Board of Directors
- Conduct activities and programs consistent with The Foundation's policies and mission statement
- Qualified as a 501(c)(3) organization under the Internal Revenue Code
- Organization based in Summit County or serving people living or working in Summit County

To learn more about the Community Fund Grants, please see the Community Fund Grant Guidelines.

#### **RESTRICTED GIFTS**

The Park City Foundation offers three types of restricted funds (described in detail below): 1) Field of Interest Funds; 2) Donor or Corporate Advised Funds; and 3) Designated Funds. The Foundation charges an annualized rate of 2% of the fund assets. A lower rate for larger funds will be considered on a case by case basis.

For each of these funds, The Foundation provides donors with the following services:

- Regular fund statements
- Access to the expertise of The Foundation grant staff and committee
- Professional management and investment of fund monies
- Increased knowledge of the Park City community's needs
- Site visits to nonprofits that are making a difference
- Research on local, charitable topics
- Annual IRS tax filing
- The Foundation's annual report
- Recognition in The Foundation's publications

#### Granting Policy (Restricted Funds)

The recipients of restricted funds granted through The Park City Foundation must qualify as a 501(c) (3) organization under the Internal Revenue Code.

All grants recommended through a restricted fund to The Foundation will be reviewed and approved by the Board of Directors. Recommendations are received by fund advisors and must meet a charitable need. The Board maintains variance power of all restricted funds and has the final say on grant recommendations.

**Field of Interest Funds** – Support organizations in a general area of charitable interest (e.g. youth programs, arts, land conservations, etc.)



Donors may initiate a fund with a minimum contribution of \$5,000 to a Field of Interest Fund. Each fund is held in a separate account and invested according to The Foundation guidelines.

Other Field of Interest Funds may be established based on the initiative of the donor(s).

**Donor or Corporate Advised Funds** – Allows donors to make grant recommendations to The Foundation.

A donor advised fund is the cost-effective, simple tool for hands on giving. A donor advised fund at The Foundation works like a personal, private foundation; you have the power and flexibility to make grant recommendations without the hassle and expense of running your own foundation. When a donor places his/her money in a donor advised fund with The Foundation, he /she is assured The Foundation will responsibly steward the growth of the fund, and direct the fund's charitable giving in a manner consistent with the wishes of the donor and The Foundation's policy. The donor is able to advise the funds direction while being relieved of the obligation to monitor its growth and distribution.

To create a donor advised fund, a donor gives a minimum of \$5,000 to The Foundation. The Foundation and donor enter a written agreement describing how the fund will be managed and distributed. The fund is held in a separate account and invested according to The Foundation's policy and objectives. When the fund is created, the donor has the limited right to make broad decisions concerning investment of the monies, but after that point is not involved in on-going investment decisions. Management of a donor advised fund by an outside professional advisor will be considered on a case by case basis if the fund is in excess of \$100,000.

A donor advised fund offers the donor the flexibility of choosing how much he or she will be involved in distribution decisions. The donor may name two generations of successor advisor(s) to the fund, after which, the asset is fully directed by The Foundation board.

Donor's recommendations are welcome and encouraged in the granting process. However, in order to maintain the integrity of The Foundation's federal tax-exempt status, the Grants Committee always has the final say in grant awards made from the fund. This process also ensures awards are consistent with The Foundation granting guidelines, particularly with respect to types of support and restrictions.

Principle and interest of the fund can be distributed. The minimum grant size is \$100.

Any contribution, once accepted by the Board of Directors, represents an irrevocable contribution to The Park City Foundation and is not refundable. The Park City Foundation maintains variance power over the fund. Grants from the



fund may not provide substantial benefit to the donor, advisor or family member. No distribution may be made to a private non-operating foundation.

**Designated Funds** – Funds designed for specific projects and organization.

Donors can create a fund or donate a gift to benefit a specific nonprofit organization in perpetuity, to be spent down over a specified number of years, or as a one-time pass through. For a permanent endowed fund, five percent (5%) of the fund net asset value is granted to the organization each year. A minimum gift of \$5,000 is required to establish a Designated Fund.

### **Policies**

All grants distributed from these funds are subject to review and approval by the Grants Committee and Board.

Grants from The Fund may not be used to satisfy any pre-existing pledge, dues, membership fees, benefit tickets, or goods bought at charitable auctions; nor may any grants be used for lobbying, political contributions, or to support political campaigns. The Park City Foundation does not grant to private foundations.

### **Variance Power**

All grants distributed from each of the restricted funds are subject to review and approval by the Board. If a donor-recommended purpose no longer meets The Foundation guidelines, the Board will make reasonable efforts to notify the donor and obtain a new recommendation for a grant to an alternative qualified organization. If the donor cannot be contacted, the Board will consider the donor's intent and make a grant award consistent with The Foundation's Policies.

From time to time the purpose of a fund may become obsolete or no longer meet the needs of the community. To accommodate this situation, Federal income tax regulations require community foundations to include a "variance power" in their governing documents. To meet this requirement, The Park City Foundation's Articles of Incorporation state that the Board can modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the Park City community.

### **Legal and Financial Considerations**

The Park City Foundation and any prospective donor considering a gift should be fully advised of the legal and tax implications of the transaction. Prior to making any gift, prospective donors are strongly urged to review the transaction with trusted legal or financial advisors. Likewise, The Park City Foundation will rely on the advice and opinions of its legal and financial counsel, particularly when significant legal or tax considerations are involved.



### **Investments**

All funds will be managed as described in the Investment Policy Statement.

### **Confidentiality**

All information concerning donors or prospective donors of any gift shall be held in strict confidence by The Park City Foundation staff. This includes names of donors, names of beneficiaries, the amount and kind of gifts, and the size and nature of donors' estates. See Board of Directors and Staff Confidentiality Policy.

### **Gift Acceptance**

Gift acceptance is governed by the Board of Directors, which has the ultimate responsibility for developing and applying gift acceptance and fund administration policy. The Board of Directors is charged with the responsibility to review any gifts not adequately addressed in the foundation policies, to properly screen and to accept or refuse those gifts, and, where appropriate, to make recommendations to the Board on gift acceptance issues.

### **Integrity with Donors**

The Foundation should remain open and accessible to its donors, providing full communication of its activities, use of funds, and policies and procedures. The Foundation must also strive to maintain the highest level of integrity with its donors, always acting in the best interest of philanthropy and scrupulously avoiding actual or apparent conflicts of interest or any conduct that would tend to bring discredit to the donor and/or The Park City Foundation.

### **Conflict of Terms**

In the event of any inconsistency between the terms cited in publications, the terms of the Bylaws and Board approved policies will govern the rights and obligations of The Park City Foundation and donors.

## **ASSETS & GIFTS OPTIONS**

### **TYPES OF ASSETS TO CONSIDER:**

- **Cash**
- **Publicly Traded Stock**
- **Tangible Personal Property**
- **Real Estate**
- **Retained Life Estate**
- **Bargain Sale**
- **Retirement Plans**
- **Life Insurance**
- **Closely Held Stock and Other Business Interests**
- **Endowments**



- **Planned Giving**
- **Bequests**
- **Charitable Gift Annuity**
- **Charitable Remainder Trust**
- **Charitable Lead Trust**

### **CASH**

Gifts of cash to The Foundation can be made by check or credit card. These outright gifts of cash do not require Board review and approval.

### **PUBLICLY TRADED STOCK**

There are multiple risks associated with accepting publicly traded stock. To mitigate these risks The Foundation should discuss with the donor whether the donor has made any commitments to sell the stock or whether there is an outstanding tender offer for the stock. In addition, The Foundation will not hold any donated stock for more than two business days. All publicly traded stock is to be liquidated upon acceptance. The Board of Directors reserves the right to review stock gifts in more detail, but it is not required.

### **TANGIBLE PERSONAL PROPERTY**

Tangible personal property may be donated to The Foundation. The Park City Foundation can accept these as long as The Foundation assumes no liability in receiving them. The Foundation should make inquiries as to whether the property is marketable, there are any restrictions placed on the property, and determine the carrying costs for the property (insurance, maintenance, etc.). In addition, all property must be appraised before acceptance by The Foundation as a contribution. Once the property is accepted as a donation, the Board must evaluate whether the property will be used by The Foundation or whether it will be sold.

### **REAL ESTATE**

The Foundation may accept gifts of real estate as contributions. Real estate can be, but is not limited to the following forms: a residence, vacation home, ranch or land. Below are guidelines on gifts of real estate.

- 1) All property gifts received will be converted to cash at the earliest opportunity in order to maximize the value of the gift.
- 2) In general, all associated expenses of a gift of property to The Park City Foundation are borne by the donor, unless otherwise approved by the director.
- 3) The donor shall secure a qualified appraisal of the property. The Park City Foundation will also secure a qualified appraisal.
- 4) The Park City Foundation (or trustee in case of a charitable remainder trust) shall determine if the donor has clear title to the property.



- 5) The donor shall secure a Phase I environmental audit and the results shall be given to the Board. No property containing toxic wastes shall be accepted prior to the removal or other remedies assuring that The Park City Foundation assumes no liability whatsoever in connection with such toxic wastes.
- 6) Ordinary mortgaged property will not be accepted as an outright gift, however, exceptions may be made when the property has sufficient equity to justify assumption of the liability and the property is marketable.
- 7) Mortgaged property shall not be accepted for a charitable remainder trust unless the trust would not be disqualified and the income from the property is sufficient to cover all liabilities.
- 8) If a donor wants to give real estate and retain income, a “net-income”, “net-income with make-up provision”, or a “Flip” charitable remainder unitrust is the preferred instrument. Usually real estate will not be accepted for a charitable remainder annuity trust or a charitable gift annuity.
- 9) The Park City Foundation will not manage real property and the property must be readily marketable.

### **RETAINED LIFE ESTATE**

A life estate is created when an individual transfers to The Foundation title a personal residence or farm, and the donor or another person retains use of the property for a term of years or the life of the donor and/or another person.

The donor shall continue to be responsible for real estate taxes, insurance, utilities, and maintenance after transferring title to the property unless The Park City Foundation, upon prior approval of the Board of Directors, agrees to assume responsibility for any of these items. The donor shall also be responsible for obtaining a qualified appraisal.

Each retained life estate gift will be individually negotiated and approved by the Board. In addition, requirements 1-9 identified under the real estate section apply to Retained Life Estates.

### **BARGAIN SALE**

A “bargain sale” is a sale of property to The Foundation for an amount less than the property’s current fair market value. The excess of the value over the sales price represents a contribution. The bargain sale price may be paid either in a lump sum or in installments.

A gift of mortgaged property will constitute a bargain sale. Since the amount of indebtedness is treated as a relief of liability, there could be adverse tax consequences to the donor. The donor will be informed of this in writing and urged to consult with a tax advisor.



In order to determine the true, fair market value of the asset, it must be adequately appraised. In most cases, the donor will be responsible for appraisal costs.

The Park City Foundation, upon approval from the Board of Directors, may purchase real estate, securities, or other property on a bargain sale basis. Ordinarily the price paid for the property should not exceed 60 percent of its appraised value.

A gift should not be encouraged from a donor unless it is clear that there is charitable intent. In addition, requirement 1-9 identified under the real estate section apply to Bargain Sales.

### **RETIREMENT PLANS**

The donor can name The Park City Foundation as a beneficiary of their Individual Retirement Plan (IRA), Keogh plan, 401(k), 403(b), or other qualified pension plan. The donor may name The Foundation as beneficiary for part or all of what remains in the retirement account. The Foundation must be notified when we are named as beneficiary.

### **LIFE INSURANCE**

There are various methods by which a life insurance policy may be contributed to The Foundation. Each method requires a thorough evaluation of the policy, insurance company, and benefit to The Foundation. A donor may:

- 1) Irrevocably assign a paid-up policy to The Park City Foundation
- 2) Irrevocably assign a life insurance policy on which premiums remain to be paid as long as The Park City Foundation is owner and beneficiary
- 3) Name The Park City Foundation as a primary or successor beneficiary of the proceeds
- 4) Establish a new life insurance policy with The Park City Foundation as the applicant, owner and beneficiary

Under extraordinary circumstances, as approved by the Board of Directors, The Park City Foundation may choose to provide for a payment of premium or premiums for the policy.

The Park City Foundation will accept any gift of a life insurance policy if a “guarantee analysis” is available and provided it is under no prearranged obligation to expend its assets to maintain the policy. No portion of the proceeds may be paid to anyone or any organization that is not qualified as a tax-exempt entity under IRS Code Section 501(c) (3). The Park City Foundation has the unrestricted right to fully exercise its powers as the owner, including the power to surrender, select payment options, designate beneficiaries and withdraw or borrow cash values.



In the event a policy is contributed on which premiums remain to be paid, the donor must pledge to continue paying premiums or give The Park City Foundation permission to surrender the policy for cash value.

The Park City Foundation will not participate in split dollar or reverse split dollar plans, or other partial interest programs. Any charitable insurance program, such as those promoted by the life insurance industry or individual insurance agent(s), shall be entered into only after a thorough explanation has been provided to the Board of Directors and the Board of Directors has voted to proceed with the program.

**CLOSELY HELD STOCK AND OTHER BUSINESS INTERESTS** Donors may make gifts of closely held stock, limited partnership interest, and limited liability company interests. The Park City Foundation can accept these as long as The Foundation assumes no liability in receiving them, and the property can be sold within a reasonable period of time. In determining whether to accept gifts of closely held stock and other business interests, the Board of Directors should consider whether such interests have any transfer restrictions (e.g., if the business or other owners have rights of first refusal) and whether the ownership of such interests will give rise to UBIT.

Outright gifts of closely held stock, tangible personal property, partnership interests, company interests and other property interests, real and personal, not readily negotiable must be reviewed and approved by the Board of Directors. To be considered for acceptance, limited partnership interests must not subject The Park City Foundation to cash calls or other liability and must not have adverse tax consequences for The Park City Foundation.

Closely held stock may be accepted if the probability exists of selling it within a reasonable period of time to the corporation, other stockholders, or to others interested in acquiring the corporation. Contributions of "S" Corporation stock will be carefully discussed with the donor(s) and their advisors. Royalty interests will be considered but working interests will not be accepted.

The following gifts are prohibited:

- Margin purchases
- Foreign issues unless traded on the U.S. Exchange or markets
- Commodities
- General partnership interests

## **ENDOWMENTS**

A donor interested in gifting endowed funds can either contribute towards The Park City Foundation's endowment fund, or can create an endowment fund in the form of a Donor Advised Fund, a Field of Interest Fund or a Designated Fund.

The Park City Community Foundation manages two types of endowments: permanent endowments and quasi-endowments. A permanent endowment is



formed so that the corpus or principle of the fund is restricted in perpetuity and cannot be invaded. A permanent endowment can be named after a donor or remain anonymous. The income produced from the fund can be designated for a single purpose or a particular nonprofit organization, and may pass on to one generation as its successor. Instead of creating a separate permanent endowment, a donor may contribute to The Park City Foundation's endowment. Income produced from this endowment may be used for community grant making, general operations of The Park City Foundation, to support specific programs and projects, and for specific non-profit organizations.

A quasi-endowment is formed so that the corpus and income is temporarily restricted for a future project or specific need. However, unlike a permanent endowment, the purpose of a quasi-endowment is to be spent down over time. It can be named after a donor, remain anonymous, be designated for a single purpose or field of interest fund, and may pass on to two generations as its successor.

The investment strategy for permanent endowments and quasi-endowments is designed to achieve maximum total return, minimize risk through diversification and due diligence, and provide a growing, reliable source of income to support the funding needs of the programs and projects aforementioned. The investment strategy and spending policy will be determined by The Park City Foundation Statement of Investment Objectives and Policies.

### **PLANNED GIVING**

In addition to the asset types discussed earlier, The Foundation can accept a wide range of planned gifts. Planned gifts offer the donor the ability for an income source as well as tax advantages in estate planning that an outright gift cannot provide. The charitable portion of the planned gifts can be designated as an unrestricted gift or as a restricted gift (see discussion above).

### **BEQUESTS**

One of the simplest ways to make a gift to The Foundation is through a will. The donor can name The Park City Foundation as the direct beneficiary of identified assets, to receive a portion of the donor's estate, or to receive a residual estate after the donor's loved ones have been provided for.

### **CHARITABLE GIFT ANNUITY**

A charitable gift annuity is a contract between The Park City Foundation and the donor whereby The Park City Foundation agrees to pay the donor (and/or other person named by the donor) a lifetime annuity in return for a gift of cash, securities, or other property. The payment may continue for the life of a second individual, such as a spouse. The annual payment is a fixed sum, the amount of which is based on the size of the gift and the number and ages of the beneficiaries.



Upon the death of the donor, the remainder of the gift can either be designated directly to The Foundation as unrestricted funds, a donor-advised fund or a field of interest fund. Gift annuities issued in the Donor's state of residence shall comply with that state's law and meet the disclosure requirements under the Philanthropy Protection Act of 1995.

#### Guidelines

- 1) The current minimum amount for an annuity agreement is \$50,000.
- 2) Annuity rates will never exceed the suggested rates recommended by the American Council on Gift Annuities.
- 3) Agreements shall be limited to two lives. In most instances, the minimum age to fund and receive income payments for the immediate payment gift annuity will be 60. The minimum age to fund deferred gift annuities shall be 50. The minimum age for income payment shall begin at age 60 or later. Exceptions may be made with prior approval of the Board.
- 4) Gift annuities may be managed by The Park City Foundation staff and /or agents and advisors hired by The Park City Foundation.
- 5) Gift annuities must meet governing individual state laws.
- 6) The Park City Foundation prefers to provide quarterly payments to gift annuity donors.

#### **CHARITABLE REMAINDER TRUST**

The charitable remainder trust is a separately administered trust established by the donor. It provides for payments to the donor and/or other named beneficiary(ies) either for life or for a term of years (not exceeding 20), whereupon the remaining trust assets are distributed to one or more charities.

- a. Charitable remainder annuity trust – pays a fixed amount (at least five percent) of the original fair market value of the assets initially contributed to the trust. This amount does not change, and no additional gifts may be made to the annuity trust after its creation. Payments made in any one year by a charitable remainder annuity trust to individual beneficiaries may not exceed 50 percent of initial fair market value of the trust.
- b. Charitable remainder unitrust – pays a fixed percentage (at least five percent) of the fair market value of trust assets, as valued annually. Because the value of assets can be expected to change from year to year, the unitrust payment will vary in amount each year. Additional contributions may be made to the trust after it is established. Payments made in any one year by a charitable remainder unitrust to individual beneficiaries may not exceed 50 percent of the fair market value of the trust on the most recent valuation date.



The present value of The Park City Foundation's remainder interest in the charitable remainder unitrust must equal 10 percent (or more) of the initial fair market value of the trust. This rule also applies to additions to existing charitable remainder unitrusts.

There are three traditional varieties of a unitrust. A "straight" unitrust pays the stipulated amount, even if it is necessary to invade principal to do so. A "net-income" unitrust pays the lesser of the stipulated amount or the actual net income so that the principle is not invaded. A "net-income with make-up provision" unitrust is similar to the net income unitrust except that excess earnings can be applied to cover accrued deficiencies that result from the net income being less than the stipulated amount. A newer variety, the "Flip" unitrust, should be considered for trusts funded with real estate or family corporations.

c. Guidelines

- 1) The Park City Foundation will not serve as sole trustee or co-trustee of a charitable lead trust. The Foundation will work with a Financial Institution to become the trustee.
- 2) The portion of the remainder contributed to The Park City Foundation must be irrevocable and at least 50 percent of the amount contributed must be designated to The Foundation's unrestricted fund.
- 3) The Park City Foundation recommends that beneficiaries be age appropriate unless the trust is for a term of years.
- 4) The Park City Foundation recommends limiting the number of beneficiaries to two where payments are to be made for the life of the beneficiaries.
- 5) Ordinarily The Park City Foundation will not accept responsibility as a trustee of a charitable remainder trust instrument that is or will be funded with the following assets:
  - encumbered real estate
  - margined securities
  - sole proprietorships
  - limited partnerships (unless the Board has given specific approval)
  - working interests in oil and gas fields
  - general partnership interests

**CHARITABLE LEAD TRUST**

A charitable lead trust is a trust in which the income, or "lead" interest, is paid to The Park City Foundation, and the "remainder" interest is given to one or more non-charitable beneficiaries, who could be either the donor or family members. The amount paid to The Park City Foundation is either a fixed sum



(an “annuity trust” interest) or a percentage of trust assets as valued each year  
(an “unitrust” interest).

#### Guidelines

- 1) The Park City Foundation will not serve as sole trustee or co-trustee of a charitable lead trust. The Foundation will work with a Financial Institution to become the trustee.
- 2) The trust term may be at the discretion of the donor, subject to the approval of The Park City Foundation or other trustee.