

Approved by the Board of Directors, April 2024

Charitable Gift Annuity Policy

INTRODUCTION

The Sacramento Region Community Foundation values philanthropic support and welcomes gifts that further its mission to serve the needs of the Sacramento region's non-profits. Charitable gift annuities (CGAs) are a highly efficient way to administer a pool of smaller gifts while satisfying donors' needs for simplicity in the complicated world of philanthropy and personal income and taxes.

The financial benefit from a charitable gift annuity depends largely on the following factors:

- the fair market value of the assets contributed;
- the nature of the assets contributed;
- the length of the management period;
- the costs and complexity of administering the charitable gift annuity; total return on investment of the gift;
- the payout rate to the non-charitable beneficiaries of the gift;
- the proportion of the charitable gift retained as permanent assets of the Sacramento Region Community Foundation; and
- other factors that can only be estimated or determined on a case-by-case basis.

Charitable gift annuities are the legal obligation or debt of the Sacramento Region Community Foundation; the annuitants are creditors. If the Sacramento Region Community Foundation chooses to reinsure the gift annuities, the Foundation remains liable for the payments if the insurance company declares bankruptcy. This liability must be disclosed on the financial statements as required under current Generally Accepted Accounting Principles and the Financial Accounting Standards Board. It is important that these gifts are structured to maximize the remainder value so that they do not result in being a liability rather than a source of future income to the institution.

FUNDRAISING GUIDELINES

1. Types of Charitable Gift Annuities Accepted

The Foundation will enter into agreements for the following types of annuities:

- Current Annuities, which begin payments within one year of the gift date;
- Deferred Annuities, whose initial payment is at least a year after the gift date, with the start date not to exceed 10 years after the gift date.

- Flexible Deferred Annuities, whose initial payment is at least a year after the gift date, with the start date not to exceed 10 years after the gift date with a maximum annual deferral option not to exceed 10 years.

2. Annuity Rates

The maximum annuity rates offered will be the applicable Uniform Gift Annuity Rates, or in the case of deferred payment gift annuities, the applicable Uniform Interest Factors, both adopted by the American Council on Gift Annuities. Current rates must be on file with California Department of Insurance.

To conform to the federally mandated "Clay-Brown Rule," the annuity rate offered will generate a charitable deduction of at least 10 percent of the fair market value of the assets given, or the annuity rate will be reduced to qualify for the deduction.

3. Annuitants

The Foundation will accept annuity gifts for one life, two lives in succession, or joint and survivor annuity contracts. Gift annuity contracts will be limited to one or two lives in being at the time of the gift.

To conform to State law, the Foundation will disclose the maximum annuity rate to each potential donor/annuitant, based on the actuarial age of the annuitant. Annuitants must be a resident of California.

4. Remainder Beneficiaries

The Foundation will accept annuity gifts that name the following entities as remainder beneficiaries:

- A. Sacramento Region Community Foundation;
- B. Nonprofit agencies located in California that are designated as a Sec. 501(c)(3) public charity and that
 - a. holds at the time of the gift, a Nonprofit Fund with the Foundation, or
 - b. enters into an MOU with the Foundation re: CGA solicitation.

The nonprofit agency is not a party to the contract between the Foundation and the annuitant. After the obligation to pay the annuitant has been satisfied and if there are residual funds remaining in the annuity contract account, then the nonprofit will receive 70% of those remaining funds.

If the nonprofit wishes to establish an endowment at the Foundation, then 100% of the residual funds will be placed in their endowed fund.

If the nonprofit agency no longer qualifies as a Sec. 501(c) (3) public charity, then any residual funds will be placed in a field of interest fund at the Foundation that most closely approximates the program area of the nonprofit agency.

The assets of the Sacramento Region Community Foundation will stand behind all charitable gift annuity contracts, irrespective of which entity is named as remainder beneficiary.

5. Gift Assets

Gift assets will be limited to cash and/or marketable securities for which a ready market exists.

6. Minimum Age

The youngest annuitant must be at least 65 to establish a current annuity. For a deferred gift annuity, the youngest annuitant must have attained age 65 when payments are to begin.

7. Minimum Amounts

The minimum acceptable gift will be cash and/or marketable securities with a fair market value of at least \$25,000.

While there is no maximum amount, any CGA proposal over \$500,000 will be strongly evaluated to ensure that it is in the best interest of the Foundation to take on the liability.

8. Payment Dates

Annuities may be paid monthly, quarterly, semi-annually, or annually with the payment being issued on or about the last day of the payment period.

The first payment will be prorated from the annuity funding date through the end of the first payment period.

The payment immediately preceding the death of the annuitant(s) shall be deemed to be the final payment.

9. Annuity Funding Date

The charitable gift annuity effective date is upon execution of the agreement by the donor and the Foundation and receipt of the donor's cash gift. If the gift must first be liquidated, the agreement becomes effective upon receipt of the cash from the sale of the asset.

10. Cost Basis

The annuitant is responsible for providing the cost basis for assets, other than cash, used to fund the annuity. When a donor can't provide a cost basis, per the IRS, the Foundation must assume a basis of zero which will result in a larger amount of the annuity payments being taxable.

ADMINISTRATIVE GUIDELINES

1. Licensing Requirements

The Philanthropy Department, in consultation with the Finance Department, shall be responsible for maintaining the efficacy of the license by ensuring that all reporting to the California Department of Insurance is done accurately and in a timely manner.

The Foundation will maintain a membership with the American Council on Gift Annuities so that the Foundation is continually apprised of changes in relevant rulings, and regulatory and administrative issues connected with administering a charitable gift annuity fund and program.

2. Administration

The administration of the charitable gift annuity program shall be handled by a bank or broker (third-party CGA administrator) experienced in handling charitable gift annuities.

The CGA Administrator will be responsible for the following:

- A. Segregating the assets;
- B. Setting up each annuitant account and providing appropriate recordkeeping for each annuitant within the program;
- C. Making all distributions to the annuitants and remainder beneficiaries on a timely basis; and
- D. Providing the supporting information for the annual report to the California Insurance Commissioner and quarterly reports for new contracts; as well as
- E. Providing the annual tax information to each annuitant.

3. Establishing New Contracts

The Foundation's CEO has the authority to sign the charitable gift annuity contract.

The Foundation will provide a welcome letter, copy of the signed agreement, and final calculations to the donor.

The CGA Administrator will be responsible for delivering a fully executed copy of the contract to the California Department of Insurance. The CGA Administrator will also be responsible for preparing a tax information packet and providing it to the Foundation when the contract has been completed.

4. Reinsurance

The Foundation may elect to reinsure any annuity contract above the minimum of \$100,000 with an "A" rated commercial insurance company, registered to do business in California.

The cost of reinsurance shall be borne by each remainder beneficiary.

PROGRAM OVERSIGHT

The responsibility for overseeing this program is delegated to the Sacramento Region Community Foundation's Finance Committee. This Committee will be charged with the responsibility of reviewing the effectiveness of the program not less than once annually. The Committee will be charged with evaluating the administration, licensing compliance issues, and any other matters affecting the charitable gift annuity program.

INVESTMENT GUIDELINES

The Investment Committee will be responsible for recommending investment guidelines and policies consistent with the requirements of the California Department of Insurance and investment performance evaluation. Those guidelines will be provided to the CGA Administrator and used by the Investment Committee to periodically evaluate investment performance.

The Foundation will maintain a Reserve Fund in accordance with the requirements of Insurance Code Sections 11521 through 11521.2; and such reserve fund will be held legally and physically separate from the Foundation's other assets. The Foundation may separately invest the portion of the gift not required to be included in the Reserve Fund.

CONFLICT OF INTEREST

The Sacramento Region Community Foundation shall not knowingly enter into any annuity contract that would form the basis or suggestion of a conflict of interest.