

## FUNDRAISING POLICIES

### Fundraising Activities Policy

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All solicitations for charitable gifts must be conducted or coordinated through Centenary's Advancement Division. Charitable donations to the College and all of its related campus organizations and departments must be made in the name of Centenary College and be received by and receipted through the Office of Advancement Services. (BoT 10/15/15)

### Gift Acceptance Policy

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#### *1) Unrestricted Gifts*

- A. All gifts of any size received by the College without donor restrictions shall be accepted immediately as outright gifts to the College. They will be used to underwrite the current budget of the College and shall be recorded by the Office of Advancement Services accordingly.
- B. It shall be a post-gift, asset-allocation decision on the part of the Controller, Vice President for Finance and Administration, the President and/or the Board of Trustees to re-allocate any or all of the assets resulting from the unrestricted gift for unbudgeted capital needs or for endowment purposes. The allocation decision, however, will not affect Advancement Services' recording of the gift as an unrestricted gift for current budget support.

#### *2) Restricted Gifts*

- A. All gifts restricted by donors for specific purposes will be accepted and used to underwrite the annual operating budget of the College and will be recorded upon receipt as unrestricted gifts to the College to the extent that expending the operating budget as planned in the current year would satisfy the restriction on the asset made by the donor.
- B. During the first fiscal year in which a gift is accepted with a restriction not as described in 2.A. above, but able to be satisfied within the fiscal year, the gift shall be recorded as a current restricted gift but not regarded as supportive of the annual operating budget. In subsequent fiscal years, gifts with that same restriction shall be recorded as restricted gifts in support of a de facto budget item whether or not that item has been properly anticipated. (See 3 for guidance on making decisions to accept gifts.)

#### *3) Decision to Accept Restricted Gifts (other than gifts of real estate)*

- A. From time to time, the College will receive gifts restricted by the donor for specific purposes (including non-liquid assets) which have not been anticipated in the College's budget (including the capital portion of the operating budget) or to endow an ongoing expense not currently anticipated in the College's budget. Before accepting such a gift, the Advancement solicitor or Office of Advancement Services will seek written verification from the Cabinet member whose division is most likely to need or utilize such funding or from the President that
  - i. the gift can be used for or in support of educational purposes,

- i. the gift is sufficient to cover the entire cost of the expense it creates, and
  - ii. the operating budget is sufficient to sustain any ongoing or future costs created as a result of accepting the gift.
- B. When questions arise as to whether or not an offered gift (especially a non-liquid asset other than real estate) can be used for educational purposes or when there is concern that the liabilities associated with receiving, owning, managing, administering or liquidating a gift asset may outweigh any benefit to the College, the President or Vice President for Advancement may convene a Gift Committee to determine whether or not to accept the gift. The committee shall consist of
- i. the President,
  - ii. the Vice President for Finance and Administration,
  - iii. the Vice President for Advancement, and
  - iv. any Trustee or senior administrators the convener deems necessary.

4) *Gifts of Real Estate*

- A. The College may, from time to time, receive gifts of real estate to use for programmatic purposes or as assets to be liquidated to support the purposes of the College. Before such gifts are considered, the donor shall, at his or her expense, provide the College with the following:
  - i. a specific legal description of the property,
  - ii. a survey of the environmental condition of the property conducted by a qualified professional, and
  - iii. a qualified appraisal of the value of the property.
- B. When the qualifications of 4.A. above have been met, the President or Vice President for Advancement shall convene a *Real Estate Gift Committee* to determine whether or not to accept the gift. The committee shall consist of
  - i. the Vice President for Finance and Administration,
  - ii. the Vice President for Advancement,
  - iii. a quorum of the Board of Trustees Financial Integrity Committee, and
  - iv. any other Trustees or Senior Administrators the convener deems necessary.

(BoT 02/18/16)

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## In-Kind Gifts Policy

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The College may accept gifts in-kind in accordance with I.R.S. regulations with proper documentation that the gift will support the mission of the College. (BoT 10/15/15)

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## Gift Acknowledgement Policy

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The Advancement staff will provide all official acknowledgements for charitable gifts to the College in an accurate and timely manner. (BoT 10/15/15)

## Endowed Funds Policy

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At a donor's request, the College may establish an endowment fund to monitor the gains, losses, and returns on investment of specific assets given to the College for the general purposes of the College or for a special purpose requested by the donor. While tracked individually, most assets will be merged with the endowment investments of the College. Such investments are governed by the investment policies set by the Board of Trustees.

- 1) Gifts for endowment must be in the form of cash or other negotiable instruments and must be of sufficient amount to meet the minimum thresholds in the Naming Opportunities policy. All other types of gifts must be judged by the Controller or Vice President for Finance and Administration as assets that can be liquidated in a timely manner. Endowment funds may be established upon receipt of a gift below the minimum amount required as a threshold in the Naming Opportunities Policy on the promise of a pledge to complete the required gift(s) within five years.
- 2) When the donor(s) and the College officers have agreed that an endowment fund will accomplish the donor's(s') intentions and is consistent with the purposes of the College, the donor(s) whose gift(s) will achieve the minimum to the fund, on behalf of all subsequent donors to the fund, and the President of the College, on behalf of the College, will enter into an agreement defining the use of the proceeds of the fund.
- 3) The agreement will contain at a minimum, the following items:
  - A. A description of the assets contributed to the fund in order to meet the minimum contribution value requirements as outlined in the Naming Opportunities Policy;
  - B. A description of the purpose of the fund;
  - C. A formal name for the fund that references the naming categories of the Naming Opportunities Policy;
  - D. A provision allowing for future gifts to be added to the fund;
  - E. Explanatory language regarding the investment of the assets of the fund that includes the following information:
    1. Fund assets will be invested according to guidelines and policies set by the Investment Committee of the Board of Trustees and/or by the full Board;
    2. A fund's assets may be merged with other assets of the College for investment purposes, but will be entered into the College's books and records as a separate, named fund; and
  - F. A statement of the alternative use policy that expresses the following information:
    1. Because of changed circumstances in the future, the Board of Trustees of the College may judge the originally designated use of the fund to be no longer possible or appropriate;
    2. While giving due consideration to the donor's(s') interests and intentions, the fund income, but no part of the principal, may be used to further the purposes of the College;
- 4) An expression of gratitude on behalf of the College and a pledge to keep the donor(s) and/or the donor's(s') designees/heirs informed about how the proceeds of the funds have been used each year, preferably before Thanksgiving.
- 5) The agreements will be certified with the official seal of the College. Two original agreements will be signed, one being retained by the Controller of the College and the other

- by the donor. Copies are distributed to Advancement and Financial Aid as appropriate. Also a copy will be placed in the endowment's file, and the agreement will be scanned by the author of the agreement.
- 6) When possible, the agreements should be appended with biographical information about the donor(s) and/or honoree(s) and specific procedures outlining the administration and use of the fund's proceeds.
  - 7) Proceeds from the endowment funds, as determined by the endowment spending policy of the College, will be expended according to the terms of the agreement in the fiscal year beginning at least six months after the minimum contribution value is achieved. The President may authorize exceptions to this portion of the policy when sufficient funds are available in the current budget to supplant income that otherwise would have been earned by the assets in the fund. (BoT 10/15/15)

## Pledge Policy

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The College may accept a pledge, which is defined as a promise to make a gift or philanthropic grant, with documentation listing the date by which a pledge will be fulfilled. Pledges may be paid in monthly, quarterly, semi-annual, and annual installments. (BoT 10/15/15)

## Electronic Stock Transfer

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The College may receive stock gifts by electronic transfer, according to I.R.S. guidelines, through a limited number of College-approved brokerages. (BoT 10/15/15)

## Planned Gifts Policy

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### Policy

Given the projected transfer of wealth nationally and the demographics of the Centenary community, planned gifts have enormous income potential to the College. All Philanthropy solicitors, directors, and administrators should have a basic knowledge of planned giving and look for ways to vigorously promote planned gifts to alumni, faculty and staff (current and retired), and other potential donors.

### Procedure

#### *Assets That May Fund a Planned or Charitable Gift*

The following assets, including partial undivided interests, may be transferred to Centenary in fulfillment of a gift. Gift plans and tax benefits may vary with each type of asset. This list is not exclusive to type of asset.

|                            |                           |
|----------------------------|---------------------------|
| Cash                       | Retirement Plans          |
| Publicly Traded Securities | Savings Bonds             |
| Mutual Fund Shares         | Passbook Savings Accounts |
| Closely Held Stock         | Crops and Livestock       |
| Land                       | Oil/Gas/Mineral Rights    |
| Rental Property            | Royalties                 |

|                     |                               |
|---------------------|-------------------------------|
| Vacation Property   | Partnership Interests         |
| Commercial Property | Patents/Trademarks/Copyrights |
| Life Insurance      | Boats                         |
| Art and Antiques    | Automobiles                   |

### *Wording in Bequests and Life Income Agreements*

1. All planned gifts to the College should be given to “Centenary College of Louisiana, a nonprofit corporation organized and existing under the laws of the State of Louisiana as an educational institution.”

#### *Bequests*

- A. Direct, unencumbered bequests provide Centenary the full value of what was bequeathed to it and provide the testator's estate with a charitable deduction for the same value. The Planned Giving Officer is available for personal consultations with individuals, their attorneys, or other financial advisors regarding gifts as bequests.
- B. Gifts of bequests will be accepted under the same terms as outright gifts as described in The Gift Acceptance Policy.
- C. Attempts shall be made to discover bequest plans whenever possible in order to determine whether inappropriate property has inadvertently been left to Centenary (*e.g.*, intended bequests of property other than cash or marketable securities should be brought to the attention of the Planned Giving Officer so that the donor can be advised how to conform his or her plans to Centenary's policies).
- D. Depending on the size of unrestricted bequests, all such bequests will be added to Centenary's general endowment fund.
- E. All gifts received for restricted endowment purposes, when accepted, will be accepted only on the condition that, should the purpose for which the funds are provided cease to exist, Centenary shall allocate income from those funds to purposes as near to the original intent of the donors as possible. Such provisions should be provided in all wills and devices, as is reasonably possible.
- F. There are four ways a bequest can be made to Centenary:
  - I. A fixed amount of cash or securities, certain personal property, or a percentage of an estate can be given.
  - II. In a residual bequest, after other beneficiaries receive a designated portion of the estate, the remainder of the estate is left to Centenary.
  - III. A contingent bequest can be made where Centenary will receive a portion of the estate only if named beneficiaries pre-decease the testator of the bequest. This form is often selected by those who desire to provide for young families.
  - IV. A testamentary trust bequest creates a trust and provides for the income or a stated amount of the income to be paid to the beneficiaries of that trust. Upon death of the trusts' beneficiaries, Centenary receives the use of the property in trust. This option may actually increase life income for beneficiaries, since it reduces the amount of the estate subject to estate taxes. Centenary's policy allows for only two beneficiaries to be named under such trusts.

## *Life Income Agreements*

Life income plans are irrevocable gifts that include *charitable gift annuities*, *charitable remainder trusts*, and *pooled income funds*. Charitable gift annuities (and deferred charitable gift annuities), charitable remainder unitrusts, and charitable remainder annuity trusts allow a donor to provide income to himself/herself or his/her designee and leave the remainder to Centenary. Charitable lead trusts allow a donor to provide income to Centenary with the remainder returned to the donor or his/her heirs/designees at the end of a specified period.

### A. Charitable Gift Annuities

A charitable gift annuity is partly a charitable gift and partly a purchase of an annuity contract in which the donor transfers some asset to Centenary, and Centenary agrees to pay the donor (and if desired, one other beneficiary) a fixed annuity for life.

- I. A charitable gift annuity provides the donor with an immediate tax deduction and regular income payments for life.
- II. The amount of the annuity payment is determined by the following four factors:
  - a) The dollar value of the annuity gift;
  - b) The age and number of annuitant(s);
  - c) The annuity rate selected; and
  - d) The federal “discount rate” in effect on the date of the gift.
- III. The tax deduction is also a function of the age of the annuitant(s), annuity rate selected, and the federal discount rate selected.

### B. Charitable Remainder Trusts (“CRTs”)

- I. CRTs may be funded with real property, cash, or securities. Property passes to the plan free of capital gains tax and is credited to the plan at its current full fair market value, regardless of cost basis and regardless of reduction rules affecting income tax deductions.
- II. CRTs are not tax avoidance devices or investment vehicles, and all disclosures required by state and federal regulatory agencies shall be made in a thorough and timely manner.
- III. CRTs are separate legal entities, and their obligations are limited to their assets. CRTs file their own returns, make all payments from their assets, and must have a federal trust number. CRTs make payments to beneficiaries under strictly hierarchical rules. The sources of possible income payments include the following:
  - a) Ordinary Income;
  - b) Realized capital gain;
  - c) Tax exempt income; and
  - d) Original principal.

These four sources must be used in this order to make required payments.

- IV. CRTs fall into two broad categories: charitable reminder unitrusts and charitable remainder annuity trusts.

#### a) Charitable Remainder Unitrusts (“CRUTs”)

- i. CRUTs must pay income beneficiaries a fixed percentage of trust assets, which is based on a trust’s fair market value. That fixed percentage cannot be less than 5%. Therefore, CRUTs pay a variable amount to the income beneficiaries (due to annual fluctuation in the values of trust assets), rather than a certain sum such as must be paid by an annuity trust. Centenary assesses that value annually on the first business day of each year. CRUTs have a stated maximum life of 20 years.
- ii. Since all earnings in excess of the required payments are reinvested in the trust, growth in annual income depends on having an annual payment that is low enough to have some excess earnings available for reinvestment.
- iii. CRUTs fall into three types, plus an option known as a “Flip” Unitrust.

- 1) “Standard Unitrust” – The most common version; allows the trustee to invade the principal if income is insufficient to meet the required payment.
  - 2) “Net Income Unitrust” – The donor receives the lesser of the stated percentage payment or the net income earned, and thereby avoids invading the principal. This type is appropriate for donors who are limited to funding the trust with real estate or other non-income producing (or hard to sell) assets and for donors who do not want their trust to pay them anything for some years.
  - 3) “Net Income Unitrust with Makeup Provisions” –Similar to the “Net Income Unitrust” above except that in years that the trust earns more than the stated percentage, the trust will pay income above that stated percentage as necessary to bring all payments made in years that net income was paid below the stated percentage up to the stated amount.
  - 4) “Flip Unitrust” – Formed by combining a “Net Income Unitrust with Makeup Provisions” with an illiquid asset (e.g., real estate) and dropping the net income provisions; as a result, it becomes a “Standard Unitrust” (above) when the assets are sold and the unitrust begins to generate income. After the “flip” occurs, the trust pays only the unitrust amount with no deficit makeup.
- b) Charitable Remainder Annuity Trusts
- i. Annuity trusts share many of the rules and conclusions applicable to unitrusts. However, unlike unitrusts, annuity trusts make the same payments, year in and year out. This fixed dollar payment is determined initially as a percentage of the value of the assets contributed to fund the trust. Therefore, everything is dependent upon the initial fair market value of the assets in the trust. Thereafter, the value of the trust assets is irrelevant, so long as there are assets enough to make the annual payments.
  - ii. Once the annuity trust is established, additional assets cannot be transferred to it.
  - iii. The trust should be funded with cash, equities, or bonds.
  - iv. The Planned Giving Officer will identify a limited number of corporate fiduciaries who hold such annuity trusts. Only when specifically asked may any corporate fiduciary be recommended by Centenary to a donor. Donors will be encouraged to interview potential trust officers and make their own informed choices.

### *Charitable Lead Trusts*

A charitable lead trust is a trust arrangement that provides an income payment to Centenary at some designated rate for the donor’s life or over a pre-established number of years. At the conclusion of the payment period, the trust assets are returned to the donor or to his or her designee (Note: each course has different tax consequences.)

- A. If the donor designates himself/herself as the final recipient of the trust assets, he/she has given up his/her interest in the income value of the trust assets, and thereby earns an income tax deduction.
- B. If the donor designates someone else as the final recipient of the trust assets, that individual has given up the benefit of what would have been a gift or bequest made in his/her favor, and thereby has earned a gift or estate tax deduction from that gift.

- C. Charitable lead trusts fall into two categories, based on how the trust income is paid and who is designated to receive the trust assets at the end of the trust term.
  - I. If the donor is designated to receive the trust assets, the charitable lead trust is a “grantor trust,” and, pursuant to grantor trust rules, the donor must pay income taxes on income earned by the trust and paid to Centenary. Most donors are not attracted to this type of charitable lead trust unless they are able to fund the trust with tax-exempt property or if the value of the tax deduction earned in the year of the gift outweighs the burden of future tax dues.
  - II. “Non-grantor lead trusts” have some beneficiary other than the donor named to receive the trust assets when the trust ends. This type of charitable lead trust does not generate any income tax obligations for anyone as the income is earned by the trust and paid to Centenary (*i.e.*, assets are shielded from estate and gift tax bills, which is especially valuable to donors with large estates).
- D. Charitable Lead Trusts can usually be funded with cash or securities (tax exempt securities may be warranted as stated above).

### *Life Insurance*

Centenary encourages donors to name the College to receive all or a portion of the benefits of life insurance policies that donors have purchased on their lives.

- A. New or existing policies may be given outright or Centenary can be named the owner and beneficiary of an existing policy.
- B. Centenary will accept fully paid life insurance policies in which the donor has named the College as the recipient of all or a portion of the benefits of the insurance policy. The tax consequences to the donor depend on whether the policy’s ownership has been endorsed over to Centenary and whether the benefits have been irrevocably assigned to the College.
  - I. A donor who irrevocably transfers life insurance to Centenary can claim income tax deductions for the policy’s cost basis or cash surrender value, whichever is less. The donor can never claim an income tax deduction for the policy’s face value.
  - II. Naming Centenary as a beneficiary on the policy is not sufficient to generate an income tax deduction for the donor because the donor can rescind/change his or her decision at some later date. To be entitled to a deduction, the donor must make Centenary both beneficiary and owner of the policy.
- C. Upon receiving a paid-up policy, Centenary, as owner, can surrender it and obtain the cash value or keep the policy until the death of the donor.
- D. If the donor takes out a new policy with Centenary as the irrevocable owner and beneficiary, the donor may pay the premium or give the premium money to Centenary (*a.k.a.* “pass through”) with Centenary paying the premiums. The “pass through” is preferred by Centenary due to the following reasons:
  - I. when the donor makes a cash gift to Centenary for the premium amount (assuming Centenary is under no obligation to apply the gift to the premium payment), the donor receives all the benefits both in tax savings and the personal satisfaction of making an outright gift;
  - II. the donor maintains contact with Centenary and can be acknowledged properly as each gift/payment is made; and
  - III. Centenary maintains control of the premium payments and policy.

- E. Centenary will not, however, as a matter of course agree to accept gifts from donors for the purpose of purchasing life insurance on the donor's life. Exceptions to this policy will be made only after researching relevant state laws to assure that Centenary College of Louisiana has an insurable interest under applicable state law.
- F. No insurance products may be endorsed for use in funding gifts to Centenary College of Louisiana without approval by the Board of Trustees.
- G. In no event shall lists of Centenary College of Louisiana's donors be furnished to anyone for the purpose of marketing life insurance for the benefit of donors and/or the College. This policy is based on the fact that this practice represents a potential conflict of interest, may cause donor relations problems, and may subject the College to state insurance regulation should the activity be construed as involvement in the marketing of life insurance.

#### *Retained Life Estate Gifts*

- A. A retained life estate agreement ("RLEA") is a gift of a donor's home, vacation home, or farm (including residences).
- B. Donors irrevocably relinquish full or part ownership of their home in exchange for the right to enjoy the use of the property as long as they desire and as long as is noted in the RLEA. For this exchange, the donors receive an income tax deduction. Donors are responsible for maintenance, taxes, and insurance on that property for as long as they occupy it under the RLEA, unless there is an agreement approved by the President or other authorized person(s) stating otherwise.
- C. Life estate gifts will be accepted with the approval of the President, Vice President for Advancement, and Vice President for Finance and Administration in situations where the asset involved appears to be a minor portion of the donor's estate and only if these officers are satisfied there has been a full disclosure by the donor of the possible future ramifications of the transaction.
- D. The donor may relinquish his or her retention of the estate at any given time and give the remainder to the University.

#### *The Paul Marvin Brown, Jr. Society*

The Paul Marvin Brown, Jr. Society (the "Paul Brown Society") is named for an alumnus of Centenary (Class of 1917) who served as Chairman of the College's Board of Trustees. The Paul Brown Society honors those alumni and friends who include Centenary in their estate plans.  
(BoT 10/15/15)