



Children's Home Association of Illinois

Fund Development Guidelines

Children's Home Association of Illinois (hereinafter referred to as Children's Home), and the Children's Home Foundation, both not for profit organizations organized under the laws of the State of Illinois, encourage the solicitation and acceptance of gifts for purposes that will help fulfill their mission to:

Help the children and families who need it most.

The following guidelines govern fundraising activities on behalf of the Children's Home.

I. Purpose of Guidelines

These guidelines govern the cultivation, solicitation, acceptance and stewardship of gifts by Children's Home and provide guidance to employees, volunteers, prospective donors and their advisors. In addition, they define the various gift vehicles acceptable to Children's Home and the administrative requirements of these vehicles.

II. Use of Legal Counsel

Children's Home shall seek the advice of legal counsel in matters relating to acceptance of gifts and administration of gift vehicles when appropriate. Review by counsel is recommended for:

1. Closely held stock transfers that are subject to restrictions or buy-sell agreements.
2. Documents naming Children's Home or the Children's Home Foundation as Trustee.
3. Gifts involving contracts, such as bargain sales or other documents requiring Children's Home to assume an obligation.
4. Transactions with potential conflict of interest that may invoke IRS sanctions.
5. Other instances in which the use of counsel is deemed appropriate by the Gift Acceptance Committee.

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The prospective donor shall be advised to seek the counsel of his/her attorney in any and all aspects of the proposed gift, whether by will, bequest, trust agreement, or other. He/She shall be advised to consult his/her attorney on matters related to the tax liability of a gift and matters related to the planning of his personal estate.

III. Conflict of Interest

Children's Home will urge all prospective donors to seek the assistance of personal legal and financial counsel in matters relating to their gifts and the resulting tax and estate planning consequences. Children's Home will comply with the Model Standards of Practice for the Charitable Gift Planner by the National Committee on Planned Giving (Attachment A), the Donors Bill of Rights (Attachment B) and the AFP Code of Ethical Principles and Standards of Professional Practice (Attachment C) by the Association of Fundraising Professionals.

No agreement shall be made between this agency and any other agency, person, company, or organization on any matter which would knowingly jeopardize or compromise the donor's interest.

The President and Chief Executive Officer and all staff of Children's Home shall exercise caution against the use of any high pressure sales techniques or unethical practices in dealing with a prospective donor. The roles of the President and CEO, Board of Directors, Vice President of Community & Donor Relations and other agency staff or volunteers shall be to inform, serve, guide or otherwise assist the donor in achieving fulfillment of his/her philanthropic purposes and never exercise undue pressure or methods of persuasion.

In keeping with this policy, personnel employed or retained by the agency to administer or promote its development program shall be paid a fixed salary and shall never receive a commission related to gifts received.

IV. Restrictions on Gifts

Children's Home will accept unrestricted gifts and gifts for specific programs and purposes, provided that such gifts are consistent with its stated mission, purposes and priorities. Children's Home 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 Children's Home. All final decisions on the restrictive nature of a gift and its acceptance or refusal, shall be made by the Gift Acceptance Committee.

Unusual gifts, gifts that have conditions attached, or gifts that require Children's Home assume an additional or a specific liability will be reviewed by the Gift Acceptance Committee. Examples of such gifts: land gifts which require the agency to assume a

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property tax or environmental liability; gifts of improved property which would require maintenance or management; a very large gift for a service the agency does not currently offer which would require approval from somebody other than the agency; gifts designated for purposes not obviously related to the agency's current mission and services; and, gifts that are so restricted that the agency would be required to expend the funds to a particular individual.

V. Gift Acceptance Committee

The Gift Acceptance Committee shall serve as a resource to Children's Home in determining the appropriate course of action in questionable gift situations. The Gift Acceptance Committee is charged with the responsibility of responding to gift situations as outlined in these guidelines. Those staff authorized to negotiate and accept questionable gifts on behalf of Children's Home and the Children's Home Foundation are the President and CEO, CFO and the Vice President of Community & Donor Relations.

The Gift Acceptance Committee shall consist of:

1. The Chairman of the Children's Home Board of Directors
2. The Chairman of the Children's Home Foundation
3. The President and CEO of the Children's Home
4. The CFO of the Children's Home
5. The Vice President of Development of the Children's Home
6. Additional members as determined by those listed above

VI. Types of Gifts

A. Cash.

Cash is acceptable in any form. Checks shall be made payable to Children's Home or the Children's Home Foundation and shall be delivered to the Office of Development t at 2130 North Knoxville, Peoria, IL 61603.

B. In-Kind.

Select in-kind donations consisting of clothing, household items, packaged food, tickets to community events, etc. are accepted based on the needs of clients. When those gifts are accepted they are to be utilized for the sole benefit of the children and families in our care. Staff is prohibited from taking any in-kind donations for their own personal benefit.

Donors are encouraged to call the agency prior to delivering in-kind donations so a determination can be made as to whether the item is actually needed by children and

families in our care. When a donor does call prior to inquire about our need for in-kind items and a determination is made that the items are not needed at that time, the donor will be directed to other agencies/organizations in the community that might be interested in the items.

C. Tangible Personal Property.

All gifts of tangible personal property shall be examined in light of the following criteria:

- Does the property fulfill the mission of Children's Home?
- Is the property marketable?
- Are there any undue restrictions on the use, display, or sale of the property?
- Are there any carrying costs for the property?

The Gift Acceptance Committee of Children's Home shall make the final determination on the acceptance of tangible personal property gifts.

D. Securities.

Children's Home can accept both publicly traded securities and closely held securities.

Publicly Traded Securities. Marketable securities may be transferred to an account maintained at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. As a general rule, all marketable securities shall be sold upon receipt unless otherwise directed by the Gift Acceptance Committee. In some cases marketable securities may be restricted by applicable securities laws; in such instance the final determination on the acceptance of the restricted securities shall be made by the Gift Acceptance Committee.

Closely Held Securities. Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in limited partnerships and limited liability companies, or other ownership forms, can be accepted by Children's Home subject to the approval of the Gift Acceptance Committee. However, gifts must be reviewed prior to approval to determine:

- there are no restrictions on the security that would prevent Children's Home from ultimately converting those assets to cash;
- the extent to which the security is marketable; and
- the security will not generate any undesirable tax consequences for Children's Home.

If potential problems arise on initial review of the security, further review and recommendation by an outside professional may be sought before making a final

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decision on acceptance of the gift. The Gift Acceptance Committee of Children's Home and the legal counsel for Children's Home shall make the final determination on the acceptance of closely held securities when necessary. Every effort will be made to sell non-marketable securities as quickly as possible.

E. Real Estate.

Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. When appropriate, a title insurance commitment shall be obtained by Children's Home prior to the acceptance of the real property gift. The cost of this title insurance commitment shall generally be an expense of the donor.

With any potential gift of real estate, the Gift Acceptance Committee may require an initial environmental review of the property to ensure that the property has no environmental damage. In the event that the initial inspection reveals a potential problem, Children's Home shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be an expense of the donor. Prior to acceptance of the real property, the gift shall be approved by the Gift Acceptance Committee of Children's Home and by the legal counsel for Children's Home.

Criteria for acceptance of real estate shall include:

- Is the property useful for the purposes of Children's Home?
- Is the property marketable?
- Are there any restrictions, reservations, easements, or other limitations associated with the property?
- Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, etc., associated with the property?
- Does the environmental audit reflect that the property is not damaged?
- Would the donor and Children's Home benefit from utilizing a third party LLC that accepts property from the donor in return for shares in the corporation which could then be given to Children's Home?

F. Remainder Interests in Property.

Children's Home will accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions of section E. above. The donor or other occupants may continue to occupy the real property for the duration of the stated life. At the death of the life tenant(s), Children's Home may use the property or reduce it to cash. Should Children's Home receive a gift of a remainder interest, expenses for maintenance, real estate taxes and any property indebtedness are to be paid by the donor or primary beneficiary.

G. Oil, Gas, and Mineral Interests.

Children's Home may accept oil and gas property interests, when appropriate. Prior to acceptance of an oil and gas interest, the gift shall be approved by the Gift Acceptance Committee and, if necessary, by the legal counsel for Children's Home. Criteria for acceptance of the property shall include:

- The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate.
- A working interest is rarely accepted. A working interest may only be accepted when there is a plan to minimize potential liability and tax consequences.
- The property should undergo an environmental review to ensure that Children's Home has no current or potential exposure to environmental liability.

H. Bargain Sales.

Children's Home will enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission and purposes of Children's Home. All bargain sales must be reviewed, recommended and approved by the Gift Acceptance Committee of Children's Home. Factors used in determining the appropriateness of the transaction include:

- Children's Home must obtain an independent appraisal substantiating the value of the property.
- Children's Home must determine that it will use the property, or that there is a market for sale of the property, allowing sale within a reasonable period of time.
- Children's Home must calculate the costs to safeguard, insure and cover the expenses of the property (including property tax, if applicable) during the holding period.

I. Life Insurance.

Children's Home must be named as both beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be recorded as a gift. The gift is valued at its interpolated terminal reserve value, or cash surrender value, upon receipt. If the donor contributes future premium payments, Children's Home will include the entire amount of the additional premium payment as a gift in the year that it is made. If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, Children's Home may:

- continue to pay the premiums;
- convert the policy to paid up insurance; or
- surrender the policy for its current cash value.

J. Charitable Gift Annuities.

Children's Home will accept current gift annuities, which begin payments within one year of the date of gift, as well as deferred payment gift annuities, whose initial payment is at least a year after the gift date. The deferral period will be at the discretion of the donor.

Children's Home will accept annuity gifts for one life, two lives in succession, or joint and survivor annuity agreements. Gift annuity agreements will be limited to one life or two lives in being at the time of the gift.

The maximum annuity rates offered will always be the current Uniform Gift Annuity Rates and in the case of deferred payment gift annuities, the Uniform Interest Factors, both as adopted by the American Council on Gift Annuities. Children's Home may establish a maximum annuity rate chart that is lower, but never higher, than the Uniform Gift Annuity Rates of the American Council on Gift Annuities. The annuity rate offered will generate a charitable deduction of more than 10 percent (10%) of the fair market value of the assets given, or the annuity rate will be reduced to qualify for the deduction.

To conform to various state laws, Children's Home will always offer the maximum annuity rate to each potential donor/annuitant, based on the actuarial age of the annuitant, but we may suggest that if the person is willing to accept a lower rate, a larger charitable deduction would be obtained for the same size gift.

Gift assets will be limited to cash and securities for which a ready market exists. Closely held stock and real estate, tangible personal property, or any other illiquid asset will be addressed on a case-by-case basis by the Gift Acceptance Committee of Children's Home. With potential gifts of real estate, the Gift Acceptance Committee will consider all options that may lessen the liability of such a gift. This will include the exploration of utilizing a LLC which would allow the donor to transfer the property to charity and then give shares of the corporation to Children's Home.

Children's Home will operate a segregated gift annuity fund in which identifiably separate investments will be maintained and which is not part of any other investment or endowment fund of Children's Home or the Children's Home Foundation. The full annuity gift will be admitted to the gift annuity fund of Children's Home and will be maintained until the demise of the last annuitant in the agreement. Once payments have terminated, the funds representing the remaining principal contributed in exchange for the gift annuity shall be transferred to the general endowment funds of the Children's Home Foundation.

Children's Home must be able to identify the changing market value of each agreement, so that an appropriate amount may be withdrawn from the gift annuity fund at the termination of the agreement.

The minimum accepted gift will be cash or the fair market value of securities valued at \$5,000.

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The minimum actuarial age of an annuitant on the date the payments start is 50 years of age.

The gift annuity will be effective on the postmark date on the envelope that brings the gift to Children's Home, or the date the gift is given to the Community & Donor Relations Department or in the case of securities, the date the shares are received by our account.

Annuities may be paid quarterly, semiannually or annually. The Gift Acceptance Committee may approve exceptions to this payment schedule. Annuity payment amounts will be rounded upward to ensure that each payment will be exactly the same amount. Annuity payments will be mailed in time to arrive on the payment due date.

Children's Home will make every effort to be aware of the investment and reporting requirements of our own state of domicile as well as those states that have statutes regulating gift annuity funds, and be guided by input from our own legal counsel, staff and consultants as to the necessity of filing for a permit to write gift annuity agreements in those states.

Children's Home will maintain investment and administrative records of our gift annuity fund and program.

Children's Home will maintain membership with the American Council on Gift Annuities to be aware of changes in rulings and regulatory and administrative issues connected with administering a gift annuity fund and program.

K. Charitable Remainder Trusts.

Children's Home may accept designation as remainder beneficiary of a charitable remainder trust.

L. Charitable Lead Trusts.

Children's Home may accept designation as income beneficiary of a charitable lead trust.

M. Retirement Plan Beneficiary Designations.

Donors and supporters of Children's Home will be encouraged to name Children's Home as beneficiary of their retirement plans. Such designations will not be recorded as gifts to Children's Home until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

N. Bequests.

Donors and supporters of Children's Home will be encouraged to make bequests to Children's Home under their wills and trusts. Such bequests will not be recorded as gifts to Children's Home until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

O. Life Insurance Beneficiary Designations.

Donors and supporters of Children's Home will be encouraged to name Children's Home as beneficiary or contingent beneficiary of their life insurance policies. Such designations shall not be recorded as gifts to Children's Home until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

VII. Solicitation of Donations

Solicitations of businesses and individuals will be made in accordance with the highest ethical and business fund-raising practices. All direct mail, proposals, grants, etc. will be factual and accurately describe the use of contributed dollars. Appeals to vendors and businesses will be made in the spirit of philanthropy with no overt or implied promise of future business or threat of withdrawal of business. Purchasing and development functions within Children's Home will remain completely separate.

Before any agency staff member makes a solicitation of cash or in-kind items on behalf of Children's Home, the Vice President of Community & Donor Relations shall be notified and give approval of such solicitations. In the event a community organization or individual desires to raise funds on behalf of Children's Home, this approval must be in writing.

All information concerning a donor or prospective donor shall be kept and held strictly confidential unless permission is obtained from the donor to disclose information. Any requests by a donor for anonymity or to have their name omitted from any or all future mailings will be honored. Mailing lists will not be shared, sold or in any way distributed outside of the agency. An employee found to have violated this policy shall be subject to dismissal.

VIII. Stewardship

Children's Home seeks to build long term relationships with donors. Children's Home will acknowledge all gifts in writing to the donor. Children's Home will share information and regular updates with donors. Vehicles used may include newsletters, annual reports, phone calls, luncheons, etc. Such updates will cover service outcomes and financial

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results. Any requests for more detailed financial or programmatic information will be granted.

IX. Miscellaneous Provisions

Securing appraisals and legal fees for gifts to the Children's Home. It will be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts made to Children's Home.

The Valuation of gifts for development purposes. Children's Home will record a gift received by Children's Home at its valuation for gift purposes on the date of gift.

Who has responsibility for IRS Filings upon sale of gift items? The Children's Home CFO is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within two years of receipt by Children's Home when the charitable deduction value of the item is more than \$5,000.

Children's Home must file this form within 125 days of the date of sale or disposition of the asset. Acknowledgement of all gifts made to Children's Home and compliance with the current IRS requirements in acknowledgement of such gifts shall be the responsibility of the Community & Donor Relations Department.

X. Attachments

- A. Model Standards of Practice of the Charitable Gift Planner*
- B. Donor's Bill of Rights*
- C. AFP Code of Ethical Principles and Standards of Professional Practice*

Attachment A

Model 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 solicitation, 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 purposes of the charitable institution.

I. Primacy of Philanthropic Motivation

The principal basis for making a charitable gift should be a 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 finders 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.

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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 that they 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 Advisers

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 advisers 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 donee organization, the Gift Planners, in order to insure 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 Planners 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, they 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,

Attachment B

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.

Developed by

American Association of Fund Raising Counsel (AAFRC)
Association for Healthcare Philanthropy (AHP)
Association of Fundraising Professionals (AFP)
Council for Advancement and Support of Education (CASE)