



THE TEP FOUNDATION, Inc.

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GIFT ACCEPTANCE POLICY

(Adopted 4/19/'23)

Introduction

This policy is formulated to guide persons in gift solicitations for The TEP Foundation, Inc.. It is to be considered the official policy of the Foundation and is to be implemented appropriately. It is important to recognize the distinction between the valuation of a gift counting toward annual goals and the value of the gift for tax purposes for the inclusion as assets for the TEP Foundation. Standard accounting principles will govern all accounting practices of the TEP Foundation.

This policy is subject to change by The Board of Trustees.

Gift Acceptance

Final acceptance of all gifts will rest with the Board of Trustees. Questions as to the acceptance of individual gifts should be submitted to the Board of Trustees for review.

Documentation in reporting Gifts

All gift pledges and deferred gift commitments will require formal documentation before being recognized by the Foundation and counted toward annual totals. Such documentation may be a signed and dated pledge form. Letter of Intent, or a letter of confirmation from the Foundation official to the donor that the donor acknowledges, or a letter of confirmation from the donor himself.

The gift accounting period is June 1st through May 31st.

Outright gifts should be reported only when assets are transferred irrevocably to TEP Foundation. Deferred gifts should be reported only when assets are transferred and the gift is consummated in favor of the TEP Foundation.

All gifts and pledges properly documented and falling into the categories these standards shall be reported as follows:

1. Outright gifts-annual fund
2. Outright gifts-projects
3. Outright gifts-chapter endowment funds
4. Trust and annuity gifts
5. Total receipts
6. Pledge commitments
7. Bequests and insurance commitments
8. Total commitments
9. Grant total (receipts and commitments)
10. (Less receipts counted as commitments in prior years)
11. Gift income
12. Fiscal year grand total goal

Tax Aspects of Giving

Tax valuation reporting requirements are complex and donors should be encouraged to seek the advice of competent tax experts to obtain maximum tax benefits. It is important to note, however, that the tax benefit of gifts made during the donor's lifetime may reduce income taxes, inheritance taxes, and/or estate taxes. General questions concerning taxes may be referred to the Board of Trustees; however, specific tax advice should *never* be offered by Trustees.

Valuation of Gifts

The value assigned for a gift may have little or no relation to the value prescribed for tax reporting purposes. The valuation of gifts for the TEP foundation will be as described below:

Gift Vehicles

1. Cash

Gifts by cash or check will be credited at face value.

2. Pledges for future payments of cash or equivalent

Pledges payable in full during the five years following the date of the pledge will be credited at face value. Pledges payable over more than five years will be credited only after review by the Board of Trustees.

3. Marketable securities

Securities traded on the New York Stock Exchange or the NASDAQ National Market will be accepted as outright gifts or payments toward pledges. Such gifts will be valued at the average market value on the date of the gift and credited at face value.

4. Closely held securities

Securities not included in “marketable securities” as defined above may be accepted at the discretion of the Board of Directors of the TEP Foundation and must be accompanied by an independent qualified appraisal.

5. Tangible personal property

Gifts of tangible personal property will be accepted under conditions to be determined after review by the Board of Trustees with approval pending a required independent appraisal of the value of the gift.

6. Life insurance

Gifts of new or existing permanent life insurance policies naming the TEP Foundation as owner or beneficiary of the policy will be credited to the deferred gifts of the Foundation as follows:

- The cash value of paid-up policies on the date of assignment
- The cash value plus the total amount of premium payments made during the campaign period on those not yet paid up
- Newly established policies on which the donor pledges to make premium payments. The amount of the gift will be based upon the death benefit payable at the normal mortality date projected on the premium payments pledged, but discounted for the age of the insured at the date of the gift. If the insured is sixty (60) years of age on the date the policy becomes owned by the Foundation, the full projected death benefit shall be counted. If the donor is under forty (40) years of age, no gift credit will be recorded. Between the ages of 40 and 60, five percent (5%) per year will be recorded.

Thus, an individual who is 55 years old will have seventy-five percent (75%) of the face value recorded. $(55-40 = 15 \times 5\% = 75\%)$

7. Bequests

In all cases, proper documentation of bequests will include a formal Letter of Intent, completion of a pledge form, or by actual copies of wills or excerpts therefrom supported by accompanying statements stipulating the bequest's estimated amount and purpose. Bequests naming the TEP foundation as the beneficiary shall be credited to the deferred goal. The value of the bequest to be counted follows the same formula as the presented in the section on life insurance.

8. Charitable Remainder Annuity Trusts and Uni-Trusts and Charitable Gift Annuities

Gifts made to establish charitable remainder trusts naming the TEP Foundation as beneficiary will be credited to the deferred gifts goal of the Foundation. If the youngest life beneficiary of the trust will have attained the age of sixty (60) on or before the end of the year in which it is received, the full initial value of the trust shall be counted. This percentage of the value of the fund to be counted in the case of younger life beneficiaries follows the same formula as the one presented in the section on life insurance.

Charitable gift annuities naming the TEP Foundation as the final beneficiary shall be credited to the deferred gifts goal as specified above. The TEP Foundation will make payments to the donor as agreed. These payments are a general obligation and backed by all assets of the TEP Foundation for the life of the annuitants.

9. Charitable Lead Trusts

Charitable lead trusts provide for payment of trust income to the TEP Foundation for fixed period with the assets ultimately being returned to the donor or his or her designee. Income from a charitable lead trust may be assigned to the Foundation's objectives by the donor. When a lead trust commitment is made, the TEP Foundation will recognize toward the annual goal the full estimated value of the year's payments with the balance recorded as pledged commitments.

10. Real Estate

All real estate transactions must receive approval by the Foundation's Board of Trustees Board of Trustees. An appraisal shall be secured by the Foundation from a party who shall have no business or other relationship to the donor. The appraisal fee may be paid by the Foundation. In general, residential real estate located within

the United States or Canada, with the value estimated by the donor or others at \$100,000 or greater will be accepted, unless the Board of Trustees shall determine that the property is not suitable for acceptance. Real estate outside the United States or Canada will not be accepted unless it appears that the value is in excess of \$250,000 and there is a reason to believe it is highly marketable. The Board of Trustees shall make all determinations regarding these situations. No commercial real estate shall be accepted by any representative of the Foundation without prior written approval from the Board of Trustees. Special attention shall be given to the receipt of real estate encumbered with a mortgage, since the ownership of such property may give rise to unrelated business income for the Foundation and the disqualification of certain split interest gifts unless handled in a proper manner. Prior to acceptance of each real estate gift, the Board of Trustees, as a part of their due diligence procedures, will have an environmental study completed.

11. Life estate

No gifts of life estates will be accepted without prior approval by the Educational Foundation's Board of Directors. A gift is considered a life estate when the donor makes a gift of a personal residence or farm while retaining use for one or two lives or for a term of years. A personal residence may include a vacation home. The donor retains use of the property for his/her lifetime, pays all expenses associated with maintenance, including property taxes and insurance; and in the case of a farm, continues to receive income from the farm. "Procedures for Gifts of Real estate" provides guidance in acceptance of real estate.

12. Bargain sales

A "bargain sale gift" is one in which the TEP foundation is provided the opportunity to purchase property at less than its fair market value. Such gifts will be valued at fair market value less all purchases, holding a resale costs incurred by the Foundation. Acceptance of such gifts will be subject to the same appraisal rules applied to gifts of real or personal property and will be accepted under conditions to be determined after the review of the specifics by the Board of Trustees and approval by the Board of Directors of the TEP Foundation.

If you have any questions about this policy please email president@thetepfoundation.org