

**SOUTHERN ILLINOIS UNIVERSITY
EDWARDSVILLE FOUNDATION**

CHARITABLE GIFT ANNUITY POLICY

Adopted February 28, 2002

**ORIGINALLY SUBMITTED BY
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**Southern Illinois University Edwardsville Foundation
Charitable Gift Annuity Policy**

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Southern Illinois University Edwardsville Foundation
Charitable Gift Annuity Policy

1. Overview

- 1.1. Purpose.** This policy sets forth the requirements and guidelines governing charitable gift annuities issued by Southern Illinois University Edwardsville Foundation ("Foundation"). Among other things, this policy:
- 1.1.1.** Establishes requirements and restrictions on the Foundation's issuance of each charitable gift annuity ("CGA");
 - 1.1.2.** Provides for a formal yet flexible guidelines to help assure compliance with federal and varying state CGA regulatory requirements, (including the use of certain standardized forms and agreements to be customized as needed);
 - 1.1.3.** Outlines the CGA marketing and issuance related responsibilities of the Foundation Staff;
 - 1.1.4.** Outlines the CGA accounting-related responsibilities of the Foundation Staff; and
 - 1.1.5.** Outlines the CGA investment-related responsibilities of the Investment Committee and Foundation Staff.
- 1.2. Annual Review.** This Charitable Gift Annuity Policy shall be reviewed annually by the Major Gifts Committee to ensure the relevance of its contents to donor relations and the Foundation's needs and focus, except that the CGA investment and accounting related aspects of this Policy shall be reviewed annually by the Investment Committee.
- 1.3. CGA Requirements and Restrictions.** The requirements and restrictions to be met in connection with the Foundation's issuance of a CGA are set forth in Appendix A-1 (transferred property of \$35,000 or less) and Appendix A-2 (transferred property of more than \$35,000).
- 1.4. Regulatory Compliance.** Guidelines to help assure compliance with federal and varying state CGA regulatory requirements, (including the use of certain standardized forms and agreements to be customized as needed) are set forth in Appendix B.
- 1.5. Marketing and CGA Issuance Guidelines.** CGA marketing and issuance related responsibilities of the Foundation Staff are set forth in Appendix C.
- 1.6. CGA Accounting Guidelines.** CGA accounting related responsibilities of the Foundation Staff are set forth in Appendix D.
- 1.7. CGA Investment Guidelines.** CGA investment related responsibilities of the Investment Committee and Foundation Staff are set forth in Appendix E.

2. Investment Aspects.

2.1. Types of CGAs. The Foundation's CGAs are generally of the following two types:

2.1.1. Immediate Annuities (Type I) – Transferred property that is intended to provide a rate of return sufficient to currently, regularly and periodically pay a fixed annuity to a donor.

2.1.2. Deferred Annuity (Type II) – Transferred property that is intended to generate a rate of return that will be used to provide a future regular and periodic payment fixed annuity to a donor, with the initial payment to be made at least one year (or longer) after the Foundation receives the transferred property.

2.2. Background. The regular and periodic nature of payments associated with CGAs creates a challenging objective – meeting annuity obligations for lives of the annuitants, while maintaining the purchasing power of the Foundation's expected remainder interest. The challenge may be made more difficult by certain states' regulatory investment requirements. Asset allocation policies for CGA funds should be established with the flexibility to meet the Foundation's immediate and deferred annuity obligations, while maintaining the purchasing power of the expected remainder interest.

2.3. Specific Requirements. The Investment Committee shall establish Specific Requirements for CGA Funds within the existing Investment Policy and shall require Investment Managers to comply with such requirements. The Investment Committee's Specific Requirements for CGA Funds shall be subject to approval by the Foundation's Executive Committee or Board of Directors.

Appendix A-1**CGA Prerequisites and Restrictions
(Transferred Property of \$35,000 or less)**

This Appendix sets forth the terms, conditions and features of a CGA issued by the Foundation in exchange for a donor's transfer of property valued at \$35,000 or less.

1. Minimum Transfer Value and Type of Transferred Property. A CGA shall not be issued unless cash, or marketable equity or fixed income securities worth at least \$5,000 and approved under the Foundation's applicable acceptance policy are to be transferred to the Foundation by the donor. The transferred property shall not be subject to any mortgage or other security interest.

2. Age, Number and Identity of Annuitants. A CGA shall not have more than two annuitants. Each annuitant shall be at least 59 ½ years of age on the date the CGA is issued unless a deferred charitable gift annuity with the first payment when the donor is at least 59 ½ years of age. The donor shall be the first (or primary) annuitant.

3. Valuation of Transferred Property. The donor's property (other than cash) shall be valued for CGA purposes at the high and the low of its trading range on the date that the property is received by the Foundation.

4. Annuity Issue Date. The annuity will be deemed issued on the later of the date that (a) the Foundation receives donor's transferred property and (b) the donor and Foundation have fully executed the CGA agreement.

5. Annuity Rate. The annuity rate payable to the annuitant(s) shall be the rate in effect on the Annuity Issue Date as promulgated by the American Council on Gift Annuities (or such lower rate as may be agreed with the donor).

6. Annuity Payments – Initial, Frequency and Termination. The initial annuity payment shall be made on the fifteenth day of the third month following the month of the Annuity Issue Date. Thereafter, each annuity payment shall be made (quarterly) on the fifteenth day of each three month anniversary of the initial annuity payment. The Foundation's obligation to make annuity payments shall cease upon the payment last made prior to the last annuitant's death. The initial annuity payment shall be a (larger) prorated amount based upon the number of days from the Annuity Issue Date through the date of the initial annuity payment.

7. Annuity Payments – Method of Payment. The Foundation shall endeavor to make annuity payments via direct deposit (i.e., electronic bank transfers) into the annuitant's bank account. The mailing of a check is the Foundation's least preferred payment method.

8. Use of Transferred Property. The donor shall not restrict the use of the transferred property for any specific use, other than to provide (if desired by the donor) that the transferred property is to be used for the general use of a specified school within the University. The transferred property shall not be available for the general use of the Foundation (or of a specified school) until the last annuitant's death.

9. Miscellaneous Restrictions. In addition to other restrictions set forth above, to avoid the Foundation's incurring unrelated business income tax on the CGA:

- (a) the value of the annuity must be less than 90% of the value of the transferred property;
- (b) the CGA agreement must not guarantee a minimum or maximum number of payments; and
- (c) the CGA agreement must not provide for any adjustments in the amount of the annuity payments by reference to the income received from the transferred property or any other property.

10. Authorized Foundation Representatives. Each CGA agreement must be reviewed and signed by on the Foundation's behalf by any two authorized representatives. The authorized representatives are the Foundation's President, Chief Executive Officer, Director of Planned Giving, Director of Alumni Affairs and Director of Financial Affairs.

Appendix A-2**CGA Prerequisites and Restrictions
(Transferred Property of More Than \$35,000)**

This Appendix sets forth the terms, conditions and features of a CGA issued by the Foundation in exchange for a donor's transfer of property valued at more than \$35,000.

1. Type of Transferred Property. A donor's transfer of cash or marketable equity or fixed income securities are preferred. However, subject to the Foundation's acceptance policy regarding gifts of other property, a CGA may be issued for such property if its value exceeds \$35,000. The transferred property shall not be subject to any mortgage or other security interest.

2. Age, Number and Identity of Annuitants. A CGA shall not have more than two annuitants. However, there is no annuitant age restriction. To obtain maximum deferral of gain recognition, the donor should be the first (or primary) annuitant.

3. Valuation of Transferred Property. The donor's marketable equity and fixed income property (other than cash) shall be valued for CGA purposes at the high and the low of its trading range on the date that the property is received by the Foundation. All other property shall be valued as provided in the Foundation's acceptance policy regarding gifts of other property.

4. Annuity Issue Date. The annuity will be deemed issued on the later of the date that (a) the Foundation receives donor's transferred property and (b) the donor and Foundation have fully executed the CGA agreement.

5. Annuity Rate. It is preferred that the annuity rate payable to the annuitant(s) be the rate in effect on the Annuity Issue Date as promulgated by the American Council on Gift Annuities ("ACGA"). However, the type and value of the transferred property may justify a different rate. For example, if the transferred property is not readily marketable or susceptible to valuation, a lower rate may be indicated. Also, a deferred CGA (where the initial annuity payment is deferred for more than one year) will attract a higher ACGA rate than for a more immediate annuity.

6. Annuity Payments – Initial, Frequency and Termination. In most instances, the initial annuity payment will be made on the fifteenth day of the third month following the month of the Annuity Issue Date. However, a later date for the initial payment may be indicated to provide time to sell the property (or the donor may prefer a deferred annuity postponing his or her initial payment for a period of one or more years).

After the initial payment, each annuity payment shall be made on such regular basis as may be agreed with the donor. The Foundation's obligation to make annuity payments shall cease upon the payment last made prior to the last annuitant's death.

7. Annuity Payments – Method of Payment. The Foundation shall endeavor to make annuity payments via direct deposit (i.e., electronic bank transfers) into the annuitant's bank account. The mailing of a check is the Foundation's least preferred payment method.

8. Use of Transferred Property. Subject to an agreement otherwise with the Foundation, the donor shall not restrict the use of the transferred property for any specific use, other than to provide (if desired by the donor) that the transferred property is to be used for the general use of a specified school, athletic

program or academic program within the University. The transferred property shall not be available for the general use of the Foundation (or of a specified school or program) until the last annuitant's death.

9. Miscellaneous Restrictions. In addition to other restrictions set forth above, to avoid the Foundation's incurring unrelated business income tax on the CGA:

- (a) the value of the annuity must be less than 90% of the value of the transferred property;
- (b) the CGA agreement must not guarantee a minimum or maximum number of payments; and
- (c) the CGA agreement must not provide for any adjustments in the amount of the annuity payments by reference to the income received from the transferred property or any other property.

10. Authorized Foundation Representatives. In addition to such other approvals as may be required under other Foundation policies, each CGA agreement issued in exchange for transferred property in excess of \$35,000, must be reviewed and approved by the Foundation's Chief Executive Officer, Director of Planned Giving and Director of Financial Affairs. Thereafter, the CGA agreement may be signed by on the Foundation's behalf by any two authorized representatives. The authorized representatives are the Foundation's President, Chief Executive Officer, Director of Planned Giving, Director of Alumni Affairs and Director of Financial Affairs

Appendix B

Guidelines for Regulatory Compliance

This Appendix sets forth the guidelines to help assure compliance with federal and varying state CGA regulatory requirements, including the use of certain standardized forms and agreements to be revised on a state-by-state basis as necessary.

1. Federal Regulations. At the time a CGA agreement is presented to the donor for the donor's signature, a disclosure statement shall be provided to the donor. The statement shall describe the material terms of the operation of the segregated "reserve" fund established by the Foundation for CGAs.

2. State of Illinois. Before each CGA is issued, the Foundation staff shall confirm that Illinois CGA regulatory requirements are satisfied. These requirements shall be satisfied by the Foundation's purchase of a "performance bond" until such time as it can be determined that the Foundation meets the \$2,000,000 unrestricted reserve exemption provision.

3. Other States' Regulations. At the time a donor's request for a CGA illustration is received, the Director of Planned Giving shall review the CGA regulatory requirements of the donor's state of residence with the Director of Financial Affairs, who together shall make a recommendation to the Chief Executive Officer whether to issue a CGA to a donor in that state.

4. Recordkeeping. The Director of Planned Giving shall maintain a file of each CGA issued. The file label shall include the donor's name and state of residence. The file shall include:

- (a) a statement of the applicable regulatory requirements and of how each requirement was satisfied;
- (b) a copy of all correspondence with the donor;
- (c) a copy of each disclosure statement delivered to the donor; and
- (d) an original of the signed CGA agreement.

5. Regulatory Assistance. The Chief Executive Officer, Director of Planned Giving and Director of Financial Affairs may rely upon the Foundation's legal counsel or an outside planned giving service administrator (or both) in determining applicable regulatory requirements and the actions needed to satisfy those requirements.

6. Basic Disclosure Statement. The basic disclosure statement to be provided to each donor shall be in the form attached as Schedule B-1. This disclosure shall be revised as appropriate to satisfy CGA regulatory requirements for a particular donor's state of residence. The disclosure statement shall be delivered to the donor at the time the Foundation delivers a CGA illustration to the donor and, again, when the CGA agreement is delivered to the donor for the donor's signature.

7. Basic CGA Agreement. The basic CGA agreement shall be that agreement generated by Crescendo software. This agreement shall be revised as appropriate to satisfy CGA regulatory requirements for a particular donor's state of residence.

Dated January 9, 2002

Adopted _____, 2002

Schedule B-1

Form of Basic Disclosure Statement

**[To be finally prepared after the investment and accounting aspects
of the CGA policy are reviewed and determined;
in the meantime, see the attached
Lutheran Church Disclosure Statement as an example]**

Appendix C

CGA Marketing and Issuance Guidelines

This Appendix sets forth the guidelines for the Foundation's marketing and issuance of CGAs. (Note: Steps 1 and 2 may be combined.)

1. Step 1. Director of Planned Giving shall regularly cause to be published or mailed marketing information about Foundation CGAs. This mailing shall include the following elements:

- (a) description and benefits of CGAs generally;
- (b) invitation to potential donors to request a CGA illustration; and
- (c) other information and copy helpful to encouraging potential donor inquiries.

2. Step 2. In response to a potential donor's request, the Director of Planned Giving shall deliver or mail:

- (a) a cover letter (see sample letter at Schedule C-1);
- (b) frequently asked questions information or an information brochure more specifically detailing the Foundation's CGA requirements and restrictions (see sample FAQ sheet at Schedule C-2); and
- (c) a CGA illustration request form to be completed and returned by the prospective donor (see sample illustration request form at Schedule C-3).

3. Step 3. Upon receipt of a donor's completed CGA illustration request form, the Director of Planned Giving shall:

- (a) review the CGA regulatory requirements of the donor's state of residence with the Director of Financial Affairs, who together shall make a recommendation to the Chief Executive Officer whether to issue a CGA to a donor in that state.
- (b) if regulatory requirements are to be met, prepare and mail a personalized CGA illustration to the donor (see sample at Schedule C-4), along with a cover letter (see sample CGA illustration cover letter at Schedule C-5).
- (c) personally call or visit with the prospective donor if the donor's CGA illustration request indicates a transfer of property in excess of \$35,000 is contemplated.
- (d) if regulatory requirements are not to be met and a CGA is not to be issued, send a letter sent or make a personal contact with the Foundation's regrets and desire to benefit from another type (or types) of gifts.
- (e) if the contemplated property requires additional action or evaluation (for example, real estate or property that is not actively traded), provide additional information about the Foundation's acceptance policy to the prospective donor.

4. Step 4. After delivering the CGA illustration and learning of the potential donor's desire to move forward with the CGA, the Director of Planned Giving shall cause a CGA agreement to be prepared and delivered to the donor for signature. The Director of Planned Giving (or Director of Financial Affairs) shall coordinate the transfer of the property to the Foundation.

5. Step 5. Upon receipt and valuation of the transferred property, the Director of Planned Giving and the Director of Financial Affairs shall coordinate preparing the final illustration of the CGA and annuity payments schedule and communicate the same to the donor along with an acknowledgment of the gift.

6. Step 6. The Director of Financial Affairs shall cause the annuity payments to be made as agreed upon in the CGA agreement and as determined in the final illustration.

Schedule C-1

Sample Inquiry Response Cover Letter

[To be prepared]

Dear _____:

Thank you for your interest in a charitable annuity gift that will benefit you and SIUE. Enclosed are:

1. Request for a Charitable Gift Annuity Illustration; and
2. Charitable Gift Annuity FAQ Sheet / Informational Brochure.

Please complete and return the Request and we will send you an illustration of the annuity and potential charitable income tax deduction that you can expect. If you like the results, we will follow-up with an agreement for you to sign and instructions about how to make your gift to us.

Please call me with any questions you may have about completing the Request, about our charitable gift annuities generally or about other giving opportunities.

Sincerely,

Dated January 9, 2002

Adopted _____, 2002

Schedule C-2

Sample FAQ Sheet / Informational Brochure Enclosure

[To be prepared / attached]

[Note: this FAQ Sheet / Brochure should reflect SIUEF's restrictions and requirements for SIUEF's issuance of a CGA.]

Schedule C-3

**REQUEST FOR CHARITABLE GIFT ANNUITY ILLUSTRATION
Offered by Southern Illinois University Foundation**

Please complete and mail the following information to: Harold Melser, Director of Planned Giving
SIUE Foundation
30 Circle Drive
Edwardsville, Illinois 62025

1. Owner(s) of Property to be Transferred to SIUEF in Exchange for the Annuity:

Name(s): _____

Street Address / P.O. Box : _____

City: _____ State: _____ Zip Code: _____

Daytime Phone Number: (_____) _____ E-mail address: _____

If more than one owner, are the owners married to each other? Yes No (circle one)

2. Description and Approximate Value of Property to be Transferred to SIUEF in Exchange for the Annuity:

a. Cash - \$ _____

b. Stock or Bonds - Description: _____

Held more than 12 months? Yes No (circle one)

Approximate Value: \$ _____ Original Cost (or other basis): \$ _____

c. Other - Description: _____

Held more than 12 months? Yes No (circle one)

Approximate Value: \$ _____ Original Cost (or other basis): \$ _____

3. Person(s) to Receive the Annuity Payments ("Annuitant(s)") for Their Life:

a. First Annuitant:

Name: _____

Street Address / P.O. Box : _____

City: _____ State: _____ Zip Code: _____

Daytime Phone Number: (_____) _____ E-mail address: _____

Dated January 9, 2002

Adopted _____, 2002

Birthdate: month - _____ day - _____ year - _____

Relationship to the owner(s): _____

b. Second Annuitant (if any):

Name: _____

Street Address / P.O. Box : _____

City: _____ State: _____ Zip Code: _____

Daytime Phone Number: (____) _____ E-mail address: _____

Birthdate: month - _____ day - _____ year - _____

Relationship to the owner(s): _____

- 4. Purpose of Gift.** Unless restricted to the use of a particular school at Southern Illinois University Edwardsville as provided below, the transferred property will be used by SIUEF to further the educational purposes of SIUE. If you desire the property to benefit a specific school at SIUE, please provide the school's name:

School of _____.

Dated: _____

Signatures of Owner(s): _____

**THANK YOU FOR YOUR INTEREST IN A CHARITABLE GIFT ANNUITY
FROM SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION**

Schedule C-4

Sample CGA Illustration

[Crescendo illustration to be attached]

Dated January 9, 2002

Adopted _____, 2002

Schedule C-5

Sample CGA Illustration Cover Letter

[To be prepared]

Dear _____:

Enclosed is the Charitable Gift Annuity Illustration that you requested.

Appendix D

CGA Accounting Guidelines

This Appendix sets forth the guidelines for accounting for CGAs.

1. Receipt of Transferred Property. The Director of Financial Affairs shall value the transferred property upon receipt and notify the Director of Planned Giving of the property transferred, the transfer date and the transferred property's CGA value.

2. Preparation of Final Illustration. The Director of Planned Giving shall prepare a final illustration reflecting the actual transfer, valuation and annuity rates and shall communicate the same to the donor and to the Director of Financial Affairs.

3. Gift Acknowledgement. The Director of Planned Giving shall cause a gift acknowledgement to be timely delivered to the donor.

4. Segregation of Transferred Property – Debit Entry. The Director of Financial Affairs shall cause the transferred property to be debited in the Foundation's accounting records as part of a separately accounted for "CGA –reserved fund" as an subaccount of the Foundation's "Current Funds-Unrestricted", unless donor imposed restrictions are such that the transferred property should be debited as a "CGA-reserved fund" subaccount of the Foundation's "Current Funds – Restricted".

The transferred property, in any event, should be recorded consistently with SFAS 116 and SFAS 117. Also, depending upon the particular state's regulatory requirements, further segregation and investment restrictions may be required and made as appropriate. Finally, certain states require annual reporting and actuarial valuations of CGA "reserved" assets and these requirements may indicate further segregation needs.

5. Transferred Property – Credit Entries. The Director of Financial Affairs shall credit the charitable deduction amount as a contribution and shall credit the investment in contract as a "CGA liability". Annuity payments shall reduce the "CGA liability" account as provided in SFAS 116 and SFAS 117. Annually, the liability is to be adjusted and the amount of adjustment to be posted to an account titled "Change in Split Interest" (again consistently with SFASs 116 and 117).

These entries may be affected by a particular state's regulatory requirements for a specific CGA. The Director of Financial Affairs shall be responsible for assuring accounting compliance in such cases.

6. Termination of CGA. Upon termination of a CGA, the Director of Financial Affairs shall "zero-out" the related liability with an offsetting entry to the "Change in Split Interest" account.

7. Annual Reporting to Donor. The Director of Financial Affairs shall be responsible for annual reporting of annuity payments to donors consistently with United States Treasury and Internal Revenue regulations. Currently, reporting appears to be required on Form 1099-R.

8. Internal Recognition and Use of CGA Gift Component. The Foundation, school or program to benefit by the remainder interest in the gift shall be entitled to recognize the amount of the donor's charitable deduction (as calculated in the final CGA illustration provided to the donor) when the transferred property is received by the Foundation. However, the amount will not be available for expenditure until the death of the last annuitant.

Appendix E

CGA Investment Guidelines

This Appendix sets forth the authority, responsibilities, operating policies and procedures of the Foundation's Investment Committee, Foundation Staff, Investment Managers and other providers retained to assist with asset management.

1. Nature of CGAs. CGAs are unsecured obligations of the Foundation, payable out of the Foundation's assets. A CGA obligates the Foundation to make regular and periodic payments to donors. Generally, the Foundation is obligated to make quarterly payments, although some exceptions may exist. Also, the Foundation from time to time may enter into deferred CGAs that defer the payments of annuities for a period of one or more years after the property is received by the Foundation.

Depending upon the state in which the donor resides, a CGA may be required to be segregated in a fund that is subject to certain regulatory investment restrictions.

2. Revision to Existing Investment Policy from Time to Time. The Director of Financial Affairs shall communicate and coordinate with the Investment Committee from time to time to revise the Foundation's Investment Policy to specifically address and make provisions for the unique investment requirements to meet the Foundation's CGA obligations and to realize the Foundation's expected CGA benefits.

Just as there are specific requirements for endowment funds within the Foundation's Investment Policy, it is recommended that the Investment Committee, with the assistance of the Director of Financial Affairs, establish specific investment requirements for the Foundation's CGAs.