

## **PENNINGTON BIOMEDICAL RESEARCH FOUNDATION GIFT ACCEPTANCE POLICIES AND GUIDELINES**

Pennington Biomedical Research Foundation, a not for profit organization organized under the laws of the State of Louisiana, encourages the solicitation and acceptance of gifts to the Pennington Biomedical Research Foundation (hereinafter referred to as the Foundation) for the benefit of the Pennington Biomedical Research Center (hereinafter referred to as the Center). The following policies and guidelines govern acceptance of gifts made to the Foundation or for the benefit of any of its programs.

The mission of the Pennington Biomedical Research Foundation is to provide the Pennington Biomedical Research Center with vital funding for nutrition-based research that aims to prevent premature death from chronic diseases.

### ***I. Purpose of Policies and Guidelines***

The Board of Directors of the Foundation and its staff solicit current and deferred gifts from individuals, corporations, and foundations to secure the future growth and missions of the Foundation. These policies and guidelines govern the acceptance of gifts by the Foundation and provide guidance to prospective donors and their advisors when making gifts to the Foundation. The provisions of these policies shall apply to all gifts received by the Foundation for any of its programs or services.

### ***II. Use of Legal Counsel***

The Foundation shall seek the advice of its legal committee in matters relating to acceptance of gifts when appropriate. Review by the legal committee is recommended for:

- a. Closely held stock transfers that are subject to restrictions or buy-sell agreements
- b. Documents naming the Foundation as Trustee
- c. Gifts involving contracts, such as bargain sales or other documents requiring the Foundation to assume an obligation
- d. Transactions with potential conflict of interest that may invoke IRS sanctions
- e. Other instances in which use of legal counsel is deemed appropriate by the Chief Financial Officer or the Chief Executive Officer

### ***III. Conflict of Interest***

The Foundation will urge all prospective donors to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences.

### ***IV. Conditional Gifts***

Generally, the Foundation does not accept conditional gifts. A donor-imposed condition on a transfer of assets or a promise to give specifies a future and uncertain event whose occurrence gives the promisor a right of return of the assets transferred or releases the promisor from its obligation to transfer assets promised. Conditional gifts can have accounting implications for the Foundation, and tax deductibility implications for the donor. Conditional gifts will be recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. A transfer of assets with a conditional promise to contribute will be accounted for as a refundable advance, rather than revenue, until the conditions have been substantially met. In the case of ambiguous donor stipulations, a promise containing stipulations that are not clearly unconditional shall be presumed to be a conditional promise. All final decisions regarding conditional gifts shall be made by the Board of Directors of the Foundation.

## **V. Restrictions on Gifts**

The Foundation will accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are not inconsistent with the mission, purposes, and priorities of the Foundation and the Center. The Foundation will accept certain restrictions on the use of gifts provided the restrictions are approved by the Center, the restrictions comply fully with any applicable federal or state law, and the restrictions allow the Foundation or the Center to have full control over decisions regarding how the gifts, or the income derived from gifts, will be spent. Gifts will not be accepted that violate the terms of the organization charter, gifts that are too difficult to administer, or gifts that are for purposes outside the mission of the Foundation and Center. All final decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the Board of Directors of the Foundation.

Among the types of provisions that are prohibited are the following:

1. A donor may not make restrictions that are illegal or that disqualify the transaction a charitable donation under the regulations of the Internal Revenue Service. For example:
  - a. The donor may not benefit in any material way.
  - b. Restrictions on the eligibility requirements for professorships or other awards may not be illegally discriminatory.
2. A donor may not be in a position of selecting or influencing the selection of recipients of professorships, chairs, awards, or other benefits of the gift funds. Donors or representatives of donors may not serve on such selection committees.
3. A donor may not specify by name an individual who will control the expenditures made from a Foundation account. Control may be specified by the title of a Center administrative position or by the title of a Foundation officer.
4. A donor may not restrict a gift to an account under the discriminatory control of the donor or a member of the donor's family.

## **VI. Types of Gifts**

- A. The following gifts are acceptable:
  1. Cash
  2. Tangible Personal Property
  3. Securities
  4. Real Estate
  5. Remainder Interests in Property
  6. Oil, Gas, and Mineral Interests
  7. Bargain Sales
  8. Life Insurance
  9. Charitable Gift Annuities
  10. Charitable Remainder Trusts
  11. Charitable Lead Trusts
  12. Retirement Plan Beneficiary Designations
  13. Bequests
  14. Life Insurance Beneficiary Designations

B. The following criteria govern the acceptance of each gift form:

1. **Cash:** Cash is acceptable in any form. Checks shall be made payable to Pennington Biomedical Research Foundation and shall be delivered to the Chief Financial Officer in the Foundation's administrative offices.

2. **Tangible Personal Property:** All other gifts of tangible personal property shall be examined in light of the following criteria:

- Does the property fulfill the mission of the Foundation?
- 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 final determination on the acceptance of other tangible property gifts shall be made by the Board of Directors of the Foundation.

3. **Securities:** The Foundation 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 Chief Financial Officer. 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 Board of Directors of the Foundation.

**Closely Held Securities:** Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in LLPs and LLCs or other ownership forms, can be accepted subject to the approval of the Board of Directors of the Foundation. However, gifts must be reviewed prior to acceptance to determine that:

- there are no restrictions on the security that would prevent the Foundation from ultimately converting those assets to cash,
- the security is marketable, and
- the security will not generate any undesirable tax consequences for the Foundation.

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 decision on acceptance of the gift. The final determination on the acceptance of closely held securities shall be made by the Board of Directors of the Foundation and legal counsel when necessary. Every effort will be made to sell non-marketable securities as quickly as possible.

4. **Real Estate:** Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, the Foundation shall 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, the Foundation 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.

When appropriate, a title binder shall be obtained by the Foundation prior to the acceptance of the real property gift. The cost of this title binder shall generally be an expense of the donor.

Prior to acceptance of the real property, the gift shall be approved by the Board of Directors of the Foundation and by the Foundation's legal committee. Criteria for acceptance of the property shall include:

- Is the property useful for the purposes of the Foundation?
- 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?

5. **Remainder Interests In Property:** The Foundation will accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions of paragraph 4. 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 donor, the Foundation may use the property or reduce it to cash. Where the Foundation receives 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.

6. **Oil, Gas, and Mineral Interests:** The Foundation 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 Board of Directors, and if necessary, by the Foundation's legal committee. Criteria for acceptance of the property shall include:

- Gifts of surface rights should have a value of \$20,000 or greater.
- Gifts of oil, gas and mineral interests should generate at least \$3,000 per year in royalties or other income (as determined by the average of the three years prior to the gift).
- 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 where there is a plan to minimize potential liability and tax consequences.
- The property should undergo an environmental review to ensure that the Foundation has no current or potential exposure to environmental liability.

7. **Bargain Sales:** The Foundation will enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission and purposes of the Foundation. All bargain sales must be reviewed and recommended by the Legal Committee and approved by the Board of Directors. Factors used in determining the appropriateness of the transaction include:

- The Foundation must obtain an independent appraisal substantiating the value of the property.
- If the Foundation assumes debt with the property, the debt ratio must be less than 50% of the appraised market value

- The Foundation must determine that it will use the property, or that there is a market for sale of the property allowing sale within 12 months of receipt
- The Foundation must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.

8. **Life Insurance:** The Foundation 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, the Foundation 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, the Foundation may:

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

9. **Charitable Gift Annuities:** The Foundation may offer charitable gift annuities. The minimum gift for funding is \$5,000. The Foundation Chief Executive Officer may make exceptions to this minimum. The minimum age for life income beneficiaries of a gift annuity shall be 55. Where a deferred gift annuity is offered, the minimum age for life income beneficiaries shall be 45. No more than two life income beneficiaries will be permitted for any gift annuity.

Annuity payments may be made on a quarterly, semi-annual, or annual schedule. The Foundation Chief Executive Officer may approve exceptions to this payment schedule.

The Foundation will not accept real estate, tangible personal property, or any other illiquid asset in exchange for current charitable gift annuities. The Foundation may accept real estate, tangible personal property, or other illiquid assets in exchange for deferred gift annuities so long as there is at least a 5 year period before the commencement of the annuity payment date, the value of the property is reasonably certain, and the Board of Directors of the Foundation approves the arrangement.

Funds contributed in exchange for a gift annuity shall be set aside and invested during the term of the annuity payments. Once those payments have terminated, the funds representing the remaining principal contributed in exchange for the gift annuity shall be transferred to the Foundation's general endowment funds, or to such specific fund as designated by the donor.

10. **Charitable Remainder Trusts:** The Foundation may accept designation as remainder beneficiary of a charitable remainder trust with the approval of the Board of Directors of the Foundation. The Foundation will not accept appointment as Trustee of a charitable remainder trust.

11. **Charitable Lead Trusts:** The Foundation may accept a designation as income beneficiary of a charitable lead trust. The Board of the Foundation will not accept an appointment as Trustee of a charitable lead trust.

12. **Retirement Plan Beneficiary Designations:** Donors and supporters of the Foundation will be encouraged to name the Foundation as beneficiary of their retirement plans. Such designations will not be recorded as gifts to the Foundation 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.

13. **Bequests:** Donors and supporters of the Foundation will be encouraged to make bequests to the Foundation under their wills and trusts. Such bequests will not be recorded as gifts to the Foundation 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.

14. **Life Insurance Beneficiary Designations:** Donors and supporters of the Foundation will be encouraged to name the Foundation as beneficiary or contingent beneficiary of their life insurance policies. Such designations shall not be recorded as gifts to the Foundation 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. Miscellaneous Provisions***

- A. **Securing appraisals and legal fees for gifts to the Foundation:** It will be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts made to the Foundation.
- B. **Valuation of gifts for development purposes:** The Foundation will record a gift received by the Foundation at its valuation for gift purposes on the date of gift.
- C. **Responsibility for IRS Filings upon sale of gift items:** The Board of Directors of the Foundation is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within two years of receipt by the Foundation when the charitable deduction value of the item is more than \$5,000. The Foundation must file this form within 125 days of the date of sale or disposition of the asset.
- D. Acknowledgement of all gifts made to the Foundation and compliance with the current IRS requirements in acknowledgement of such gifts shall be the responsibility of the Board of the Foundation.

#### ***VIII. Changes to Gift Acceptance Policies***

These policies and guidelines have been reviewed and accepted by the Board of Directors of the Pennington Biomedical Research Foundation. The Board of Directors of the Pennington Biomedical Research Foundation must approve any changes to or deviations from these policies.

Approved on the \_\_\_\_\_ day of \_\_\_\_\_, 2006.

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Chairman, Board of Directors, Pennington Biomedical Research Foundation

