

Telluride Foundation

Gift Policy

(adopted December 28, 2000; Restated Dec 2, 2005; Board approved December 28, 2005)

HISTORY AND ORGANIZATION

The Telluride Foundation is a Colorado non-profit corporation established in 2000 and serves as a community foundation to the Telluride region. It is a public charity as described in Section 501(c)(3), 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code of 1986.

MISSION STATEMENT

The Telluride Foundation is committed to preserving and enriching the quality of life for the residents, visitors and workforce of the Telluride region. The Foundation does this by providing leadership in philanthropy, strengthening community groups, serving as a responsible steward for entrusted funds, and supporting activities that celebrate our unique community.

BOARD OF DIRECTORS

The Telluride Foundation Board of Directors (“Board”) is comprised of up to 40 volunteers who represent the many interests and diversity of the Telluride community. The Board is responsible for the Telluride Foundation's governance, policies and operations.

GIFT ACCEPTANCE POLICIES & GUIDELINES

PURPOSE

1. To ensure that tax-deductible gifts are received in a manner consistent with the Internal Revenue Code and do not jeopardize the Telluride Foundation’s tax-exempt status.
2. To minimize Telluride Foundation’s incurrence of potential liabilities.
3. To limit the acceptance of gifts which are difficult to administer and inconsistent with the Telluride Foundation’s Investment and Spending Policy, which is designed to ensure funds for operations for current and future years.

GENERAL POLICIES

No gift will be accepted or program promoted which is not in the best interests of the donor or violates the policies, bylaws, or charter of Telluride Foundation.

It is the responsibility of the donor to pay for an appraisal, where requires, and all costs incurred in transferring the asset to the Foundation.

The CEO of the Foundation is responsible for filing Form 8282 upon the sale of an asset within 2 years of receipt by the Foundation.

The Development Director is responsible for providing an acknowledgment of the gift.

GIFT AUTHORIZATION

Gift acceptance is governed by the Executive Committee of the Telluride Foundation, which has the ultimate responsibility for developing and applying gift acceptance and fund administration policy (as advised by Legal Counsel and approved by the Board of Directors). The Executive Committee is charged with the responsibility to review any gifts not adequately addressed in the Gift Policy, to properly screen and to accept or refuse those gifts, and, where appropriate, to make recommendations to the Board on gift acceptance issues. If all avenues for acceptance of a gift by the Telluride Foundation are unsuccessful, the staff will make every attempt to suggest options to the donor as appropriate.

Telluride Foundation staff is authorized to encourage donors to make both outright and deferred gifts. Outright gifts of cash and other liquid assets will be a priority interest. If outright gifts are not readily negotiable, they will be subject to the approval of the Board of Directors. The types of deferred gifts to be accepted include bequests, charitable gift annuities (immediate and deferred), charitable remainder trusts, charitable lead trusts, retained life estates, gifts of life insurance policies and proceeds, pooled income funds, beneficiary designations on retirement plan accounts and such other gift arrangements as the Board may from time to time approve. For more information on planned gifts see Planned Giving Section.

GIFT ACCEPTANCE

The Foundation accepts the following assets, subject to the conditions described by each asset type. Before making any gift, the Foundation strongly urges the donor to contact a trusted financial and legal advisor for counsel for advice with respect to the donor's particular situation. The Telluride Foundation reserves the right to order an appraisal and review the asset before final acceptance.

Gifts of Cash

Gifts of cash to the Foundation can be made by check or credit card. These outright gifts of cash do not require Executive Committee review and approval.

Gifts of Publicly Traded Stock

There are multiple risks associated with accepting publicly traded stock. To mitigate these risks the Foundation should discuss with the donor whether the donor has made any commitments to sell the stock or whether there is an outstanding tender offer for the stock. In addition, the Foundation will not hold any donated stock for more than 48 hours. All publicly traded stock is to be liquidated upon acceptance. The Executive Committee reserves the right to review stock gifts in more detail, but is not required.

Tangible Personal Property

Tangible personal property may be donated to the Foundation. Telluride Foundation can accept these as long as the Foundation assumes no liability in receiving them. The Foundation should make inquiries as to whether the property is marketable, there are any restrictions placed on the property, and determine the carrying costs for the property (insurance, maintenance, etc). In addition, all property must be appraised before accepted by the Foundation as a contribution. Once the property is accepted as a donation, the Executive Committee must evaluate whether the property will be used by the Foundation or whether it will be sold.

Gifts of Real Estate

The Foundation may accept gifts of real estate as contributions. Real estate can be, but is not limited to the following forms: a residence, vacation home, ranch or land. Below are guidelines on gifts of real estate. See Appendix A for further information on acceptance of real estate and property.

- 1) All property gifts received will be converted to cash at the earliest opportunity.
- 2) In general, all associated expenses of a gift of property to the Telluride Foundation are borne by the donor, unless otherwise approved by the trustees.
- 3) The donor shall secure a qualified appraisal of the property.
- 4) Telluride Foundation (or trustee in case of a charitable remainder trust) shall determine if the donor has clear title to the property.
- 5) The donor shall secure a Phase I environmental audit and the results shall be given to the Executive Committee. No property containing toxic wastes shall be accepted prior to the removal or other remedies assuring that Telluride Foundation assumes no liability whatsoever in connection with such toxic wastes.
- 6) Ordinary mortgaged property will not be accepted as an outright gift, however, exceptions may be made when the property has sufficient equity to justify assumption of the liability and the property is marketable.
- 7) Mortgaged property shall not be accepted for a charitable remainder trust unless the trust would not be disqualified and the income from the property is sufficient to cover all liabilities.
- 8) If a donor wants to give real estate and retain income, a "net-income", "net-income with make-up provision", or a "Flip" charitable remainder unitrust is the preferred instrument. Usually real estate will not be accepted for a charitable remainder annuity trust or a charitable gift annuity.
- 9) Telluride Foundation will not manage real property and the property must be readily marketable.

Retained Life Estate

A life estate is created when an individual transfers to the Foundation title to a personal residence or farm, and the donor or another person retains use of the property for a term of years or the life of the donor and/or another person.

The donor shall continue to be responsible for real estate taxes, insurance, utilities, and maintenance after transferring title to the property unless the Telluride Foundation, upon prior approval of the Executive Committee, agrees to assume responsibility for any of these items. The donor shall also be responsible for obtaining a qualified appraisal.

Each retained life estate gift will be individually negotiated and approved by the Executive Committee. In addition, requirement 1-9 identified under the real estate section apply to Retained Life Estates.

Bargain Sale

A "bargain sale" is a sale of property to the Foundation for an amount less than the property's current fair market value. The excess of the value over the sales price represents a contribution. The bargain sale price may be paid either in a lump sum or in installments.

A gift of mortgaged property will constitute a bargain sale. Since the amount of indebtedness is treated as a relief of liability, there could be adverse tax consequences to the donor. The donor will be informed of this in writing and urged to consult with a tax advisor.

In order to determine the true, fair market value of the asset, it must be adequately appraised. In most cases, the donor will be responsible for appraisal costs.

The Telluride Foundation, upon approval of the Executive Committee and legal counsel, may purchase real estate, securities, or other property on a bargain sale basis. Ordinarily the price paid for the property should not exceed 60 percent of its appraised value.

A gift should not be encouraged from a donor unless it is clear that there is donative intent. In addition, requirement 1-9 identified under the real estate section apply to Retained Life Estates.

Retirement Plans

The donor can name the Telluride Foundation as a beneficiary of their Individual Retirement Plan (IRA), Keogh plan, 401(k), 403(b), or other qualified pension plan. The donor may name the Foundation as beneficiary for part or all of what remains in the retirement account. The Foundation must be notified when we are named as beneficiary.

Life Insurance

There are various methods by which a life insurance policy may be contributed to the Foundation. Each method requires a thorough evaluation of the policy, insurance company, and benefit to the Foundation. A donor may:

- 1) Irrevocably assign a paid-up policy to the Telluride Foundation
- 2) Irrevocably assign a life insurance policy on which premiums remain to be paid as long as the Telluride Foundation is owner and beneficiary
- 3) Name the Telluride Foundation as a primary or successor beneficiary of the proceeds
- 4) Establish a new life insurance policy with the Telluride Foundation as the applicant, owner and beneficiary.

Under extraordinary circumstances, as approved by the Executive Committee, Telluride Foundation may choose to provide for a payment of premium or premiums for the policy.

Telluride Foundation will accept any gift of a life insurance policy if a "guarantee analysis" is available and provided it is under no prearranged obligation to expend its assets to maintain the policy. No portion of the proceeds may be paid to anyone or any organization that is not qualified as a tax-exempt entity under IRS Code Section 501(c)(3). Telluride Foundation

has the unrestricted right to fully exercise its powers as the owner, including the power to surrender, select payment options, designate beneficiaries and withdraw or borrow cash values.

In the event a policy is contributed on which premiums remain to be paid, the donor must pledge to continue paying premiums or give Telluride Foundation permission to surrender the policy for cash value.

Telluride Foundation will not participate in split dollar or reverse split dollar plans, or other partial interest programs. Any charitable insurance program, such as those promoted by the life insurance industry or individual insurance agent(s), shall be entered into only after a thorough explanation has been provided to the Executive Committee and the Executive Committee has voted to proceed with the program.

Gifts of Closely Held Stock and Other Business Interests

Donors may make gifts of closely held stock, limited partnership interests, and limited liability company interests. Telluride Foundation can accept these as long as the Foundation assumes no liability in receiving them, and the property can be sold within a reasonable period of time. In determining whether to accept gifts of closely held stock and other business interests, the Executive Committee should consider whether such interests have any transfer restrictions (e.g., if the business or other owners have rights of first refusal) and whether the ownership of such interests will give rise to UBIT.

Outright gifts of closely held stock, tangible personal property, partnership interests, company interests and other property interests, real and personal, not readily negotiable must be reviewed and approved by the Executive Committee. To be considered for acceptance, limited partnership interests must not subject Telluride Foundation to cash calls or other liability and must not have adverse tax consequences for Telluride Foundation.

Closely held stock may be accepted if the probability exists of selling it within a reasonable period of time to the corporation, other stockholders, or to others interested in acquiring the corporation. Contributions of "S" Corporation stock will be carefully discussed with the donor(s) and their advisors. Royalty interests will be considered but working interests will not be accepted.

The following gifts are prohibited:

- Margin purchases
- Foreign issues unless traded on the U.S. Exchange or markets
- Commodities
- General partnership interests

UNRESTRICTED AND RESTRICTED GIFTS

RESTRICTED AND UNRESTRICTED GIFTS

Unrestricted gifts have no donor restrictions and are used at the discretion of the Board. Restricted gifts are contributions that are restricted by the donor for a specific period, purpose or program.

ENDOWMENTS

A donor interested in gifting endowed funds can either contribute towards the Telluride Foundation's endowment fund, or can create an endowment fund in the form of a Donor Advised Fund, a Field of Interest Fund or a Designated Fund.

The Telluride Foundation manages two types of endowments: permanent endowments and quasi-endowments. A permanent endowment is formed so that the corpus or principle of the fund is restricted in perpetuity and cannot be invaded. A permanent endowment can be named after a donor or remain anonymous. The income produced from the fund can be designated for a single purpose or a particular nonprofit organization, and may pass on to one generation as its successor. Instead of creating a separate permanent endowment, a donor may contribute to the Telluride Foundation's endowment. Income produced from this endowment may be used for community grant making, general operations of the Telluride Foundation, to support specific programs and projects, and for specific non-profits organizations.

A quasi-endowment is formed so that the corpus and income is temporarily restricted for a future project or specific need. However, unlike a permanent endowment the intent of a quasi-endowment is to be spent down over time. It can be named after a donor, remain anonymous, be designated for a single purpose or field of interest fund, and may pass on to one generation as its successor.

The investment strategy for permanent endowments and quasi-endowments is designed to achieve maximum total return, minimize risk through diversification and due diligence, and provide a growing, reliable source of income to support the funding needs of the programs and project aforementioned. The investment strategy and spending policy will be determined by the Telluride Foundation Investment and Spending Policy.

UNRESTRICTED GIFTS

Unrestricted gifts support the Foundation's grant making, operations, and initiatives. All expenditures are approved by the Board of Directors.

Unrestricted contributions can be made through the Foundation's multi-tiered donor program or any amount may be given. The multi-tiered donor programs are:

- Friends of Telluride donors give \$100,000. Gift may be made over four consecutive years.
- Gold Hill donors give \$40,000 (or up to \$99,999). Gift may be made over four consecutive years.
- Bridal Veil donors give \$10,000 (or up to \$39,999). Gift may be made over four consecutive years
- First Tracks donors give \$6,000 (or up to \$9,999) for four consecutive years.

Unrestricted gifts outside the multi-tiered level will be recognized as Patrons. All Patron gifts of \$500 and above will be recognized in the Foundations' materials.

Friends of Telluride, Gold Hill, Bridal Veil and First Tracks donors may be provided a variety of non-cash benefits of minimal value in appreciation of their gift.

Unrestricted gifts can be made in the form of check, credit card, publicly traded securities, planned gifts, or other approved assets.

Donors at the Friend's level interested in directing a portion of their donation to a local 501(c)(3) may do so in consultation with the staff at the Telluride Foundation. Limits as approved by the Board of Directors do apply.

Current General Granting Policy (Unrestricted Funds)

All grants, including initiative-based grants and Community Grants, that are made with unrestricted funds must meet the following requirements:

- Reviewed and approved by the Board of Directors or Executive Committee..
- Conduct activities and programs consistent with the Foundation's policies and mission statement.
- Qualified as a 501(c)(3) or 501(c)(3) organization under the Internal Revenue Code.
- Organization based in San Miguel County or serving people living or working in San Miguel County.

In addition to the above requirements, Community Grants are also guided by the Community Grants Guidelines. Please see Community Grants Guidelines for further information.

RESTRICTED GIFTS

Granting Policy (Restricted Funds)

The recipients of restricted funds granted through the Telluride Foundation must qualify as a 501(c)(3) or 501(c)(3) organization under the Internal Revenue Code.

All grants recommended through a restricted fund to the Foundation will be reviewed and approved the Board or Directors or Executive Committee. Recommendations are received by fund advisors and must meet a charitable need. The Board maintains variance power of all restricted funds and has the final say on grant recommendations.

Types of Restricted Funds

To date the Telluride Foundation has created three types of restricted funds (1) Field of Interest, (2) Donor Advised and (3) Designated. The Telluride Foundation charges a fee based on the average fund balance. The fee may be reduced or waived by the Executive Committee.

For a Field of Interest Fund, Designated and Donor Advised Fund, the Foundation provides donors with the following services:

- Quarterly fund statements
- Access to the expertise of Foundation staff
- Professional management and investment of fund monies
- Increased knowledge of the Telluride community's needs
- Site visits to nonprofits that are making a difference
- Research on topics of charitable interest

- Annual IRS tax filings
- Foundation annual report
- Recognition in the Foundation's publications

Field of Interest

There is a minimum of \$5,000 to establish a Field of Interest Fund. The minimum requirement may be waived by Foundation staff. Each fund is held in a separate account and invested according to Foundation's Investment and Spending Policy. A minimum of five percent (5%) of fund net asset value will be distributed each year.

Donor Advised Funds

A minimum contribution of \$50,000 and a completed DAF agreement is required to establish a Donor Advised Fund. The minimum requirement may be waived by Foundation staff. The fund is held in a separate account and invested according to Foundation's Investment and Spending Policy.

The donor may name one generation of successor advisor(s) to the fund, after which, the asset reverts to unrestricted funds of the Telluride Foundation.

Any contribution, once accepted by the Board of Directors, represents an irrevocable contribution to Telluride Foundation and is not refundable and that the Telluride Foundation maintains variance power over the fund. Grants from the fund may not provide substantial benefit to the donor, advisor or family member, including fulfilling pledges. No distribution may be made to a private non-operating foundation. The Foundation will annually assess a management fee of 2.0% of the net asset (min. \$250), unless otherwise specified. A minimum of five percent (5%) of the fund net asset value is required to be distributed each year. Principle and interest of the fund can be distributed. The minimum grant size is \$250.00. It is recommended that to maximize the interest returns on the asset that grants be planned for distribution on a quarterly basis.

Designated Funds

Donors can create a fund or donate a gift to benefit a specific non-profit organization in perpetuity, to be spent down over a specified number of years, or as a one-time pass through. For a permanent endowed fund, five percent (5%) of the fund net asset value is granted to the organization each year. A minimum gift of \$10,000 is required to establish a Designated Fund. The minimum requirement may be waived by Foundation staff.

GENERAL POLICIES AND GUIDELINES

Variance Power

All grants distributed from each of the restricted funds are subject to review and approval by the Board. If a donor-recommended organization or recommended purpose no longer meets Foundation guidelines, the Board will make reasonable efforts to notify the donor and obtain a new recommendation for a grant to an alternative qualified organization. If the donor cannot be contacted, the Board will consider the donor's intent and make a grant award consistent with Foundation's Policies.

From time to time the purpose of a fund may become obsolete or no longer meet the needs of the community. To accommodate this situation, Federal income tax regulations require community foundations to include a “variance power” in their governing documents. Bylaws of the Telluride Foundation state that the Board can modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the Telluride community.

Gift Designation Restrictions

Grants from the Telluride Foundation may not be used to satisfy any pre-existing pledge, dues, membership fees, benefit tickets, or goods bought at charitable auctions; nor may any grants be used for lobbying, political contributions, or to support political campaigns. The Telluride Foundation does not grant to private foundations.

Legal and Financial Considerations

Any prospective donor considering a gift should be fully advised of the legal and tax implications of the transaction. Prior to making any gift, prospective donors are strongly urged to review the transaction with trusted legal or financial advisors. Likewise, the Telluride Foundation will rely on the advice and opinions of its legal and financial counsel. All gift agreements requiring execution by Telluride Foundation shall first be reviewed and approved as to form by the Foundation’s legal counsel. However, legal counsel need not review each particular agreement provided it is based on a prototype agreement that has been reviewed and approved.

Investments

All investment decisions are made by the Investment & Finance Committee, which are guided by the Investment and Spending Policy and approved by the Board. Please review the Investment and Spending Policy for further information.

Confidentiality

All donors will be recognized by name in the Foundation’s annual report as well as the website unless otherwise notified by Donor. All information concerning donors or prospective donors of any gift shall be held in strict confidence by the Telluride Foundation and its personnel, including names of donors, names of beneficiaries, the amount and kind of gifts, and the size and nature of donors' estates, unless permission to release such information is obtained from the Donor.

Integrity with Donors

The Foundation should remain open and accessible to its donors, providing full communication of its activities, use of funds, and policies and procedures. The Foundation must also strive to maintain the highest level of integrity with its donors, always acting in the best interest of philanthropy and scrupulously avoiding actual or apparent conflicts of interest or any conduct that would tend to bring discredit to the donor and/or Telluride Foundation.

Conflict of Terms

In the event of any inconsistency between the terms cited in publications, the terms of the Bylaws and Board approved policies will govern the rights and obligations of the Telluride Foundation and donors.

PLANNED GIVING

In addition to the asset types discussed earlier, the Foundation can accept a wide range of planned gifts. Planned gifts offer the donor the ability for an income source as well as tax advantages in estate planning that outright gifts cannot provide. The charitable portion of the planned gifts can be designated as an unrestricted gift or as a restricted gift (see discussion above).

BEQUESTS

One of the simplest ways to make a gift to the Foundation is through a will. The donor can name the Telluride Foundation as the direct beneficiary of identified assets, to receive a portion of the donor's estate, or to receive a residual estate after the donor's loved ones have been provided for.

CHARITABLE GIFT ANNUITY

A charitable gift annuity is a contract between Telluride Foundation and the donor whereby Telluride Foundation agrees to pay the donor (and/or other person named by the donor) a lifetime annuity in return for a gift of cash, securities, or other property. The payment may continue for the life of a second individual, such as a spouse. The annual payment is a fixed sum, the amount of which is based on the size of the gift and the number and ages of the beneficiaries.

Upon the death of the donor, the remainder of the gift can either be designated directly to the Foundation as unrestricted funds, a donor-advised fund or a field of interest fund. Gift annuities issued in the Donor's state of residence shall comply with that state's law and meet the disclosure requirements under the Philanthropy Protection Act of 1995.

Guidelines

- 1) The current minimum amount for an annuity agreement is \$50,000.
- 2) Annuity rates will never exceed the suggested rates recommended by the American Council on Gift Annuities.
- 3) Agreements shall be limited to two lives. In most instances, the minimum age to fund and receive income payments for the immediate payment gift annuity will be 60. The minimum age to fund deferred gift annuities shall be 50. The minimum age for income payment shall begin at age 60 or later. Exceptions may be made with prior approval of the Board.
- 4) Gift annuities may be managed by Telluride Foundation staff and/or agents and advisors hired by Telluride Foundation.
- 5) Gift annuities must meet governing individual state laws.
- 6) Telluride Foundation prefers to provide quarterly payments to gift annuity donors.

CHARITABLE REMAINDER TRUST

The charitable remainder trust is a separately administered trust established by the donor. It provides for payments to the donor and/or other named beneficiary(ies) either for life or a term of years (not exceeding 20), whereupon the remaining trust assets are distributed to one or more charities.

- a. Charitable remainder annuity trust - pays a fixed amount (at least five percent) of the original fair market value of the assets initially contributed to the trust.

This amount does not change, and no additional gifts may be made to the annuity trust after its creation. Payments made in any one year by a charitable remainder annuity trust to individual beneficiaries may not exceed 50 percent of initial fair market value of the trust.

- b. Charitable remainder unitrust - pays a fixed percentage (at least five percent) of the fair market value of trust assets, as valued annually. Because the value of assets can be expected to change from year to year, the unitrust payment will vary in amount each year. Additional contributions may be made to the trust after it is established. Payments made in any one year by a charitable remainder unitrust to individual beneficiaries may not exceed 50 percent of the fair market value of the trust on the most recent valuation date.

The present value of Telluride Foundation's remainder interest in the charitable remainder unitrust must equal 10 percent (or more) of the initial fair market value of the trust. This rule also applies to additions to existing charitable remainder unitrusts.

There are three traditional varieties of a unitrust. A "straight" unitrust pays the stipulated amount, even if it is necessary to invade principal to do so. A "net-income" unitrust pays the lesser of the stipulated amount or the actual net income, so principal would not be invaded. A "net-income with make-up provision" unitrust is similar to the net income unitrust except that excess earnings can be applied to cover accrued deficiencies that result from the net income being less than the stipulated amount. A newer variety, the "Flip" unitrust, should be considered for trusts funded with real estate or family corporations.

c. Guidelines

- 1) The Telluride Foundation will not serve as sole trustee or co-trustee of a charitable lead trust. The Foundation will work with a Financial Institution to become the trustee.
- 2) The portion of the remainder contributed to the Telluride Foundation must be irrevocable and at least 50% of the amount contributed must be designated to the Foundation's unrestricted fund.
- 3) Telluride Foundation recommends that beneficiaries be age appropriate unless the trust is for a term of years.
- 4) Telluride Foundation recommends limiting the number of beneficiaries to two where payments are to be made for the life of the beneficiaries.
- 5) Ordinarily Telluride Foundation will not accept responsibility as a trustee of a charitable remainder trust instrument that is or will be funded with the following assets:
 - ◆ encumbered real estate
 - ◆ margined securities

- ◆ sole proprietorships
- ◆ limited partnerships (unless the Board has given specific approval)
- ◆ working interests in oil and gas fields
- ◆ general partnership interests

CHARITABLE LEAD TRUST

A charitable lead trust is a trust in which the income, or "lead" interest, is paid to Telluride Foundation, and the "remainder" interest is given to one or more non-charitable beneficiaries, who could be either the donor or family members. The amount paid to Telluride Foundation is either a fixed sum (an "annuity trust" interest) or a percentage of trust assets as valued each year (a "unitrust" interest).

Guidelines

- 1) Telluride Foundation will not serve as sole trustee or co-trustee of a charitable lead trust. The Foundation will work with a Financial Institution to become the trustee.
- 2) The trust term may be at the discretion of the donor, subject to the approval of Telluride Foundation or other trustee.