TRIANGLE COMMUNITY FOUNDATION

ADVISOR HANDBOOK

A Manual on Charitable Giving for Professional Advisors

George and Beverly Hitchings Endowment Fund and Shaver-Hitchings Scholarship Fund

Some people are surprised to find a scientist active in community affairs. Perhaps they expect the lone, single-minded figure hunched constantly over the microscope. However, my research in disease-fighting drugs and my community involvement are fueled by the same desire – to help people and improve their lives.

Knowing how committed we were to serving mankind, friends and family surprised me and my late wife, Beverly, by establishing the George and Beverly Hitchings Endowment Fund, an unrestricted endowment that would be administered by the Triangle Community Foundation. What an honor! I knew from my own past involvement in helping to create this organization that the Foundation's professionals would know better than any single philanthropist where in our community the money was most needed.

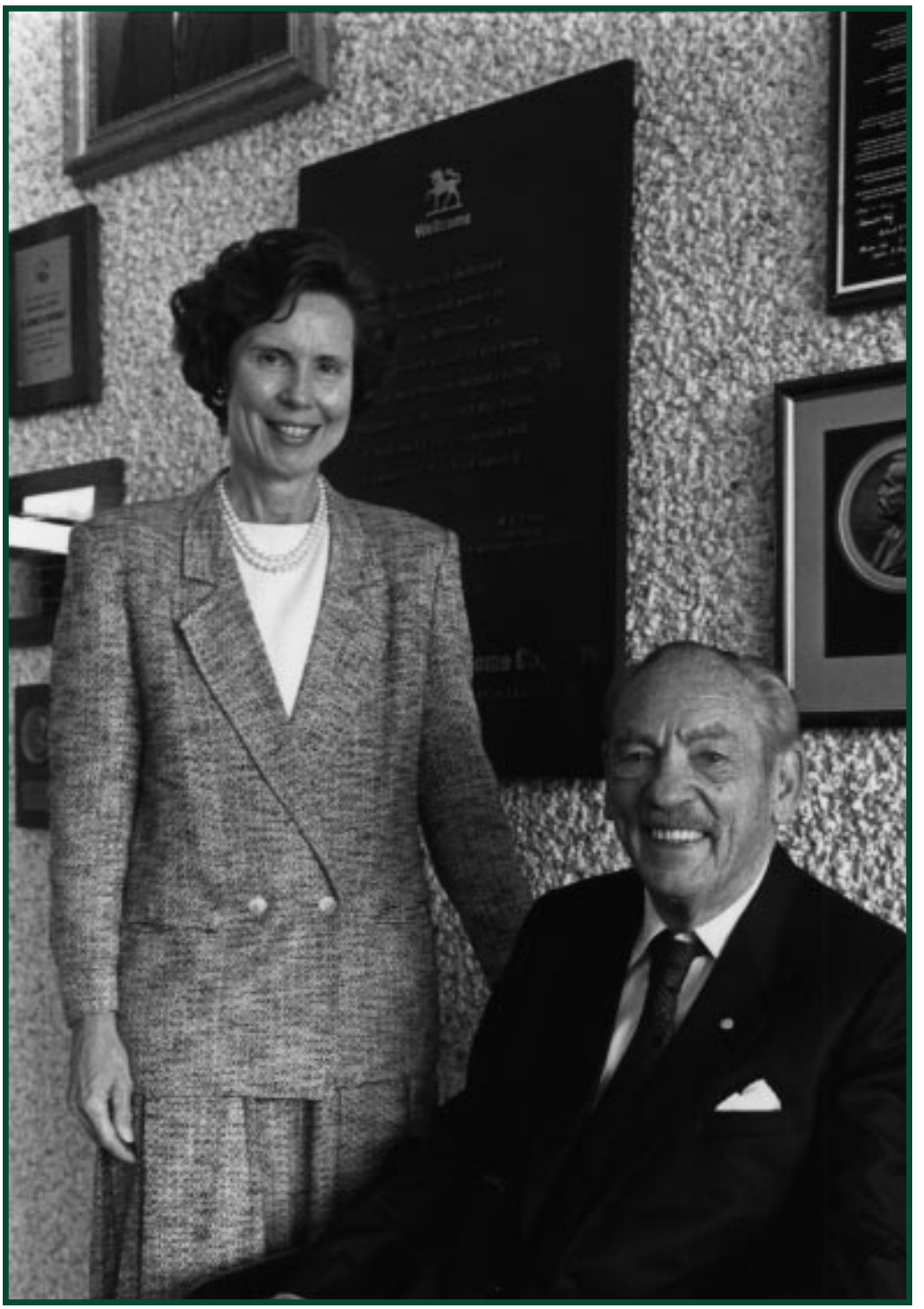
The fund has grown tremendously. After Beverly's death, many generous folks sent memorial gifts in her name. Later I was honored with the 1988 Nobel Prize for Medicine. I felt led to contribute the entire prize to the fund, believing that our community needed that sum far more than any research endeavor I might undertake.

Because the endowment is unrestricted, the Foundation has the freedom to select the most promising and worthwhile community projects in both the arts and human services. So far, the endowment has provided scholarships to help needy children attend summer classes, mental illness and substance abuse treatment programs, speech therapy for mentally retarded preschoolers, outpatient treatment for AIDS patients, and computer equipment and software for Habitat for Humanity – to name only a few.

Because I've been so gratified by the Foundation's growth and its ability to meet the challenges in the Triangle community, my wife now, Dr. Joyce Shaver-Hitchings, and I have established the Shaver-Hitchings Scholarship Fund. The scholarship recognizes a graduate or medical student who volunteers valuable time to help people suffering from drug and alcohol addiction.

I receive great joy in knowing that my research efforts have helped save lives. It is equally fulfilling to see grants from these funds making an impact on people in the community around me.

– Written in 1993 by Dr. George H. Hitchings (1905-1998)



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Carl G. Ward Fund

After his first face-to-face encounter with child abuse, my husband Carl was determined to change the plight of abused and neglected children in Wake County. Coming home that evening, more than 20 years ago, he vowed, "I have to do something."

And, as with every project to which he committed himself during his lifetime, he did. Carl had found a special place in his heart for the children in our community who didn't enjoy the kind of love, support, and encouragement he gave his own children. So he created this fund to meet head-on the special needs of abused children and entrusted the Triangle Community Foundation with making sure the people who most need it get the kind of help Carl envisioned.

While he served on the Foundation's Board of Directors, Carl was a steward of Foundation resources. A retired partner of the accounting firm of Price Waterhouse, he blended financial savvy with an innate compassion and concern for others. Throughout his tenure with the Foundation, he firmly believed in hands-on involvement; no question, issue, or task was too small for his attention.

In 1989, Carl established a personal philanthropic fund in the Foundation that has since helped to send several abused and neglected children to summer camps and programs. The Fund has also provided volunteer training materials to the Wake County Guardian Ad Litem Program to help dozens of children who have suffered from child abuse and who are caught in the court system. It is meaningful to see that Carl's legacy is making a difference in the lives of many deserving young people.

Carl exuberantly dedicated his time and energy to making the community he loved a safe and supportive place. He continued to work tirelessly on the Foundation's behalf even after he became ill. Our family remains committed to Carl's mission – to transform the lives of abused children. We stand wholeheartedly behind the Triangle Community Foundation as it propels his vision forward.

– Nancy Ward

I. Introduction: The Professional Advisor and Charitable Giving

"If the advisor does not initiate the topic, the client may never know that the option exists."

– Charitable Giving Study, Council on Michigan Foundations

Over 70 percent of Americans donate to charity during their lifetimes. Among taxpayers that itemized deductions, some 90 percent make charitable donations. In the Triangle, over 2,300 charitable organizations are supported by voluntary contributions. Chances are most of your clients are already making charitable gifts.

As a professional advisor, you have an opportunity to assist your clients in achieving their philanthropic objectives as effectively as possible. **And, because our tax system accords special benefits to those who give, you also have a unique opportunity to help your clients achieve other financial, personal, or business goals through charitable giving.** Through "planned giving," integrating the unique benefits of philanthropy with overall financial and estate planning, you can ensure that your clients are receiving the full benefits of their contributions while supporting the charitable causes of their choice.

Most Americans who give to charity do so on an annual basis. This is probably the pattern with your clients, too, and there are many ways discussed in this handbook to help your clients make their ongoing gifts in a more convenient and tax-effective manner. The greatest opportunities to assist your clients in maximizing the personal benefits of charitable giving, however, occur at the times that your clients are making other major business, personal, and financial decisions. Some of the circumstances in which carefully planned gifts can result in significant, direct advantages to your clients or their heirs are:

- when your client is involved in planning his or her estate, or writing or revising a will;
- when your client is contemplating the sale of a business or other major asset;
- when your client is planning retirement;
- when your client has received a financial windfall.

In each of these situations, planned giving presents an opportunity to help your client achieve important business or personal goals while also reaping the satisfaction of helping the community. You do not have to become an expert in planned giving to make these opportunities available to your clients. The single most important step you can take to help your clients obtain the benefits of planned giving is to integrate the "charitable question" – "**Are there any charitable interests or community interests you would like to address?**" – into your regular interactions with clients.

The Triangle Community Foundation is a vehicle for philanthropy. Although the Foundation is itself a public charity, it does not promote any one charitable cause. Rather, its mission is to expand the overall level of private philanthropy in the local community. Because of this unique mission, the Foundation can assist you and your clients to achieve their goals in ways not available through other organizations or strategies. We are available as a resource to you and as a philanthropic partner to your clients. As a professional advisor, through your ongoing interactions with clients, you are in a unique position to help our community preserve and expand its philanthropic resources. This handbook is designed to introduce the many ways that planned giving can assist your clients, and to introduce the Triangle Community Foundation as a vehicle for accomplishing their charitable goals.

II. Your Client's Charitable Options

In furthering their charitable interests, your clients have three basic options: making direct gifts to public charities, creating a private foundation, or creating a fund in the Triangle Community Foundation. Which option is best for any individual depends upon their personality, financial profile, and philanthropic goals.

Direct Gifts to Public Charities

Most people choose to give directly to a 501 (c)(3) "public" charity that is working in their area of interest. This is the most common and familiar form of charitable giving, and is the lifeblood of the nation's nonprofit sector. The Triangle Community Foundation encourages direct gifts to the hundreds of agencies serving this region in the arts, education, health, human services, and other fields.

For clients with the capability to make substantial gifts or gifts of permanent endowment, however, direct contributions to individual charities may not always be the most appropriate form of giving. Once a major gift has been made, the donor has very limited control over the continued use of the gift, and may lose recognition for the gift after it is commingled with others. In addition, most individuals support more than one charity, but making and keeping track of tax-effective gifts to numerous organizations (through gifts of appreciated property, for example) can be cumbersome. Similarly, many individuals have a desire broadly to "give back to the community," or a deep interest in a broad charitable cause rather than an attachment to a particular organization. Finally, and perhaps most important, an organization that is serving the interests of the donor today may change its mission or cease to exist ten years from now.

Private Foundations

A second option is to form an independent private foundation. Our state and nation have been immeasurably enhanced over time through the grants of hundreds of private foundations such as the Ford Foundation and the Z. Smith Reynolds Foundation. A private foundation is an independent charity established, controlled, and maintained over time by the donor or under the instructions of the donor. Private foundations offer substantial flexibility: they can be established for virtually any charitable purpose. For donors in the right circumstances, the private foundation is a very satisfying vehicle for charitable giving. The Triangle Community Foundation encourages the creation of private foundations by donors in the appropriate circumstances.

For some donors, however, the private foundation option carries significant drawbacks. First, the tax benefits of some gifts to private foundations are more limited than those of gifts to public charities. The foundation's trustees must comply with stringent IRS regulations. Private foundation tax returns are public information, affording the donor limited privacy in the operation of the foundation. And the administrative burdens of maintaining a private foundation over time may be formidable and costly. Because of these various limitations, a private foundation often is not a practical option unless the donor is prepared to make a substantial commitment of time and/or money. Moreover, after the donor's death, control of the foundation may pass to heirs or others who may or may not have the time, skill, or interest to continue the donor's charitable goals.

The Triangle Community Foundation

Your client's third option is to establish a personal philanthropic fund through the Triangle Community Foundation, a unique hybrid between an operating charity and a private foundation. The key features of the Triangle Community Foundation are:

Flexibility
The Foundation can manage virtually any type of gift for any charitable purpose.

Community Impact
The Triangle area is served by more than 2,300 charitable agencies. The Triangle Community Foundation has more than 15 years of experience in working with donors to investigate community needs, design solutions, and target dollars for the greatest impact. The Foundation can help donors find projects that genuinely meet the donor's objectives and the community's most pressing needs and promising opportunities.

Personalized Service
The Foundation is experienced in working with donors to design grantmaking programs tailored to their values and interests. Family philanthropic funds allow family members to work together toward shared philanthropic goals.

Simplicity
Through the Community Foundation, donors can achieve the satisfaction of creating their own philanthropic fund but avoid the complexity and administrative burdens of a private foundation. Most funds can be established through a simple one-page governing document.

Recognition or Anonymity
An endowment created in the donor's name or other name of their choosing becomes a permanent legacy that will be remembered for generations. All grants are made in the name of the fund, and the Foundation also gives all grantees a biographical tribute to the donor. A named fund in the Foundation is also a caring way to memorialize or honor a loved one. Conversely, if the donor desires anonymity, the Foundation can carefully protect the donor's identity.

Permanence
Most donors create permanent endowment funds that will benefit the community, in their name, for purposes they specify, in perpetuity. If the original purpose of the fund becomes obsolete, the Foundation's Board has the legal authority (*cy pres*) to redirect the fund to the nearest possible use without a lengthy and costly court proceeding. Within the realm of charitable organizations, the incorporation of the *cy pres* power is a distinguishing characteristic of community foundations. It gives the donor the assurance that his or her basic intent will always be fulfilled despite changing circumstances.

Tax Benefits
As a public charity, a community foundation offers the highest level of tax benefits for charitable giving. Donors can give any type of property – cash, stocks, closely held securities, real estate or personal property – and receive maximum tax benefits. Furthermore, they can integrate their contributions with their overall financial planning, maximizing tax advantages.

Geographic Flexibility
The primary focus of the Triangle Community Foundation is the communities of Wake, Durham, Orange, and Chatham counties, where the Foundation has particular expertise in assessing community needs and designing solutions. However, donors may recommend that grants from a fund they have established go to nonprofit organizations outside the community, provided that the Foundation can confirm the charitable status of the grantees.

Cost Effectiveness
Because it manages over 400 charitable funds, the Triangle Community Foundation can pool investment and administration and provide full services to each fund at a fraction of the cost of administering each separately. More money goes to charity and less goes to overhead.

Responsible Stewardship
An active Board of Directors of local community leaders manages the Foundation. They oversee its administration and grant-making, and are directly responsible to donors and the community.

Comparison of Community and Private Foundations

	Community	Private
Tax treatment of cash gifts	Deductible up to 50 percent of Adjusted Gross Income (AGI)	Deductible up to 30 percent of AGI
Tax treatment of gifts of appreciated publicly traded securities	Full market value deduction up to 30 percent of AGI	Full market value up to 20 percent of AGI
Tax treatment of closely held stock or real estate	Full market value deduction up to 30 percent of AGI	Deduction limited to donor's cost basis, up to 20 percent of AGI
Excise taxes	No excise taxes	Excise tax of 1-2 percent of net investment income annually
Required payout	No required payout. Can accumulate income toward a sizable project or grant. Has flexibility to hold low-yield property.	Required to expend 5 percent of asset value annually, whether or not the Foundation's investments earn that amount.
Incorporation and tax exemption	Automatically covered by community foundation	Must create corporation and apply for tax exemption
Privacy	Individual donors or grants can be kept private. If donor wishes, community foundation can serve as a buffer between donor and grant-seekers.	Foundation required to file detailed tax returns on grants, investment fees, trustee fees, staff salaries, etc. These are public records and are compiled into directories for grant-seekers.
Liability and insurance	Automatically covered by community foundation's liability and office insurance policies	Any director's and officer's liability insurance, employee bonding, and office insurance must be separately purchased.
Investment, accounting, audit, and tax returns	The community foundation handles all investments and accounting, filing an annual tax return and providing an annual independent audit.	Trustees must perform, contract, or hire staff for these services.
General administration	Community foundation handles all financial and administrative management.	Trustees must perform, contract, or hire staff for these services.
Grant administration	If donor wishes, community foundation can assist in identifying potential recipients, investigating applicants, making grant payments, and monitoring performance.	Trustees must perform, contract, or hire staff for these services.
Costs	The community foundation's fee for most permanent funds is 1 percent of the fund balance annually.	In 1996, the average administrative cost of private foundations was 2 percent of assets. Private foundations of under $1 million had average costs of 9.5 percent of assets. Only private foundations of over $50 million had administrative costs, as a percent of assets, less than the costs of a fund in the Triangle Community Foundation.

Mary and Watts Hill, Jr. Fund

Anyone making a charitable contribution faces the question of how to match one's ability to give with the best opportunities for giving. Campaigns worthy of support cannot always be found when funds are most available.

My wife, Mary, and I found a solution to this dilemma by establishing a donor-advised fund within the Triangle Community Foundation. We chose the Foundation for its uniqueness – it encompasses four counties – and for its innovation in meeting needs in the community. Mary had served on the Foundation's Board of Directors and chaired the Distributions Committee. She and I were instrumental in expanding the Foundation's services to Orange County and knew firsthand how it makes a difference in people's lives. We simply couldn't think of a better place for charitable giving.

The donor-advised fund enables us to time our gifts of appreciated stock to offset peaks and valleys in our income. We enjoy an immediate tax deduction and ask the Foundation to make gifts in our names to various charities we suggest in the following months and years. The Foundation reviews our recommendations, ensuring that the most appropriate grant recipients are selected.

We have also employed the Charitable Remainder Unitrust option. During our lifetime we receive income from our gift; after our death, fund assets go to the Foundation. This approach has more than doubled the income from our gift of appreciated stock, and provided significant tax benefits.

Wise giving – along with wise investing – is best accomplished under the guidance of knowledgeable professionals. Through our association with the Foundation, Mary and I have learned of giving opportunities we never may have discovered on our own, and avoided some that might have proven unwise. The donor-advised fund with the Charitable Remainder Unitrust option will allow the fund to make periodic gifts during our lifetimes, while supporting our giving interests after we are gone. This combination makes for better informed giving both now and in the future.

– Watts Hill, Jr.

III. Tailoring a Fund to Fit Your Client's Needs

"A community foundation can serve almost any legitimate charitable objective for any kind of donor and offer a range of ways to do it that will provide the donor with expertise about the community, professional staff, maximum tax advantages, and a degree of participation in the distribution of funds that the donor will regard as satisfying."

- Eugene Struckhoff, Former President, Council on Foundations

The Triangle Community Foundation offers four types of funds to assist donors in designing a charitable giving plan that is exactly suited to their needs and interests. Most donors choose to create their funds as permanent endowments that will benefit the community in perpetuity.

Unrestricted Fund

An unrestricted fund is the donor's broadest option. An unrestricted fund can assist any of the Triangle's 2,300 charitable organizations working in areas such as the arts, education, health, and human services, backing those projects that best meet the community's most pressing needs as those needs change over time. By making a gift or bequest to create an unrestricted fund, a donor can create a living legacy that will grow and change as the community does.

The unrestricted fund is well suited for:

- The client who wants his or her gift to have the broadest impact on the community over time;
- The client whose motivation is to "give back to the community" rather than to support a particular charitable organization or cause;
- The client who has broad charitable interests or the client who is considering creating a private foundation for broad charitable purposes;
- The client who recognizes that community agencies and community needs change over time and wants his or her gift to remain flexible to respond to those changes.

Field-of-Interest Fund

Field-of-interest funds allow donors to address a cause or issue of particular importance to them without being locked into naming specific charities. The donor names the purpose of the fund, such as meeting the needs of children, or combating illiteracy, or promoting the arts, and the Foundation identifies the projects that can most effectively accomplish that goal at any given time.

The field-of-interest fund is most appropriate for:

- The client who has an abiding interest in a particular charitable cause rather than specific organizations;
- The client who wants to have an impact on a particular need or problem;
- The client who recognizes that charitable organizations change in mission and effectiveness over time;
- The client who is considering creating a private foundation to support a particular charitable cause.

Donor-Advised Fund

The donor-advised fund is the Foundation's most flexible fund. Under the donor-advised option, the donor creates a fund without naming any specific charitable institutions but retains the right to recommend grants to charitable agencies of his or her choice over time. The donor gets a full up-front charitable deduction in the year that the fund is created, and for tax-reporting purposes needs only to document the one gift to the fund, not the many gifts to individual charities from the fund. The fund can also be advised by the donor's spouse, children, or other advisors selected by the donor.

Through its philanthropic services program, the Foundation can also assist the donor in sorting through the hundreds of charitable organizations serving the area and identify effective projects in his or her areas of interest. The Foundation oversees grants from donor-advised funds to ensure that all recommended recipients are legitimate charities; this is an added safeguard for the donor. Grants from donor-advised funds can be made to organizations outside the Triangle area provided that the Foundation can confirm their tax exemption. Donor-advised funds allow donors to simplify and enhance the impact of their charitable giving without the legal and administrative burdens of running a private foundation.

A donor-advised fund should be considered for:

- The client who wants maximum flexibility to give to varying charities or to change beneficiaries over time;
- The client who wants to remain actively involved with grantmaking;
- The client who wants to involve family or associates in charitable giving;
- The client who currently makes cash gifts to numerous charities but would benefit by giving appreciated property instead;
- The client whose income fluctuates but who wants to maintain a steady level of charitable giving;
- The client who is considering creating a private foundation.

Designated Fund

The designated fund names a particular charity or charities to benefit from the fund. The designated charity benefits from the Foundation's pooled investment management capabilities, and the donor has the assurance of knowing that, if the organization ceases to exist, the Foundation's Board will preserve his or her intent by redirecting the fund toward the closest similar use.

The designated fund is ideal for:

- The client who wishes to support a particular charity but wants third-party oversight to ensure that principal is not invaded or that the gift is used as he or she specified;
- The client who wants to make an endowment gift to a charity that does not have an extensive investment management capability;
- The client who wants to make an endowment gift to a new, small, or struggling organization;
- The client who wants to support several named charities through one substantial gift.

Suggested language for creating a charitable fund in the Triangle Community Foundation is included in the Appendix of this handbook.

Bob and Carol Williams Bilbro: The Agape Fund

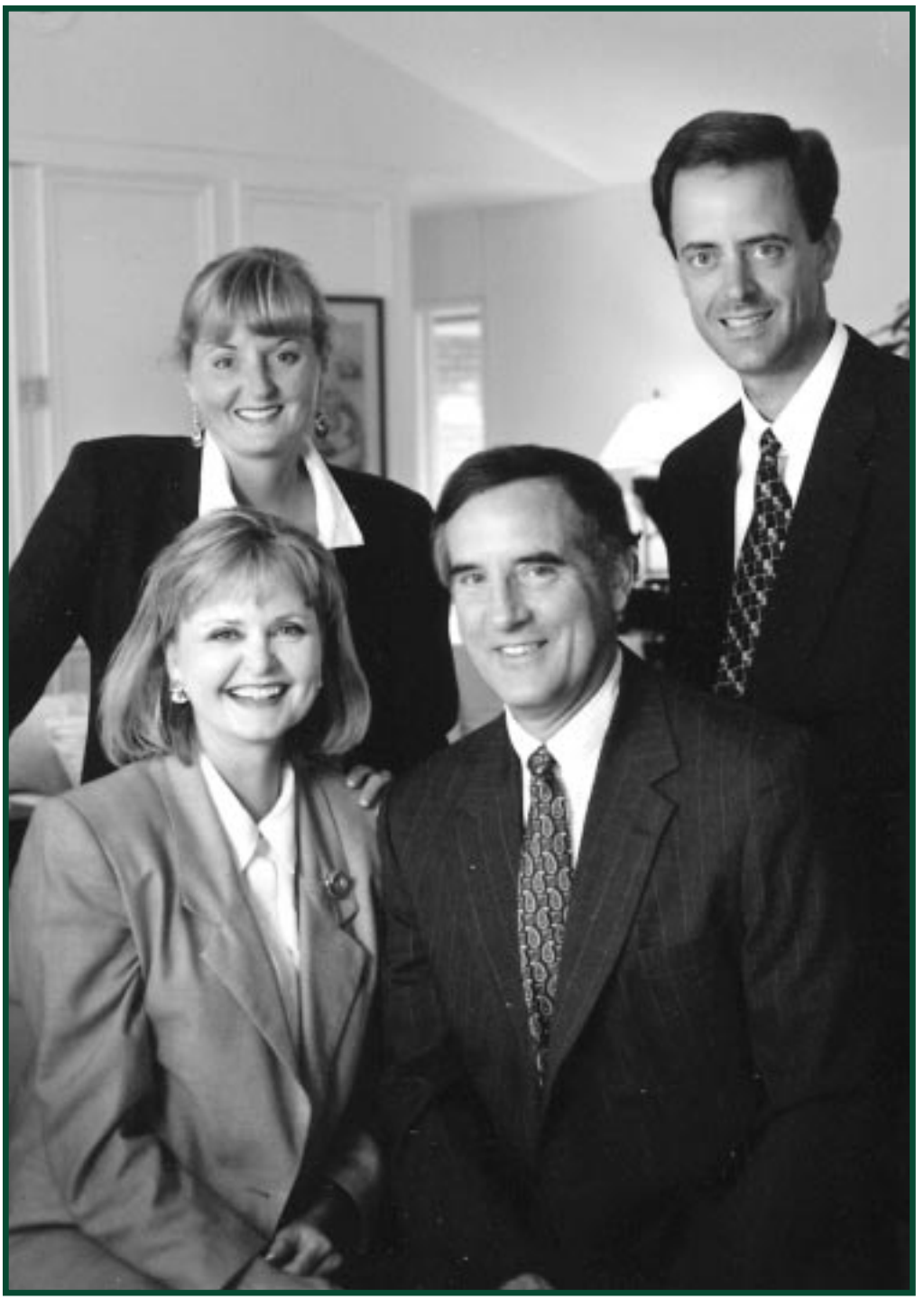
From earliest childhood, Bob and I have been blessed with strong and nurturing families. One of the values that both sets of parents passed down to us was the belief that community is what sustains us, and that we in turn have a responsibility to sustain the community. Both of us have long been involved in the community as volunteers, Bob with the Raleigh Housing Authority Scholarship Fund, Wake County Human Services, and the Open Door Clinic, and I with the YMCA, the North Carolina Symphony, Peace College, White Memorial Presbyterian Church, and Rex Hospital. Our volunteer work has given us a sense of the depth of both the needs and the generosity of our community. In recent years, we began to explore being more deliberate in our giving and building a family tradition that would pass the values of philanthropy on to our children. Our exploration led us to create a family philanthropic fund in the Triangle Community Foundation.

I had been involved with the Foundation for some time before Bob and I established a fund. As a previous chair of the Foundation's Distributions Committee, I helped review the applications to the Foundation's discretionary grants program, deepening my understanding of the community's needs. Philanthropy has an incredible effect upon those needs, and it's important to be aware of the heart and soul behind the contributions, not just the dollar amount.

The name we chose for the fund – ***agape***, the Greek word for unselfish and unconditional love – reflects the Christian ideal of outreach beyond self and family to the larger world around us. The name gives us a standard to strive for in our giving and in our work in the world. We have found the fund to be a very convenient and effective way to give to the arts, education, environmental and human service organizations that sustain and enrich our community's quality of life. Even more important, however, it is a daily reminder to us of our blessings and responsibilities.

Now the family tradition of giving has come full circle. To our great joy, in the past three years both sets of our parents, after learning about the Community Foundation through us, have established funds within the Foundation. Through the Agape Fund have also come two endowed funds for specific projects to honor family members. And, through a deferred gift we have committed, we have the joy of knowing that our children, Kathryn and Scott, will continue to advise the family fund beyond our lifetimes. The Foundation's staff will help them address the needs of their generation, and we have the assurance that the Agape Fund will continue, in perpetuity, to serve the community that has nurtured us so well. It's a great feeling!

– Carol Williams Bilbro



IV. Tailoring a Gift to Your Client's Personal and Financial Goals

The Triangle Community Foundation can help you integrate your client's charitable giving with his or her financial or estate planning.

Outright Gifts

Donors who establish personal philanthropic funds in the Community Foundation during their lifetimes receive one priceless benefit: the joy of watching their philanthropic dollars at work. Unless they choose to remain anonymous, their generosity will be recognized both by the beneficiaries of their fund and the community as a whole. And an outright gift accomplishes two important tax objectives: an income tax charitable deduction in the year of the gift, and the reduction of the gross estate for future estate tax purposes. In addition, donors eliminate the capital gains taxes for gifts of appreciated property.

Donors can create or add to their fund with gifts of cash, publicly traded or closely held securities, real estate, or personal property. The chart on page 21 provides information on the tax benefits of each type of gift.

When a man plants a tree whose shade he knows he will never enjoy, then you know that civilization has come to that land.

– Anonymous Greek Philosopher

Bequests

A testamentary gift is the simplest way for many donors to make a significant, lasting gift to their community. After the needs of spouses, children, and other loved ones have been addressed, many individuals find it satisfying to know that a portion of their resources will go toward the common good. When you are preparing a will, the inclusion of the simple question, "**Are there any charitable or community interests you would like to support through your will?**" can be very meaningful to your client.

A testamentary gift can also significantly reduce the federal estate tax and the state inheritance tax due at the donor's death. Because a bequest to create a named fund in the Foundation qualifies for an unlimited charitable deduction, and because combined federal and state taxes can exceed 67 percent on larger estates, a testamentary gift can create a dramatic tax savings for the estate. Thus, many individuals can make significant testamentary gifts at a relatively small cost to their heirs. Tax savings for charitable bequests can be particularly dramatic when funded by assets that would be considered income in respect of decedent (IRD), including most retirement plans. Because such assets are generally taxed twice, once in the estate and once the beneficiary receives them, charitable bequests of IRD assets can avoid effective tax rates of up to 80 percent.

A testamentary gift to establish a named charitable endowment fund in the Triangle Community Foundation creates a permanent legacy, in the donor's name or in the name of a loved one, that will serve the community for generations to come. The Foundation's *cy pres* power is particularly meaningful for donors making testamentary gifts, because they are assured that their basic intent will

continue to be honored even if their exact specifications are made obsolete by the passage of time. A philanthropic fund in the Foundation can be created through a specific bequest, a percentage bequest, a residual bequest, or a contingent bequest.

Suggested language for bequests to the Foundation is included in the Appendix to this handbook.

Charitable Remainder Trusts

The charitable remainder trust is one of the most powerful and flexible planning tools currently available to the professional advisor.

Through a charitable remainder trust, a donor places assets (usually $100,000 or more) in trust and specifies that either a fixed dollar amount or a fixed percentage of the trust's value will be paid to a lifetime beneficiary (usually the donor, spouse, or children) for a period of years or for the life of the beneficiary(ies). At the same time, the donor specifies that the remaining principal, at the end of the trust term, will go to charity. By naming the Triangle Community Foundation as remainder beneficiary, the donor can use the remainder gift to create a named philanthropic fund that will become his or her permanent legacy to the community.

Charitable remainder trusts can be very advantageous to a donor and his or her heirs:

- Although the assets do not go to charity until the end of the trust term, the donor gets an immediate charitable deduction for the discounted present value of the remainder gift, thus reducing current income taxes;
- The trust assets are usually removed from the donor's estate, saving estate taxes at the time of death;
- The trust avoids all capital gains taxes on the sale of donated appreciated assets, and, because the trustee can reinvest the proceeds in higher-yielding investments, the donor can often increase his or her annual income;
- By using a portion of the increased income to purchase life insurance, the donor can often increase the size of the estate passed on to his or her heirs over what it would have been if the gift had not been made;
- The donor has the satisfaction of knowing that the remainder of the trust assets will be used to benefit the community as he or she has specified.

The charitable remainder trust is an ideal vehicle for the client who:

- has accumulated appreciated but low-yielding assets;
- wants to diversify a sizeable holding of appreciated assets, such as stock in a closely held company, without incurring substantial capital gains taxes;
- wants to increase current income without incurring capital gains taxes;
- wants to reduce estate taxes and maximize the estate passed on to heirs;
- wants to make a significant future charitable gift.

The Joseph H. and Barbara G. Collie Fund on the next page demonstrates the benefits of a remainder trust. Charitable remainder trusts can be created during the donor's lifetime or by bequest. Specific language for charitable remainder trusts is available from the Foundation, and advisors are urged to consult with the Foundation's staff in creating a remainder trust that is exactly suited to their client's needs.

The Joseph H. and Barbara G. Collie Fund

My wife, Barbara, and I have always been interested in making a difference. Whether through my company, Southchem, or privately, our giving has been a way of extending ourselves back to the community and to those who helped us achieve our goals throughout the years. Dennis Stearns, our financial advisor with Stearns Financial Services Group in Greensboro, was very aware of our feelings regarding philanthropy as we worked with him in planning our estate, and he helped us integrate ways to combine tax savings with charitable giving. When I had an unexpected offer to purchase my business in 1993, we had the perfect opportunity to put some of those options into practice.

In anticipation of a possible sale of Southchem, Barbara and I decided to set up a foundation, the Joseph H. and Barbara G. Collie Foundation, as a way to fulfill our charitable interests while also reducing capital gains taxes. After discovering how costly and time consuming a private foundation could be, we chose to affiliate our foundation with the Triangle Community Foundation and created the Joseph H. and Barbara G. Collie Fund. Working with the Community Foundation has simplified our grantmaking and allows us the flexibility to support our favorite causes such as Caring House in Durham, Epworth United Methodist Church, and my alma mater, Virginia Tech. We take full advantage of the Foundation's knowledge of community needs and opportunities to give more effectively in an area of interest that Barbara and I especially care about – educational opportunities for children. The Foundation also helps us by maintaining a scholarship program that we designed for students from Barbara's former high school in Sayre, Pennsylvania.

In addition to our foundation, we also created two charitable remainder trusts, powerful tools that allowed us to avoid taxation on the sale of company stock and offered us a significant charitable deduction in the year of the trusts' creation. The trusts will provide us with a regular income throughout the duration of our lives, and, with thoughtful investing, that income will rise as the value of the trusts appreciates over the years. We carefully crafted the two trusts to create an optimal tax and cash flow benefit. With careful investment of the trusts, we maintain the proper overall balance of cash flow and risk management. Upon our deaths, the remainder of the trusts' assets is passed to the charitable funds we have created in the Triangle Community Foundation, ensuring that our charitable interests will continue to be met after we are gone. In addition, because the trusts' assets are removed from our total estate, our children will benefit from reduced estate taxes. Tax savings also funded a Wealth Replacement Trust, which uses life insurance to replace the value of the trusts' assets for our heirs. Such an arrangement is advantageous for all involved, and I encourage anyone with appreciated assets or anyone contemplating the sale of a business to consider the charitable remainder trust as an effective vehicle to satisfy a number of philanthropic and tax advantages.

The best part is that Barbara and I are able to have an impact on the community both now and after we are gone. We were fortunate to be given the resources to affect positive change, and our relationship with the Triangle Community Foundation has provided us with the perfect avenue for our giving – simplifying details, smoothing out processes, and offering us efficient management of our Fund. Most important, the plans we have laid today will also offer our children an opportunity to become more involved in our grantmaking. Through our own example, we hope to encourage our sons, Charles, Paul, and Scott, to recognize how fulfilling giving back to the community can be. Hopefully it will be a lesson they pass on to their children as well.

– Joe Collie

Charitable Lead Trusts

The lead trust is a powerful tool for many donors to reduce gift, estate, and generation-skipping taxes in passing assets to heirs.

A lead trust is essentially the opposite of a remainder trust. That is, a donor places assets in trust and specifies that a fixed amount or fixed percent of the value of the trust each year will be paid to charity for a period of years. At the end of the trust term, the principal of the trust passes intact back to an individual beneficiary. An example of a lead trust is presented on page 22.

A. Qualified Non Grantor Lead Trust

Under a qualified non grantor lead trust, the trust assets pass to heirs, often grandchildren, at the end of the trust's term. The donor receives a charitable deduction at the time the trust is created, and also avoids all income tax on the trust income. The appreciated value of the lead trust passes gift-tax free to the heirs at the end of the trust term.

The non grantor lead trust is most appropriate for the client who:

- can afford to live without the income from a portion of his or her assets;
- has accumulated significant assets and wishes to pass a portion of them to heirs;
- is concerned about estate taxes, gift taxes, or generation-skipping taxes in transferring property to heirs;
- Wishes to make a significant current gift to charity.

B. Qualified Grantor Lead Trust

Under a qualified grantor lead trust, the trust assets revert to the donor or spouse at the end of the trust's term. The donor, however, gets a charitable income tax deduction in the year that the trust is created for the present value of the gifts to charity during the trust term. If the donor funds the trust with tax-exempt assets, he will also avoid tax on the trust income. The grantor lead trust is most appropriate for the client who:

- can afford to live without the income from a portion of his or her assets for a period of time;
- wishes to accelerate an income tax charitable deduction for future gifts into the current tax year (for example, if he expects his tax bracket to decline).

Form language for creating a charitable lead trust is available from the Foundation.

Life Estate Contract of a Home or Farm

A life estate contract can be an ideal vehicle for the client whose home represents a major portion of his or her net worth.

Given the inflation in property values over the past few decades, it is not unusual for individuals to have a substantial portion of their net worth tied up in their home. A life estate contract can allow a client to increase current income, remain in the home during his or her lifetime, and provide a substantial gift to charity at his or her death.

Through a life estate contract, a client commits a home, second home, or farm to charity at death while retaining its use during his or her lifetime. The life estate contract:

- creates an up-front charitable deduction for the remainder value of the property, thus increasing current income;
- removes the property from the donor's estate, thus reducing estate taxes;
- relieves heirs of the burden of disposing of the property.

As with the charitable remainder trust, the donor can use a portion of his or her increased current income to purchase life insurance to replace the value of the property for the heirs.

Form language for creating a life estate contract is available from the Foundation.

Life Insurance

For many clients, life insurance is an excellent way to make a major gift with a small investment.

Many people find that in their later years, when children have grown and their educational costs are completed, they no longer need all the insurance they did when they were younger. The most common, simple, and straightforward gift of life insurance is the outright gift of a paid-up, but unneeded, policy. The donor receives a charitable deduction equal to the replacement value or the donor's cost, whichever is less.

Younger donors who are earning a moderate income but have not yet accumulated substantial assets can also use life insurance to make significant gifts. They purchase insurance, creating a philanthropic fund in the Foundation to name as owner and irrevocable beneficiary. Each year they pay the premium, which is fully deductible as a charitable contribution. At their death, the proceeds of the policy pass to the fund free of estate taxes.

Charitable Deductions and Limitations for Various Types of Assets to the Triangle Community Foundation

Type of Asset	Charitable Deductions and Percent Limitations
Cash Short-Term Capital Gain Property Ordinary Income Property	Deduction is typically limited to cost basis and is deductible up to 50 percent of the donor's adjusted gross income (AGI) in the year the gift is made, if the donor itemizes deductions. Any excess contributions can be carried over the next five years.
Long-Term Capital Gain	In general, the charitable deduction is equal to the fair market value at the time of the gift and is limited to 30 percent of the donor's AGI. (50 percent if taken at cost basis). Any excess contributions can be carried over the next five years.
Closely Held Stock	In contrast to gifts made to a private foundation, charitable gifts of stock in a closely held corporation made to create a fund in the Community Foundation are accorded a fair market value deduction up to 30 percent of the donor's AGI. Because of the special issues of valuation and corporate privacy inherent in gifts of closely held securities, the Foundation has adopted special policies regarding gifts of closely held stock, and advisors are encouraged to consult with the Foundation in advance of such a gift.
Real Estate	In contrast to gifts made to a private foundation, gifts of land without depreciable property are deductible at fair market value up to 30 percent of AGI. If the property contains depreciable assets or is mortgaged, a separate calculation is made. Because of the special environmental and other concerns inherent in gifts of real property, the Foundation has adopted special policies concerning real estate gifts, and advisors are encouraged to consult with the Foundation in advance of such a gift.
Tangible Personal Property, (such as artwork, antiques, jewelry, coin collections, etc.)	Deductions for gifts of personal property to the Foundation are generally limited to the cost basis of the gift and are deductible up to 50 percent of the donor's AGI. Any excess contributions can be carried over the next five years.

Ron E. and Jeanette R. Doggett Endowment Fund

Family is of the utmost importance to me and my wife, Jeanette. In planning our estate, we sought to ensure that our children and grandchildren would be well cared for and not burdened by heavy estate taxes. We also wanted an opportunity to give back to the community that means so much to us. In working with our financial advisors for several years, we mapped out a plan to accomplish these goals. The merger of my company, GoodMark Foods, Inc., with ConAgra provided us with an exceptional opportunity to put some of our plans into action.

Through a gift of common stock in my company, we established a charitable lead unitrust, which helped maximize the amount we could provide for our family's future as well as the future of our community. A percentage of the trust's assets will feed the Ron E. and Jeanette R. Doggett Endowment Fund at the Community Foundation on an annual basis for 30 years. At the end of the trust's term, all remaining assets (including appreciation) will be passed on to our heirs with significantly reduced taxes. Thus we have the peace of mind in knowing that more of our estate is going directly to our family. Based on investment performance projections, the trust will provide over twice the value of our initial gift in charitable donations to the community over the next 30 years and, at the end of the trust's term, pass on assets valued at three times the original gift to our heirs.

The greatest benefit to us, though, is the satisfaction of involving our four children in something that both Jeanette and I find so rewarding – making life better for others in our community. Our support of area organizations such as the Catholic Diocese and the Food Bank of North Carolina has been very gratifying, and we wanted Mark, Anne, Michael, and Jane to experience the same feelings; therefore, we named all of our children as advisors to the Doggett Fund at the Triangle Community Foundation. This Fund will address basic human needs and support human services, and, as advisors, our children will work with the Foundation's staff to pinpoint the charitable organizations that best meet these goals. The Foundation is very knowledgeable of community needs, and their staff will be able to help our children understand ways to best address those needs as they change over time. Because the Doggett Fund is an endowment, our children will continue their involvement long after the term of the trust, creating a family legacy of philanthropy that will continue in perpetuity.

I would highly recommend the charitable lead trust to anyone who is looking to secure a combination of philanthropic and transfer tax advantages. The trust offers us the opportunity to put our estate to work in the community today, rather than after we're gone, and our family benefits in many ways. Our financial advisors' assistance was critical in helping us decide upon this option, and we hope that advisors everywhere will enlighten their clients about the philanthropic opportunities available in estate planning and the ways the Community Foundation can complement those options. We found that it was actually very easy plus a great experience to create a family legacy that will provide long-lasting benefits for our community.

– Ron Doggett

V. Special Situations

A. When Your Client Has or Is Considering a Private Foundation

"I would advise anyone who is considering a private foundation first to consider a community foundation as an alternative."

Robert Lyerly
Director of Personal Financial Services
Price Waterhouse

The chart on page 9 provides a direct comparison between creating a private foundation and creating a personal philanthropic fund affiliated with the Community Foundation. In addition, numerous existing private foundations have chosen to affiliate with the Triangle Community Foundation as a way of avoiding taxes, paperwork, and costs while maintaining their original charitable purpose.

Some donors have also chosen to affiliate their personal philanthropy with the Triangle Community Foundation through a "supporting organization," (see E, page 25). Detailed information on these options are available from the Community Foundation.

B. When Your Client Owns an Entrepreneurial or Family Business

"Community foundations provide majority stockholders of closely held businesses a flexible philanthropic vehicle that, with the tax advisor's guidance, may both solve their complex tax needs and fulfill their charitable desires."

Daniel L. DeMent, Partner
Miller, Canfield, Paddock and Stone,
from Corporate Taxation, March/April 1992

Owning one's own company, whether a family business or an entrepreneurial venture, is a part of the American dream. In partnership with the Triangle Community Foundation, such closely held companies also present unique opportunities to accomplish personal and business goals through carefully structured gifts. The Community Foundation can be of particular assistance to you and your client who owns a business in the following circumstances:

- Your client wishes to reduce capital gains taxes in connection with the sale of the company;
- Your client owns a start-up or established entrepreneurial business and is interested in becoming involved in philanthropy;
- Your client wishes to avoid gift and capital gains taxes in passing ownership of the company to children or others;
- Your client wishes to get equity out of the company to provide income for himself or others while avoiding capital gains taxes;
- Your client wishes to create a private foundation with closely-held stock;
- Your client wishes to avoid taxation on excess retained earnings.

Details on the planning strategies available to accomplish these goals are available from the Foundation.

C. When Your Client Is a Corporation

The Triangle region is served by more than 2,300 charitable agencies. If your client is a corporation, management probably feels that they have been asked for contributions by all of them!

In this community, very few corporations have the luxury of a full-time contributions staff. More typically, the contributions function is handled by an executive or manager wearing many other hats, or by a committee of executives. It is virtually impossible for them to keep up with the hundreds of community service agencies in our region.

The Triangle Community Foundation manages charitable funds for scores of companies ranging from Fortune 500 corporations to a small local restaurant. Although each corporate fund is tailored to the individual needs and interests of the company, the common feature is that they rely upon the Foundation's administrative capacity and knowledge of the community to ease the administrative burden of managing a contributions program.

Detailed information on the Foundation's services to corporations is available from the Foundation.

D. When Your Client Is a Nonprofit Agency

"We have been extremely pleased with the investment performance of the North Carolina Amateur Sports Endowment Fund in the Triangle Community Foundation, and with the ease with which the funds are managed and the income distributed to us."

Beth Briggs, Chairman
North Carolina Amateur Sports Endowment Committee

For many charitable agencies, placing their endowment with the Triangle Community Foundation is a more effective and practical way to manage and build the fund than by managing it themselves. Through the Foundation, they can achieve the benefits of diversified professional investment management at minimal cost. In addition, the Foundation provides all accounting, audit, and tax filings for the endowment.

Finally, the Foundation provides publicity and technical assistance in endowment-building for the fund.

The Triangle Community Foundation currently manages numerous agency endowments, ranging in size from $5,000 to over $1 million for local nonprofits. Detailed information and forms for creating agency endowments are available from the Foundation.

E. Supporting Organizations

A supporting organization is a type of private foundation that can be affiliated with the Community Foundation to allow some of the tax and other benefits of a fund in the Community Foundation, while allowing some greater autonomy in other areas. The supporting organization is separately incorporated and has its own Board, to which the donor may appoint himself or others. To meet the IRS requirements for affiliation, the Community Foundation typically appoints a majority of the Board. If your client wishes autonomy in directing grants, directing investment, or involving multiple generations of family members, then a supporting organization may be an appropriate vehicle. Additional information on supporting organizations is available from the Community Foundation.

Josephine Clement Fund for Public Education and William A. and Josephine D. Clement Fund

My husband Bill and I have devoted the better part of our lives to public service. Though we've served in a range of capacities, our hearts have always been loyal to education. Throughout my tenure as Durham County Commissioner and member of the Durham City School Board, I championed causes to improve local schools. Bill served as a board trustee for North Carolina Central University for several years, and has been one of the University's principal advocates for more than 45 years.

Because education is so important to us, we established the Josephine Clement Fund for Public Education, a designated fund to channel resources through the Durham Public Education Network to the public schools and their programs. We hoped to encourage others to offer schools financial support by donating gifts to the fund.

Our fund enables ordinary citizens to become philanthropists. Anyone can give a modest sum with the assurance that his or her gift – pooled with others like it – will make a significant impact on educational initiatives right here in their community. We've been overwhelmed to see the fund grow so quickly in such a short time, and pleased with the support it has provided to the Durham Public Education Network. Friends, family, and others who support education continue to honor us with gifts to the fund on birthdays, holidays, and other special occasions.

More recently, my husband has established through his will the William A. and Josephine D. Clement Fund, a permanent endowment within the Community Foundation. This designated fund benefits the North Carolina Central University School of Business by supporting the Clement Award – an annual scholarship awarded to a rising senior in the School of Business who has a minimum GPA of 2.5 and demonstrates innovative leadership qualities in business.

We're grateful for the opportunity to make a difference in education through these professionally administered funds. Knowing that other citizens can share in our opportunity and join in our efforts to improve education is rewarding indeed.

– Written in 1993 by Josephine D. Clement
(1918 - 1998)

HILLSIDE HIGH SCHOOL

VI. Appendix: Suggested Language for Bequests and Forms for Creating Personal Philanthropic Funds in the Triangle Community Foundation

A. Suggested Forms for a Charitable Bequest to the Triangle Community Foundation

Bequests should include language for the appropriate type of fund from Section 1 a-d below and the language from Section 2.

1. Type of Fund

a. To Create an Unrestricted Fund

I give, devise and bequeath to the Triangle Community Foundation ("Foundation") the sum of $_____ (*or* the property described herein *or* the remainder of the property that I own at the time of my death), for the purpose of establishing an Unrestricted Charitable Fund ("Fund"). The Fund shall be administered by the Foundation in perpetuity for charitable, educational, religious and scientific purposes of benefit to the area served by the Foundation.

b. To Create a Field-of-Interest Fund

I give, devise and bequeath to the Triangle Community Foundation ("Foundation") the sum of $_____ (*or* the property described herein *or* the remainder of the property that I own at the time of my death), creating a Field-of-Interest Fund ("Fund") established for the purpose of _____ *[description of charitable purpose]* _____ ("Charitable Purpose").

c. To Create a Donor-Advised Fund

I give, devise and bequeath to the Triangle Community Foundation ("Foundation") the sum of $_____ (*or* the property described herein *or* the remainder of the property that I own at the time of my death), for the purpose of establishing a Donor-Advised Fund ("Fund"). The Advisor(*s*) to this Fund shall be _____ whose address is _____.

It is understood that this Fund will be administered by the Foundation for charitable purposes in accordance with the "Policies Governing Donor-Advised Funds," a copy of which has been provided to the undersigned and which is incorporated by reference into this document.

d. To Create a Designated Fund

I give, devise and bequeath to the Triangle Community Foundation ("Foundation") the sum of $_____ (*or* the property described herein *or* the remainder of the property that I own at the time of my death), for the purpose of establishing a Designated Fund ("Fund"). The Fund shall be administered by the Foundation in perpetuity for the benefit of *[name of designated charity or charities]* _____("Charitable Designee(s)"). *[If more than one designee:* Each Charitable Designee shall receive an equal proportion of the annual distribution (or, shall receive the following percentage of annual distribution: *list each designee and percentage*.)]

In the event of the dissolution of a Charitable Designee, the Foundation shall thereafter continue to hold the funds constituting the Fund (or the portion of the Fund attributable to that Charitable Designee) and shall distribute the net income and/or principal therefrom to such organizations as in the opinion of the Foundation's Board of Directors most nearly meet the purposes and objectives of the Charitable Designee.

2. Form Language to Be Used for All Bequests

The Fund hereby created [is established in (honor *or* memory) of _____ and] shall be known as the _____ Fund. Gifts may be added to the Fund at any time. The Board of Directors of the Foundation shall have full authority and discretion as to the investment and reinvestment of the assets of the Fund.

This Fund will be maintained by the Foundation as a permanent endowment as defined by the North Carolina Uniform Management of Institutional Funds Act (UMIFA). A percentage of the Fund, as set forth in the Foundation's written spending policy, shall be available, not less frequently than annually, for charitable purposes subject to the policies and schedule of fees adopted by the Foundation for investing and administering the Fund. The percentage shall be distributed first from Fund net income and then, if necessary, from Fund principal. However, no distributions shall be made if, and as long as, the Fund value falls below the Fund's "historic dollar value" as defined by UMIFA, which Act shall also govern the management of the Fund.

It is understood and agreed that the Fund and all funds therein shall be administered by the Foundation subject to its Charter and Bylaws, including the power contained therein for the Board of Directors of the Foundation to modify any restrictions or conditions if in their sole judgment (without the approval of any trustee, custodian, or agent) such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation. It is further understood and agreed that, in the event there are liabilities associated with assets given to this Fund, such liabilities become liabilities of this Fund only and not of the Foundation or of any other component Fund.

It is intended that the Fund shall be a component part of the Foundation and that nothing in this document shall affect the status of the Foundation as an entity that is a qualified charitable organization. This document shall be interpreted in a manner consistent with the foregoing intention and so as to conform with the requirements of the Internal Revenue Code and any regulations issued pursuant thereto applicable to the intended status of the Foundation.

B. Form Creating an Unrestricted Fund

_____("Donor(s)") hereby transfer(s) as an irrevocable gift to the Triangle Community Foundation ("Foundation") the sum of $_____, [or the property described in Exhibit A attached hereto and incorporated as part of this Document,] for the purpose of establishing an Unrestricted Fund ("Fund"). The Fund shall be administered by the Foundation for charitable, educational, religious, and scientific purposes of benefit to the area served by the Foundation.

The Fund hereby created [is established in (honor *or* memory) of _____ and] shall be known as the _____ Fund. Donor(s) or others may add gifts to the Fund at any time. This Fund shall be administered in accordance with the policies and schedule of fees adopted by the Foundation for investing and administering component Funds. The Board of Directors of the Foundation shall have full authority and discretion as to the investment and reinvestment of the assets of the Fund.

[Most funds in the Foundation are established as permanent endowments to benefit charitable purposes in perpetuity. Endowments should include the following language: This Fund will be maintained by the Foundation as a permanent endowment as defined by the North Carolina Uniform Management of Institutional Funds Act (UMIFA). A percentage of the Fund, as set forth in the Foundation's written spending policy, shall be available, not less frequently than annually, for charitable distributions. The percentage shall be distributed first from Fund net income and then, if necessary, from Fund principal. However, no distributions shall be made if, and as long as, the Fund value falls below the Fund's "historic dollar value" as defined by UMIFA, which Act shall also govern the management of the Fund.]

It is understood and agreed that the Fund and all funds therein shall be administered by the Foundation subject to its Charter and Bylaws, including the power contained therein for the Board of Directors of the Foundation to modify any restrictions or conditions if in their sole judgment (without the approval of any trustee, custodian, or agent) such restrictions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation. It is further understood and agreed that, in the event there are liabilities associated with assets given to this Fund, such liabilities become liabilities of this Fund only and not of the Foundation or of any other component Fund.

It is intended that the Fund shall be a component part of the Foundation and that nothing in this document shall affect the status of the Foundation as an entity that is a qualified charitable organization. This document shall be interpreted in a manner consistent with the foregoing intention and so as to conform with the requirements of the Internal Revenue Code and any regulations issued pursuant thereto applicable to the intended status of the Foundation.

_____

Donor Signature

_____

Date

Located at:

100 Park Offices
Suite 209

Please send mail to:

P.O. Box 12834
Research Triangle Park
North Carolina 27709

919 549-9840

E-Mail: info@trianglecf.org

Web: www.trianglecf.org

C. Form Creating a Field-of-Interest Fund

_____("Donor(s)") hereby transfer(s) as an irrevocable gift to the Triangle Community Foundation ("Foundation") the sum of $_____, [or the property described in Exhibit A attached hereto and incorporated as part of this Document,] for the purpose of establishing an Unrestricted Fund ("Fund"). The Fund shall be administered by the Foundation for the purpose of _____ *[description of charitable purpose]* _____("Charitable Purpose").

The Fund hereby created [is established in (honor *or* memory) of _____ and] shall be known as the _____ Fund. Donor(s) or others may add gifts to the Fund at any time. This Fund shall be administered in accordance with the policies and schedule of fees adopted by the Foundation for investing and administering component Funds. The Board of Directors of the Foundation shall have full authority and discretion as to the investment and reinvestment of the assets of the Fund.

[Most funds in the Foundation are established as permanent endowments to benefit charitable purposes in perpetuity. Endowments should include the following language: This Fund will be maintained by the Foundation as a permanent endowment as defined by the North Carolina Uniform Management of Institutional Funds Act (UMIFA). A percentage of the Fund, as set forth in the Foundation's written spending policy, shall be available, not less frequently than annually, for charitable distributions. The percentage shall be distributed first from Fund net income and then, if necessary, from Fund principal. However, no distributions shall be made if, and as long as, the Fund value falls below the Fund's "historic dollar value" as defined by UMIFA, which Act shall also govern the management of the Fund.]

It is understood and agreed that the Fund and all funds therein shall be administered by the Foundation subject to its Charter and Bylaws, including the power contained therein for the Board of Directors of the Foundation to modify any restrictions or conditions if in their sole judgment (without the approval of any trustee, custodian, or agent) such restrictions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation. It is further understood and agreed that, in the event there are liabilities associated with assets given to this Fund, such liabilities become liabilities of this Fund only and not of the Foundation or of any other component Fund.

It is intended that the Fund shall be a component part of the Foundation and that nothing in this document shall affect the status of the Foundation as an entity that is a qualified charitable organization. This document shall be interpreted in a manner consistent with the foregoing intention and so as to conform with the requirements of the Internal Revenue Code and any regulations issued pursuant thereto applicable to the intended status of the Foundation.

_____

Donor Signature

_____

Date

D. Form Creating a Donor-Advised Fund

_____ ("Donor(s)") hereby transfer(s) as an irrevocable gift to the Triangle Community Foundation ("Foundation") the sum of $_____, [*or* the property described in Exhibit A attached hereto and incorporated as part of this Document] for the purpose of establishing a Donor-Advised Fund ("Fund").

The Fund hereby created [is established in (honor *or* memory) of _____ and] shall be known as the _____ Fund. The Advisor(s) to this Fund shall be _____ whose address is_____ _____. It is understood that this Fund will be administered for charitable purposes in accordance with the "Policies Governing Donor-Advised Funds," a copy of which has been provided to the undersigned and is incorporated by reference into this agreement. Donor(s) or others may add gifts to the Fund at any time. This Fund shall be administered in accordance with the policies and schedule of fees adopted by the Foundation for investing and administering component Funds. The Board of Directors of the Foundation shall have full authority and discretion as to the investment and reinvestment of the assets of the Fund.

[Most funds in the Foundation are established as permanent endowments to benefit charitable purposes in perpetuity. Endowments should include the following language: This Fund will be maintained by the Foundation as a permanent endowment as defined by the North Carolina Uniform Management of Institutional Funds Act (UMIFA). A percentage of the Fund, as set forth in the Foundation's written spending policy, shall be available, not less frequently than annually, for charitable distributions. The percentage shall be distributed first from Fund net income and then, if necessary, from Fund principal. However, no distributions shall be made if, and as long as, the Fund value falls below the Fund's "historic dollar value" as defined by UMIFA, which Act shall also govern the management of the Fund.]

It is understood and agreed that the Fund and all funds therein shall be administered by the Foundation subject to its Charter and Bylaws, including the power contained therein for the Board of Directors of the Foundation to modify any restrictions or conditions if in their sole judgment (without the approval of any trustee, custodian, or agent) such restrictions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation. It is further understood and agreed that, in the event there are liabilities associated with assets given to this Fund, such liabilities become liabilities of this Fund only and not of the Foundation or of any other component Fund.

It is intended that the Fund shall be a component part of the Foundation and that nothing in this document shall affect the status of the Foundation as an entity that is a qualified charitable organization. This document shall be interpreted in a manner consistent with the foregoing intention and so as to conform with the requirements of the Internal Revenue Code and any regulations issued pursuant thereto applicable to the intended status of the Foundation.

_____

Donor Signature

_____

Date

Policies Governing Donor-Advised Funds

Donor-advised funds are accepted by the Triangle Community Foundation to develop support of, and participation in, the philanthropic interests and activities of the Foundation and the Triangle community. They are a means of encouraging endowment support, stimulating interchange of ideas between donors and the Foundation, and providing funds to extend the charitable programs of the Foundation. The Foundation encourages donors to create donor-advised funds that will remain permanent endowments in the Foundation.

Donor-advised funds are subject to close regulatory scrutiny by the Internal Revenue Service to ensure that they do not become private foundations. Failure to comply with regulatory restrictions can jeopardize the Foundation's standing as a public charity and the deductibility of donors' contributions. Accordingly, the Foundation has adopted the following policies governing donor-advised funds:

- In accepting donor-advised funds, the goals of the Triangle Community Foundation are:

  1. To meet charitable needs and opportunities for benefit of the Triangle area, and/or

  2. To increase charitable giving by persons in the Triangle area

- The Board of Directors of the Triangle Community Foundation will examine each prospective donor-advised fund for compatibility with these goals before accepting the Fund.

- All donor-advised funds will be governed by a written agreement between the Foundation and the donor, of which this policy statement will be a part.

- A minimum initial contribution of $10,000 will be required to create a donor-advised fund. Additional contributions in any amount may be added to a donor-advised fund once it is established.

- The minimum distribution from the donor-advised fund will be $100.

- Advisors may be the donor, donor's spouse or children, or another individual or group designated by the donor. Where persons in addition to the donor or spouse may make recommendations, the Foundation may require that one person be designated to submit recommendations to the Foundation.

- Recommendations on the timing, amount, and recipient of distributions from donor-advised funds must be made in writing to the Foundation, and forms for this purpose are available from the Foundation.

- The Board of Directors of the Foundation shall have full authority and discretion as to the investment and reinvestment of the assets of the Fund, including the retention or sale of any asset contributed.

- Distributions from advised funds will be consistent with the Foundation's general grantmaking principles; specifically, grants for a wide range of philanthropic purposes in cultural affairs and the arts, civic affairs and community development, education, health, social welfare, and other fields. However, final discretion in all cases rests with the Foundation's Board of Directors.

- Final decisions on all grants from donor-advised funds will be made by the Foundation. The Foundation is not bound by the advice of donors or advisors, and the donor does not retain any legal right to direct these grants.

- The Foundation's staff and/or Distributions Committee will conduct an independent investigation of each recommendation to determine whether it is consistent with the charitable needs of the Triangle community and the goals of the Triangle Community Foundation. The degree of formality of the investigation will depend upon the nature of the grantee organization, the purposes of the grant, and the information already available to the Foundation on the proposed grantee. If it is determined that the recommendation is not appropriate, the advisor will be informed that the recommendation does not meet the standards for distribution.

- To educate donors and advisors on community needs and encourage them to make recommendations accordingly, the Foundation will maintain basic information on local nonprofit and charitable organizations for assisting advisors in their decision making, and will encourage donors and advisors to consult with the staff on prospective recommendations. The Foundation will also provide information to advisors from time to time on the charitable needs and opportunities of the community.

- The Foundation encourages advice from other members of the community, in addition to donors and advisors, as to the distribution of grants from donor-advised funds. The Foundation may from time to time seek advice from persons familiar with community needs or having expertise in a particular field to make recommendations on distributions from a given fund.

- In accordance with IRS regulations, the Triangle Community Foundation will decline to make distributions as recommended by advisors when:

  1. The organization is not a 501(c)(3) charitable organization, a religious congregation, or a public agency.

  2. The recommendation is deemed unworkable.

  3. A recommended grant from an advised fund is intended to satisfy a pledge of the advisor or any other person.

  4. The distribution would not be fully tax-deductible if given directly by the donor. For example, the Foundation is unable to make distributions if the donor receives direct benefit from the distribution, such as a dinner or tickets, or the donor may receive special privileges or services as a result of the distribution. For this reason, the Foundation will decline all distributions to university athletics booster clubs (e.g. the University of North Carolina at Chapel Hill's Educational Foundation, North Carolina State University's Wolfpack Club, or Duke University's Iron Dukes). The Foundation will also decline distributions when a distribution has been divided into deductible and non-deductible portions, and the donor recommends that only the deductible portion be made from a donor-advised fund.

  5. After investigation, the Foundation finds that the recommended recipient does not meet the Foundation's general standards for grantmaking.

  6. For any other reason, the Foundation finds the recommendation to be incompatible with the Foundation's mission of expanding private philanthropy in the Triangle area, the philanthropic needs and opportunities of the region, or the goals of the Foundation.

- Any distribution from a donor-advised fund, unless otherwise requested by the donor, will identify to the grantee organization the name of the fund from which the distribution is made.

- The Foundation will provide donors and advisors with quarterly statements of contributions to and distributions from the donor-advised fund.

- At the time of death of the advisor(s) or dissolution of the advisory group, donor-advised funds of less than $10,000 shall become part of the Triangle Community Foundation Endowment Fund. Donor-advised funds of $10,000 or more shall become unrestricted named endowment funds of the Foundation provided, however, that if the donor or advisor indicated a particular interest in a charitable field(s) during his/her lifetime, preference will be given to that field(s) in distributions from the fund.

- Donor-advised funds of $500 or less that become inactive for a period of one year or more may be terminated, upon written notice to the advisor, by action of the Board of Directors and will become part of the Triangle Community Foundation Endowment Fund. Donor-advised funds of up to $10,000 that become inactive for a period of three years or more may be terminated upon written notice to the advisor by action of the Board of Directors and will become part of the Triangle Community Foundation Endowment Fund. Donor-advised funds of $10,000 or more that become inactive for a period of three years or more may be terminated as donor-advised funds upon written notice to the advisor by action of the Board of Directors but will become permanent named endowment funds in the Foundation; provided, however, that if the donor or advisor indicated a particular interest in a charitable field(s) during his/her lifetime, preference will be given to that field(s) in distributions from the fund. Funds shall be deemed "inactive" when no contributions have been made to them and no distributions recommended from them during the period of time specified above.

E. Form Creating a Designated Fund

_____ ("Donor(s)") hereby transfer(s) as an irrevocable gift to the Triangle Community Foundation ("Foundation") the sum of $_____ [or the property described in Exhibit A attached hereto and incorporated as part of this Document] for the purpose of establishing a Designated Endowment Fund ("Fund"). The Fund shall be administered by the Foundation for the benefit of *[name of designated charity or charities]* ("Charitable Designee(s)"). [If more than one designee: Each Charitable Designee shall receive an equal proportion of the annual distribution (or, shall receive the following percentage of annual distribution: *list each designee and percentage*.)]

The Fund hereby created [is established in (honor or memory) of _____ and] shall be known as the _____ Fund. Donor(s) or others may add gifts to the Fund at any time. This Fund shall be administered in accordance with the policies and schedule of fees adopted by the Foundation for investing and administering component funds. The Board of Directors of the Foundation shall have full authority and discretion as to the investment and reinvestment of the assets of the Fund.

[Most funds in the Foundation are established as permanent endowments to benefit charitable purposes in perpetuity. Endowments should include the following language: This Fund will be maintained by the Foundation as a permanent endowment as defined by the North Carolina Uniform Management of Institutional Funds Act (UMIFA). A percentage of the Fund, as set forth in the Foundation's written spending policy, shall be available, not less frequently than annually, for charitable distributions. The percentage shall be distributed first from Fund net income and then, if necessary, from Fund principal. However, no distributions shall be made if, and as long as, the Fund value falls below the Fund's "historic dollar value" as defined by UMIFA, which Act shall also govern the management of the Fund.]

In the event of the dissolution of a Charitable Designee, the Foundation shall thereafter continue to hold the funds constituting the Fund (or the portion of the Fund attributable to that Charitable Designee) and shall distribute the net income and/or principal therefrom to such organizations as in the opinion of the Board of Directors most nearly meet the purposes and objectives of the Charitable Designee.

It is understood and agreed that the Fund and all funds therein shall be administered by the Foundation subject to its Charter and Bylaws, including the power contained therein for the Board of Directors of the Foundation to modify any restrictions or conditions if in their sole judgment (without the approval of any trustee, custodian, or agent) such restrictions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation. It is further understood and agreed that, in the event there are liabilities associated with assets given to this Fund, such liabilities become liabilities of this Fund only and not of the Foundation or of any other component Fund.

It is intended that the Fund shall be a component part of the Foundation and that nothing in this document shall affect the status of the Foundation as an entity that is a qualified charitable organization. This document shall be interpreted in a manner consistent with the foregoing intention and so as to conform with the requirements of the Internal Revenue Code and any regulations issued pursuant thereto applicable to the intended status of the Foundation.

_____

Donor Signature

_____

Date

Planned Giving Design Center

The Planned Giving Design Center (PGDC) is a state-of-the-art, interactive Web site designed exclusively for professional advisors that:

- provides comprehensive discussions about planned giving vehicles and suitable gift assets, and how they can be combined to accomplish a client's financial, estate, and philanthropic planning objectives.
- keeps you informed with authoritative and timely e-mail news alerts, weekly articles, and case studies on the subjects of planned giving and charitable taxation.

This information is available to you at no cost. Simply go to the Foundation's Web site at **www.trianglecf.org** and register for your subscription to this new planning resource. For further information on the PGDC, contact the Foundation's development staff at (919) 549-9840.

The Foundation's Publications

The Foundation also has a number of publications that can provide additional information. Please contact the Foundation to request any of the following:

- The Philanthropic Handbook: A Guidebook for Options in Charitable Giving (a counterpart to the Advisor Handbook, in layman's terms)
- The Triangle Community Foundation's Annual Report
- Philanthropy: The Biannual Newsletter of the Triangle Community Foundation

The Foundation's Web Site

The Foundation's Web site, **www.trianglecf.org**, can answer many questions that you or your client may have about all of the services available at the Foundation. All aspects of the Foundation are covered, from our grantmaking guidelines to news and features on current events in the Foundation and the philanthropic world. Detailed information can also be found online that describes all of the fund options available to those interested in creating a philanthropic legacy of their own.

We encourage you to take a look at the Triangle Community Foundation's Web site to find out more about the charitable options that exist to help you and your clients.