FLOYD HEALTHCARE FOUNDATION

GIFT ACCEPTANCE POLICIES, PROCEDURES AND GUIDELINES

Adopted:

TABLE OF CONTENTS

DONOR BILL OF RIGHTS

Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To assure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the not-for-profit organizations and causes they are asked to support, we declare that all donors have these rights:

1. To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.

2. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.

3. To have access to the organization's most recent financial statement.

4. To be assured their gifts will be used for the purposes for which they were given.

5. To receive appropriate acknowledgment and recognition.

6. To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.

7. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.

8. To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.

9. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.

10. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

The text of this statement in its entirety was developed by the American Association of Fund-Raising Counsel (AAFRC), Association for Healthcare Philanthropy (AHP), Council for Advancement and Support of Education (CASE), and the Association of Fundraising Professionals (AFP).

UNIVERSAL GIFT POLICIES, PROCEDURES AND GUIDELINES

1. The Floyd Healthcare Foundation Board oversees and delegates responsibility for the administration of all gift policies and related programs, including solicitation, acceptance and disposition of gifts. The administration of such policies and related matters shall be granted to the Foundation staff.

2. The Floyd Healthcare Foundation should look for opportunities to provide records showing past successes of the Foundation's advancement program, including types of investments, investment policies and endowment funds, showing potential donors that gifts will be managed in a prudent, professional manner.

3. Donors and potential donors should be reassured that all discussions are held in the strictest of confidences. Volunteers should be reminded of the importance of confidentiality, pointing out the loss of integrity and trust that occurs if confidence is breeched.

4. All gift offers must be in line with the strategic plan of Floyd Medical Center and Floyd Healthcare Foundation. The Foundation Board may be called upon to rule on specific gift offers at any time. Accepted gifts shall be publicly recognized in a manner consistent with the donor's intents according to recognition guidelines. The Foundation staff will have full responsibility for administering all donor recognition.

5. Major donors expect and should receive assistance in planning and making a gift to the Foundation. It is not expected that staff and volunteers involved in solicitation be fully conversant in the technical aspects pertaining to gift types.

6. Donors should always be advised to seek professional counsel regarding a gift to the Foundation. To avoid a misunderstanding with prospective donors, representatives of the Foundation must make it unequivocally clear in each meeting and in any provided written information that the Foundation is merely providing general information. When the time is appropriate, both the Foundation's representatives and the potential donor's advisors should collaborate on the type gift that is most beneficial to all concerned parties.

7. The Foundation Board is responsible for the administration of all gift policies and programs. Administrative duties relating to gift policies and related programs, including solicitation, acceptance and disposition of gifts may be delegated to the Foundation staff.

8. An exception to stated policies may be granted upon approval from the Foundation Board.

9. Volunteers involved in the solicitation process should have a clear understanding of the gift acceptance and donor recognition policies that have been established.

10. The Foundation Board will review proposed, non pre-approved gifts. (Pre-approved gifts include cash and marketable securities.)

11. Proposed gifts utilizing legal documentation must be reviewed by the Foundation's and/or Floyd Medical Center's counsel and approved by the Foundation Board.

12. All pledged gifts should be evidenced in writing, accompanied by a timetable showing when and how each gift will be made.

13. Verbal pledges will not be recognized.

14. All gifts (except planned death benefit gifts) must be completed within five (5) years from written intent to give. Floyd Employees at the Battey Fellowship level utilizing payroll deduction are allowed ten years.

15. Outright, unconditional gifts will be reported only when irrevocably transferred to the Foundation.

16. The Foundation is prohibited from serving as the trustee of any trust and/or taking an active role in the operation and management of any contributed gift.

17. The Foundation may not accept any property that is subject to any adversarial legal proceeding or indebtedness that the Foundation might have to assume.

18. Deferred gifts will be reported only when irrevocably transferred or proof of their existence has been provided to the Foundation. In cases where no gifts or assets are transferred, gifts will be reported when a legally binding deferred pledge agreement or other documentation supporting the Foundation as a beneficiary is provided to the Foundation.

19. Special consideration should be given to gifts owned in undivided ownership interests, such as oil and gas rights and properties, collections, real estate, and artwork. Acceptance of undivided ownership interest gifts must receive recommendation from the Foundation Board. Proposed gifts are then subject to review by Floyd's legal counsel. (Undivided ownership interest gifts will also be subject to additionally specified policies and guidelines.) When converting undivided ownership interest gifts to cash, the Foundation may want to consider an exit strategy or partition agreement to expedite the disposition of gifts.

20. The following gifts shall be subject to guidelines and policies specified in later sections and must be (i) recommended and approved by the Foundation Board (ii) reviewed by Floyd's legal counsel:
    - real estate;
    - oil and gas properties and related interests;
    - closely held stock;
    - tangible personal property;
    - partnership interests;
    - property interests that are not readily negotiable and/or assignable;
    - charitable remainder trusts;
    - charitable lead trusts;
    - charitable gift annuities;
    - retained life estates;
    - life insurance policies;
    - such other property approved by the Foundation Board

21. The Foundation may not accept gifts of which there is concern or of which it assumes any pre-existing liabilities of any kind, particularly partnership interests, real estate, oil and gas properties and, to the extent applicable, closely held corporate stock. The Foundation should obtain indemnities in connection with all such specified gifts.

22. The Foundation may not accept a gift that could result in any adverse tax consequence.

23. The Foundation should not be subject to any cash calls or other ongoing obligations on gifts such as closely held corporate stock, partnership interests, real estate or oil and gas properties. The Foundation should obtain indemnities in connection with all such specified gifts.

24. Gifts, which are not pre-approved and not subject to sale, (i.e. trusts, annuities, life estates, etc.) can be made on the condition that the donor will re-purchase the gift for the originally acknowledged value if the Foundation is not able to sell the gift within five (5) years of being delivered to the Foundation.

25. The Foundation may not accept any gift that generates "Unrelated Business Taxable Income" (UBTI).

26. Donors of property gifts will receive an acknowledgment (i) once the gift is transferred and received by the Foundation, (ii) once the gift is subject to a binding written agreement, or (iii) as otherwise determined by the Foundation Board.

27. The Foundation may not accept any "controversial gift" such as assets that may support an interest with a less than wholesome cause.

SPECIFIC GIFT POLICIES, PROCEDURES AND GUIDELINES

I. PROPERTY, SPLIT INTEREST TRUSTS AND BEQUESTS

Gift intent should be the primary motivation for all gifts. The following parameters should be considered and utilized in seeking gift proposals involving property, split interest trusts (i.e. a trust with more than one beneficiary, one being charitable and the other being non-charitable) or bequests:

A. For non-pre-approved gifts in excess of $100,000, the donor must demonstrate that he had independent legal, tax and accounting advice.

B. For any planned gifts (i.e. not outright, immediate gifts), the Foundation should provide Gift Illustrations, with disclaimers, to the donor and his advisors on an information-only basis. The donor should obtain his own advisors to review and discuss any information provided by the Foundation (with rare exception).

C. Gift Illustrations may include economic modeling of gift financing tools, such as charitable trusts, wherein performance assumptions are used and should be done in a manner that assures a present remainder value to the Foundation in excess of twenty percent (20%) of the current funding. All interest and distribution assumptions will reflect both the current rate environment as well as that which might reasonably be expected based on the donor's life expectancy. Consideration should be given to the impact of inflation, administration and management expense when determining the asset allocation of the trust or the gift annuity reserved.

II. PROPERTY GIFTS

A. Complete and full transfer of property ownership occurs when a gift is made

B. The Foundation should convert property gifts to cash as quickly as possible, unless otherwise instructed by the Foundation Board.

C. The donor shall pay all associated expenses of any property gift, unless the Foundation Board approves other arrangements prior to the transaction.

D. All property gifts received and disposed of within two (2) years from the date of receipt, will be duly reported to the IRS, unless reporting is not required by law.

III. REAL ESTATE AND OIL & GAS PROPERTIES

A. All proposed real property and oil and gas property gifts are subject to written approval from the Foundation Board, and then only after legal counsel has been sought.

B. The donor must provide an approved appraisal that is consistent with Internal Revenue Code requirements.

C. For any gift of real estate, the donor must provide at least a Phase One environmental study conducted by a nationally recognized environmental consulting firm, with approval from the Foundation.

D. Prior to acceptance of any gifts of real estate, a commitment for title insurance (together with title exceptions relating to the property) must be delivered to legal counsel for review. At the time of transfer, the donor shall provide the Foundation with a paid owner's policy of title insurance. The donor should agree to pay all real property taxes assessed against the property, for as long as the Foundation owns such property.

E. The Foundation should not accept any property containing hazardous materials, hazardous substances or toxic waste, or be on any superfund list. The donor should indemnify the Foundation against any liability arising from any environmentally related events that occurred prior to the Foundation becoming the owner of the property.

F. The Foundation and its legal counsel will review all transfer documentation.

G. Prior to accepting any at-risk assets (i.e. real property or other property with potential risks), the Foundation should require that all such property be converted to a to-be-created Section 509(a)(3) Supporting Organization. This insulates the Foundation from holding any property subject to environmental or other claims.

IV. SECURITIES

A. Publically and closely held stock should be liquidated as quickly as possible in a manner consistent with the Foundation's policies.

B. Closely held stock must be accompanied by an approved appraisal at the time of transfer.

C. To the extent not prohibited or restricted by applicable laws, liquidation of the closely held stock should be allowed and instigated immediately upon the Foundation's receipt of such stock.

V. Tangible Personal Property

A. Gifts of tangible personal property (e.g. a collection, art work, jewelry, decorative items, etc.) shall be accepted by the Foundation only as it is used to carry out the tax-exempt purposes of Floyd Medical Center and Foundation. The Foundation Board will review potential gifts of art and decorative objects. The donor may be required to provide a private letter ruling from the IRS in order to assure that he receives a tax deduction equal to the fair market value of the gift.

B. On any tangible personal property, the donor must provide an approved appraisal consistent with existing Internal Revenue Code requirements.

VII. Bequests

A. The Foundation shall not give legal, tax or accounting advice regarding bequests. It is extremely important that the donor's attorneys and accountants provide any information relating to wills and trusts.

B. The Foundation may provide sample bequest and/or trust language for restricted and unrestricted gifts, including endowments, to provide assurance to donors and their attorneys that the bequest is properly designated. Donors should be requested to provide the Foundation with a confidential copy of the section of their wills that names the Foundation as a beneficiary.

VIII. Life Insurance

The Foundation will accept gifts of life insurance, including those where it is only a partial beneficiary. The Foundation will accept gifts of life insurance contracts in the following forms.

A. Paid-up policies: The Foundation will accept gifts of ownership of paid-up policies and may cash in such policies.

IX. Annuities, Charitable Trusts, and Non-Charitable Trusts

A. The Foundation can be named a beneficiary of a remainder interest in a trust, but neither the Foundation nor any of its affiliates may serve as a trustee of the trust.

B. The Foundation Board should establish minimum amounts for annuity and/or non-charitable trusts.

C. The term of the trust and/or annuity may be at the discretion of the donor, subject to the approval of the Foundation Board.

1. Gift Annuities

a. The Foundation may create gift annuities where the Foundation is the residuary beneficiary and the donor is the life beneficiary. The Foundation should follow the gift annuity policies outlined below.

b. The minimum amount of a gift annuity shall be $10,000.

c. The rates of return payable to the annuitant shall not exceed those recommended by the Foundation Board. In establishing annuity rates, the Foundation Board shall use as a guide, but not be bound by, the rates observed by the American Council on Gift Annuity.

d. No annuity will be issued in which the anticipated remainder value to the Foundation is less than 50% of the value of the amount transferred to purchase the annuity. It should be the intent of the Foundation that only annuities will be issued with a payment that will provide 100% of the transferred value to be available at the end of the annuity period.

e. An annuity agreement shall be limited to two (2) lives. (The minimum age for the annuitant is typically 60 years for immediate annuities and 45 years for deferred annuities.) Exceptions may be made with approval from the Investment Committee and Foundation Board.

f. Only cash or cash equivalent gifts will be accepted for the creation of a gift annuity.

g. All annuity funds will be invested and managed as directed by the Investment Committee.

2. Charitable Trusts

a. Neither the Foundation nor any of its affiliates shall serve as trustee of a charitable trust.

b. Neither the Foundation nor any of its affiliates shall be responsible for filing tax returns or any informational reports for trustors as required by the Internal Revenue Service; neither shall they be responsible for providing trustors with reports concerning performance of a charitable trust, trust balance, income distributions, undistributed income or other such information.

c. Assets funding a charitable lead trust shall have a fair market value of at least $100,000 and shall be cash or property with sufficient income to pay the lead income interest to the Foundation without having to be sold. Income shall be distributed to the Foundation or one or more of its affiliates at least quarterly.

d. Assets funding a charitable remainder annuity trust shall have a minimum value of $100,000 and shall be cash or other intangible or real property approved by the Foundation Board that can be converted to cash and re-invested within a reasonable time and manner, as determined by the Foundation Board.

e. There may be no more than four (4) non-charitable income beneficiaries. The youngest individual income beneficiary must be at least 50 years of age on the date the trust instrument is signed. The maximum period for a fixed-term trust may not exceed 20 years. The Foundation and its affiliates shall adhere to applicable Internal Revenue Service rules and regulations for valuation, and actuarial tables.

f. The current depletion or depreciation allowance set by the Internal Revenue Code must accrue to the corpus of the trust when funded with depreciable assets. Capital gains realized by the trust shall accrue to the corpus of the trust, and may not be designated as income.

GIFT VALUATION

The staff, volunteers and potential donors should have a clear understanding of the valuation standards the Foundation has agreed to adhere to in its acceptance of gifts.

1. Appraisals – All gifts, except those which have been pre-approved, must be accompanied by an appraisal if required by and in accordance with current IRS requirements (presently, the IRS requires all non-cash gifts to have an appraisal for $5,000 or more). The appraisal should be provided by a qualified independent appraiser approved by Floyd Medical Center and Floyd Healthcare Foundation and not associated with either the donor or any of its employees (an

"Approved Appraisal"). All costs of obtaining an appraisal are to be paid by the donor. When the gift is to fund a specific recognition opportunity, the donor should agree to make up any shortfalls upon conversion of the gift to cash.

2. Cash – The valuation is the amount of the gift.

3. Publicly Traded Securities – Securities will be valued at the average market value on the date the full interest in the transfer of property is received.

4. Privately Held Securities – An approved appraisal (at the time of transfer to the Floyd Healthcare Foundation will be used to value gifts of closely held corporate stock.

5. Real Property – Real property gifts will be reported based on the appraised value as determined by an approved appraisal at the time of transfer.

6. Life Insurance – Life insurance gifts will be valued based on the current cash value of the policy.

7. Gifts in Kind – Gifts other than cash, marketable or privately held securities or real property or mineral interests. Gifts in kind of an indeterminate value will be recorded at One Dollar ($1.00) and acknowledged as received with no stated value. The value of gifts of art, collections, etc. will be determined by an approved appraisal.

8. Service Gifts in Kind – These refer to professional services such as accounting, architectural, medical, or legal, etc., for which the Foundation would otherwise pay a professional fee. Gift-in-kind services will be recognized at the level the gift relieves the Foundation of actual expenses, as determined by the Executive Committee.

GIFT DISPOSITION

The Foundation should not be burdened with administering received gifts, as the ultimate objective of the Foundation is to convert gifts to cash (except those which may have a large future income stream and for which an exception has been granted by the Foundation Board).

1. Marketable securities are to be liquidated upon receipt.

2. Non-publicly traded securities and other properties are to be liquidated at the earliest possible time, keeping in mind market impact as well as other conditions and circumstances relating to such gifts.

GIFT COUNTING

I. FUNDRAISING COUNTING PERIODS

For purposes of gift reporting, all campaign periods, including annual fundraising, will be documented with a formal start and end date.

II. REPORTING

A. Principles
   These reporting standards are based on recommendations from the National Society of Planned Giving and are based on the following principles:
   1. Focuses on counting and reporting, not accounting, valuation, or crediting.
   2. Recognizes that the IRS charitable deduction calculations were not created for the purpose of counting planned gifts and, while valid for tax purposes, do not offer a way of counting planned gifts that recognizes the total campaign and development effort.
   3. Encourages transparency through accuracy, completeness, and clarity.
      a. Accuracy: Reports will not attempt to mix gifts that are intrinsically difficult to combine into a single, accurately reportable number.
      b. Completeness: Reports all commitments made, not just cash in hand.
      c. Clarity: Speaks the same language that donors use when they make their gifts.

B. Categories
   All gifts will be reported in two categories:
   1. Outright Gifts - gifts that are usable or will become usable for the Foundation's purposes during the reporting period (whether one or more years).
      a. Cash
      In cases where gifts are made in cash, the valuation is the amount of the cash.
      b. Publicly Traded Securities
      Gifts of securities will be valued at the average market value of the specific security on the date the full interest in the transferred property is received either electronically or physically.
      c. Privately Held Securities
      Gifts of closely held stock will be valued based on a qualified independent appraisal at the time of transfer.

d. *Real Property*

Gifts of real property will be reported based on the appraised value as determined by a qualified independent appraiser within 60 days of the date of transfer.

e. *Service*

Gifts of service are contributions of actual, billable service directly related to the business or profession of the provider. Gifts of services will be counted at the level of actual expenses invoiced but not to be paid. Evidence of a gift of service will be a voided or canceled invoice stating the date, type of service rendered, quantity cost, total cost, and amount to be contributed or forgiven.

f. *Personal Property and Gifts-In-Kind*

  i. If the Foundation uses a donated asset (for example a computer system), the donor is entitled to a charitable deduction equal to the fair market value of the asset as assessed by an independent appraisal.
  ii. If the Foundation does not use the donated asset, the charitable deduction is set at the donor's cost basis in the property.
  iii. Outright gifts of tangible personal property, for which donors qualify for a charitable gift deduction under current IRS guidelines, will be counted at the appraised value of the property at the time it is transferred to the foundation.
  iv. Gifts-in-kind of an undetermined value will be recorded at one dollar ($1.00) and acknowledged as received with no value stated.
  v. Donors of property gifts will receive a written acknowledgment of the gift only when complete transfer has occurred. The acknowledgment will not include any reference to the value of the gift.

2. Deferred Gifts – gifts, revocable or irrevocable, committed during the reporting period but usable by the Foundation at some point normally after the end of the period.

a. *Life Insurance*

Gifts of life insurance will be counted based on the
face value.

b. *Life Estate Gifts*

A gift of a remainder interest in a personal residence or farm should be counted at face value.

c. *Charitable Remainder Trusts*

Gifts made to establish charitable remainder trusts should be credited to campaign totals at face value. When additions are made to gifts that have been counted in previous campaign(s), only the additions can be counted in the current campaign.

d. *Charitable Lead Trusts*

Charitable lead trusts are gifts in trust that pay an income to the Foundation over a period of time. These payments should be counted as outright gifts for amounts received during the campaign period. The remainder of the income stream to be received by the foundation should be counted in deferred gifts.

e. *Wills or Living Trusts*

   i. All new bequests received during a campaign should be counted in the deferred gifts category.
   ii. All bequests realized during the defined duration of a campaign should be counted at full value in campaign totals, insofar as the amount received exceeds commitments counted in a previous campaign.
   iii. If a revocable testamentary commitment made during the current campaign matures during the same campaign period, it should be removed from Deferred Gifts and included as an Outright Gift.

f. *Retirement Plans*

   i. The Foundation may be named as the beneficiary of retirement plan assets. A testamentary pledge of retirement plan assets shall be included in campaign totals as a deferred gift if the following requirements have been satisfied:
      (a) There must be a means to establish a credible estimate of the value of the retirement plan account at the time the commitment is made.
      (b) Have verification of the commitment in the form of a letter from the donor or the donor's advisor affirming the commitment.
   ii. The campaign will investigate carefully the actual circumstances underlying the plan and be conservative in counting such commitments toward campaign totals. If any circumstance should make it unlikely that the amount pledged will actually be realized by the foundation, then the commitment should be further adjusted according to specific circumstances, or not reported at all.

g. *Revocable Gifts*

It is difficult to put specific numbers on certain revocable commitments whose ultimate maturation value is uncertain. The numbers reported for these gifts may at best be estimates and should reflect both conservative and realistic understanding of each donor's circumstances. Commitments counted nominally (for example, at $1, because the Foundation had no information about the value) can be counted at full value in Outright Gifts if they mature.