

DIGNITY HEALTH
GOVERNANCE POLICY & PROCEDURE

FROM: Dignity Health Board of Directors

SUBJECT: Gift Acceptance

EFFECTIVE DATE: January 17, 2012

REVISED: March 24, 2009

ORIGINAL EFFECTIVE DATE: Marcy 24, 2009

REPLACES:

I. PURPOSE AND SCOPE

The purpose of this Policy is to specify the conditions for accepting and rejecting standard and non-standard charitable gifts made to Dignity Health or its affiliates, including the fundraising foundations of which Dignity Health is the sole corporate member (the “Foundations”).

For purposes of this Policy, the following definitions apply:

A *standard charitable gift* is (1) a cash item (e.g., cash, checks, money orders, credit card transactions, and securities which are readily convertible into cash); or (2) a non-cash item that is reasonably expected to be used to satisfy or further Dignity Health’s exempt purposes (e.g., medical equipment, office furniture); or (3) a non-cash item that is not reasonably expected to be used to satisfy or further Dignity Health’s exempt purposes but which can be valued with reasonable certainty and converted to cash (e.g., items contributed for auction purposes at fundraising special events).

A *non-standard charitable gift* is a non-cash item that is not reasonably expected to be used to satisfy or further Dignity Health’s exempt purpose and for which (1) there is no ready market to which Dignity Health may go to liquidate the contribution and convert it to cash and (2) the value of the item is highly speculative and difficult to ascertain (e.g., successor member interests).

II. POLICY

A. Conduct toward Donors

Dignity Health encourages gifts that further the mission and work of Dignity Health as well as meet the needs of donors. Dignity Health shall not use pressure or undue influence with donors and their advisors, maintaining the highest ethical standards in all transactions. Dignity Health shall conduct its charitable giving program in accordance with standards of accuracy, truth, integrity, and good faith. Dignity Health Philanthropy staff and other representatives shall not give legal, tax, or financial advice to existing or prospective donors and shall advise and encourage donors to seek their own professional counsel. Dignity Health shall provide acknowledgements of gifts made to Dignity Health in compliance with current Internal Revenue Service (IRS) requirements. Dignity Health shall hold in strict confidence all information regarding donors and prospective donors. Information regarding the amount and description of the gift, and special conditions governing the use of the gift shall not be made public without the donor's written consent.

B. Gift Methods

Dignity Health will accept gifts through the following gift methods:

- Outright donations
- Testamentary bequests
- Charitable gift annuities
- Charitable remainder trusts
- Charitable lead trusts
- Remainder interests in residences and farms

C. Gift Assets

Dignity Health will accept, as set forth below, the following gift assets:

- Cash or cash equivalents: Acceptable.
- Publicly traded securities: Acceptable.
- Closely-held securities and other intangibles: Acceptable, subject to review by appropriate legal counsel.

- Tangible personal property: Acceptable, subject to review by legal counsel when appropriate. The donor shall provide a signed statement of ownership and shall disclose any liens on the property.
- Life insurance: Dignity Health may accept the gift of an ownership interest in a life insurance policy. If the policy is not fully paid, and if the donor does not continue to make gifts to cover premium payments on the life insurance policy, Dignity Health shall evaluate the potential costs and administrative effort involved in continuing the payment of premiums versus surrendering the policy for its current cash surrender value.
- Real estate: Acceptable, subject to review by appropriate legal, real estate, and other necessary counsel. Dignity Health shall review all proposed gifts of real estate and shall consider such factors as sale and holding costs, current and expected future value, encumbrances, liabilities, title, restrictions, and any potential environmental issues prior to acceptance.

D. Gift Acceptance Conditions

1. Dignity Health will accept only gifts that are:

- Consistent with its core values of dignity, collaboration, justice, stewardship, and excellence;
- Compatible with its mission of delivering compassionate, high-quality, affordable health services; serving and advocating for our sisters and brothers who are poor and disenfranchised; and partnering with others in the community to improve the quality of life;
- Consistent with its bylaws and tax-exempt status;
- In compliance with IRS regulations and provisions, other federal, state, or local law, statutes, and ordinances; and
- Otherwise comply with the provisions of this Policy.

2. Dignity Health will not accept any gift that:

- Creates a fund to provide for scholarships or fellowships with restrictive clauses that could cause embarrassment to Dignity Health;

- Reserves to the donor or his/her representatives or heirs the right to designate, modify, or approve the recipient or beneficiary;
 - Contains a restriction that would cause the Dignity Health facility to violate the Ethical and Religious Directives or the Statement of Common Values, whichever is applicable;
 - Contains a restriction or condition that requires any action on the part of Dignity Health that is unacceptable to Dignity Health;
 - Commits Dignity Health to name a fund in recognition of a donor or honoree where the gift is potentially revocable in any way;
 - Requires Dignity Health to employ a specified person now or at a future date except in the case of endowed chairs, if determined to be in Dignity Health's best interests after evaluating the extent of the commitment and sustainability of the funding;
 - Contains a lien or other encumbrance or unreasonable conditions on gifts of partial interests in property;
 - Requires *quid pro quo* economic or other benefit for the donor or for a family member of the donor;
 - Exposes Dignity Health to litigation or other undue liabilities;
 - Requires the payment of maintenance or repair costs or other expenses (e.g., debt service, taxes, insurance) unless there is sufficient margin in the value of the contributed asset to cover such costs;
 - Generates Unrelated Business Income (as defined by the IRS) to Dignity Health; or
 - Appears to be financially unsound.
3. If there is any question as to whether a proposed gift, including its restrictions, terms and conditions placed on Dignity Health acceptance, use or liquidation of the gift asset, and the earnings and proceeds from its ultimate sale or other disposition, complies with Section II.D. 1 or 2 above, or if an exception is requested, the gift proposal must be approved as set forth in Section II.I below prior to acceptance.

E. Fees

1. No finder's fee or commission of any type will be paid by Dignity Health to any party in connection with the completion of a gift to Dignity Health, unless approved in accordance with Section II.I below.
2. All professional fees incurred by the donor in the completion of a gift to Dignity Health will be paid by the donor unless payment by Dignity Health in whole or part is approved in accordance with Section II.I below.
3. Dignity Health may pay for the preparation of gift documents under which it has an irrevocable beneficial interest and, where appropriate, control over the gift assets during the term of the gift instrument (e.g., control over selection of the trustee of a charitable remainder trust). Dignity Health will not fund the preparation of documents relative to a donor's estate plan.

F. Appraisals

1. Dignity Health shall advise donors who are making a gift of property that they may need to obtain an appraisal, and that such appraisals shall be conducted in conformance with IRS Publication 561, "*Determining the Value of Donated Property*".
2. Expenses incurred to obtain an appraisal shall be the responsibility of the donor, unless approved in accordance with Section II.I below.
3. For purposes of valuing and recording the gift, Dignity Health may at its own cost and expense secure a second appraisal.

G. Legal and/or Tax Counsel

1. Dignity Health shall advise donors to consult independent tax and/or legal counsel prior to making a contribution to Dignity Health, in particular in situations involving large gifts and planned gifts. It is the donor's responsibility to directly employ and compensate independent legal and tax counsel.
2. Prior to signing agreements as to gifts, such as gifts of partial interests, charitable remainder trusts, and charitable lead trusts, counsel for the donor should review and approve the document.

H. Disposition of Non-Cash Gifts

1. Dignity Health shall retain the right to immediately sell all non-cash gifts and gifts of securities so that it can invest the proceeds in accordance with Dignity Health's investment policy.
2. Under no circumstances will Dignity Health agree to hold non-cash gifts for more than three years if the donor's primary intent for such a provision is to circumvent IRS requirements, or for any other reason.
3. If a donor presents IRS Form 8283, "Noncash Charitable Contributions", to Dignity Health for its acknowledgement in Section B. Part IV (for donated property over \$5,000), Dignity Health shall inform the donor of Dignity Health's obligation to make filings with the IRS, if, within three years of receipt of the gift, Dignity Health sells, liquidates, or otherwise disposes of the non-cash gift.

I. Authorizations and Approvals

1. **All Standard Charitable Gifts of Cash, Cash Equivalents, and Publicly Traded Securities and Other Standard Charitable Gifts Valued \$500,000 or Less**

Dignity Health Philanthropy staff and other representatives are authorized to accept all standard charitable gifts of cash, cash equivalents, and publicly traded securities and other standard charitable gifts valued \$500,000 or less that meet the conditions for acceptance as outlined and to make any exception permitted by this Policy for such gifts.

2. **Standard Charitable Gifts of Assets other than Cash, Cash Equivalents, and Publicly Traded Securities Valued over \$500,000**

The authority to accept or reject a standard charitable gift other than cash, cash equivalents, and publicly traded securities valued over \$500,000, and to make any exceptions permitted by this Policy for such gifts, is delegated to the following individuals (who shall consult with the Dignity Health SEVP/CFO or the Dignity Health EVP/Legal Counsel if \$2,000,000 or more):

- Gifts to Dignity Health corporate entity: Executive Sponsor of Dignity Health Philanthropy.

- Gifts to Dignity Health -owned Hospitals and other Dignity Health affiliates: Hospital President in consultation with Dignity Health - Affiliated Foundation Chief Development Officer.
- Gifts to Dignity Health Foundations: Chief Development Officer and/or his or her designee(s).

3. Non-Standard Charitable Gifts

The authority to accept or reject a non-standard charitable gift, and to make any exceptions permitted by this Policy for such gifts, is delegated to the Dignity Health SEVP/CFO and/or the Dignity Health EVP/Legal Counsel.

III. PROCEDURE

- A. Dignity Health management will administer and support this Policy through administrative policies and procedures.
- B. The board of each Foundation will adopt guidelines and practices that conform to this Policy.
- C. Any supplemental gift acceptance policy, guideline, or practice adopted by a Dignity Health Foundation may be stricter than, but not more lenient than, this Policy.