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Checklists to Help Make the Gift Happen

Date: April 28, 2022

Time: 1:00 – 2:30 Eastern

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Agenda

- Why bother with checklists at all
- The complex versus the merely complicated
- Investing now in a valuable tool for use later
- Elements of a good checklist
- A checklist for checklists
- Checklist examples
- Questions & answers

A checklist wins the war



1930s – US Army Air-corps Command envisions a high altitude, long range, high-capacity bomber

- Competitors Douglas, Martin, and Boeing submit designs, build prototypes
- Boeing Aircraft privately funds development of its prototype, Model 299
- The Boeing design promises better range, speed, and payload than any of the competitors by far
- However, it is the only design to employ four engines and has very complex flight controls
- Concerns are raised that Model 299 will be too complicated for pilots to fly
- USAAC stages a fly-off competition

A checklist wins the war

28 July 1935 – demonstration flight

- Model 299 takes off for the demonstration flight piloted by Boeing's chief test pilot
- After climbing to 300 feet, the aircraft stalls and crashes, killing the pilot
- Boeing is disqualified from the competition, contemplates bankruptcy
- Investigators determine pilot error, not a mechanical failure is the cause of the crash
- The pilot failed to disengage a lever used to lock wing flaps in place when the aircraft is parked



A checklist wins the war



The B-17 “Flying Fortress”

- With no mechanical changes, Boeing resubmits the design, which becomes the B-17
- More than 12,700 produced during WWII
- Though many were lost in combat, none were lost due to mechanical failure
- Pilot training was not changed, it was determined that no additional skills were required
- A pre-flight checklist was introduced, including a step to unlock the wing flaps

Checklists: Why bother?

- Checklist supporters:
 - “Be Prepared” is more than just the Boy Scout’s motto, it’s just plain common sense
 - Checklists show you are serious and thoughtful, competent too
 - Checklist detractors are cast as unprepared, unqualified, perhaps reckless, or maybe even a danger to the established order
- Checklist detractors:
 - Checklists are an unwarranted and unjustified restraint on creativity
 - They imply questions about one’s knowledge and expertise
 - Checklist supporters lack confidence, worry too much about stuff that is unlikely to ever happen, and have no sense of humor

Checklists: Why bother?

- Checklists are a common tool in all manner of complex endeavors
 - Increase likelihood of success by limiting chance of a missed step
 - Especially a step that is so routine as to be boring
- Checklists are most useful when tasks can be broken down into discrete steps that need to be carried out by different individuals
- Additional advantages for planned giving officers
 - Liberation from mundane and transactional work involved in closing the gift frees time for the important work of tending to donor relationships
 - Ensures the transaction is smooth and friction free – or at least appears so to your donor

Complex versus complicated

- **Simple** problems – baking a cake from a mix
- **Complicated** problems – sending an astronaut to the moon
 - A series of tasks, many of them simple, which must be completed in a coordinated way, often by multiple teams, in order to succeed
 - The process, though complicated, can be successfully completed again even though the individual circumstances are different
- **Complex** problems – raising a child
 - Each child is unique (each and every day!)
 - What worked once (even yesterday!) might not ever work again

Complex versus complicated

Planned gifts involve two phases, one complex and another complicated

- **Complex** work – cultivating, soliciting, and negotiating the gift
 - Each gift is unique, what worked last time might not work this time
 - Experience with previous gifts is valuable, but not sufficient
- **Complicated** work – processing, recording, and administering the gift
 - Though no two gifts are alike, good procedures and processes help avoid errors
 - Multiple teams are involved and must work in coordination
 - Unanticipated difficulties are frequent



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A valuable tool for gift planning

- Gains confidence and builds trust for your donor and among your colleagues in the organization
- Provides a friction free experience
- Avoids unnecessary trips to the gift acceptance committee
- Reduces the chances of errors, especially stupid ones
- Enhances the status and professionalism of the gift planning office
- Liberates the gift planner to pursue more lucrative (and fun!) endeavors



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An investment now

- Similar to emergency preparedness
 - Planning is essential (especially when lives are at stake!)
 - Limits and choices must be made (“You can’t be too prepared.”)
- Developing checklists in advance avoids
 - Haphazard or ad hoc solutions
 - Contentious debates under extreme time pressure
- Provides opportunities to consider – and potentially disregard – hypothetical circumstances
- The internal process of developing a checklist is an opportunity, perhaps as valuable as the checklist itself

What a checklist *will not* accomplish

- A good checklist is not
 - A to-do list
 - An algorithm, equation, or recipe
 - A process or procedure
 - A teaching or training tool(though it may include elements of each of these)
- Guard against the tendency to make the checklist all-inclusive
 - Focus on essential tasks or groups of tasks
 - Provide guidance for exceptions
- A complex checklist can be dangerous if it becomes unwieldy

“The engine is on fire!”

F900EX Airplane Flight Manual	EMERGENCY PROCEDURES	2-050-05
	FIRE AND SMOKE	PAGE 1 / 2
	Engine fire or obvious engine damage	Issue 1

FIRE .. - ENGINE FIRE

FIRE .. light on.
Aural warning sounds.

NOTE

The following procedure must be applied, whether or not the FAULT light is on.

► PHASE 1

- Power lever of engine concerned.....Cut-off
- FUEL SHUT OFF switch of engine concerned..... Actuated
- Airspeed Below 250 KIAS
- Fire extinguisher DISCH Position 1
- If fire warning persists:
 - Fire extinguisher DISCH.....Position 2

► PHASE 2

- **TRANS** light On then off
- Engine shutdown See 3-100-10 →
- If engine 2 shutdown:
 - A - B busses..... Tied
 - ST-BY PUMP As required
- Land as soon as possible.

Steps to develop a checklist

- Develop consensus about the purpose and objectives for the checklist
 - Why do you need a checklist?
 - Do the tasks involve multiple actors?
 - Who are the stakeholders and who needs to approve the checklist?
- Each item on the checklist should meet at least two threshold criteria
 - Is this a critical step involving multiple parties that may be in danger of being missed? (“Complete Form 8283” versus “mail the completed Form 8283”)
 - Is this item actionable with a response required? (“Done” or “Not Applicable” are fine responses, skipping an item because it seems irrelevant is not)
- Good checklists have check boxes (Duh! That’s why it’s called a “checklist”)

Three phases

- Development
 - Determine who is directly involved, who has final approval
 - Define scope, identify issues to be addressed and those that will not
 - Develop conceptual outline for the checklist
- Drafting
 - Best assigned to a sole author who seeks input from other stakeholders
 - Reviews, ideally including those without expertise and unfamiliar with the content, to ensure the checklist makes sense
- Validation
 - One or more formal tests of the checklist to ensure it achieves the objectives, ideally involving simulated situations
 - Provide an ongoing process to monitor and ensure checklist remains useful

Checklist for checklists

Development	Writing	Validation
<ul style="list-style-type: none"> <input type="checkbox"/> Do you have clear and concise objectives for the checklist? <p>Is each checklist item:</p> <ul style="list-style-type: none"> <input type="checkbox"/> A critical step in danger of being missed? <input type="checkbox"/> Actionable with a specific response required? <input type="checkbox"/> One that can be affected by the use of a checklist? <p>Have you considered:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Including items that will improve communication among teams? <input type="checkbox"/> Involving members of all teams in the creation of the checklist? 	<p>Does the checklist:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Have a logical flow and utilize natural break points in the workflow? <input type="checkbox"/> Have fewer than 10 items per break point? <input type="checkbox"/> Employ simple sentence structure and language? 	<p>Have you:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Tested the checklist with front line users (ideally in a simulated situation)? <input type="checkbox"/> Modified the checklist in response to trials? <p>Does the checklist:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Fit the flow of the work? <input type="checkbox"/> Highlight errors at a time when they can still be corrected? <input type="checkbox"/> Can the checklist reasonably be completed in the allotted time? <input type="checkbox"/> Have you made plans for continuous review and revision of the checklist?



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Checklist examples

- Development of checklists is a complex problem, not merely complicated
- There is no catalog of plug and play ready templates
- Though you should not copy someone else's work, it can be helpful to study and learn from examples
 - Gift of Securities
 - Gift of Real Estate
 - Gift of S-Corp Stock

Gift of Securities

Sample Securities Gift Procedures

1. Conduct initial conversations with donor about their goals and gift basics.
2. Donor completes and returns the *Securities Gift Questionnaire*.
3. Review completed *Securities Gift Questionnaire*.
4. If any red flags arise from review of *Securities Gift Questionnaire* resolve, if possible.
5. If no red flags exist and gift meets the minimum, work with donor to execute transfer of ownership to charity.
 - A. If securities are held electronically, they should be able to be transferred electronically to charity's account.
 - B. If securities are held in certificate form, donor will need to execute a stock power form and deliver to charity along with the certificates. Donor should *either* hand-deliver to charity OR send in separate trackable overnight delivery packages. For security purposes, stock power forms and stock certificates should NOT be sent in the same package.
 - C. If donating mutual funds, charity will most-likely need to open an account with that mutual fund company to accept.
6. When securities are received by charity, send donor a written acknowledgement of the gift.

Sample Securities Gift Instructions

From: *Turning Wealth Into What Matters*, Dana Holt, 2022

Gift of Securities

Donors should consult their tax and legal advisors prior to making a gift to fully understand all financial and tax consequences.

Donors should carefully follow the steps outlined below to protect any potential tax benefits of making the gift.

Steps to Making a Gift of Securities

1. Donor completes *Securities Gift Questionnaire* and returns to charity.
2. Charity reviews *Questionnaire* and contacts donor to coordinate asset transfer.
3. Securities transfer to charity.
4. Charity will send a written acknowledgement of the gift to Donor.

Sample Securities Gift Questionnaire

Please answer the following questions to the best of your ability. Accuracy and thoroughness are vital to the proper care of your gift. Any information you share will be held in the strictest of confidence and only shared with necessary staff, legal, and tax counsel.

Please complete the following information for each type of security you would like to donate.

From: *Turning Wealth Into What Matters*, Dana Holt, 2022



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Gift of Securities

Name	Ticker Symbol	Number of Shares	Length of Ownership	Electronic or Certificate?	Approx. Current Value per Share

Please contact us right away with any questions or concerns you have about this questionnaire. We want you to be absolutely comfortable with your proposed gift. We also want to create an open conversation with you and your advisors about why this information is needed and how it will be used.

I understand that the truth and accuracy of my answers to the previous questions will be relied upon when evaluating my proposed gift of securities. I certify that each of the answers is true, accurate, and complete to the best of my knowledge.

Signature

Date

From: *Turning Wealth Into What Matters*, Dana Holt, 2022



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Gift of Real Estate

Checklist for Real Property Gifts

PLEASE PROVIDE AS MUCH OF THE FOLLOWING INFORMATION AS POSSIBLE:

Location of property: _____

Ownership: (fee simple, joint tenancy, etc.): _____ Purchase date: _____

Appraised Cost basis including improvements: _____

Please Attach all Appraisal Documentation.

Date of Most Recent Appraisal: _____

Contact Information for Appraiser: _____

Does a mortgage or lien exist on the property? YES NO

Has property been depreciated? _____ If so, by what method? _____

Has a Phase 1 Environmental Study Been Conducted on the Site? YES NO If so, please attach all Phase 1 Environmental Study Documentation.

If professional services are used (realtors, appraisers, environmental engineers, etc.), how should arrangements be made to gain access to the property? _____

Property Manager Name / Phone: _____ Donor's Attorney Name / Phone: _____

Donor's Accountant Name / Phone: _____ Assessor's Parcel Number: _____

BRIEF PROPERTY DESCRIPTION:

A. Residential Donor's home Multi-family Seasonal home Rental property

B. Commercial, please describe: _____

C. Previous uses of property, describe: _____

D. Undeveloped land, please describe: _____

AREA DESCRIPTION:

Are any of the following on the property, formerly on the property, OR in the immediate area? Please check if YES:

Gas Stations Factories Landfills Underground storage tanks Any potential environmental "red flags"

Please provide details for any of the items checked above: _____



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Gift of Real Estate

PROPERTY CASH FLOW:

(Please attach copies of most recent annual income statement, current rent rolls, and copies of all existing leases involving the property).

Projected Annual Revenue \$ _____

Projected Net Cash Flow \$ _____

Projected Annual Expenditures \$ _____

VALUE AND MARKETABILITY OF PROPERTY:

Executor/trustee estimate of fair market value \$ _____ Basis for opinion? _____

Any recent sales of neighboring properties? YES NO If YES, describe: _____

What is the property tax assessment? \$ _____

Have there been any appraisals or realtor market analyses performed on the property in the past two years? If yes, please list dates and values given: _____

Has the property been on the market recently? YES NO

Property Liens:

(1) First mortgage Balance due: \$ _____

(2) Other liens, please describe: _____

(3) Easements, please describe: _____

Maintenance needing immediate attention please describe and include estimated cost: _____

Has owner made plans to do repairs? YES NO

MAJOR EXPENDITURES THAT MAY BE REQUIRED PER STATUTES OF LOCAL, STATE, OR FEDERAL GOVERNMENT:

Please describe any known code requirements that the property may not be in compliance with and the estimated cost to correct:

Earthquake Protection: _____ Environmental: _____

Other governmental Requirements (Fire, Flood, etc.): _____

Is there the following on the property?

Asbestos YES NO Urea Formaldehyde Insulation YES NO

If YES to either of the above, please give details as to extent and location. Also describe local requirements (i.e. removal prior to sale, full disclosure, etc.) _____

Is property insured? YES NO If not, please explain: _____



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Gift of Real Estate

Materials to get from executor/trustee, if applicable:

- Pictures of property
- Appraisals and market Analyses
- Most recent tax bill
- Engineering reports

Please list names and phone numbers of realtors that donor recommends who would be potential marketers of the property:

Does donor have names of potential buyers of the property? If yes, please list with phone #: Is there a pre-arranged sale agreement?

YES NO

TO BE COMPLETED BY STAFF PRIOR TO ACCEPTANCE:

This gift is recommended for acceptance and will be used to further the mission of the <organization>. This gift is compliant with the <organization> Gifts of Real Property Acceptance Policy and has been approved by the appropriate Authorizing Official and/or the <organization> Gift Acceptance Committee.

*Authorized <organization> Official _____ Date Approved: _____

Gift Acceptance Committee _____ Date Approved: _____

Authorized <organization> Officials: CFO, Vice President for Development, or Director of Capital Asset Development.

The <organization> reserves the right to review the appropriateness and usefulness of any/all real property gifts prior to acceptance. Gifts that fall outside the standards of acceptance, as determined by the GAC/<organization> Gift Acceptance policies, will be rejected with a written explanation. Please note that the <organization> will not accept a gift of real estate without an appraisal no older than ninety (90) days, a Phase 1 Environmental Study no older than one hundred and eighty (180) days, and clear title to the Property.

Gift of S-corp stock

Checklist for a Gift of S Corp Stock

A. Charitable Purpose. If donor intends to make a restricted gift (e.g., scholarships only, endowment only), are the donor's charitable purposes acceptable?

B. Stock as an Investment

1. What is the nature of the business and its prospects for profitability?
2. What is the stock worth?
3. When will the charity likely sell it?
4. During the time that the charity will own the stock, what is the expected after-tax cash flow from the stock? The after-tax cash flow will be the cash distributions from the S corporation minus the UBIT.

C. Should Donor's Recognition or Benefits Be Adjusted for Anticipated UBIT?

1. Should donor get credit in a major campaign for the full appraised value of the stock or only for the anticipated net amount after UBIT?
2. If a charitable gift annuity will be issued, should the payments be reduced since there will be less cash after the stock's sale because of the UBIT?

D. State Law Issues

1. Can charity own stock under state law?
2. Is there a state UBIT?

E. UBIT Concerns

1. Will gift be made to a charitable trust or an incorporated charity? If a charity has a choice, determine which type of entity will pay the least amount of UBIT.
2. What is donor's adjusted tax basis in the stock? If donor does not know, looking at the balance sheet of the corporation's income tax return may be a way to estimate the basis. Donor's tax basis is important because of the following reasons:
 - It affects the gain or loss upon the sale of stock.
 - It affects whether cash distributions from S corporation are taxable or tax free.
 - It affects whether an S corporation's losses will be deductible or not.
3. What is the projected taxable income or losses of the corporation?

"S Corporations Advanced," by Christopher Hoyt, in *Charitable Gifts of Noncash Assets*, Bryan Clontz, 2018

Gift of S-corp stock

4. How much UBIT will the charity have to pay while it holds the stock? Examine the Schedule K-1 that the donor received from the S corporation.
5. What are the projected cash and property distributions to the charity? See Line 20 of Schedule K-1.
 - Cash distributions?
 - Expected Amounts?
 - Sufficient to pay UBIT?
 - Any extra for charitable purposes?
6. Distributions taxable or tax free?
7. Timing of distributions to meet quarterly UBIT payments when due?
8. Property distributions?
9. A distribution of appreciated property could trigger tax. Are any such distributions planned in the near future?
 - Will the charity have to file UBIT Form 990-T return (required if gross UBTI is over \$1,000)?
 - Will the charity have to make quarterly UBIT estimated tax payments (required if tax due for any year over \$500)?

F. Administrative Requirements if Gift Is Accepted

1. Charity must sign donor's Form 8283 (qualified appraisal) to acknowledge receipt of gift of stock.
 - The donor should know that unlike gifts of other kinds of stock, the tax deduction for donated S corporation stock is often less than the appraised value.
2. Charity should send donor a "contemporaneous written acknowledgment" that contains the language necessary for the donor to claim a charitable income tax deduction.

G. Sale of Stock

1. Obtain evidence of the sale of the stock for its fair value (e.g., a recent appraisal).
2. Send Form 8282 to the IRS and the donor if property is sold within three years.
3. Charity must pay UBIT on the gain from the sale of S corporation stock.

"S Corporations Advanced," by Christopher Hoyt, in *Charitable Gifts of Noncash Assets*, Bryan Clontz, 2018



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The SEP Field

“A SEP is something we can’t see, or don’t see, or our brain doesn’t let us see, because we think that it’s somebody else’s problem. The brain just edits it out, it’s like a blind spot. The SEP Field relies on our predisposition not to see anything we don’t want to, weren’t expecting, or can’t explain.”

from *Life, the Universe and Everything*, Douglas Adams

Warning: The SEP Field cannot be manually shut down. Prolonged exposure often results in severe headaches, although the victim is likely to dismiss these as somebody else’s problem.



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The SEP Field





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Still Have a Question?

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