

ACCOUNTABILITY

Gift Acceptance Policies

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The Baltimore Community Foundation (BCF), a not-for-profit corporation organized under the laws of the State of Maryland, is a qualified 501(c)(3) organization under the Internal Revenue Code. BCF encourages the solicitation and acceptance of gifts for purposes that will help BCF fulfill its mission. The following policies govern acceptance of gifts made to BCF or for the benefit of any of its programs or initiatives.

The Baltimore Community Foundation's mission is to inspire donors to achieve their charitable goals from generation to generation and to improve the quality of life in the Baltimore region through grantmaking, enlightened civic leadership and strategic investments.

In most cases, additional gifts may be made to existing BCF funds without restating the original purpose of the gift.

I. Purpose of Policies

The Board of Trustees of the Baltimore Community Foundation and its staff solicit current and deferred gifts from individuals, businesses, nonprofit organizations, and foundations to secure its future growth and mission. It is the purpose of these policies to govern the acceptance of gifts by BCF and to provide guidance to prospective donors and their advisors when making gifts. The provisions of these policies shall apply to all gifts received by BCF for any of its programs, initiatives, or donor-related services.

The objective of BCF's asset building program is to expand BCF's grantmaking, civic leadership and strategic investments capacity, while helping donors achieve personal or organizational giving goals and encouraging philanthropic activity in the community.



In deciding to accept and administer charitable gifts, BCF applies five principles:

1. The gift must further a charitable purpose consistent with the mission of the Baltimore Community Foundation.
2. The gift must not impose material restrictions that would jeopardize the deductibility of the gift or the status of BCF as a public charity.
3. The gift must be made after careful consideration of its financial and tax consequences by the donor and his/her advisors.
4. The gift must not impose any other financial or legal liability on BCF or funds must be made available to provide for payment.
5. The gift must be administered under current fund administration policy, making it subject to BCF's variance power and review by the Gift Acceptance Committee.

This statement of guidelines, as revised from time to time, is to be used as a reference document by staff and trustees working with donors and advisors.

II. Gift Acceptance Committee

The BCF Board of Trustees shall appoint a Gift Acceptance Committee which will have the responsibility to consider and accept gifts. The Committee will be charged to ensure that gifts received are consistent with these policies and they are in the best interests of BCF. These decisions shall be made by majority vote. In the event a decision must be made quickly, any two Committee members, in consultation with staff and legal counsel, may render a decision in lieu of the full Committee.

The Committee will be made up of the following members:

- Board Chair
- President
- Investment Committee Chair or appointed representative
- Development Committee Chair or appointed representative

In addition, a Real Estate Subcommittee shall be appointed by the Board Chair. Its purpose will be to review and make recommendations on an ad hoc basis concerning proposed gifts of real estate.

III. Use of Legal Counsel

BCF shall seek legal advice in matters relating to the acceptance of gifts where appropriate. BCF's counsel will:

- A. Review closely-held business transfers that are subject to restrictions or buy-sell agreements.
- B. Review all gifts involving contracts, such as bargain sales or other documents requiring BCF to assume an obligation.
- C. Review all transactions with potential conflicts of interest that may result in IRS sanctions in which BCF's Gift Acceptance Committee or Board deems review by counsel appropriate
- D. Review any other gift or transaction when requested by the BCF Board, the Gift Acceptance Committee, or a staff member.

IV. Conflict of Interest

All prospective donors shall be strongly urged to seek the assistance of personal legal and financial advisors in matters relating to their gifts, including possible conflicts of interest and the resulting tax and estate planning consequences. BCF will comply with the Model Standards of Practice for the Charitable Gift Planner promulgated by the Partnership for Philanthropic Planning, and the Association of Fundraising Professionals Donor Bill of Rights, both shown in the appendices of this document.

V. Restrictions on Gifts

The purpose of a gift to BCF must be in a written fund agreement or deferred gift agreement.

The purpose of the gift must fall within the broad charitable purposes of BCF, as stated by its charter and bylaws. Standard fund agreements, as approved by legal counsel and BCF trustees and officers, may be used. Fund agreements will be prepared and reviewed by BCF staff and/or legal counsel.

BCF will accept unrestricted gifts, and gifts for specific initiatives and purposes, provided that such gifts are consistent with BCF's mission, purposes, and priorities. BCF will not accept a gift that is too restrictive in purpose or design. Gifts that are too restrictive are those that violate the terms of the corporate charter, gifts that are too difficult to administer, or gifts that are for purposes outside the mission of BCF.

VI. Types of Gifts

A. The following gifts may be acceptable (see definitions and criteria for each):

1. Cash/Checks/Credit Card
2. Tangible Personal Property
3. Securities
4. Real Estate
5. Remainder Interests in Property
6. Bargain Sales
7. Life Insurance Ownership
8. Charitable Remainder Trusts, remainder interest in
9. Charitable Lead Trusts, lead gift of
10. Retirement Plan Beneficiary Designations
11. Bequests
12. Life Insurance Beneficiary Designations
13. Other Property

B. The following criteria govern the acceptance of each such gift:

1. **Cash:** Cash is acceptable in any form. Checks shall be made payable to the Baltimore Community Foundation. Credit card gifts can be made through www.bcf.org

2. **Tangible Personal Property:** All gifts of tangible personal property shall be examined in light of the following criteria:
- A. Does acceptance of the property further the charitable purpose of BCF?
 - B. Is the property marketable?
 - C. Are there any undue restrictions on the use, display, or sale of the property?
 - D. Are there any carrying costs for the property?

The Gift Acceptance Committee or BCF Board shall make the determination on the acceptance of tangible property gifts.

Valuation of the gift for income tax charitable deduction purposes is the responsibility of the donor (the donor of tangible personal property may not deduct an amount exceeding his/her basis unless BCF is able to use the property for a purpose related to its exempt purpose).

Refer to Section VIII. Miscellaneous Provisions (page 12) for additional details related to gifts of tangible property and excess business holdings.

3. **Securities:** BCF can accept both publicly traded and closely held securities. See definitions below.

A. Publicly Traded Securities: Defined as securities for which (as of the date of the contribution) market quotations are readily available on an established securities market. Securities are transferred, as directed by BCF, to an account maintained at an acceptable brokerage house, or delivered physically with the transferor's signature or stock power attached. A DTC transfer through a brokerage house, rather than the physical delivery of the stock certificate, is preferred. In general unrestricted marketable securities will be sold upon receipt. In some cases, marketable securities may be restricted by applicable securities laws and/or underwriting "lock-up" agreements; in such instances the final determination on the acceptance of the restricted securities shall be made by the BCF Gift Acceptance Committee

Disposition Period: BCF will sell securities with no restriction and received as a donation as soon as feasible.

B. Restricted Stock: Defined as stock with limitations placed upon it. Most common restrictions require a certain length of time to pass or a certain goal to be achieved before the stock can be sold. This is the vesting period. BCF is subject to state and federal securities laws pertaining to the disposition of restricted stock and is required to retain the stock until the restrictions have expired or been lifted. The vesting period must be a "reasonable" vesting period. The Gift Acceptance Committee shall make decisions regarding acceptance of restricted stock.

C. Pre-IPO Shares: Donations of pre-IPO shares are accepted by BCF from corporations and are subject to certain requirements. BCF can accept contributions of pre-IPO stock from individuals; however, it may not be tax advantageous for the donor and, therefore, it is recommended that donors consult their tax advisor prior to making a pre-IPO gift of stock.

Disposition Period: BCF will sell securities with no restriction and received as a donation as soon as feasible. This normally occurs within 10 days of receipt.

D. Gift of Stock Options: The Gift Acceptance Committee will consider gifts of stock options from corporations as long as there are no restrictions and BCF can sell the options immediately.

E. Closely Held Securities: Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in LLPs and LLCs or other ownership forms, can be accepted subject to the approval of the Gift Acceptance Committee. However, gifts must be reviewed prior to acceptance to determine that:

1. There are no restrictions on the security that would prevent BCF from ultimately converting those assets to cash.
2. The security is marketable.
3. The security will not generate any undesirable tax consequences for BCF or provision is made for the payment of any such tax by the donor such as the case with S Corp shares.

If potential problems arise on the initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on acceptance of the gift. The Gift Acceptance Committee and Legal Counsel shall make the final determination on the acceptance of closely held securities.

Valuation: For gift recognition purposes, BCF will use the value of the securities on the day that the gift is complete. The donor is responsible for delivering a qualified appraisal and paying any fees associated with obtaining it.

Sale: If all stock of the issuing company is being sold to a third party, BCF will normally be party to a stock purchase agreement. In addition to ascertaining the fair market value of the stock, BCF must have the terms of the stock purchase agreement reviewed by counsel. Normally, BCF will avoid making representations and warranties as well as indemnification agreements.

Exercise of Shareholder Rights: If BCF retains closely-held stock and the stock carries voting rights, BCF has the fiduciary duty to exercise due care in voting stock and/or issuing proxies.

4. **Real Estate:** Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of commercial real estate, BCF shall require an initial environmental review of the property, which ordinarily will be a Phase I environmental inspection. Environmental inspection forms are attached as an appendix to this document. In the event that the initial inspection reveals a potential problem, BCF shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be at the expense of the donor. A title insurance binder shall be obtained by BCF prior to the acceptance of the real property gift. The cost of this binder shall be an expense of the donor.

Prior to acceptance of real property, the gift shall be approved by the Gift Acceptance Committee through the Real Estate Subcommittee and by BCF's Legal Counsel. Criteria for acceptance of the property shall include:

- A. Does acceptance of the property further the charitable purpose of BCF?
- B. Is the property marketable?
- C. Are there restrictions, reservations, easements, or other limitations associated with the property?
- D. Are there carrying costs to be incurred by BCF, which may include insurance, property taxes, mortgages, or notes, common fees, etc., associated with the property?

E. Does the environmental audit reflect absence of environmental problems?

When appropriate, and at the approval of BCF's President or Board Chair, certain expenses may be paid from the proceeds of the sale of real property. Such action will result in a decrease of the original gift value.

If property is debt-financed, valuation may have a bearing on the amount of unrelated business income tax payable with respect to rents. If the property is improved, valuation is important in determining allowable depreciation for financial reporting purposes.

Appraisal: The donor must provide an appraisal performed by a qualified appraiser commissioned and paid for by the donor (it can either be paid from the donor's fund in accordance with BCF's policies, or directly by the donor). BCF must be allowed to work directly with the appraiser.

Title Defects: Donors usually convey property by a quitclaim deed, and if the title of the property is not cleared, then the donor must incur expenses in clearing the title so the property can be sold. Any such fees will be deducted from the sale proceeds.

Environmental liability: A donor of contaminated property will have unlimited liability for clean-up costs even if the donor did not cause the contamination and is merely in the chain of title. The impact of both federal and state environmental laws will be considered.

Encumbrances: Property may possibly be encumbered with mortgage debt, unpaid real estate taxes, unpaid special assessments or other encumbrances, which may subject a portion of any rental income to unrelated business income tax. All property gifts (including those with encumbrances) must be reviewed and approved by the Gift Acceptance Committee through the Real Estate Subcommittee.

NOTE: There is also landowner liability where an owner of property may be liable for injuries to third parties even though the injury was caused by another person's act or omission. Adequate insurance is required.

Liability for real estate taxes: State laws governing real estate tax exemptions differ. If a gift of property is made to BCF to use for exempt purposes, then the property may be exempt from taxes. A donation of property to BCF for non-exempt purposes will ordinarily not make the property exempt from taxes.

Insurance: BCF will obtain liability insurance for any property it owns.

Source of expense payments: If the real property is going to be held for an extended period of time, then BCF must ascertain the likely expenses to be incurred in carrying the property including real estate taxes, mortgage debt, utilities, maintenance, insurance, etc. and determine the sources from which the expenses will be paid. BCF should make an independent determination of income, expense, and cash flow before accepting the property.

Lease: If the property is subject to leases, then each lease will normally be reviewed, analyzed and properly assigned to BCF, before the property is accepted.

Donor Statement: With any gift of real estate, the donor will sign and date a statement warranting that the following is true to the best of the donor's knowledge:

- A. The property and all operations thereon comply with applicable environmental laws, regulations, and court or administrative orders;

- B. There are no pending or threatened private or governmental claims or judicial or administrative actions relating to an environmental impairment or regulation requirements;
 - C. All permits, licenses, and government approvals necessary for the use of the property have been obtained;
 - D. There are no areas of the property where hazardous or toxic materials or substances have been disposed of, discharged or found;
 - E. There are no hazardous or toxic materials or substances other than asbestos contained in the material used to insulate the heating pipes (which were common in many building products before 1978) on the property or in improvements to the property;
 - F. This property is transferred to the Baltimore Community Foundation without any restrictions, claims, or sales provisions whatsoever.
5. **Remainder Interests in Property:** BCF will accept a remainder interest in a personal residence, farm, or vacation home subject to the provisions of item #4 above. The donor or other occupants may continue to occupy the real property for the duration of the stated life. At the death of the donor, BCF may use the property or convert it to cash. When BCF receives a gift of a remainder interest, expenses for maintenance, real estate taxes, insurance, and any property indebtedness are to be paid by the donor or primary beneficiary.
6. **Bargain Sales:** BCF may enter into a bargain sale arrangement as a buyer in instances in which the bargain sale furthers the mission and purposes of BCF. All bargain sales must be reviewed and approved by the Gift Acceptance Committee or Board of Trustees. Factors used in determining the appropriateness of the transaction include:
- A. BCF must obtain an independent appraisal substantiating the value of the property.
 - B. If BCF assumes debt with the property, the debt ratio must be less than 50% of the appraised market value.
 - C. BCF must determine if it will use the property, or that there is a market for the property, enabling its sale within (12) months of receipt.
 - D. BCF must calculate the costs to carry the property (including property tax, if applicable) during the holding period.
7. **Life Insurance Policy Ownership:** BCF must be named as both beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be accepted as a gift. The gift is valued either at its interpolated terminal reserve value, or at its cash surrender value upon receipt. If the donor contributes future premium payments, BCF will recognize the entire amount of the additional premium payment as a gift in the year it is paid.

If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, BCF may:

- A. Continue to pay premiums
- B. Convert the policy to paid-up insurance, or
- C. Surrender the policy for its current cash value.

8. **Charitable Remainder Trust (CRT):** BCF may accept designation as the remainder beneficiary of a charitable remainder trust with the approval of the Gift Acceptance Committee. BCF can accept an appointment as Trustee of a Charitable Remainder Trust.

When a donor establishes a CRT where BCF or one of its component funds is named irrevocable beneficiary, the donor must agree at the time of the gift to the requirement that quarterly financial reports be sent to BCF for valuation purposes. If this is not abided by, BCF reserves the right to request a change in trusteeship.

When a donor establishes a CRT where BCF or one of its component funds is named a revocable beneficiary, annual financial reporting of the trust is recommended but not required.

9. **Charitable Lead Trusts (CLT):** BCF may accept a designation as income beneficiary of a charitable lead trust. BCF can accept an appointment as Trustee of a CLT.

When a donor establishes a CLT where BCF is named irrevocable beneficiary the donor must agree at the time of the gift to the requirement that quarterly financial reports be sent to BCF for valuation purposes. If this is not abided by, BCF reserves the right to request a change in trusteeship.

When a donor establishes a CLT where BCF or one of its component funds is named a revocable beneficiary, annual financial reporting of the trust is recommended but not required.

10. **Retirement Plan Beneficiary Designations:** BCF may accept designations as the beneficiary of retirement plans. Such designations shall not be recorded as a gift until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of the gift will be recorded.

11. **Bequests:** BCF may accept bequest designations as the beneficiary of wills and trusts. Such designations shall not be recorded as a gift until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded.

NOTE: Donors making such beneficiary designations should notify BCF to make certain that the terms of the gift will be acceptable.

Donors making gifts by Will or Trust should use designation language supplied by BCF and reviewed by their legal counsel.

12. **Life Insurance Beneficiary Designations:** BCF may accept bequest designations as beneficiary or contingent beneficiary of life insurance policies. Such designations shall not be recorded as a gift until such time as the gift is irrevocable (when ownership of the policy is transferred). Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

13. **Other Property:** Other property not otherwise described in this section, whether real or personal, of any description (including mortgages, notes, copyrights, trademarks, royalties, patents and easements) must be reviewed and approved by the Board of Trustees or Gift Acceptance Committee. Gifts-in-kind (defined as equipment, books, software and the like that may be put to immediate use for educational or other purposes related to the mission of BCF) are included in the definition of other property.

VII. Types of Funds

With an establishing gift of \$10,000 or more, a donor may create and name a new component fund within BCF. Donors who wish to establish a new charitable fund at BCF will consult with BCF to determine the appropriate structure of the fund, based upon the donor's goals for the charitable fund. BCF administers a variety of types of charitable funds, including:

- A. **Fund for Baltimore:** provides unrestricted resources to be used at the discretion of the BCF board to address the evolving needs of the Baltimore region
- B. **Field of Interest Fund:** provides resources to be used at the discretion of the BCF board within the area of interest specified by the donor
- C. **Donor-Advised Fund:** offers the donor the opportunity for ongoing involvement in use of the fund by recommending grants to qualified nonprofit organizations
- D. **Civic Leadership Fund:** provides resources that support BCF's civic leadership activities such as advocacy and supporting programmatic initiatives
- E. **Designated Fund:** provides resources for a specific organization or program specified by the donor
- F. **Organizational Endowment:** a fund created by a nonprofit organization that wishes BCF to manage a permanent endowment for the benefit of that organization

VIII. Miscellaneous Provisions

- A. **Gifts for Donor Advised Funds:** Notwithstanding any other provision hereof, the Committee shall not accept any gift of an interest in a business enterprise for a donor advised fund ("DAF") that would subject BCF to tax under section 4943 of the Internal Revenue Code, concerning "excess business holdings." Any proposed gift that would result in the DAF holding:
 - i. a 20% or greater interest in a business or in an entity, or
 - ii. any interest in an entity in which any interest is owned by a donor or advisor to the DAF, by a family member of any such person, or by an entity in which any of the foregoing persons has an interest,

shall be referred to the Foundation's counsel for an opinion on the possible application of Code section 4943.

- B. **Acting as Trustee:** When a gift is made by means of a trust, the donor has the right to select the trustee(s). The donor's selection of a trustee or successor trustee will be subject to the approval of the Gift Acceptance Committee. A donor may request BCF to serve as trustee. In general, BCF will serve as trustee only if BCF is the sole beneficiary of the gift, or if 50% of the remainder will be retained as a permanent asset, restricted or unrestricted, of BCF.
- C. **Acceptance of Gifts:** The Gift Acceptance Committee or Board of BCF shall make the final determination on the acceptance of gifts. BCF reserves the right not to accept gifts deemed inappropriate or in conflict with its mission.
- D. **Securing appraisals and fees for gifts to BCF:** It shall be the responsibility of the donor to secure a qualified appraisal (where required) and independent Legal Counsel (where required) for all gifts made to BCF. The donor shall provide BCF with IRS Form 8283 as required. The donor shall consent, at the time of the gift, to having a copy of the appraisal sent directly from the appraiser to BCF. Appraisals may be required every two years if the property is not liquidated. The donor shall

identify the appraiser and pay all fees related to the initial appraisal. In certain cases BCF may require its own appraisal at the cost of the donor.

- E. Valuation of gifts for development purposes:** BCF shall record a gift at its valuation for gift purposes on the date of the gift. Should a contribution of property other than publicly traded stock not require a qualified appraisal, the donor shall permit BCF to consult with the donor's tax advisor to determine the valuation of the gift as an asset of BCF.
- F. Responsibility for IRS filings upon sale of gift items:** BCF is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within two years of receipt where the charitable deduction required a qualified appraisal (generally property other than publicly traded stock with a value of \$5,000 or greater). BCF must also file this form within 125 days of the date of sale or disposition of the asset. Form 8282 with filing instructions is attached as an appendix to these policies.
- G. Acknowledgment of all gifts made to BCF:** In compliance with current IRS requirements, acknowledgment of all gifts shall be the responsibility of the Board of BCF and will be made as soon as possible and no later than 90 days after receipt. IRS Publication 561 "Determining the value of donated property" and IRS publication 526 "Charitable Contributions" are attached to these policies as an Appendix.
- H. Private Foundation termination:** IRC 507 permits the termination of a private foundation and the distribution of its assets to a public charity, such as BCF. The Gift Acceptance Committee will review the private foundation documentation prior to accepting the transfer of assets. The legal fees incurred as a result of terminating a private foundation are the responsibility of the private foundation or can be incurred by the Fund as long as those fees do not exceed 1% of the established fund or \$100,000, whichever is less.
- I. Private Foundation's annual payout to create a fund:** BCF will accept contributions from a private foundation's annual payout to its Civic Leadership, Unrestricted, or Invest in Baltimore funds, or to an unrelated donor-advised, designated, or scholarship fund.
- J. Grant making services for Private Foundations or Corporate Giving Offices:** Private foundations or corporate giving offices can make grants to the Community Foundation as a way of making effective community grants and fulfilling their private foundation or corporate foundation mission.
- K. Gifts made in honor of individuals or a group of individuals:** BCF will accept gifts in honor of individuals. Written or electronic acknowledgements will be sent to individuals as long as the donor provides contact information.
- L. Memorial Fund Donations:** Named memorial funds can be established at BCF, but are subject to the minimum requirements for advised-funds. If, after a reasonable amount of time, the fund is still less than \$10,000, BCF will work with the donor family or "next of kin" to identify an appropriate BCF Path to receive a named memorial gift distribution.
- M. BCF as a beneficiary of a third party event:** BCF will, upon approval of the President, accept appointment as the beneficiary of the net proceeds of a third-party activity, provided the event would not be deemed inappropriate or incongruous with BCF's mission.
- N. Use of BCF's Federal Tax ID Number:** Under no circumstances will a third party be allowed to use BCF's Federal Tax ID number for fund raising purposes outside a sanctioned BCF approved use or event.
- O. Use of BCF's logo by a third party:** Under no circumstances will a third party be allowed to use the

BCF logo without written permission by the Board Chair or President.

- P. Donor and Data Confidentiality:** Under no circumstances will BCF lend the names, addresses or any other information regarding its donors to anyone without obtaining permission from a donor or at the request of regulatory bodies (e.g. court order, IRS audit.) All BCF databases are considered confidential.
- Q. Donor Recognition:** BCF is grateful for the support it receives through various gift channels. As a matter of standard quality practice, every donor should receive a signed acknowledgment and receipt within one week of the receipt of the gift in the office. Unless otherwise requested, a donor will receive on-going general mailings from BCF via US Postal Service or e-mail. In general, a donor may name a BCF fund for a minimum of \$10,000. “Naming” provides a permanent record that appears whenever the roster of BCF funds is printed. Typically this is in the annual report and BCF website, but may appear in other material. Fund balances are not published or made public.

Changes to Policies

These policies have been reviewed and accepted by the Executive Committee of the Board of Trustees of the Baltimore Community Foundation. The Gift Acceptance Committee will recommend any changes to or deviations from these policies to the Board of Trustees for approval.

Approved on January 6, 2011

Appendices

- A. Partnership for Philanthropic Planning: Model Standards of Practice for the Charitable Gift Planner
- B. Association of Fundraising Professionals: Ethical Standards & Donor Bill of Rights
- C. IRS Form 8282 and Instructions: <http://www.irs.gov/pub/irs-pdf/f8282.pdf>
- D. IRS Publication 561: Determining the Value of Donated Property: <http://www.irs.gov/pub/irs-pdf/p561.pdf>
- E. IRS publication 526: Charitable Contributions: <http://www.irs.gov/pub/irs-pdf/p526.pdf>

Partnership for Philanthropic Planning

Model Standards of Practice for the Charitable Gift Planner

PREAMBLE

The purpose of this statement is to encourage responsible gift planning by urging the adoption of the following Standards of Practice by all individuals who work in the charitable gift planning process, gift planning officers, fund raising consultants, attorneys, accountants, financial planners, life insurance agents and other financial services professionals (collectively referred to hereafter as “Gift Planners”), and by the institutions that these persons represent. This statement recognizes that the solicitation, planning and administration of a charitable gift is a complex process involving philanthropic, personal, financial, and tax considerations, and as such often involves professionals from various disciplines whose goals should include working together to structure a gift that achieves a fair and proper balance between the interests of the donor and the purposes of the charitable institution.

I. PRIMACY OF PHILANTHROPIC MOTIVATION

The principal basis for making a charitable gift should be a desire on the part of the donor to support the work of charitable institutions.

II. EXPLANATION OF TAX IMPLICATIONS

Congress has provided tax incentives for charitable giving, and the emphasis in this statement on philanthropic motivation in no way minimizes the necessity and appropriateness of a full and accurate explanation by the Gift Planner of those incentives and their implications.

III. FULL DISCLOSURE

It is essential to the gift planning process that the role and relationships of all parties involved, including how and by whom each is compensated, be fully disclosed to the donor. A Gift Planner shall not act or purport to act as a representative of any charity without the express knowledge and approval of the charity, and shall not, while employed by the charity, act or purport to act as a representative of the donor, without the express consent of both the charity and the donor.

IV. COMPENSATION

Compensation paid to Gift Planners shall be reasonable and proportionate to the services provided. Payment of finders fees, commissions or other fees by a donee organization to an independent Gift Planner as a condition for the delivery of a gift are never appropriate. Such payments lead to abusive practices and may violate certain state and federal regulations. Likewise, commission-based compensation for Gift Planners who are employed by a charitable institution is never appropriate.

V. COMPETENCE AND PROFESSIONALISM

The Gift Planner should strive to achieve and maintain a high degree of competence in his or her chosen area, and shall advise donors only in areas in which he or she is professionally qualified. It is a hallmark of professionalism for Gift Planners that they realize when they have reached the limits of their knowledge and expertise, and as a result, should include other professionals in the process. Such relationships should be characterized by courtesy, tact and mutual respect.

VI. CONSULTATION WITH INDEPENDENT ADVISORS

A Gift Planner acting on behalf of a charity shall in all cases strongly encourage the donor to discuss the proposed gift with competent independent legal and tax advisors of the donor's choice.

VII. CONSULTATION WITH CHARITIES

Although Gift Planners frequently and properly counsel donors concerning specific charitable gifts without the prior knowledge or approval of the donee organization, the Gift Planners, in order to insure that the gift will accomplish the donor's objectives, should encourage the donor, early in the gift planning process, to discuss the proposed gift with the charity to whom the gift is to be made. In cases where the donor desires anonymity, the Gift Planners shall endeavor, on behalf of the undisclosed donor, to obtain the charity's input in the gift planning process.

VIII. DESCRIPTION AND REPRESENTATION OF GIFT

The Gift Planner shall make every effort to assure that the donor receives a full description and an accurate representation of all aspects of any proposed charitable gift plan. The consequences for the charity, the donor and, where applicable, the donor's family, should be apparent, and the assumptions underlying any financial illustrations should be realistic.

IX. FULL COMPLIANCE

A Gift Planner shall fully comply with and shall encourage other parties in the gift planning process to fully comply with both the letter and spirit of all applicable federal and state laws and regulations.

X. PUBLIC TRUST

Gift Planners shall, in all dealings with donors, institutions and other professionals, act with fairness, honesty, integrity and openness. Except for compensation received for services, the terms of which have been disclosed to the donor, they shall have no vested interest that could result in personal gain. Adopted and subscribed to by the National Committee on Planned Giving and the American Council on Gift Annuities, May 7, 1991. Revised April 1999.

Association of Fundraising Professionals

Ethical Standards

1. Members shall not engage in activities that harm the members' organizations, clients or profession.
2. Members shall not engage in activities that conflict with their fiduciary, ethical and legal obligations to their organizations, clients or profession.
3. Members shall effectively disclose all potential and actual conflicts of interest; such disclosure does not preclude or imply ethical impropriety.
4. Members shall not exploit any relationship with a donor, prospect, volunteer, client or employee for the benefit of the members or the members' organizations.
5. Members shall comply with all applicable local, state, provincial and federal civil and criminal laws.
6. Members recognize their individual boundaries of competence and are forthcoming and truthful about their professional experience and qualifications and will represent their achievements accurately and without exaggeration.
7. Members shall present and supply products and/or services honestly and without misrepresentation and will clearly identify the details of those products, such as availability of the products and/or services and other factors that may affect the suitability of the products and/or services for donors, clients or nonprofit organizations.
8. Members shall establish the nature and purpose of any contractual relationship at the outset and will be responsive and available to organizations and their employing organizations before, during and after any sale of materials and/or services. Members will comply with all fair and reasonable obligations created by the contract.
9. Members shall refrain from knowingly infringing the intellectual property rights of other parties at all times. Members shall address and rectify any inadvertent infringement that may occur.
10. Members shall protect the confidentiality of all privileged information relating to the provider/client relationships.
11. Members shall refrain from any activity designed to disparage competitors untruthfully.

Solicitation and Use of Philanthropic Funds

12. Members shall take care to ensure that all solicitation and communication materials are accurate and correctly reflect their organizations' mission and use of solicited funds.
13. Members shall take care to ensure that donors receive informed, accurate and ethical advice about the value and tax implications of contributions.
14. Members shall take care to ensure that contributions are used in accordance with donors' intentions.
15. Members shall take care to ensure proper stewardship of all revenue sources, including timely reports on the use and management of such funds.
16. Members shall obtain explicit consent by donors before altering the conditions of financial transactions.

Presentation of Information

17. Members shall not disclose privileged or confidential information to unauthorized parties.
18. Members shall adhere to the principle that all donor and prospect information created by, or on behalf of, an organization or a client is the property of that organization or client and shall not be transferred or utilized except on behalf of that organization or client.
19. Members shall give donors and clients the opportunity to have their names removed from lists that are sold to, rented to or exchanged with other organizations.
20. Members shall, when stating fundraising results, use accurate and consistent accounting methods that conform to the appropriate guidelines adopted by the American Institute of Certified Public Accountants (AICPA)* for the type of organization involved. (* In countries outside of the United States, comparable authority should be utilized.)

Compensation and Contracts

21. Members shall not accept compensation or enter into a contract that is based on a percentage of contributions; nor shall members accept finder's fees or contingent fees. Business members must refrain from receiving compensation from third parties derived from products or services for a client without disclosing that third-party compensation to the client (for example, volume rebates from vendors to business members).
22. Members may accept performance-based compensation, such as bonuses, provided such bonuses are in accord with prevailing practices within the members' own organizations and are not based on a percentage of contributions.
23. Members shall neither offer nor accept payments or special considerations for the purpose of influencing the selection of products or services.
24. Members shall not pay finder's fees, commissions or percentage compensation based on contributions, and shall take care to discourage their organizations from making such payments.
25. Any member receiving funds on behalf of a donor or client must meet the legal requirements for the disbursement of those funds. Any interest or income earned on the funds should be fully disclosed.

The 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 ensure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the nonprofit organizations and causes they are asked to support, we declare that all donors have these rights:

- I.** 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.
- II.** 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.
- III.** To have access to the organization's most recent financial statements.
- IV.** To be assured their gifts will be used for the purposes for which they were given.
- V.** To receive appropriate acknowledgement and recognition.
- VI.** To be assured that information about their donation is handled with respect and with confidentiality to the extent provided by law.
- VII.** To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.
- VIII.** To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.
- IX.** To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.
- X.** To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.