

Pacific Crest Youth Arts organization

# Gift Acceptance & Fundraising Policy

Board of Directors

Adopted: January 13, 2013 Revised: N/A

**Pacific Crest Youth Arts Organization  
Gift Acceptance & Fundraising Policy**

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## I. INTRODUCTION

Pacific Crest Youth Arts Organization (PCYAO) is a non-profit corporation organized under the laws of the State of California. PCYAO encourages the solicitation and acceptance of gifts for purposes that help the organization further and fulfill its mission. PCYAO Board of Directors and staff solicit outright and deferred gifts from individuals, foundations, organizations, and corporations. Positive relationships among all these parties are essential to PCYAO's financial stability. Responsibility for the preservation and enhancement of philanthropy shall be retained by the Board of Directors and carried out as herein defined.

The goal of this Gift Acceptance & Fundraising Policy is to uniformly treat donors and their gifts with full disclosure and provide guidelines for the acceptance and stewardship of gifts. The provisions of this policy apply to all gifts received by PCYAO for any of its programs or services. Specific gifts are considered on their merits and final action is taken on those as authorized by PCYAO Board of Directors.

## II. LEGAL & ETHICAL CONSIDERATIONS

- A. PCYAO cannot give accounting, tax, or legal advice but works closely with the donor's advisors. It is strongly encouraged that each donor consult with a qualified advisor. It is the donor's responsibility to secure independent legal counsel for all gifts made to PCYAO.
- B. Where appropriate, PCYAO seeks the advice of legal counsel in matters relating to the acceptance of gifts. Review by counsel is recommended for:
  1. Gifts where PCYAO is named trustee;
  2. All gifts involving contracts or other documents where PCYAO is to assume an obligation;
  3. All transactions with potential conflict of interest that have the potential for IRS sanctions; and
  4. Other instances in which the use of counsel is deemed appropriate by the Executive Director or Board of Directors.
- C. In situations where advisors retained by PCYAO prepare documents or render advice in any form to PCYAO and/or a donor to PCYAO, the professional involved is in the employ of PCYAO and is not acting on behalf of the donor in any documents or other advice rendered. The documents should be reviewed by the donor's counsel prior to the completion of the gift(s).
- D. At all times PCYAO employees, members of the Board of Directors, and other volunteers are to avoid conflicts of interest and the appearance of conflicts of interest. A conflict of interest exists whenever a PCYAO employee or immediate family member has a formal relationship with an actual or prospective donor or a material interest in a firm that is an actual or potential vendor to PCYAO.
- E. To avoid any incidence of impropriety, PCYAO employees and members of the Board of Directors are discouraged from serving as personal representatives or executors of a donor's estate, unless the donor is a relative of the employee or member of the Board of Directors.
- F. All PCYAO employees are to avoid acts of actual impropriety as well as acts that create the appearance of impropriety. Therefore, employees are discouraged from serving as the executor, administrator, or trustee of any will or trust in which PCYAO is named as a beneficiary regardless of the date of the dispositive document.

- G. PCYAO does not pay fees to any person as consideration for directing a gift to PCYAO.
- H. PCYAO does not pay commissions or percentages associated with negotiation and acceptance of any form of gift.
- I. In accordance with the Association of Fundraising Professionals' *Code of Ethical Principles & Standards of Professional Practice*, no fundraiser is compensated based on a percentage of funds raised or on a contingent basis. Non-exempt fundraisers in the employ of PCYAO are compensated based on the number of hours worked. Independent contractors and consultants are compensated on a project basis.

### III. POLICY ADMINISTRATION

#### A. The Gift Acceptance Committee

- 1. Whenever the term "gift acceptance committee" is referred to in this policy, it consists, at a minimum, of the following individuals:
  - a. President of the Board of Directors or Development Committee Chair
  - b. Executive Director (CEO)
- 2. The gift acceptance committee is charged with the following responsibilities:
  - a. Reviewing this policy on an annual basis;
  - b. Recommending any changes to this policy to the Board of Directors;
  - c. Reviewing all non-cash gifts made to PCYAO;
  - d. Determining when legal counsel is required for the review of a gift;
  - e. Determining when an independent appraisal is required for a gift;
  - f. Approving exceptions to this policy; and
  - g. Other appropriate matters that relate to the acceptance of gifts.

#### B. Authority for Fund Development

- 1. The Board of Directors has the authority and stewardship responsibility for the following:
  - a. All methods and techniques of fundraising activity;
  - b. All forms of contributions received;
  - c. Professional staff, consultants, and vendors required;
  - d. Investment and management of all funds raised; and
  - e. Disbursement of contribution revenues in exclusive support of the mission of PCYAO.
- 2. The Executive Director is responsible to the Board of Directors for day-to-day management of all fundraising activities. Professional and support staff will provide the following:
  - a. Leadership, management, and direct support to fundraising programs;
  - b. Acknowledgement of all gifts and maintenance of donor records and recognition;
  - c. Accounting for all gifts received;

- d. Supervision of annual budget; and
  - e. Direction of all employees, consultants, and vendors hired to support PCYAO's fundraising efforts.
3. Related organizations (see Section IX) are authorized to use the name and tax exempt privileges granted to PCYAO and are subject to the policies and procedures of the organization. Accounting for all income of and expenses incurred by related organizations is made to the Executive Director and leadership of the related organization.
  4. Active volunteer participation in the fund development program is essential to its success. The roles of volunteers are defined as to level of responsibility, period of service, reporting relationships, staff support, and other details as required. A volunteer recognition program is provided to honor the service given by those who lead and assist PCYAO.
- C. Management of Fund Development Activities
1. Priorities for public participation and support shall be established by the Board of Directors and carried out by the Executive Director.
  2. All fundraising activities shall be approved in advance by the President of the Board of Directors and the Executive Director for approved priorities only. Goals and budgets associated with their achievement shall be prepared in advance of active public solicitation.
  3. Procedures for Approval for Gift Solicitation
    - a. All priorities for fund development are defined, within procedures established by the Executive Director, for submission to the Board of Directors for approval, including budgetary authorization.
    - b. Those programs appropriate for fundraising support are identified, and evaluation is performed by the Executive Director to assess anticipated public support, budget, staff, and volunteer requirements for successful solicitation.
  4. Coordination of Fund Development Efforts
    - a. Prior to approaching a prospective donor for a gift, all Board members, staff, and volunteers must receive approval from the Executive Director, who is responsible for tracking solicitations.
- D. Authority to Solicit and Receive Gifts
- All members of PCYAO community are encouraged to identify and assist in soliciting gifts from prospective donors; however, before making such a solicitation or accepting a gift on behalf of PCYAO, the individual must bring the proposed effort to the specific attention of the Executive Director so appropriate coordination is assured.
- Conversely, the Executive Director informs lead staff and program managers when major gift solicitations are contemplated or gifts benefiting their program and/or department are received.
- Only an officer of PCYAO may approve and sign contracts. This includes any obligations related to grant funding.
- E. Public Solicitation Procedures
1. All charitable contributions, regardless of value, form, or designated use, are made only to this organization, using the proper legal name of this corporation.

2. Use of Pacific Crest Youth Arts Organization or PCYAO for any fundraising purpose by any other organization or entity requires prior approval of the Board of Directors.

3. Calendar for Solicitation

Each 12-month period has limited time for fundraising activities. Coordination and cooperation are required in planning each solicitation. Each fundraising program requires time for its own fulfillment and must also respect the preferred periods when other fundraising programs are scheduled. The calendar for solicitation shall be reviewed and approved by the Board of Directors within 30 days of the start of each fiscal year. Modifications to the calendar must be resolved by the Board of Directors based on the recommendations by the Executive Director.

4. Special Project Campaigns

- a. Any special project campaign requires approval of the Board of Directors prior to initiate, based on the following:
    - i. Appropriate fit to the existing calendar of fundraising activities;
    - ii. Recruitment of an adequate volunteer committee or sponsoring agency or organization; and
    - iii. Demonstrated potential for profit.
  - b. Separate solicitation programs may be developed to meet urgent priorities or to take advantage of unusual opportunities offered by donors that match well with current fund development objectives.
- F. Overall responsibility for assuring compliance with the requirements of this policy is assigned to the Executive Director.
  - G. This policy remains in force until changed by the gift acceptance committee.
  - H. All restricted and unrestricted monies received by PCYAO are put to immediate use or invested under the guidelines of the investment policy adopted by the Board of Directors.
  - I. PCYAO's gift accounting policies and procedures are in accordance with generally accepted accounting principles (GAAP) as prescribed by the Financial Accounting Standards Board, including Statements of Financial Accounting Standards Nos. 116 and 117.
  - J. No refunds of donations are permitted.

#### **IV. DONOR CONSIDERATION & RECOGNITION**

- A. All programs, trust agreements, contracts, or commitments benefit, first and foremost, the individual needs of the donor, and secondly, PCYAO. A charitable gift that benefits PCYAO at the expense of the donor's interest should not be encouraged.
- B. PCYAO accepts unrestricted gifts and gifts for specific programs and purposes, provided that such gifts are not inconsistent with its stated mission, purposes, and priorities. PCYAO does not accept gifts that are excessively restrictive in purpose. Gifts that are excessively restrictive include those too difficult to administer or those for purposes outside the mission of PCYAO. All final decisions on the restrictive nature of the gift, and its acceptance or refusal, are made by the gift acceptance committee.

- C. A donor may not restrict how gift, bequest, or endowment funds are invested by PCYAO. All donors of major gifts and endowment funds are notified prior to the gift being made that investment of their gift is in accordance with the investment policy adopted by the Board of Directors. Such notice informs the donor that his/her gift or endowment fund is not segregated but is commingled with PCYAO's other investments.
- D. Where a donor desires to place a restriction upon the use of a gift or bequest for a specific program, the donor is required to sign a legal instrument empowering the Board of Directors, after a certain stated number of years, to re-evaluate the restriction.
  - 1. If the original program to which the gift was restricted is no longer relevant, such as the discontinuation or alternative funding of a program for which the gift was made, the document must empower the Board of Directors to re-designate the use to a similar program.
  - 2. In addition, this legal instrument should state that, with the written consent of the donor, the Board of Directors may release, in whole or part, any restriction imposed on the use of the gift. If written consent of the donor cannot be obtained by reason of his/her death, disability, unavailability, or impossibility of identification, the Board of Directors may petition the Orphan's Court to release the restriction imposed by the donor or gift instrument on the use or investment of the funds. In no event, however, can a release allow a fund to be used for purposes outside the mission of PCYAO.
- E. Any gift may be made in honor of or in memory of the donor or anyone he/she may wish to designate. Notice of the person honored or memorialized must be provided in writing at the time the gift is made. Upon request, notification of the gift is mailed to a third party. The gift amount is not disclosed.
- F. Gifts made by a donor on behalf of another individual are credited to the actual donor's record. The individual on whose behalf the gift is made receives recognition credit only.
  - 1. Recognition credit is the dollar value of a gift that can be applied toward a naming opportunity, endowment, or giving club membership.
- G. Donor Privacy
  - 1. All information concerning donors or prospective donors, including their names, the names of their beneficiaries, the exact amount of the gift, size of the estate, or any other information for which there is a reasonable expectation of privacy and/or confidentiality is kept strictly confidential by PCYAO, its Board of Directors, volunteers, and staff, unless written permission is obtained from the donor to release such information.
  - 2. Donors who wish to remain anonymous and not be included in published lists of donors must state so at the time of the gift. Completion of the donation remittance envelope or mention of name on any correspondence accompanying the donation is deemed written permission to be included in published lists of donors.
  - 3. Donors are welcome to request and receive a complete copy of their records.
  - 4. Only authorized PCYAO staff and members of the Board of Directors are permitted to view donor files.
  - 5. Donor files remain onsite at PCYAO.

- H. All recognition and reward accorded to donors by reason of their gift frequency, amounts, or cumulative total shall be in accordance with the honors and recognition guidelines contained herein.
- I. Donors and prospective donors may opt out of fundraising mailings via telephone, letter, e-mail, or in person. A statement providing opt-out instructions is included in all annual campaign correspondence.
- J. PCYAO does not sell or share its donor and mailing lists with other organizations.

K. Giving Clubs

Annual giving club membership is based on the donor's cumulative giving total for the fiscal year (January 1 through December 31). PCYAO reserves the right to modify the corresponding dollar amounts to keep pace with inflation or to reflect trends in giving.

1. Champions – Gifts of \$5,000 or more
2. Trendsetters – Gifts between \$2,500 and \$4,999
3. Angels – Gifts between \$1,000 and \$2,499
4. Director's Circle – Gifts between \$500 and \$999
5. Instructors Circle – Gifts between \$250 and \$499
6. Teal & Gold Club – Gifts between \$160 and \$249
7. Corps Club – Gifts between \$80 and \$159
8. Friend – Gifts under \$80

L. Honors & Recognition

1. Formal recognition of distinguished service to PCYAO, in the forms of gift support and voluntary time and talent, shall receive official consideration by the Board of Directors.
2. Guidelines
  - a. The Board of Directors, in concert with the Executive Director, assesses each recommendation for honors and recognition. The relationship between the honoree's qualifications and the size and scope of the project supported are considered. Consideration in the conferral of honors and recognition will include the following:
    - i. Benefit to PCYAO;
    - ii. Visibility and prominence accorded to the honoree; and
    - iii. Use of honors and recognition to further the goals and objectives of PCYAO in financial gain and in public recognition and respect.
  - b. Individuals or institutions that make large contributions are qualified for honors and recognition. Gifts are recognized at the discretion of the Board of Directors.
  - c. Recommendations for honors and recognition are made to the Board of Directors after review and approval by the development committee, with adequate details on the individual or institution to be honored and the reasons for such action by the Board of Directors.



- d. PCYAO may establish and confer at its pleasure such awards or citations upon individuals or institutions in recognition for voluntary service and/or financial contributions. These awards or citations may be given at such time and on such occasions as the Board of Directors determines. Recommendations for conferring an award or citation are directed to the Board of Directors, which confers with the Executive Director before action is taken.
3. Public Notice
    - a. Honors and recognition decisions present opportunities for public announcement. Agreement for such public notice is requested of each honoree, or his/her family or representative(s), in advance. Honorees have the opportunity to notify family and friends and to invite their participation with PCYAO in any dedication ceremonies and receptions conducted in connection with the conferring of honors and recognition. The Executive Director responsible for such public notice.
    - b. Various forms of recognition are available in accordance with the wishes of the donor. Details as to form are included in recommendations submitted to the Board of Directors. Forms of recognition may be among the following: formal dinners, receptions, plaques, gifts to donors and honorees, reports in PCYAO publications, and other forms of recognition.
    - c. Materials, typeface, and presentation forms must be consistent with the graphics standards established by PCYAO. The application of overall visual aids, signage, and graphics must be in accordance with graphics standards established by PCYAO.
  4. Naming of Buildings or Space Therein  
NOT APPLICABLE

## **V. GENERAL GIFT ACCEPTANCE**

### **A. Processing Gifts**

1. Gifts are recorded as of the date postmarked, if received via postal mail. Hand-delivered gifts are recorded as of the date of receipt.
2. When a donation is received, a copy of the check and remittance envelope and/or accompanying letter is made and filed in the appropriate donation binder.
3. If the donation is made using a credit card, the name of the donor is written on the credit card receipt and stapled to the original remittance envelope or letter when delivered to the Executive Director for posting.
4. The correct general ledger code is written on checks and credit card receipts. The codes for development are as follows:
  - a. Class
    - i. 10 – Administration (gifts that cover administrative salaries or office expenses)
    - ii. 21 – Drum Corps (gifts that fund scholarships or sponsorships for corps members)
    - iii. 26 – Corps at the Crest (sponsorships, program ads, excluding booth fees)
    - iv. 30 – Fundraising (Tour Fund, general operating

- v. 35 – Special Events (Golf Tournament, Sneak Preview, Run PC, etc.)
- vi. Restricted (Choose the appropriate class based upon donor designation)

b. Account

- i. 4710 – Corporate or organization gifts, including e-Script, Ralphs Community Partners, and similar affiliations.
- ii. 4720 – Gifts from individuals. Also include designated funds from United Way, employees, etc.
- iii. 4730 – Foundations
- iv. 4740 – Government funds
- v. 4799 – Gifts in kind (See policy below)

5. Gifts in any form received near the end of the fiscal year may be credited to the prior reporting period if there is evidence the donor intended to make the gift within this period and the gift is received and processed within 10 days of the closing date for the fiscal year-end.

B. Crediting Gifts

1. The gross amount of donations made through the United Way is credited to a donor for recognition purposes. For accounting purposes, the donations are recorded net of United Way's administrative fees. Donors do not receive credit for United Way donations until substantiation is received from the United Way or the donor provides written documentation of the gift.
2. Corporate matching gifts are encouraged, and the donor receives recognition credit for the match.

C. Pledges

1. Pledges are considered on a case-by-case basis.
2. Pledges may be fulfilled on a schedule established by the donor over a specified period, up to a maximum of five years from the date of the pledge. Irrevocable deferred gift arrangements are exceptions and are governed by the terms of the trust.

D. Use of Grant Funds

1. All grant funds given to PCYAO are to be spent in accordance with the funding agreement as specified by each grant.
2. Prior to submission of a grant proposal, the Executive Director is responsible for verifying that PCYAO can use the funds as requested.

E. Gift Acknowledgement and Substantiation

All donors are furnished gift acknowledgement letters as soon as possible after the receipt of a gift but no later than 10 days after receipt of the gift. Overall responsibility for assuring compliance with the Internal Revenue Service (IRS) requirements and this policy's guidelines regarding gift acknowledgement and substantiation belongs to the Executive Director.

1. Acknowledgement for all gifts over \$250 and gifts of \$75 or more for which a benefit was offered by PCYAO to the donor, whether or not the benefit was utilized by donor, includes

proper language related to valuation of the donor's deduction permitted as stated in the current IRS regulations.

2. Acknowledgement letters for gifts of all sizes and types are signed by the Executive Director. In the Executive Director's absence, the President of the Board may sign the letters.
  - a. The Executive Director is responsible for keeping a record of gift receipt and date of acknowledgement.

#### F. Ownership of Gifts

Title to property donated to PCYAO is held by the organization, not by a single program.

#### G. Appraisals and Required IRS Forms

Legal and ethical requirements designed to protect both the donor and PCYAO prohibit PCYAO, as an interested party, from appraising gifts. Such appraisals, if required by law or particular circumstances, are conducted by "qualified appraisers" as defined under IRS regulations. The cost of such an appraisal is the donor's responsibility. In instances where PCYAO elects to request an independent appraisal, PCYAO is responsible for the fee.

The IRS requires that non-cash gifts, including marketable securities, with a fair market value of over \$500 be documented by the filing of Form 8283 with the donor's federal income tax return. For gifts with a total value of \$5,000 or more, an appraisal from a qualified appraiser must be attached to Form 8283. The Executive Director and Board Treasurer are authorized to sign the Form 8283 to acknowledge PCYAO's receipt of the gift. PCYAO staff may not attest to the value the donor places on the item. When gifts with a total value of \$5,000 or more are sold by PCYAO within two years of receipt, the Executive Director is responsible for filing Form 8282 within 125 days of disposition.

#### H. Evaluation and Acceptance of Certain Types of Gifts

Proposed gifts of real or personal property must be evaluated to determine whether the costs to PCYAO associated with receiving the gift can prudently be accommodated using other PCYAO resources. For example, accepting real property may require payment of closing costs, payoff of debt secured by the property, and physical changes to the property necessary to assure safety or control environmental hazards. Likewise, the cost to retrofit space and provide necessary utilities to make a proposed gift of equipment usable for PCYAO purposes may be prohibitive. Occasionally, associated costs may weigh against acceptance of the gift.

Acceptance of gifts with reversionary interests or other donor restrictions requires the approval of the Executive Director. This includes all gifts with life estate interests; any gifts that require the establishment of a new office or program; gifts with naming rights; and gifts with a time schedule or other conditions, such as matching gifts.

In addition, the acceptance of in-kind gifts is based upon the relevance to the mission of PCYAO and/or the financial benefit to accepting said gift. The authority and responsibility for prompt, careful evaluation and acceptance or declination of these gifts lies with the Executive Director and Board of Directors.

#### I. Declining Gifts

Gifts may have to be declined under certain conditions including, but not limited to, the following:

1. The gift is restricted and requires support from other resources that are unavailable, inadequate, or may be needed for other institutional purposes.
2. The gift is restricted and supports a purpose or program peripheral to existing principal purposes of PCYAO or creates or perpetuates programs or obligations that dissipate resources or deflect energies from other programs or purposes.
3. The gift injures the reputation or standing of PCYAO or generates such controversy as to substantially frustrate and defeat the purpose to be served.

J. Gifts Requiring Financial Commitment from the Organization

Sometimes gifts require a present or future financial commitment from PCYAO over and above the amount pledged. Before soliciting or accepting any gift that requires a present or future financial commitment from PCYAO, approval must be obtained from the Board of Directors. Examples of some gift-related commitments include the following:

1. To provide matching funds
2. To continue a project after the gift has terminated or been exhausted
3. To finance a construction project
4. To establish a permanent, interest-bearing fund when the gift amount is not large enough to carry out its specified purpose
5. To finance and/or administer a project outside the routine functioning and operation of the organization

K. Advertised Gift Program Designations

Unrestricted gifts, i.e. gifts to the Tour Fund, are encouraged, but suggested programs are provided for donors. These specified gift programs are as follows:

1. Scholarship Fund
2. New Instrument Fund
3. Underwriting for special events, Corps at the Crest, and similar opportunities

As needed, additional restricted gift categories may be advertised to donors, such as funds for a match. There is no minimum gift amount required for designation to the aforementioned programs.

L. Non-Endowed Named Funds

Donors may establish non-endowed named funds.

1. Such funds may be unrestricted or designated for a specific program or purpose. The restriction must follow the guidelines set forth in Section IV.
  - a. Designated funds initiated by a donor will require a written fund agreement.
2. The minimum gift to establish a non-endowed named fund is \$2,500. This amount must be received in full within one year of the establishment of the fund.
3. Upon approval of the gift acceptance committee, exceptions to the minimum non-endowed named funds size may be made following the honors and recognition guidelines set forth in Section IV.

## VI. OUTRIGHT GIFTS

- A. Unrestricted, outright gifts are acceptable in any amount.
- B. Cash
  - 1. PCYAO accepts cash, checks, money orders, MasterCard, Visa, and American Express.
  - 2. All checks should be made payable to Pacific Crest and should not be made payable to an employee or volunteer for credit to PCYAO.
  - 3. All checks are deposited in the ordinary course of business. No employee is authorized to delay deposit.
- C. Publicly-Traded Securities
  - 1. Securities, which are traded on the New York Stock Exchange, American Stock Exchange, NASDAQ, or other readily available markets, are accepted by PCYAO. The gift of any securities with market restrictions must be approved by the Board of Directors.
  - 2. Securities accepted by PCYAO are generally sold as soon as practicable, unless it is decided by the Board of Directors to hold the securities as investments of PCYAO.
  - 3. To maximize tax-saving benefits to the donor, it is advised that donors transfer appreciated securities directly to PCYAO instead of selling the securities and gifting the proceeds. To maximize their capital loss deductions, donors are advised to sell depreciated securities and gift the proceeds to PCYAO.
  - 4. The donor is responsible for contacting his/her financial professional to inform him/her of the desire to transfer shares of securities to PCYAO. PCYAO staff may assist in the gift process by contacting the financial professional to ensure the transaction takes place in as short a time period as possible.
  - 5. Securities are recorded and valued the date they are deposited in PCYAO's account.
    - a. Valuation of a gift of a security is derived from the mean of the high and low prices per share on the date of the gift.
    - b. For bonds donated, accrued interest is also included in the gift amount.
- D. Closely-Held Securities and Ownership Interests
  - 1. Non-publicly traded securities, including limited partnership and similar ownership interests, are accepted only upon prior approval of the gift acceptance committee after review of the prospective donation by the Board of Directors.
  - 2. Such securities or interests may be sold only with the prior approval of the Board of Directors or its designated agent.
  - 3. PCYAO does not enter into any agreement whereby the donation of closely-held stock is contingent on PCYAO's future obligation to redeem the stock.
  - 4. Because values are not readily accessible and there is an indeterminable discount for illiquidity, no valuation is included on the donor's receipt for gifts of closely held securities and ownership interests. The donor should consult his/her tax advisor to determine an appropriate deduction to take for such gifts.

- a. Gift credit for closely-held securities and ownership interests is applied to the donor's record based on proceeds realized upon sale.

#### E. Real Property

PCYAO gift acceptance committee considers gifts of real property, both improved and unimproved (e.g., detached single-family residences, condominiums, apartment buildings, rental property, commercial property, farms, acreage, etc.), including gifts subject to a retained life estate, only after a thorough review of the criteria for acceptance set forth below under the direction and supervision of the Board of Directors.

1. The minimum acceptable fair market value for a gift of real property is \$50,000. Property must be readily marketable and have clear title capable of being insured by a reputable title company at regular rates, unless it is otherwise decided by the Board of Directors.
2. Full interests, partial interests, and remainder interests in real property are all acceptable. Remainder interests are contracts. In the case of such gifts, the donor is expected to agree to pay all property taxes, maintenance expenses, and any property indebtedness.
4. Assets may be given outright, serve as the corpus of a trust arrangement, or in the case of a personal residence, be given with the right of lifetime tenancy by the donor and/or the donor's spouse.
5. Criteria for Acceptance of Real Property
  - a. Market value and marketability—The gift acceptance committee must receive a reasonably current appraisal of the fair market value of the property and interest in the property PCYAO would receive if the proposed gift were approved. The Executive Director informs the donor that, if the gift is completed, the IRS requires an appraisal made within 60 days of the date of the gift and that it is PCYAO's policy to dispose of all gifts of real estate, other than property which PCYAO wishes to retain, as expeditiously as possible. Thus, regardless of the value placed on the property by the donor's appraisal, PCYAO attempts to sell at a reasonable price, in light of current market conditions.
  - b. Potential environmental risks—All proposed gifts of real property, including gifts from estates, must be accompanied by an environmental audit performed at the donor's expense. The only permitted exception to this requirement is for residential property that has been used solely for residential purposes for a significant (at least twenty-year) period of time. In cases where this exception applies and no environmental audit is undertaken, the donor/executor may be required to execute an environmental indemnity agreement. Even in the case where an environmental audit is submitted, the donor may be required to sign an environmental indemnity agreement.
  - c. Limitations and encumbrances—The existence of any and all mortgages, deeds of trust, restrictions, reservations, easements, liens, and other limitations of record must be disclosed. No gift of real estate is accepted until all mortgages, deeds of trust, liens, and other encumbrances have been discharged, except in very unusual cases where the fair market value of PCYAO's interest in the property, net of all encumbrances, is substantial.
  - d. Carrying costs—The existence and amount of any carrying costs, including but not limited to, property owners' association dues, country club membership dues and

transfer charges, taxes, and insurance, must be disclosed by the donor prior to acceptance of the property by PCYAO.

- e. Title information—A copy of any title information in the possession of the donor, such as the most recent survey of the property, a title insurance policy, and/or an attorney's title opinion, must be furnished.
  - f. Additional considerations include the following:
    - i. Type of real property and location
    - ii. Purpose of the gift (e.g., unrestricted or otherwise)
    - iii. Any potential PCYAO use
    - iv. Any special arrangements requested by the donor concerning disposition (e.g., price considerations; time duration prior to disposition; potential buyers; or realtors/brokers with whom the donor would like PCYAO to list the property, etc.)
6. The execution and delivery of a deed of gift or other appropriate conveyance completes the gift. The costs associated with the conveyance and delivery of the gift, including but not limited to, recording fees and, if deemed necessary by the Executive Director, a current survey, title insurance, and/or an attorney's title opinion, are the donor's responsibility.

F. Personal Property (In-Kind Gifts)

- 1. "In-kind gifts" refers to the donation of goods and services.
- 2. Acceptable items include, but are not limited to, the following:
  - a. Food, if in sufficient quantities and in unopened original packaging
  - b. Office equipment, furniture, and supplies
  - c. Tickets to sporting and entertainment events
  - d. Computer equipment and supplies
  - e. Household electronics (i.e., televisions, DVD players, VCR players, radios, stereos, cameras)
  - f. Musical instruments
  - g. Gift certificates, new products, or other items suitable for use as prizes or auction items
- 3. PCYAO accepts only items that can be used, auctioned at a special event, or readily sold on the open market for a minimum of \$500. Unless there are countervailing circumstances, the Board of Directors' policy is to sell or otherwise dispose of, within one year after the date of gift, any item of personal property that is gifted to PCYAO and for which PCYAO has no use.
- 4. All gifts of personal property must be reported immediately to the Executive Director. Board members, staff, and volunteers are encouraged to contact the Executive Director before accepting or taking delivery of in-kind gifts.
- 5. Donors making in-kind gifts may be asked to complete an in-kind donation form so donations are correctly recorded and acknowledged.
- 6. Only new items.
- 7. PCYAO does not accept donations of the following property:

- a. Clothing, bedding, and linens, unless in unopened original packaging and suitable for distribution as a prize
  - b. Eyeglasses and hearing aids
  - c. Personal grooming products, unless in unopened original packaging and suitable for distribution as a prize
  - d. Property where PCYAO is obligated to maintain ownership of it in perpetuity
  - e. Livestock and other animals
8. PCYAO reserves the right to decline any in-kind gifts when the quantity is insufficient for equitable distribution.
  9. Based on the availability of a PCYAO driver, vehicle, and the travel distance involved, large items accepted as in-kind donations can be picked up from the donor's home or business.
  10. Property that requires additional insurance, special facilities or security to properly safeguard it may not be accepted without prior approval of the gift acceptance committee.
  11. Gift credit
    - a. Donors of in-kind gifts are not credited a specific dollar amount unless an appraisal of the gift from a qualified third party accompanies the gift or the gift is new and accompanied by a copy of the purchase receipt. For recording purposes, gifts without an appraisal or receipt copy are valued at \$0.
  12. All in-kind gifts are acknowledged in writing with a thank you letter and a receipt describing the item.
  13. The following language is included in the receipt provided for the donation of in-kind gifts with an estimated value greater than \$5,000:
    - a. Your gift may require you to complete IRS Form 8283 together with an appraisal of the donated property. Please consult your tax advisor.
    - b. The deduction you receive from this gift may be limited to the lower of the cost or the market value of the goods donated. Please consult your tax advisor.
  14. Gifts of Service
    - a. General service
 

Gift receipts are not issued for gifts of general service. Gifts of general service fall under the purview of the Executive Director and are recognized as volunteer service. Volunteers may receive gift credit for expense reimbursements donated to PCYAO, upon request and with appropriate receipts.
    - b. Professional service
 

Gifts of professional services (e.g., legal, graphic design, accounting, etc.) and partial donations of service (i.e. discounted rates) are eligible for recognition credit for gift clubs only.

G. Other Property & Considerations

1. Special consideration is always given to the nature of any gift and whether it fits with the mission of PCYAO prior to acceptance of any property, whether real or personal.



2. Generally unacceptable property includes the following:
  - a. Mortgages or notes
  - b. Copyrights and other intellectual property rights
  - c. Royalties
  - d. Easements
  - e. Debt-encumbered property
  - f. Oil, gas, and mineral interests
  - g. Time share interests
3. Exceptions to the above restrictions are considered on a case-by-case basis. Prior approval by the gift acceptance committee is required.
4. Bargain sales are not acceptable without prior approval from the gift acceptance committee.
  - a. A bargain sale is a transaction in which PCYAO is provided the opportunity to purchase property at less than its fair market value. The gift is usually the difference between the sale price and the market value.
5. Automobiles are acceptable as gifts on a case-by-case basis. Vehicles in working order, free of debt, that pass state inspection, and that are suitable for use by PCYAO may be donated directly. Inoperable vehicles, or those for which PCYAO has no use, are accepted through Cars 4 Causes, a third-party vehicle donation service. Recognition credit for vehicles is based on the Kelley Blue Book value for vehicles retained for use by PCYAO. For vehicles sold through a third party, donors receive recognition credit for the payment PCYAO receives from Cars 4 Causes. For accounting purposes, net proceeds from the vehicle's sale are recorded.
6. PCYAO must receive a reasonably current appraisal of the fair market value of the property and interest in the property PCYAO would receive if the proposed gift were approved. The donor is informed that, if the gift is completed, the IRS requires an appraisal made within 60 days of the date of the gift. The appraisal and other information must indicate clearly and convincingly that there is a market for the asset under consideration and that the asset can be sold within a reasonable period of time, if it is not an asset PCYAO can put to use.
7. Other types of gifts not mentioned in this policy may be acceptable, within reason, for the purpose given and in an amount appropriate for the gift type. The gift acceptance committee is expected to use fiscally and legally sound rationale for acceptance. This policy serves as a general guideline under such circumstances.
8. Deed of Gift
  - a. To transfer the ownership or the title of tangible personal property from the donor to PCYAO requires the physical transfer of the property to PCYAO from the donor along with the formal acceptance of the property by PCYAO. A deed of gift accomplishes this transfer.
  - b. PCYAO reserves the right to require a deed of gift for any donation of personal property. The deed of gift includes an identification of the property to be transferred and a statement of donative intent signed by the donor.

- c. Sample language for a deed of gift follows: \_\_\_\_\_, DONOR, of \_\_\_\_\_, hereby confirms that he is the legal owner of and does hereby irrevocably and unconditionally give, grant, and convey an absolute, unconditional, and undivided interest in the item(s) described below, to PCYAO for the benefit of PCYAO, hereinafter referred to as DONEE. Title to the items and all associated rights are hereby vested in DONEE, without reservation and free and clear of all encumbrances. DONOR understands and agrees that the item(s) may be displayed, loaned, retained, disposed of, or otherwise employed at the sole discretion of DONEE.

## VII. DEFERRED/PLANNED GIFTS

- A. The negotiation and execution of deferred giving plans is done only through the Executive Director, and the gift acceptance committee has the ultimate authority in this process. Not all gifts are accepted.
- B. When property other than cash, listed securities, or securities traded over-the-counter is involved, final approval of the Executive Director is required to accept or decline a gift.
- C. The following planned giving/life income agreements are acceptable when in compliance with the Internal Revenue Code at the time the gift is established and are subject to reformation as tax laws change:
  - 1. Charitable gift annuities
  - 2. Charitable remainder trust (annuity and unitrust)
  - 3. Charitable lead trust (annuity and unitrust)
  - 4. Life insurance
- D. Charitable Gift Annuities  
NOT APPLICABLE
- E. Charitable Remainder Trusts
  - 1. PCYAO accepts designation as a charitable beneficiary in both charitable remainder unitrusts (CRUT) and charitable remainder annuity trusts (CRAT).
  - 2. If PCYAO is not named the trustee of the CRUT or CRAT, there is no minimum funding requirement.
  - 3. For CRUTs, the fixed percentage to be paid to non-charitable beneficiaries must be no less than 5 percent and not more than 50 percent of the trust's fair market value.
  - 4. For CRATs, the fixed dollar amount to be paid annually to non-charitable beneficiaries must be no less than 5 percent of the initial fair market value of the property placed in the trust. Beneficiaries with lifetime earnings must be 55 years of age or older.
  - 5. Upon request by a donor, PCYAO can share a draft of a standard charitable remainder trust agreement with donors. Donors are encouraged to share the draft with their advisor(s).
  - 6. A separate named endowment fund can be established at PCYAO if the present value of PCYAO's future interest in the CRUT or CRAT is at least \$100,000.

7. PCYAO does not accept appointment as the trustee of a CRUT or CRAT unless both the following conditions are met:
  - a. The initial funding amount is \$250,000 or more
  - b. PCYAO is the sole charitable beneficiary
8. Charitable remainder trusts for which PCYAO is a trustee are administered by a third-party – to be determined – under a separate trust agreement. The investment of trust funds is fully consistent with the objective of each trust. Once the requirements of a trust agreement have been met and the trust is terminated, the assets of the trust are commingled with PCYAO’s other investment assets.

F. Charitable Lead Trusts

PCYAO accepts the designation as income beneficiary of a charitable lead trust (CLT) but does not accept appointment as trustee of such a trust. Both charitable lead unitrusts (CLUT) and charitable lead annuity trusts (CLAT) are acceptable forms.

- G. Payments to donors and beneficiaries on charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts are made according to the terms of the individual agreement.

H. Life Insurance

1. PCYAO accepts gifts of life insurance policies, including whole life, variable, and universal life policies, which meet the following criteria:
  - a. PCYAO is designated as the owner and the beneficiary of the policy
  - b. The policy is either paid up or, if not paid up as of the date of the gift, meets the following criteria:
    - i. Has a minimum face value of \$25,000;
    - ii. Has a payment schedule not to exceed 12 years and which assumes an interest rate not to exceed one percent below the prevailing prime interest rate; and
    - iii. Requires a written pledge of a charitable contribution from the donor to PCYAO in a total amount that equals or exceeds the total premiums due and with pledge payments scheduled that equal or exceed each policy premium payment as that payment becomes due. This written pledge must also acknowledge the resulting right of PCYAO to cash in the policy and apply the proceeds of the same for the benefit of PCYAO as the Board of Directors deems appropriate, giving due consideration to the donor’s intent.
2. Gifts of paid-up life insurance are preferable, as these are completed, non-contingent gifts. However, designations of contingent term life insurance policies are accepted by PCYAO under certain circumstances. PCYAO encourages donors to name PCYAO as the exclusive beneficiary for life insurance policies that have been purchased on their lives. Likewise, PCYAO accepts the naming of PCYAO as a partial interest beneficiary of life insurance policies that donors have purchased on their lives.
3. PCYAO does not, as a matter of course, agree to accept gifts from donors for the purpose of purchasing life insurance on the donor’s life. In the event an exception is made, PCYAO only considers the naming of PCYAO as the exclusive irrevocable beneficiary of insurance

policy(ies) purchased on the lives of the donors with gifts from donors if the insurance policy(ies) are owned by PCYAO.

4. PCYAO gives full recognition credit for the face value of a life insurance policy given to PCYAO if the policy is fully paid-up and the insured is age 55 or older. PCYAO reserves the right to determine what constitutes “fully paid-up” policy status.
5. PCYAO must be named as both beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be recorded as a gift. The gift is valued at its cash surrender value upon receipt. If the donor contributes future premium payments, PCYAO includes the entire amount of the additional premium payment as a gift in the year it is made.
6. If a policy is not fully paid up and the donor does not elect to continue making gifts to cover premium payments on the life insurance policy, PCYAO may:
  - a. Continue to pay the premiums;
  - b. Convert the policy to paid-up insurance; or
  - c. Surrender the policy for its current cash value.

#### I. Bequests

1. A bequest is a gift of any amount or form made to PCYAO in a donor’s will. Bequests may provide for a specific dollar amount in cash, specific securities, or specific articles of tangible personal property.
2. PCYAO is pleased to be named as a charitable beneficiary in a donor’s will. Donors may make bequest provisions that name PCYAO as any of the following:
  - a. Sole beneficiary;
  - b. Beneficiary of a portion of the estate (e.g., 30%, 50%, etc.);
  - c. Beneficiary of the remainder of an estate or a portion of the remainder of an estate after specific needs have been fulfilled;
  - d. Beneficiary of a specific dollar legacy; or
  - e. Contingent beneficiary.
3. Gifts can be made to PCYAO through the execution of a new will or through a codicil to an existing will.
4. Sample Language
  - a. Unrestricted Bequest: “I give and bequeath to PCYAO, Diamond Bar, California, (the sum of \$\_\_\_\_) or (\_\_\_\_% of the residue and remainder of my estate) or (property described herein) to be used for general purposes, as determined by the Board of Directors.”
  - b. Upon the donor’s request, PCYAO can provide language to assist in establishing a restricted estate gift: “This designation represents a preferred use for these funds and is not an absolute restriction. Should the exact designation cease to be effective or practicable before or after the gift is received by PCYAO, the Board of Directors is authorized to use this gift in an alternative way consistent with the general intent of this designation.”

- i. Gifts received when PCYAO had no prior knowledge of the amount or nature of the gift are treated as if the language above had been included, unless legally impossible.
- J. Retirement Plan Beneficiary Designations
  1. The easiest way for a donor to donate retirement plan assets is to designate PCYAO as a primary beneficiary. Donors can contact the administrator of their plan to receive the correct forms to sign. For 401(k)s, if a donor is married, the spouse must waive his or her right to survivor benefits from the plan. Donors can specify an amount or percentage of the retirement plan assets to be gifted to PCYAO. Donors can also designate PCYAO as the secondary beneficiary. An alternative is to have retirement plan assets transferred at death to a charitable remainder trust.
  2. Retirement plan beneficiary designations and bequests are not recorded as gifts to PCYAO until the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of the gift is recorded at the time the gift becomes irrevocable.

## **VIII. ENDOWMENT FUNDS**

NOT APPLICABLE

## **IX. RELATED ORGANIZATIONS**

- A. Support Groups
  1. The Pacific Crest Alumni Association is a support group for PCYAO.
  2. Additional support group organizations may be formed by PCYAO only with the approval of the Board of Directors. The purpose of any such group is to promote the mission, purpose, goals, and objectives of PCYAO. Support groups are not established as separately incorporated associations.
  3. Support group organizations formed for fundraising purposes must have written operating rules and procedures, which are approved by PCYAO. Their operating rules and procedures must include the following text:
    - a. Description of formal affiliation;
    - b. Purposes;
    - c. Membership requirements;
    - d. Criteria for election of Board of Directors and officers;
    - e. Duties and powers of Board members and officers;
    - f. Committee descriptions;
    - g. Meeting schedule;
    - h. Procedures for receiving and disposing of funds and assets;
    - i. Rules of order;
    - j. Limitations on political activities; and

- k. Procedures for amendments.
3. Use of PCYAO Name
    - a. Support groups are to act only in the name of PCYAO.
    - b. The Executive Director approves support groups' use of the name PCYAO in communications.
  4. The annual goals and objectives of each support group organization should be prepared in coordination and cooperation with PCYAO. Preparation of annual goals and objectives is defined and approved by the Board of Directors of each support group and reported to PCYAO Board of Directors for review and approval.
  5. Control of Funds Raised and Held
    - a. All funds raised and held by support groups are in the name of PCYAO and are delivered to it upon receipt or following completion of the activity for which the funds were raised.
    - b. Regular reports of the funds raised and held are made to the development committee.