

Maine Initiatives Gift Acceptance Policies and Guidelines

Maine Initiatives, a not-for-profit organization organized under the laws of the State of Maine, encourages the solicitation and acceptance of gifts for purposes that will help Maine Initiatives to further and fulfill its mission. The following policies and guidelines govern acceptance of gifts made to Maine Initiatives or for the benefit of any of its programs.

Our mission: Maine Initiatives, a fund for change, cultivates social, economic, and environmental justice through grants and other support to grassroots organizations in Maine communities.

I. Purpose of Policies and Guidelines

The board of trustees of Maine Initiatives and its staff solicit current and deferred gifts from individuals, corporations, and foundations to secure the future growth and mission of Maine Initiatives. These policies and guidelines govern the acceptance of gifts by Maine Initiatives and provide guidance to prospective donors and their advisors when making gifts to Maine Initiatives. The provisions of these policies shall apply to all gifts received by Maine Initiatives for any of its programs or services.

II. Use of Legal Counsel

Maine Initiatives shall seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by counsel is recommended for:

- 1) Closely held stock transfers subject to restrictions or buy-sell agreements.
- 2) Gifts involving contracts, such as bargain sales or other documents requiring Maine Initiatives to assume an obligation.
- 3) Gifts of real estate.
- 4) Transactions with potential conflicts of interest that may invoke IRS sanctions.
- 5) Other instances in which use of counsel is deemed appropriate by the gift acceptance committee.

III. Conflicts of Interest

Maine Initiatives will urge all prospective donors to seek the assistance of personal legal, financial and tax advisors in matters relating to their gifts and the resulting tax and estate planning consequences. Maine Initiatives will comply with the Model Standards of Practice for the Charitable Gift Planner promulgated by the National Committee on Planned Giving, shown as an appendix to this document.

IV. Restrictions on Gifts

Maine Initiatives will accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are not inconsistent with its stated mission, purposes, and priorities. Maine Initiatives will not accept gifts that are too restrictive in purpose. Gifts that are too restrictive are those that violate the terms of its Articles of Incorporation or gifts that are too difficult to administer. All final decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by Maine Initiatives' gift acceptance committee or board of trustees.

V. The Gift Acceptance Committee

The gift acceptance committee shall consist of:

- 1) the executive director of Maine Initiatives;
- 2) the president of Maine Initiatives;
- 3) the treasurer of Maine Initiatives;
- 4) the investment committee chair of Maine Initiatives; and
- 5) such other members as appointed by the president of Maine Initiatives.

The gift acceptance committee is charged with the responsibility of reviewing all significant gifts made to Maine Initiatives, properly screening and accepting those gifts, and making recommendations to the board on gift acceptance issues when appropriate.

VI. Types of Gifts

Acceptable gifts may include:

- Cash
- Tangible Personal Property
- Gifts in Kind
- Securities
- Real Estate
- Remainder Interests in Property
- Oil, Gas and Mineral interests
- Bargain Sales
- Life Insurance
- Charitable Gift Annuities
- Charitable Remainder Trusts
- Charitable Lead Trusts
- Retirement Plan Beneficiary Designations
- Bequests
- Life Insurance Beneficiary Designations

The following criteria govern the acceptance of each gift form:

- 1) *Cash*: Checks shall be made payable to Maine Initiatives.

- 2) *Tangible Personal Property*: The gift acceptance committee shall make the final determination on the acceptance of tangible property gifts. Gifts of tangible personal property shall be examined in light of the following criteria:
 - Does the property fulfill the mission of Maine Initiatives?
 - Is the property marketable?
 - Are there any undue restrictions on the use, display, or sale of the property?
 - Are there any carrying costs for the property?
- 3) *Gifts in Kind*: Substantive gifts, including but not limited to goods, services, food, beverage, facilities, equipment and other materials may be sought from, and donated by, individuals, corporations and foundations, particularly to support a special event.
- 4) *Securities*: Maine Initiatives accepts both publicly traded securities and closely held securities.

Publicly Traded Securities: Marketable securities may be transferred to an account maintained at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. As a general rule, all marketable securities shall be sold upon receipt. In some cases marketable securities may be restricted by applicable securities laws; in such instance the final determination on the acceptance of the restricted securities shall be made by the gift acceptance committee and legal counsel.

Closely Held Securities: Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in limited partnerships and limited liability companies, or other ownership forms, can be accepted subject to the approval of the gift acceptance committee and legal counsel. However, gifts must be reviewed prior to acceptance to verify:

- there are no restrictions on the security that would prevent Maine Initiatives from ultimately converting those assets to cash;
- the security is marketable; and
- the security will not generate any undesirable tax consequences for Maine Initiatives.

If potential problems arise on 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 when necessary.

- 5) *Real Estate*: Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, Maine Initiatives shall require an initial environmental review of the property to ensure that the property has no environmental damage. Environmental assessment forms are attached as an appendix to this document. In the event that the initial inspection reveals a potential problem, Maine Initiatives shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be an expense of the donor.

When appropriate, a title binder shall be obtained by Maine Initiatives prior to the acceptance of the real property gift. The cost of this title binder shall generally be an expense of the donor. Prior to acceptance of the real property, the gift shall be approved by the gift acceptance committee and legal counsel. Criteria for acceptance of the property shall include:

- Is the property useful for the purposes of Maine Initiatives?
- Is the property marketable?
- Are there any restrictions, reservations, easements, or other limitations associated with the property?
- Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, etc., associated with the property?
- Does the environmental audit reflect that the property is not damaged?

- 6) *Remainder Interests in Property*: Maine Initiatives will accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions of paragraph 5 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, Maine Initiatives may use the property or reduce it to cash. Where Maine Initiatives receives a gift of a remainder interest, expenses for maintenance, real estate taxes, and any property indebtedness are to be paid by the donor or primary beneficiary.

- 7) *Oil, Gas, and Mineral Interests*: Maine Initiatives may accept oil and gas property interests. Prior to acceptance of an oil and gas interest the gift shall be approved by the gift acceptance committee, and if necessary, by legal counsel. Criteria for acceptance of the property shall include:

- Gifts of surface rights should have a value of \$25,000 or greater.
- Gifts of oil, gas, and mineral interests should generate at least \$2,500 per year in royalties or other income (as determined by the average of the 3 years before the gift).
- The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate

- A working interest is rarely accepted. A working interest may only be accepted when there is a plan to minimize potential liability and tax consequences.
- The property should undergo an environmental review to ensure that Maine Initiatives has no current or potential exposure to environmental liability.

8) *Bargain Sales*: Maine Initiatives will enter into a bargain sale arrangement in instances in which the bargain sale furthers its mission and purposes. All bargain sales must be reviewed and recommended by the gift acceptance committee and legal counsel and approved by the board of trustees. Factors used in determining the appropriateness of the transaction include:

- Maine Initiatives must obtain an independent appraisal substantiating the value of the property.
- If Maine Initiatives assumes debt with the property, the debt ratio must be less than 50% of the appraised market value.
- Maine Initiatives must determine that it will use the property, or that there is a market for sale of the property, allowing sale within 12 months of receipt.
- Maine Initiatives must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.

9) *Life Insurance*: Maine Initiatives 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 interpolated terminal reserve value, or cash surrender value, upon receipt. If the donor contributes future premium payments, Maine Initiatives will include the entire amount of the additional premium payment as a gift in the year that it is made. If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, Maine Initiatives may:

- continue to pay the premiums;
- convert the policy to paid up insurance; or
- surrender the policy for its current cash value.

10) *Charitable Gift Annuities*: Maine Initiatives offers charitable gift annuities on a case by case basis with the approval of the gift acceptance committee. The minimum gift is \$25,000. The recommended minimum age for life income beneficiaries shall be 55. Where a deferred gift annuity is offered, the recommended minimum age shall be 45. No more than two life income beneficiaries will be permitted for any gift annuity. Annuity payments may be made on a quarterly, semi-annual, or annual schedule.

Maine Initiatives will not accept real estate, tangible personal property, or any other illiquid asset in exchange for current charitable gift annuities. Maine Initiatives may accept real estate, tangible personal property, or

other illiquid assets in exchange for deferred gift annuities so long as there is at least a 5-year period before the commencement of the annuity payment date and the value of the property is reasonably certain, and the gift acceptance committee approves the arrangement.

A portion of the donor's gift shall be used to purchase a commercial annuity. The remaining amount shall be transferred to Maine Initiatives' general endowment funds or to such specific fund as designated by the donor.

- 11) *Charitable Remainder Trusts*: Maine Initiatives may accept designation as remainder beneficiary of a charitable remainder trust with the approval of the gift acceptance committee. Maine Initiatives will not serve as trustee of a charitable remainder trust.
- 12) *Charitable Lead Trusts*: Maine Initiatives may accept a designation as income beneficiary of a charitable lead trust with the approval of the gift acceptance committee. Maine Initiatives will not serve as trustee of a charitable lead trust.
- 13) *Retirement Account Beneficiary Designations*: Donors and supporters of Maine Initiatives may elect to name Maine Initiatives as a primary or contingent beneficiary of their retirement accounts. Such designations will not be recorded as gifts to Maine Initiatives until such time as the gift is irrevocable. When 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.
- 14) *Bequests*: Donors and supporters of Maine Initiatives may make bequests to the Charity under their wills and trusts. Such bequests will not be recorded as gifts to Maine Initiatives until such time as the gift is irrevocable. When 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.
- 15) *Life Insurance Beneficiary Designations*: Donors and supporters of Maine Initiatives may name Maine Initiatives as beneficiary or contingent beneficiary of their life insurance policies. Such designations shall not be recorded as gifts to Maine Initiatives 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 at the time the gift becomes irrevocable.

VII. Gifts to Establish Non-Endowed Donor Advised Funds:

1. *Description*: Maine Initiatives offers donor-advised funds to supporters who wish to channel some or all of their philanthropic giving through Maine Initiatives. These funds are considered "current" and are not

endowed. The minimum opening balance for a non-endowed donor-advised current account is \$1,000.

2. *Guidelines:* Donors have the flexibility of recommending that contributions be made to organizations working within specific or general areas of concern compatible to the mission of Maine Initiatives. Donors have the benefit of expert input from the staff and trustees of Maine Initiatives and can, if they so choose, remain anonymous. A document offering a detailed description of Maine Initiatives donor-advised funds and their associated policies is attached as an exhibit.

VIII. Gifts to Establish Permanent Endowments:

1. *Description:* Endowed funds may be created from time to time for a variety of purposes, including field of interest funds, donor advised funds or scholarship funds.
2. *Guidelines:* All endowment funds must be reviewed and approved by the gift acceptance committee and meet the minimum funding levels. The required minimum funding level will be considered met when the total value of gifts and transfers of funds from the donor, valued as of the gift date or date of transfer, respectively, reaches a minimum threshold of \$25,000. Reinvestment of endowment distributions and /or capital appreciation may not be used to determine the total funding value.

Example: A donor contributes \$5,000 a year for five years to fund a scholarship at a total contribution value of \$25,000. At the end of the five-year period, the endowment may have reached a market value of \$50,000 due to capital appreciation. However, the contributed value remains at \$25,000. This endowment cannot be re-designated as another kind of fund with a larger minimum funding threshold until the contribution amount reaches the larger minimum from additional gifts or transfers of funds.

No endowment will be established or announced without prior approval by the board of trustees. As outlined above, under ordinary circumstances, new endowments may not be created with accumulated distributions from existing permanent endowments.

Requests to establish an endowed fund requiring separate management must meet a minimum threshold of \$500,000.

Endowment Agreements

- a) A written endowment agreement signed by the donor(s) is required for each new permanent endowment established. This instrument must, absent compelling reasons, include the following language:
 - donor name(s);
 - gift description and amount;

- pledge description, amount and due date;
 - endowment name;
 - program to benefit;
 - a statement setting out the intended use or purpose for funds distributed from the endowment;
 - a statement setting forth the spending policy, accounting and reporting procedures;
 - a statement that, if in the opinion of the board of trustees, future circumstances change so that the purposes for which the endowment is established become illegal, impracticable or inconsistent with the stated mission, purposes and priorities of Maine Initiatives, the board may designate an alternative use for the endowment payout, giving consideration to the donor's special interest as evidenced by the original purpose of the endowment.
- b) A gift agreement memorandum should also serve as the endowment agreement in situations where funding is from multiple donors with no primary donor or donors.

Pledge Policy

Pledges from donors that follow these guidelines may be accepted to fund endowments at any level recognized by the board of trustees.

- a) At least 20 percent of the donor's total proposed funding must be received before the endowment will be established.
- b) The pledge for payment of the remaining funds shall not extend beyond five years after the date of execution of the endowment agreement.
- c) Funding levels will not be determined by the amount of net sale proceeds received from a non-cash gift or by the current market value of the investment held in an endowment.

Example: A donor gives a gift of stock valued at \$100,000 to create a new endowment. The stock is sold for net sales proceeds of \$97,000. The \$100,000 endowment may still be created because the donor contributed a gift valued at \$100,000, although the endowment's value is only \$97,000.

- d) If the donor is unable to fulfill the pledge by the end of the five year period, the endowment will either be dissolved or re-designated as follows:
 - If endowment funds are less than the minimum endowment funding level, the endowment may be dissolved with the approval of the board of trustees. The board shall designate an existing endowment to which to transfer the funds, taking into consideration the donor's original intent.

- If endowment funds are in excess of the minimum endowment funding level, but are less than the level prescribed for the type of endowment originally approved, the endowment may be re-designated to the highest applicable level based upon the funds held, with the approval of the board.

VIII. Gift Processing

Gift processing will be accurate, timely, and complete. All processes and procedures must conform to and be compatible with generally accepted accounting principles for not-for-profit foundations.

Securing appraisals and legal fees for gifts to Maine Initiatives: It will be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts made to Maine Initiatives.

Valuation of gifts for development purposes: Maine Initiatives will record a gift at its valuation for gift purposes on the date of gift.

Responsibility for IRS Filings upon sale of gift items: Maine Initiatives' treasurer is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within two years of receipt by Maine Initiatives when the charitable deduction value of the item is more than \$5,000. Maine Initiatives must 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.

Acknowledgement of all gifts made to Maine Initiatives and compliance with the current IRS requirements in acknowledgement of such gifts shall be the responsibility of Maine Initiatives' trustees. IRS Publication 561 Determining the Value of Donated Property and IRS Publication 526 Charitable Contributions are attached to these policies as an Appendix.

The privacy and confidentiality of donors shall be safeguarded at all times. All gift records will be released only when authorized by the donor or as required by law.

Maine Initiatives has adopted socially responsible investment (SRI) policies for its endowment and donor-advised fund accounts. These policies are attached as exhibits.

VIII. Changes to Gift Acceptance Policies

These policies and guidelines have been reviewed and accepted by the gift acceptance committee and trustees of Maine Initiatives. The gift acceptance committee must approve any changes to, or deviations from, these policies. Securing appraisals and legal fees for gifts to Maine Initiatives: It will be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts made to Maine Initiatives.

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IX. Definitions

Gift acceptance policy terminology explained:

Charitable Remainder Trusts

Description: A *charitable remainder trust* is a separately administered trust established by the donor. It provides for payments to the donor and/or other named beneficiary(ies) either for life or a term of years (not exceeding twenty), whereupon the remaining trust assets are distributed to Maine Initiatives.

A *charitable remainder annuity trust* pays a fixed amount, which must be at least five percent of the fair market value of the assets initially contributed to the trust. This amount does not change, and no additional gifts may be made to the trust after its creation.

A *charitable remainder unitrust* pays a fixed percentage (at least five percent) of the fair market value of the trust assets, as valued annually. Because the value of assets can be expected to change from year to year, the unitrust payment will vary in amount each year. Additional contributions may be made to the trust after it is established. Three variations of the unitrust are possible. A "straight" unitrust pays the stipulated amount, even if it is necessary to invade principal to do so. A "net-income" unitrust pays the lesser of the stipulated amount or the actual net income, so principal would not be invaded. A "net-income with make-up provision" unitrust is similar to the net income unitrust except that excess earnings can be applied to cover accrued deficiencies resulting from the net income being less than the stipulated amount.

The Charitable Lead Trust

Description: A *charitable lead trust* is a trust in which the income, or "lead" interest, is paid to Maine Initiatives, and the "remainder" interest is given to one or more non-charitable beneficiaries, who could be either the donor or family members. The amount paid to Maine Initiatives may be either a fixed sum (an annuity trust interest) or a percentage of trust assets as valued each year (a "unitrust" interest).

Life Insurance

Description: There are various methods by which a life insurance policy may be contributed to Maine Initiatives. A donor may:

- a) Assign irrevocably a paid-up policy to Maine Initiatives;
- b) Assign irrevocably a life insurance policy on which premiums remain to be paid; or
- c) Name Maine Initiatives as a primary or successor beneficiary of the proceeds.

Retirement Accounts

Description: An individual may name Maine Initiatives as a primary or contingent beneficiary of his/her retirement account (401k, 403b, 457 or IRA). If named as a primary beneficiary, Maine Initiatives receives a specified percentage of the account balance at the time of the donor's death. If named as a contingent (or secondary) beneficiary, Maine Initiatives receives a specified percentage of the account balance upon the donor's death only if the primary beneficiar(ies) aren't alive or in existence.

Retained Life Estate

Description: An individual may transfer to Maine Initiatives title to a personal residence or farm, and the donor or another person retains use of the property for a term of years of the life of the donor and/or another person.

Bargain Sale

Description: A "bargain sale" is a sale of property to Maine Initiatives for an amount less than the property's current fair market value. The excess of the value over the sales price represents a contribution. The bargain sale price may be paid either in a lump sum or in installments.

Gifts of Real Estate (Real Property)

Description: Gifts of real estate may be made in various ways: outright, charitable remainder trusts, retained life estate, and bargain sale. These guidelines pertain to gifts of real estate in general.

Gifts of Closely Held Stock and Other Business Interests

Description: Closely held stock refers to shares of stock in a company that is privately owned and the shares in which are not publicly traded. Donors may make gifts of closely held stock and partnership interests. Maine Initiatives can accept these so long as Maine Initiatives assumes no liability in receiving them, and the property can be sold within a reasonable period of time.

Gifts In-Kind

Description: Substantive gifts, including but not limited to, goods, services, food, beverage, facilities, equipment and other materials may be sought from, and donated by, both individuals and corporations, particularly to support a special event.

Gifts to Establish Permanent Endowments Held and Administered by the Board of Trustees.

Description: Endowments may be created from time to time for a variety of purposes, including the establishment of field of interest funds, donor advised funds, or scholarship funds.

Bequests

Description: Bequests have historically been the most important kind of deferred gift, and can contribute significantly to the building of an endowment. The encouragement of bequests will be one of the highest priorities of Maine Initiatives.