



Island Institute Gift Acceptance Policy

Revised January 5, 2020

The Island Institute (the “Institute”) encourages the solicitation and acceptance of gifts to the Institute that will help to fulfill its mission. The Board of Trustees of the Institute (the “Board”) has adopted the following policies and guidelines to govern acceptance of gifts to the Institute for the benefit of any of its programs. These policies and guidelines are intended to provide guidance to prospective donors and their advisors and to assist the Institute in complying with applicable IRS regulations.

Mission of the Island Institute: The Island Institute works to sustain Maine’s island and coastal communities, and exchanges ideas and experiences to further the sustainability of communities here and elsewhere.

Standards and Compliance: The Institute is a recognized 501(c)(3) organization, tax identification number 22-2786731, and operates in compliance with all standards set forth by the IRS. The Institute also complies with the Model Standards of Practice for the Charitable Gift Planner promulgated by the National Committee on Planned Giving and the Donor Bill of Rights promulgated by the Association of Fundraising Professionals.

Authority: The Institute is governed by a Board of Trustees who are charged with maximizing the Institute’s ability to advance its mission. The Board is responsible for ensuring responsible and effective use of the Institute’s assets and must approve any changes to the Gift Acceptance Policy. Some potential gifts, as outlined below, may require review and acceptance by the Finance Committee (the “Committee”) of the Board. Where the Committee is uncertain of whether a particular gift should be accepted, they can refer it to the full Board for consideration. The staff President (“President”) of the Island Institute, or other staff as appointed by the President, may negotiate and accept gifts that do not require review by the Committee and comply with the guidelines established in the Gift Acceptance Policy.

Finance Committee: The Finance Committee will act as the organization’s Gift Acceptance Committee in consultation with the Chair of the Philanthropy Committee. The Committee shall utilize email and other communications to review and make a determination as to whether the Institute will accept potential gifts of:

- real estate valued at \$100,000 or more
- tangible personal property with a fair market value of \$100,000 or more that will not be put to use in performance of the Institute's work (that is, that will be liquidated)
- miscellaneous property interests and remainder interests in property
- any potential gifts not consistent with the Institute’s mission, current programs, or future planned programs

Before making a decision on a potential gift, the Committee shall:

1. Gather information about the potential gift such as: type of property, ownership, valuation,

environmental risks and intended purpose(s) of the gift

2. Identify potential markets for the property and expected time frame and disposition costs for the property, with the expectation that gifts will be liquidated in a commercially reasonable time frame
3. Consult with the Institute's legal counsel when appropriate
4. Convene a full meeting of the committee as necessary

I. General Policies Applicable to All Gifts

- A. *Employment of Counsel:* The Institute may elect to work with counsel on the receipt or structuring of particular gifts. In these instances, counsel retained by the Institute cannot also work with or represent the donor's interests. Institute staff, trustees, and agents are prohibited from advising donors on tax consequences, and thus the Institute encourages all donors to consult an independent legal, estate, or tax advisor to meet their needs.
- B. *Gift Acceptance Process:* Institute staff will notify members of the Gift Acceptance Committee of potential gifts requiring review. For pledges, multi-year gifts, and restricted gifts, staff or the Committee may request that donors and an authorized representative of the Institute sign an agreement documenting the value, delivery date(s), and nature and duration of any restrictions. All gifts accepted and received by the Institute will be acknowledged by written receipt (digital or print) in accordance with IRS requirements, noting as best ascertainable the gift value (see part C below), date of receipt by the Institute, any goods or services given in exchange for the gift, and the fair market value of those goods and services, if applicable.
- C. *Determining the Value of Donated Property:* The Institute shall act in compliance with IRS Publication 561, "Determining the Value of Donated Property," available at www.irs.gov. Gifts of household property valued at \$500 or more (other than cash, marketable securities, boats, or vehicles) must be accompanied by an appraisal from a "qualified appraiser," as defined in Publication 561. The Institute retains the right to modify the value of donated property on its books at a future date and after the completion of the gift transaction, as determined prudent by the Chief Financial Officer, Committee, or the Institute's financial auditors.
- D. *Tax Compliance:* The IRS requires donors claiming a federal tax deduction for a gift of \$500 or more to complete IRS Form 8283. If the Institute sells donated property with a fair market value of \$500 or more within three years of receipt, it will report the sale date, value, and other relevant details to the IRS on Form 8282, in compliance with tax regulations.
- E. *Restricted Gifts:* The Institute encourages donors to make unrestricted gifts in support of its overall mission and programs, thereby helping the organization to respond effectively to priority needs. Donors who wish to designate their gift to a particular program or purpose should contact the Institute's Philanthropy staff to discuss the feasibility and potential impact of their intended gift. This is especially important for planned gifts, which may not be realized until many years later, or after the Institute's programs and needs may have shifted.

It is the policy of the Institute to support restriction where the amount of the gift is significant enough to merit additional effort in order to administer the gift and ensure that the donor's intentions are honored.

- ***Restricted Operating Gifts:*** The Institute is pleased to accept restricted gifts of any amount to its established operating funds that comply with all other guidelines in the Gift Acceptance Policy upon approval by the President. Restricted operating gifts that require the

establishment of a new restricted fund must be approved by the President and CFO.

- ***Restricted Non-Operating Gifts:*** Gifts to endow or otherwise fund a program or specific function that are not Restricted Operating Gifts as described above may also be accepted upon approval by the President where the gift is valued at \$100,000 or more or expected to attain this value by the point when the gift is realized. Upon donor request, Restricted Non-Operating Gifts of \$100,000 or more may be unitized and held as separate, named funds within the Institute's invested funds.
- ***Creating a Named Scholarship:*** Donors interested in establishing a named scholarship fund will be asked to pledge a minimum of \$100,000 to a named endowment fund with a minimum annual disbursement of \$5,000 per student recipient per year.

As a general policy with respect to restricted gifts, the Institute also will encourage donors to unrestrict a portion of their gift to support general operations and offset additional costs associated with gift administration and fulfillment of the donor's wishes. The Institute recommends that a minimum of 5% of the total value be unrestricted. This investment in the Institute's overall operations helps to ensure the successful operation of any specific program or function.

- F. ***Right to Reject Gifts:*** The Institute, by the collective judgment of its Board, Committee, and senior staff, reserves the right to decline any gift whose acceptance would impose undue challenge or expense, jeopardize the Institute's corporate standing or tax-exempt status, or create a perception of impropriety or conflict with its mission. The Institute also reserves the right to decline any gifts designated for purposes outside the Institute's stated mission, programs, and Board-approved budget, or that otherwise fail to meet the standards established by the Institute's Gift Acceptance Policy.

II. Accepted Gift Types

- A. ***Cash:*** The Institute accepts gifts by cash, credit card, or check made payable to the "Island Institute." Contributions shall not be accepted by any check made payable to an individual representing the Institute. Funds may also be wired to an Institute account. Details on wire transfer are available from the CFO and Philanthropy staff.
- B. ***Matching Gifts:*** The Institute encourages donors eligible for corporate or other matching gift programs to enroll, thereby increasing the total contribution. The Institute will recognize both the initiating donor and the matching gift program sponsor for matching gifts.
- C. ***Publicly Traded and Marketable Securities:*** The Institute shall accept any unrestricted stocks that are publicly traded on a domestic exchange, or corporate or government bonds with an established market value. The gift date will reflect the date that securities are transferred to an Institute-held account with all documentation required to complete the transaction. The gift amount will be cited as the value reported by the firm managing the Institute's invested funds, on the date the securities were received by the Institute or the firm managing the Institute's invested funds. Stock transfer instructions are available from the CFO and Philanthropy staff. The Institute will sell securities upon receipt. Unless otherwise specified by the donor, proceeds from securities sales will be available for operations.
- D. ***Closely Held and Restricted Securities:*** Gifts of closely-held securities, including debt and equity positions in non-publicly traded companies, interests in limited liability companies, or other ownership forms shall be reviewed by the Committee prior to acceptance to evaluate:
- Any restrictions on the security that would prevent the Institute from ultimately liquidating the security

- Limitations on the marketability of the security
- Any undesirable tax consequences for the Institute

Every reasonable effort will be made to sell non-marketable securities expediently. Unless otherwise specified by the donor, proceeds from securities sales will be available for operations.

E. *Real Estate*: Gifts of real estate valued at \$100,000 or more, which may include developed property, undeveloped property, or gifts subject to a prior life interest, shall be reviewed by the Committee prior to acceptance to evaluate the following criteria:

- Whether the property is useful in kind for the purposes of the Institute
- The property's marketability
- Restrictions, reservations, easements, or other limitations
- Carrying costs, including insurance, property taxes, mortgages, or other liens
- Environmental or other risks

The Institute shall require an environmental review prior to acceptance, and where this review reveals a potential problem, shall retain a qualified firm to conduct an environmental audit. The cost of this audit shall generally be at the expense of the donor. When appropriate, the Institute shall obtain a title binder prior to acceptance; the cost of the title binder shall generally be at the expense of the donor. The President has the authority to accept gifts of real estate valued at less than \$100,000 that comply with the criteria above.

F. *Tangible Personal Property*: Tangible personal property, which includes any useful property other than cash, securities, and real estate, will be evaluated in light of the following criteria:

- Ability of the Institute to use the property in kind in furtherance of its mission
- The marketability of the property and the likely time frame in which it can be sold
- Any restrictions on the use, display, or sale of the property
- Carrying costs for the property while pending sale

Tangible personal property that can be used in the work of the Institute or has a fair market value of less than \$100,000 may be accepted at the discretion of the President. Where a gift of tangible personal property is accepted for use, the Institute shall provide the donor with an acknowledgement stating that it is the Institute's intention to retain the donated property for use in the performance of charitable work. Tangible personal property with a fair market value of \$100,000 or more that cannot be used in the work of the Institute shall be referred to the Committee for evaluation; where accepted, the Institute shall make every effort to sell such property promptly and direct proceeds to the furtherance of the Institute's charitable work.

G. *Bargain Sales*: A bargain sale shall be evaluated against the criteria outlined for tangible personal property (Section II, part F), and can be accepted at the discretion of the President. In the event that the Institute decides to purchase an asset for less than its fair market value in a bargain sale, the Institute shall provide the donor with a receipt citing a charitable gift amount of the difference between the asset's purchase price and fair market value.

H. *Life Insurance*: The Institute shall accept wholly paid life insurance policies where no future premium payments are due, and that have a cash value. The Institute must be named both beneficiary and irrevocable owner of the insurance policy. Gifts of life insurance shall be valued

at their interpolated terminal reserve or cash surrender value.

III. Accepted Planned Giving Vehicles

The Institute welcomes planned or deferred gifts and recognizes donors who have made gifts or pledges through the Islands in Time Society. Since planned gifts are often realized at an undetermined future date, unrestricted gifts offer the greatest flexibility to serve the organization's future funding needs. **Donors wishing to designate their planned gift for a specific purpose are strongly encouraged to speak with a member of the Philanthropy staff before gift paperwork is drafted.** Restricted gifts are subject to review; thus, a conversation during the donor's lifetime can help ensure that the Institute will be able to accept the gift in a manner that honors the donor's intentions. Donors are also encouraged to consult a professional estate advisor.

A. *Bequests*: Donors may make gifts to the Institute with a will, will codicil (amendment) or trust for a cash amount, a specific asset, a percentage of their estate, or a percentage of the remainder of their estate after specific amounts have been paid to other beneficiaries. Unrestricted gifts from bequests of \$100,000 or more will be directed to the board-designated fund within the Institute's pooled investment funds. Unrestricted gifts from bequests of less than \$100,000 will be used for operations.

Suggested language for an unrestricted gift made by bequest is as follows:

"I give to the Island Institute of Rockland, Maine (a sum of \$ ___ and/or (specific asset) and/or ___ % of the remainder of my estate) to be used for its general charitable purposes."

B. *Charitable Gift Annuities*: Charitable Gift Annuities (CGAs) allow a donor to make a current gift to the Institute in exchange for the Institute's agreement to pay one or two annuitants a fixed payment for life on a quarterly, semi-annual, or annual schedule.

- The minimum initial amount for a CGA is \$10,000. The minimum amount for an additional annuity by a donor who has a prior CGA with the Institute is \$5,000.
- CGA life income beneficiaries must be at least 65 years of age unless otherwise approved by the President or Chief Financial Officer.
- Deferred CGAs can be accepted from donors of a minimum of 45 years of age, where the income stream begins at age 65 or later.
- There shall not be more than two life income beneficiaries for a CGA. These two individuals can include the donor and one heir, or two heirs.
- Funds contributed in exchange for a gift annuity shall be set aside and invested during the term of the annuity payments. Once those payments have terminated, the funds representing the remaining principal contributed in exchange for the gift annuity shall be transferred to the Institute's operating funds if less than \$100,000 and to the general invested funds (value more than \$100,000), or to such specific fund as designated by the donor.
- The Institute shall not agree to an annuity rate greater than the rates established by the American Council on Gift Annuities, corresponding to the age(s) of the annuitant(s), without approval from the President or Chief Financial Officer.

C. *Charitable Remainder Trusts ("CRT") and Charitable Lead Trusts ("CLT")*: The Institute may accept designation as a remainder beneficiary in a charitable remainder trust or as an income beneficiary of a charitable lead trust. The Institute shall not accept an appointment as trustee for either type of trust.

D. *Life Insurance Beneficiary Designation*: Donors may name the Institute as the beneficiary or contingent beneficiary of life insurance policies. The gift date and gift amount will be recorded at

such time as the gift becomes irrevocable, with the gift amount recorded as the present value on said date.

- E. *Retirement Plan Beneficiary Designation:* Donors may name the Institute as the beneficiary or contingent beneficiary of retirement plans. The gift date and gift amount will be recorded at such time as the gift becomes irrevocable, with the gift amount recorded as the present value on said date.
- F. *Remainder Interest in Property:* Gifts of a remainder interest in a personal residence, farm, or vacation property shall be subject to evaluation by the Committee prior to acceptance, in accordance with the criteria established for gifts of real estate in section II. The donor may continue to reside at or use the property for the duration of his or her life. Upon the death of the donor, the Institute shall use the property in its charitable work or reduce it to cash. Expenses associated with a gift of remainder interest to the Institute, such as cost of maintenance, property taxes, and property indebtedness, are typically paid by the donor or primary beneficiary.

IV. Miscellaneous Provisions

- A. *Other Gift Types and Vehicles:* Proposed gifts not covered by the above may be referred to the Gift Acceptance Committee for evaluation for acceptance on a case-by-case basis.
- B. *Endowed and Invested Funds:* Accepted gifts designated to the Institute's endowed or invested funds will be managed in accordance with the Institute's Endowed and Invested Funds Policy. Please contact the CFO for a copy of this policy.
- C. *Fees and Commissions:* The Institute shall not pay a "finders fee" or commission to staff, volunteers, or a third party in connection with any gift made to the Institute. The Institute will not pay fees, or reimburse a donor for expenses, for legal counsel, appraisers, accountants, or environmental consultants retained by donors, unless approved in advance by the Committee. The Institute will pay fees for professional services to support gift evaluation, negotiation, and acceptance when the Institute engages said services to represent its interests.
- D. *Conflict of Interest:* In accordance with the Institute's Conflict of Interest policy, no individual employed by the Institute, retained for professional services, or engaged as a volunteer shall derive benefit, financial or otherwise, from gifts made to the Institute.

V. Guidelines for Policy Review

The Gift Acceptance Committee shall review the Gift Acceptance Policy biennially, or more frequently as deemed necessary and recommend changes to the full Board for approval. The Board of Trustees is responsible for approving the Gift Acceptance Policy.