Gift Acceptance Policies & Guidelines

INTRODUCTION

The following policies and guidelines are applicable to all fundraising programs: annual giving, major giving, planned gifts, special projects and campaigns.

For the purpose of this document, St. Marys Healthcare Foundation is hereafter referred to as “the Foundation “. In the area of gift acceptance, the Foundation is regarded as the fundraising arm of the Huron Perth Healthcare Alliance, St. Marys Memorial Hospital (SMMH) site, and therefore the body to accept charitable gifts on SMMHs behalf.

PURPOSE OF POLICIES AND GUIDELINES

The purpose of the following policies and guidelines is to identify the various types of gifts to be offered, the general policies applicable to those gifts and the specific guidelines for each type of gift. They ensure that gifts accepted will be cost-effective; they will not entail undue liability; and they will be acceptable to Canada Revenue Agency.

I. GENERAL POLICY

The Foundation encourages and solicits contributions of cash, personal and real property, either as outright gifts or through Legacy gift vehicles that are acceptable to Canada Revenue Agency and the laws of the Province of Ontario. Legacy Gifts include: bequests, life insurance policies, charitable gift annuities, charitable remainder trust and gifts of residual interest.

II. RESPONSIBILITY TO DONORS

The Foundation has an ethical responsibility to the donor. Accordingly, professional staff, volunteers and members of the Foundation will adhere to the following principles:

The St. Marys Healthcare Foundation recognizes your right to confidentiality and pledges to protect your privacy. We adhere to all applicable privacy legislation in Canada, the privacy guidelines of the Canadian Centre for Philanthropy; and abide by the Donor Bill of Rights and the Code of Ethical Principles and Standards of Professional Practice developed by the Association of Fundraising Professionals, the Canadian Centre of Philanthropy and the Association of Healthcare Philanthropy.

The Foundation does not sell, trade or otherwise share our contact lists.

A. CONFLICT OF INTEREST

In all matters involving the donor, the interest and well-being of the donor must take priority. In cases of potential conflict of interest those acting on behalf of the Foundation must declare the conflict and allow an impartial individual to act for the Organization. A conflict of interest is deemed to occur when individuals who present themselves as representatives of the Foundation attempt to sell their own product to the donor; however, if the individuals present themselves as representatives of an outside firm and part of their financial counselling involves arranging legacy gifts for the Foundation, no conflict would exist.

B. LEGAL AND OTHER PROFESSIONAL COUNSEL

Professional staff and members of the Foundation, where appropriate, shall encourage the donor to discuss the proposed gift with an independent financial planner, legal adviser and/or tax adviser of the donor's choice and at the donor's expense, to ensure that the donor receives a full and accurate explanation of all aspects of the proposed charitable gift. In some cases, the Foundation may decline a gift if the donor has not obtained independent advice.

In the case of instruments drafted solely by the donor's lawyer, counsel for the Foundation will review all such documents before they are accepted.

C. ETHICS

All professional staff, volunteers and members of the Foundation will conduct themselves in accordance with accepted professional standards of accuracy, truth and integrity. They will inform, serve, guide and otherwise assist donors who wish to support the hospital's activities but not pressure or unduly persuade.

D. DIRECTION OF GIFTS

All donors can choose to have their gift directed to a specific program. On rare occasions, a gift may be declined as a result of the restrictions on the gift. See Section V, Guidelines for Declining a Gift.

III. ACCEPTANCE POLICIES

1. The Foundation Board creates and executes legacy gift agreements with prospective donors, when the gift has been identified by the donor.

2. The following gifts, whether outright or deferred, must be reviewed and approved by the Foundation Board or it's designate.

   Gifts of real estate, shares in privately owned companies, personal property, including artwork, collectibles and other property interests not readily negotiable or valued. Any gifts entailing potential financial liability or placing unusual conditions on the Foundation

   Before acceptance, relevant information shall be obtained and reviewed, including a copy of two appraisals by an independent qualified appraiser(s) secured by the donor, according to Canada Revenue Agency guidelines. The Foundation reserves the right to secure and rely on its own appraisal(s).

3. Outright gifts of cash, publicly-traded securities, life insurance, reinsured gift annuities; residual interest gifts and charitable remainder trusts do not require approval. However, any gift may be referred to the Foundation Board if subject to potentially unacceptable restrictions.

4. It is not the practice of the Foundation to manage gift annuities, but rather to purchase the annuities from life insurance companies. Refer IV, section #3.

5. All assets are invested in accordance with policies established and approved by the Foundation Board.

IV. ACCEPTANCE GUIDELINES

1. <u>Bequest</u>

A. Description

A bequest is a specific provision in a will, directing assets from an estate to the Foundation. There are several options for making a bequest.

1. A *general bequest* indicates in the will that the Foundation will receive a specified amount of money or other property.
2. A *specific bequest* will ensure that the Foundation receives a specific piece of property, such as a collection of books or a financial asset.
3. A *residual bequest* will leave all or part of the remaining estate after all debts; taxes and other bequests have been paid.
4. A *bequest with a life interest* applies when the donor chooses to have the Foundation receive the bequest only after the death of a named person who will receive the interest income during their lifetime.
5. A *contingent bequest* applies when the Foundation is designated as a second beneficiary. If the first beneficiary named is unable to receive the gift, the gift is directed to the second beneficiary.

   The donor should consult a lawyer to determine the best choice. When a bequest is left to the Foundation, the estate receives a tax receipt, upon receipt of the completed gift.

B. Guidelines

1. Sample bequest language for restricted and unrestricted gifts, including endowment, will be made available to donors and their lawyers to ensure that the bequest is properly designated and the proper legal title for the Foundation is used.

2. Donors are invited and encouraged to provide information to the Foundation about their bequest provision and to send a copy of the section of their will, or a completed Bequest Confirmation Form naming the Foundation as beneficiary.

3. Foundation staff will not become involved in the final preparations, execution or witnessing of a will in which the Foundation is named as the beneficiary.

4. During the administration of an estate where the Foundation is named as a beneficiary, legal counsel shall represent the Foundation in dealings with the lawyers and estate trustee. (as necessary)

2. <u>Life Insurance</u>

A. Description

There are three methods by which a life insurance policy may be contributed to the Foundation.

1. *A policy that is already owned.*
   A fully paid-up policy transferred to the Foundation provides the donor with a tax receipt for the cash surrender value of the policy provided the Foundation is named the owner and beneficiary. Upon the donor's death, the Foundation receives the value of the policy.

2. *A new policy can be taken out in the Foundation's name.*
   In this case, the donor receives a tax receipt for the annual premiums paid on a policy in which the Foundation is named the owner and beneficiary. Life insurance premiums are paid directly

by the donor to the insurance company. Upon the donor's death, the Foundation receives the value of the policy.

3. In # 1 method, a donor can choose to direct the insurance proceeds to their estate and name the Foundation the beneficiary of those proceeds in their will. In this case, the donor's estate would receive a tax receipt for the proceeds of the policy.

4. The Foundation *can be made a secondary beneficiary under a current policy.*
After the surviving spouse has enjoyed a life income from the interest, a donor can leave all or a portion of the proceeds of an existing policy to the Foundation. Provided the policy flows through the surviving spouse's estate, a receipt would be issued for that estate.

B. Guidelines

1. In addition to these examples there may be other forms of life insurance gifts which may be acceptable.

2. When premiums remain outstanding, the Foundation will decide whether to pay the premiums (owing on a monthly basis) or claim the cash surrender value of the policy, at that time.

3. Gift Annuity

A. Description

A gift annuity is an irrevocable transfer of money or other assets to the Foundation. Part of the principal is used to purchase an annuity from an insurance company. The cost of the annuity is determined by the donor's age and amount of the periodic payment. The remainder of the donor's principal is considered an outright gift and is used for purposes specified by the donor and acceptable to the Foundation. The annuity pays the donor a guaranteed income for a specified time or for the rest of the donor's life. Upon death, the Foundation will receive any remaining guaranteed income from the annuity, unless the donor has specified otherwise. The income from a gift annuity can be partially or completely tax free, depending on the age of the donor. The donor may also receive an immediate tax receipt based on the outright donation and expected return of capital.

All gift annuities must be arranged through the Foundation. (It should be noted that the Foundation does not self-annuit).

B. Guidelines

1. The minimum amount the Foundation will accept for a reinsured gift annuity is $5,000.

2. The cost of the commercial annuity generally should not exceed 70-75 percent of the assets transferred in order to result in a significant gift.

3. The donor has the option to have the gift portion expended immediately, to expend only the income from the gift portion, or to retain and capitalize the income from the gift portion during the term of the annuity.

4. A commercial insurance company shall be selected, and the terms of the annuity contract negotiated, by the Foundation. Only "A" rated companies shall be selected to reinsure any annuity obligation. Up to three quotes will be required, unless directed differently by the donor.

4. Gifts of Securities

A. Policy

The Foundation reserves the right to sell securities and manage the funds according to their respective investment policies. The amount of the tax receipt is the value of the security at the time of receipt in the Foundation Investment account. This type of asset can also be used to fund a Gift Annuity or Charitable Remainder Trust.

5. Gifts of Other Property

A. Description

The Foundation welcomes gifts of real estate, equipment or other property. These "gifts in kind" are an important resource to the Foundation.
Depending on the donor's wishes, the Foundation may retain the gift or sell it and use the proceeds where they are needed most. For all gifts of property, a tax receipt will be issued under the Income Tax Act, Canada for the lesser of: fair market value on the date it is transferred, or cost if purchased within three years. Two independent qualified appraisers determine this value.

B. Guidelines

1. The donor shall secure a qualified appraisal of the property at his/her expense. From time to time it may be necessary for the Foundation to secure its own independent appraisal in order to establish fair market value and the amount of the income tax receipt.

2. Gifts of art are subject to consideration and approval of the Foundation (upon 2 independent appraisals at the donor's expense).

3. Gifts of books require a list of bibliographic details which must be provided to the appropriate library. Librarians will determine whether the books are acceptable.

4. With respect to gifts of equipment or other similar property, the program or department receiving the asset must be prepared to maintain the asset including all financial obligations.

C. Guidelines for Gifts of Real Estate

1. The donor shall secure a qualified appraisal of the property at his/her expense. From time to time it may be necessary for the Foundation to secure its own independent appraisal in order to establish fair market value and the amount of the income tax receipt.

2. The Foundation, or designate, shall review other factors, including zoning restrictions, marketability, current use and cash flow, and ascertain that acceptance of the gift would be in the best interests of the Foundation.

3. The Foundation may require an environmental assessment, which may include an environmental audit, and accept the property only if (a) it contains no toxic substances, or (b) toxic substances are removed or other remedies are taken to ensure that the Foundation assumes no liability whatsoever.

6. Gifts of Residual Interest

A. Description

A residual interest gift refers to an arrangement under which an asset is deeded to the Foundation but the donor retains use of the asset for life or a term of years. For example, the donor might give a residual interest in a principal residence and continue living there or a residual interest in a painting and retain possession of it. The donor is entitled to a tax receipt from the Foundation for the present value of the gift calculated in current dollars. This assessment is called the "discounted value" and is determined by actuarial calculations provided by Canada Revenue Agency.

B. Guidelines

1. Donors making gifts of residual interest in real estate shall be responsible for real estate taxes, insurance, utilities and maintenance after transferring title, unless otherwise agreed by the Foundation. The terms of the gift and responsibilities for expenses shall be specified in a deed of gift executed by the donor and the Foundation.

2. The Foundation reserves the right to inspect the property from time to time to assure that its interest is properly safeguarded.

3. The Gifts of Residual Interest are not normally entertained by the Foundation but may be considered under individual circumstances.

7. <u>Charitable Remainder Trusts</u>

A. Description

One type of residual interest is a Charitable Remainder Trust. A Charitable Remainder Trust is an irrevocable legal arrangement that allows a donor to make a future gift to the Foundation while continuing to benefit from it throughout his or her lifetime. A trust is created by transferring property (i.e., cash, securities or real estate) to a trustee, which may be the Foundation or a trust company, naming the Foundation beneficiary of the trust. The income from the trust can be paid to the donor, to a designate of the donor or be directed back to the trust. The donor is entitled to a tax receipt from the Foundation for the present value of the gift calculated in current dollars. This valuation is called the “discounted value” and is determined by actuarial calculations provided by Canada Revenue Agency. Upon death, or after a specified period of time, the trust becomes the property of the Foundation.

B. Guidelines

1. A charitable remainder trust may be funded with cash, securities or real estate. Real estate shall be subject to the provisions outlined in section, IV, #5, C.

2. It is recommended that the minimum trust size be $100,000. However, the Foundation has discretion to make an exception to these recommendations in special circumstances. If the donor selects an outside trustee, the trust may be funded with any property of any value acceptable to the trustee.

3. The trust agreement shall be drafted and reviewed by the donor’s own legal counsel prior to being reviewed by the Foundation.

8. <u>Gifts of Shares in Privately-owned Companies</u>

A. Description

Donors may make gifts of privately-owned shares. These will be accepted as long as the Boards assume no liability in receiving them and the Foundation is satisfied with the evaluations provided. In some instances the corporation is willing to redeem privately-owned shares, or other stockholders are willing to purchase them. The amount of the tax receipt is based on the fair market value of the privately-owned shares on the date it is transferred. A written evaluation of the shares prepared by an independent appraiser(s) who is qualified to evaluate such shares will be required. (at the donor’s expense. See 4B for Board consideration and acceptance.)

B. Guidelines

Privately-owned shares may be accepted if they likely can be sold in the future to the corporation, other stockholders, or others interested in acquiring the corporation. They must not subject to the Foundation to cash calls or other liability and must not have adverse tax consequences for the Foundation.

V. GUIDELINES FOR DECLINING A GIFT

The Foundation would decline a gift if one of the following conditions were known:

1. There are conditions to a gift and its designation which are not consistent with the aims and priorities of the Foundation.
2. The gift is seeking to unduly influence access to medical services.
3. The gift could financially jeopardize the donor and/or the Foundation.
4. The gift or terms are illegal.
5. The Foundation does not have the resources to honour the terms of the gift or to determine its value.
6. There are physical or environmental hazards.
7. Where false promises have been made.
8. The gift could jeopardize the tax-exempt status of the Foundation.
9. The gift could improperly benefit any individual.
10. Any other terms or conditions in the view of the Foundation that may negatively affect the Foundation.