

GIFT ACCEPTANCE POLICY

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Table of Contents

1) Purpose.....	1
2) Overview of Policy.....	1
3) Responsibility for Policy Review	2
4) Changes to Gift Acceptance Policies	2
5) Confidentiality of Gifts	2
6) Classification of Donations	2
7) Conflict of Interest.....	Error! Bookmark not defined.
8) Types of Gifts NOT Approved for Acceptance.....	Error! Bookmark not defined.
9) Types of Gifts Approved for Acceptance.....	3
10) When to use outside Counsel.....	5
11) IRS Requirements	5

1) Purpose

- To establish criteria as to types of gifts accepted by Pratt and what gifts must be respectfully declined.
- To establish acceptable gift restrictions.
- To ensure full and transparent reporting and fulfillment of donor expectations.
- To provide guidelines to staff on how to properly value, accept, acknowledge, report and record receipt of gifts.

2) Overview of Policy

The following procedures describe the types of gifts Pratt may receive, the types of internal and external communication to be issued upon receipt of a gift, and how accepted gifts are recorded in Pratt financial statements.

Gifts with potential liability or with restrictions will be reviewed by the Executive Director, Development Director and Finance Committee prior to acceptance.

In general, all gifts received will be booked according to Generally Accepted Accounting Principles (GAAP) and written donor gift confirmations will follow Internal Revenue Service (IRS) guidelines for charitable contributions – see IRS publication 1771.

3) Responsibility for Policy Review

The Finance Committee has the responsibility for implementing these policies and reviewing them every other year or as needed in collaboration with Pratt staff and the Development Committee.

4) Changes to Gift Acceptance Policies

The Board of Trustees must approve any changes to, or deviations from, these policies at its regular Board meetings or during a special session called by the President.

5) Confidentiality of Gifts

Donors who wish to remain anonymous may do so by clearly indicating such desire at the time or before a gift is made. Pratt will subsequently maintain confidentiality except in instances where transparency is legally required by government agencies or other lawful authorities.

If anonymity is not requested, Pratt reserves the right to publish donation details, including name and value, at its sole discretion.

6) Classification of Donations

A donor may contribute to Pratt's mission in a variety of ways, classified as follows. Exceptions to these classifications can be made only through the consent of the Board of Trustees.

- **Unrestricted Funds** – These funds are broadly discretionary to Pratt and are available to meet operating and program needs or otherwise as determined by the Executive Director and approved by the Board of Trustees.
- **Restricted Funds** – These funds have a donor-placed restriction as to the purpose or timing of the use of the funds.
- **Conditional Funds** – A conditional gift depends on a future event occurring before the donor is bound by the promise. Therefore conditional funds are not considered contributions until the donor's condition is either met or waived by the donor.
- **In-Kind Donations** – These contributions are non-cash gifts of goods, services or other assets that are classified more specifically by: related use, nonrelated use, inventory and services.

7) Conditions of Refusal

However unlikely, Pratt reserves the right to refuse any donation for any reason at its sole discretion. Pratt is obligated to refuse a donation if its acceptance would:

- be inconsistent with the institution's stated purposes and priorities;

- create a potential conflict of interest;
- inhibit Pratt from seeking gifts from other donors, be they similar or different, foreign or domestic;
- involve unlawful discrimination as prohibited by federal, state, and local laws and regulations;
- obligate Pratt to violate any other applicable law or regulation, or which violates Pratt's charter, articles of incorporation, by-laws, or formal policies; or
- be more costly to Pratt than the benefit.

8) Conditions of Acceptance

In general, the most useful gifts are those with the fewest possible restrictions. Unrestricted funds allow Pratt to address its most pressing needs and important opportunities. However, Pratt will seek and accept gifts from individuals, corporations and foundations for designated purposes in accordance with this Gift Acceptance Policy.

- **Unrestricted Funds** – Unless prevented by a required refusal above, unrestricted funds are generally welcome and accepted, in the form of cash, credit cards, checks, stocks, pledges, payroll deductions, foreign bank drafts, wire transfers, third-part checks, and matching gifts.
- **Restricted Funds** – Restricted funds are accepted when Pratt and the contributor mutually agree on a clearly defined purpose and/or use for the funds. Such purposes may include, but are not limited to, specific current or new programs, scholarships, equipment purchases, capital initiatives, or targeted capacity building.

A gift in any amount may be accepted as a contribution to an existing restricted fund for a specific need of Pratt so long as the terms and conditions of the existing fund so permit. Cash gifts from donors where a new restricted fund would be required will be accepted at the minimum donation level of \$1,500.

Restricted funds may include standards for donor recognition, including the possibility of naming rights for programs, scholarship or facilities as approved by a majority vote by the BOT.

Scholarship donations are considered restricted funds since donations are used solely for scholarship purposes at Pratt. A donor may contribute to an existing scholarship fund or choose to start a new scholarship fund. In the latter instance, the donor is often given the option of helping to set the criteria for the award. The life span of any scholarship fund will be determined by the amount of the initial gift, and subsequent donations, and by the frequency and amount of the award; if a scholarship fund is fully depleted, Pratt will discontinue the scholarship until such time as funding is restored.

- **Conditional Gifts** – Conditional gifts or pledges are accepted when the conditions are determined to be advantageous and/or aligned with organizational goals. Under a conditional promise to give, the promisor is not bound until the occurrence of some future event (other than the passage of time or demand from the organization). A promise or transfer of assets is also conditional if the promisor or transferor has a right of return. A conditional promise to give generally is not recorded as a contribution until the condition on which it depends is met.

A conditional gift may also be either unrestricted or restricted.

- **In-Kind Donations** – In-kind donations will be accepted after a thoughtful evaluation of the following criteria and may be accepted only after a thorough review by appropriate program staff, development department and finance department.
 - Does the property fulfill the mission of Pratt?
 - 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?
 - Can the property be sold easily?
 - Are there costs associated with transportation, storage, selling, maintenance and repair for the property?

An essential issue for donors to consider before contributing a gift of personal property is whether they would like Pratt to use or display the property. Prospective donors should be advised that Pratt reserves the right to sell or otherwise dispose of the personal property in question, if such action is deemed advisable or necessary. In the case of gifts of art, prospective donors should be notified that Pratt, except under special circumstances, will sell the donated works as soon as is practicable. Whenever possible, the proceeds from these sales will be deemed unrestricted.

In order to receive formal acknowledgement and related tax benefits, in-kind donors are required to complete an in-kind gift form which requires the donor to declare the current value of the gift. Donors should be advised that gifts intended to be sold by Pratt should declare the estimated future sales price.

In-kind gifts in the form of services may be accepted if those services are deemed by Pratt to be relevant to the advancement of Pratt's mission and current objectives. Such services must be assessed and valued in advance of their acceptance.

Pratt may accept in-kind gifts of real estate, including houses, condominiums, commercial properties, farm land, rental property, and undeveloped land after a thorough review of the following factors.

- Confirmation of sole ownership and proper title documentation
- The usefulness of the property for Pratt purposes
- The marketability of the property
- The existence of restrictions, reservations, easements, and/or other liabilities
- The existence of encumbrances, such as mortgages and liens
- Carrying costs, such as property owner's association dues, taxes, insurance, and other maintenance expenses
- Fair market value in relation to the costs and limits listed above as determined by a qualified appraisal conducted in accordance with Internal Revenue Service (IRS) standards

Prior to the acceptance of any parcel of real property, as a minimum, a Phase 1 environmental assessment of the potential environmental risks will be conducted. This assessment shall include the following:

- An inquiry of the present owner regarding his/her knowledge of the history of the property;
- A title search to determine who the prior owners might have been;
- A consultation with federal, state, and local environmental agencies to ascertain whether the property has any history of hazardous waste contamination; and
- A visual inspection of the property for any evidence of environmental hazards.
- An environmental audit conducted by a professional service will be required before acceptance of real property in most instances. Exceptions may be made for owner-occupied single-family residences that have not previously been used for other purposes.

For all gifts of real estate, the Development Committee and Finance Committee will review the results of such assessment and recommend to the appropriate administrators and Board Committees whether the gift should be accepted.

Persons acting on behalf of Pratt shall advise the donor that it is the donor's responsibility to obtain any necessary appraisals, file appropriate personal tax returns and defend against any challenges to claims for tax benefits

9) When to use outside Counsel

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

- Closely held stock transfers that are subject to restrictions or buy-sell agreements.
- Documents naming Pratt as Trustee.
- Gifts involving contracts, such as bargain sales or other documents requiring Pratt to assume an obligation.
- Transactions with potential conflict of interest that may invoke IRS sanctions.
- Other instances in which use of counsel is deemed appropriate by the Executive Director or the Executive Committee.
- Real estate or other real property.
- Legal costs will be at donor's expense unless otherwise agreed upon by the Executive Director and BOT.

10) IRS Requirements

When a donor gives money to a charity and receives nothing in exchange for the gift, that deduction is fully tax deductible under the law. When a donor gives money to a charity and receives goods or services in exchange (like a performance, a reception, a DVD, a t-shirt), s/he is only entitled to a tax-deduction for the amount that was overpaid. In these cases, it is generally the recipient organization's responsibility to estimate the "net contribution". When a donor gives tangible goods (aka: physical property or real estate) the donation is tax-deductible based on the donor's estimate of the item's value. Office supplies, equipment, etc. are included in



this category. When a donor gives pro-bono services (like fundraising, legal advice or graphic design) these are NOT considered tax deductible under the IRS code. Free rent of any kind is considered a service and as such, donations of space are also not a tax deductible gift.