



Friends of Casco Bay CASCO BAYKEEPER

Gift Acceptance Policy

Approved by Board of Directors: October 16, 2018

Background on Friends of Casco Bay and Our Gift Acceptance Policy

Friends of Casco Bay's mission is to improve and protect the environmental health of Casco Bay. Home to the Casco Baykeeper®, we are a founding member of Waterkeeper® Alliance, a network of more than 240 independent organizations working to protect waters around the world.

Concerned citizens formed Friends of Casco Bay ["Friends"] in 1989, after a report identified our waters as one of the most polluted regions in the nation. One of our first major initiatives was to launch a monitoring program, enlisting volunteers from the community to "take the pulse" of Casco Bay using proven scientific methods. To this day, we continue to be a science-based, community-oriented environmental organization. Our goal is to inspire those who live, work, and play on Casco Bay to be better stewards of our waters. We meet our mission through science, education, and advocacy. Much of the scientific data that informs our efforts are collected by our volunteers and staff. Thanks in part to our work, industrial pollution has decreased, municipalities are reducing sewage pollution, and the Bay has been federally designated as a No Discharge Area, making it one of the most protected water bodies from ship pollution in the country.

Friends of Casco Bay's Board of Directors ["Board"] has fiduciary duty to Casco Bay and those served by our programs, as well as the generous donors who support the organization. The Board ensures that our assets are protected from potential liabilities and employed efficiently toward fulfilling our mission. As part of this fiduciary duty, the Board has approved this Gift Acceptance Policy ("the Policy"). The goal of the Policy is to keep Friends financially secure and to assure donors that their contributions are used in accordance with their wishes and our mission. The Policy is meant to serve as a guide to the responsibilities of both our organization and donors in planning and completing charitable gifts.

This Policy describes the circumstances under which Friends can accept present and future interest gifts:

- General considerations affecting **all gifts** are described in Section One of the Policy
- The different sorts of property that we can accept are described in Section Two, **What to Give**, pp. 4-7
- The various means in which gifts may be made are described in Section Three, **How to Give**, pp. 7-10

We appreciate donors' consideration of gifts to support our efforts. We are happy to provide a copy of this Policy to anyone with whom a donor consults in the course of considering a gift and to answer any questions that may arise from any potential donor or those with whom a donor is consulting. Please call Executive Director, Will Everitt, at (207) 799-8574 for assistance.

Section One: General Policies Relevant to All Gifts

1. Employment of Counsel. In some circumstances, it is prudent for Friends to work with legal counsel in structuring significant gifts. When those circumstances arise, Friends employs, at its own expense, counsel who are independent of the donor. The instances in which our organization expects to work with counsel are identified below. We encourage donors to consult their own legal and tax counsel as their needs may require, and we ask that all potential contributors to Friends understand that counsel working with our organization to structure a gift cannot also work with or represent the person making the gift. Friends and its employees and agents are prohibited from advising donors about the tax consequences of their donations, so donors should seek advice from independent legal or tax advisors on the tax ramifications of any gift.

2. Acceptance Process. Some gifts to Friends are more complex than others, and in some cases, the sheer magnitude of a gift may determine the process for consideration of acceptance. In the case of gifts of magnitude and/or complexity, Friends requires the Executive Director to work with the Executive Committee [“Committee”] of the Board to identify and clarify various terms and conditions, in order to bring the question of acceptance to the full Board. Gifts that can be accepted only with the approval of the full Board are identified below [Section Two (4)] as needing review by the Committee, which will then make a recommendation to the Board for consideration; in those cases, the Committee will not act on behalf of the Board unless directed to do so on a case by case basis with the Board expressly delegating its authority to the Committee to work on its behalf. Gifts that do not need to be accepted by the full Board may be accepted by the Executive Director on the organization’s behalf.

3. Membership. Friends is a membership organization, and membership entitles a donor to a voice in the governance of the organization (see Bylaws). Any gift made to Friends for the organization’s benefit qualifies the donor as a member. In instances where Friends of Casco Bay serves as the fiscal sponsor for another group, we may choose to make that group’s supporters complimentary members.

4. Unrestricted Gifts. As a charitable organization, Friends seeks gifts for general support of our goals; unless otherwise noted by the donor, donations made to our organization fall into this category. Unrestricted support helps assure that we will be able to respond to the needs of the Bay as those needs change over time, in ways we cannot now foresee.

5. Restricted Gifts. Friends welcomes restricted grants and gifts in support of specific priorities in the Strategic Plan and/or our annual Operating Plan and Budget approved by the Board. Friends may accept donations to any of our current restricted, spendable funds, each currently housed at Maine Community Foundation:

- Baykeeper Endowment, in support of our Baykeeping Program
- Boats Fund, in support of the maintenance of our fleet
- Emeritus Fund for Advocacy, in support of our work to protect the Bay

At the direction of the Board, Friends may undertake a campaign to raise gifts over a period of years for specific priorities, either in support of the organization’s mission or to achieve an environmental goal in collaboration with other institutions.

Occasionally, Friends is presented with an opportunity to undertake a new initiative or to expand a project mid-year. Typically, the opportunity arises when a foundation or individual donor recognizes that we are uniquely positioned to address a major threat to the health of the Bay and offers to support our efforts to meet this challenge. Before accepting a restricted gift or grant to launch a new initiative or to expand a project mid-year, Friends may need to secure Board approval of the underlying change to our Operating Plan.

Gifts to fund a particular program or function can be accepted and held as separate, identified funds if they exceed \$50,000 or may reasonably be expected to exceed that amount when Friends comes into possession of them in the future. Gifts for purposes that are not consistent with our mission or with our current or anticipated future programs and operations cannot be accepted. Gifts made for current use for a restricted purpose may be accepted by the Executive Director. Gifts to create long-term funds, spendable corpus or not, to support particular efforts or purposes are subject to review and recommendation by the Committee.

Gifts that are counter to or beyond the scope of Friends' mission and purpose will be turned down, with the exception of gifts accepted in our capacity as a fiscal sponsor for another entity. Friends, at the discretion of the Executive Director, may serve as the fiscal sponsor for a community group that is working on an environmental issue that does not conflict with Friends' positions and standing in the community and which carries minimal risk to our finances or reputation. Donations passed through to a community group are subject to the same standards of review and handling as gifts received for Friends' use.

6. Protecting Friends's mission and brand: A gift to Friends will not sway the organization from its mission and role in the community. A contribution to Friends in no way limits or puts unspoken expectations on actions the organization may take or policies that the organization may advocate in favor of. Acceptance of a gift will not hinder or influence Friends's decisions to comment on a particular legislative bill, ordinance, policy position, development, or issue.

Friends reserves the right to refuse any gift, and maintains absolute control over if, how, and when our name or logo can be used by any donor. Our name and logo may not be used in any publication without express written permission. Any publicity plan should, if possible, be determined before a donation is accepted.

7. Fees and Commissions. Friends does not pay "finder's fees" or commissions to third parties in connection with gifts to our organization. No officer, employee, or agent of Friends is or will be compensated in a manner that is dependent on the size or nature of gifts made to our organization by any person. When Friends engages legal counsel, accounting professionals, appraisers, or environmental consultants, their fees and expenses will be determined by the time they spend engaged on our work and not by reference to any particular gift in connection with which they are retained. Their fees will be paid by Friends. Any such professional engaged by Friends will be clearly identified to the donor or potential donor as working on behalf of Friends and not on behalf of the donor. The fees and expenses of legal counsel, accountants, or appraisers engaged by donors may be wholly or partly paid by Friends, at the request and with the consent of the donor, with the approval of the Committee. In any case in which a donor's professional fees are paid in whole or in part by Friends, we will inform the donor that the payment constitutes taxable income to the donor.

8. Establishing the Value of Donated Property. It is the policy of Friends to comply fully with the valuation rules set out in Publication 561 of the Internal Revenue Service and the relevant income, gift and estate tax laws and regulations. Copies of Publication 561 are available at www.irs.gov or at Friend's office. Property contributed to Friends that has a value in excess of \$5,000 must be accompanied by an appraisal unless it consists of (i) cash, (ii) marketable securities, (iii) closely held securities with a value of \$10,000 or less, (iv) a vehicle, the value of which will be determined by its sale, (v) intellectual property such as a copyright or patent, (vi) stock-in-trade, inventory or other property that would otherwise be held by the donor for sale to customers in the ordinary course of the donor's business, or (vii) property contributed by a corporation that constitutes a "qualified contribution" as described in Section 170(e)(3)(A) of the Internal Revenue Code of 1986.

The fee for the appraisal may not be based on the value of the appraised property, and the appraiser must be "qualified," as that term is used in IRS Publication 561. A "qualified appraiser" is one who is ordinarily in the business of appraising similar property, has appropriate educational and experiential background, who performs appraisals for many different people and purposes (and not primarily either for Friends or for the donor), and who is not employed by Friends, the donor, any relative of the donor or any entity controlled by the donor or members of the donor's family. Duplicate originals of each appraisal should be prepared, one for Friends and one for the donor.

Friends reserves the right to alter the value of property contributed to it on the books and records of Friends for accounting, tax-reporting, annual fund record-keeping or any other purpose, if developments after the completion of the gift or information that comes to the attention of our organization after the gift is completed are determined, in the discretion of our Board or our auditors, to merit such an alteration.

9. Tax Compliance. Donors of property, other than cash and marketable securities, which has a value of \$500 or more are required to file IRS Form 8283 with their individual tax returns for the year in which such a gift is made, if they intend to take an income-tax deduction for the gift. In each instance of Friends receiving a gift to which this rule is applicable, we will use our best efforts to call to the attention of the donor the applicability of this rule. The Internal Revenue Code also requires that if Friends sells property that it has received by gift within three years after the property is received, Friends must report the fact of the sale and the amount of the proceeds to the Internal Revenue Service on Form 8282. It is the policy of Friends to comply fully with this reporting requirement and all other applicable aspects of state and federal tax law.

Section Two: Property That May Be Donated to Friends of Casco Bay

What to Give to Friends of Casco Bay . . .

1. Gifts of Cash. The most frequent, and also the simplest, means of supporting the work of Friends is to give cash, either by cash, check, or credit card. Checks should be made payable to “Friends of Casco Bay,” and checks payable to any employee, officer, or agent of Friends cannot be accepted. Funds may also be wired to Friends’ bank account, if a donor desires to do so, and wiring arrangements can be made through our Development Office [(207) 799-8574]. Funds will be treated as having been received by Friends when a check is postmarked, a credit card charge is processed, or funds wired to an account maintained by Friends are credited to that account. Donors may make credit card gifts to Friends via our website [go to www.cascobay.org/donate in your web browser], by calling our office, and/or by mailing an appropriate credit card form available upon request. Donors to Friends are urged to avail themselves of matching gift programs, when available, in order to leverage their own gifts. Matching gifts will be credited to the donor and his/her employer or the appropriate matching gift program sponsor.

2. Publicly Traded Securities. Any unrestricted stocks or American Depository Receipts that are traded on the New York or American Stock Exchange or through the NASDAQ system or any other recognized domestic stock exchange, and corporate and government bonds for which there is an established market (“marketable securities”), are welcome as contributions to Friends and may be accepted by our development staff. Securities accompanied by appropriate transfer instructions may be wired to an investment account maintained by Friends, and will be treated as having been delivered when Friends or its investment agent has received all the documentation necessary to complete the transfer of ownership without any further involvement on the part of the donor. Securities traded exclusively in markets outside the United States can be accepted only by approval of the Committee. Marketable securities will be sold by Friends promptly upon receipt so that their proceeds may be invested in a manner consistent with our organization’s overall investment and cash management policies.

3. Closely Held and Restricted Securities. Corporate stock for which there is no established market that is readily accessible to Friends, including the stock of “Subchapter S Corporations,” which is subject to trading restrictions, partnership interests in general or limited partnerships or in limited liability partnerships, and memberships in limited liability companies that are not traded on an

established domestic securities exchange (“closely held securities”) can be accepted by our organization only with the approval of the Board. Friends is willing to consider any proposed gift of closely held securities, but gifts of closely held securities frequently cause tax and other problems for both the donor and our organization, so each such gift must be carefully examined on a case-by-case basis. Friends ordinarily expects to retain legal counsel to advise it in connection with any proposed gift of closely held securities. Because of the complexity involved in accepting gifts of closely held securities, a prospective donor should allow ample time between the proposal of the gift and its completion. At least three months are necessary to assure that all the ramifications of such a gift for both the donor and Friends are identified. Donors are required to file IRS Form 8283 if they contribute closely held securities with a value in excess of \$500, and Friends is required to file Form 8282 with the IRS if the securities are sold within three years after we receive them.

4. Real Estate. Gifts of real estate to Friends can be accepted only with approval by the Board. Such gifts may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, Friends shall require an initial environmental review of the property to ensure that the property has no environmental damage or liability associated with it. The property will be the subject of a thorough questionnaire completed by the donor or their designee, at least a Level I Environmental Site Assessment (ESA)—as defined by the American Society for Testing and Materials (ASTM)—to assure the absence of environmental contamination and, if a Level I ESA is considered inadequate or inconclusive by the Committee, more extensive environmental testing may be required. All necessary environmental testing is conducted at Friends’ expense. Friends ordinarily engages legal counsel when considering a gift of real estate and will require a legal opinion as to the state of the donor’s title before such a gift can be accepted. Because of the time necessary to perform the requisite environmental tests and title work, a donor should allow at least three months for a gift of real estate to Friends to be completed. Donors should anticipate that contributed real estate will be sold by Friends as promptly as market conditions permit after our organization takes actual possession of the property. Friends is unable to accept gifts of real estate for which there is not likely to be a market. During any period in which donated real estate is retained by Friends prior to sale, it will be subject to real estate taxes and, depending on the nature of the real estate, other maintenance expenses. Because Friends does not divert its financial resources to support maintenance of real estate held for sale by our organization, donors of real estate should also donate sufficient cash to pay the taxes and other expenses associated with the donated property for the period between its donation and its sale. In the absence of sufficient cash to permit the satisfaction of these expenses, Friends may need to decline the gift. Friends ordinarily does not accept real estate that is encumbered by mortgages or other liens. Donors are required to file IRS Form 8283 if they contribute real estate with a value in excess of \$500, and Friends is required to file Form 8282 with the IRS if the real estate is sold within three years after our organization receives it.

Criteria for the Committee to consider in deciding whether to recommend to the Board acceptance of the gift shall include:

- Whether the property is useful for our organization’s purposes
- Whether the property is marketable/resellable
- Whether there are any restrictions, reservations, easements, or other limitations associated with the property
- Whether there are carrying costs which may include insurance, property taxes, or other liabilities associated with the property
- Whether the environmental inspection or any audit or other report reflects damage to or contamination of the property

As an environmental organization, Friends may be approached by a member or a concerned landowner to accept a gift of property for conservation or a conservation easement. Friends is grateful for the

landowner's interest in protecting the property, but believes that the donor's interests would be better served by working with a land trust or other conservation organization (e.g., The Nature Conservancy or Trust for Public Land). If the lands are part of or adjacent to a conservation project with which we are familiar, we may advise the landowner to contact the organizing group directly. If not, we may advise the landowner to contact Maine Coast Heritage Trust to determine which local land trust would best serve his or her needs.

5. Tangible Personal Property. The term "tangible personal property" applies to any property that is not real estate, cash, or securities and has an intrinsic utility. Examples include, but are not limited to, artwork, automobiles, boats, farm equipment, stamp and coin collections, furniture, and jewelry.

Friends gladly accepts contributions of tangible personal property that can be used in the performance of our work. Such property might include vehicles, boats, books, furniture, and computers, among other things. Gifts of tangibles that clearly will be usable immediately in our operations may be accepted by the Executive Director. When such gifts are accepted, the organization will provide the donor with an appropriate acknowledgment of the gift in which the intention of Friends to retain the donated property for use in the performance of its charitable functions will be stated clearly.

Donors who wish to make a gift of a boat(s) that will not be put to use in Friends' programs, upon Friends' discretion, may be recommended to make the donation to support our work via the Maritime Funding Association of Maine. This organization properly handles boat donations in support of Friends and other groups. Maritime Funding Association of Maine retains the right to refuse donations.

Gifts of other kinds of tangible personal property that will not be put to use in Friends' programs must be referred to the Committee for consideration of acceptance, and it is to be expected that our organization will sell any such property as promptly as market conditions permit. In the absence of a letter to the donor from the organization stating that contributed tangible personal property will be retained by Friends, a donor must assume that the property will be offered for sale. Friends cannot accept gifts of tangible personal property that are subject to restrictions related to the timing of their sale or for which there is no market to which our organization has relatively convenient access. If there will be costs associated with the maintenance of a donated item of personal property between the time of its contribution to Friends and the time when it is likely to be sold, such as transportation costs or rental payments on a storage facility for a vehicle, Friends may need to decline the gift unless the donor provides the organization with sufficient funds to maintain the property pending sale. Donors are required to file IRS Form 8283 if they contribute tangible personal property with a value in excess of \$500, and Friends is required to file Form 8282 with the IRS if the property is sold within three years after our organization receives it.

6. Gifts of Life Insurance. Gifts to Friends of fully paid whole life, ordinary life or endowment policies on which no future premium payments are due may be accepted by the Executive Director. Gifts of policies having a current cash value but with respect to which future premium payments are possible or are known to be due can be accepted only by the Board. Whether any such policy is accepted will depend on the economics of the transfer; if the policy can be converted to a paid up policy of lesser value or if the donor agrees to make future premium payments or if the policy has sufficient value to permit the payment of future premiums out of that value for as long as necessary, the policies will be accepted by Friends. In any case in which a policy is accepted, Friends will work with the insuring company to transfer ownership of the policy from the donor to our organization and will change the beneficiary designation to permit Friends to collect the insurance proceeds when the policy matures.

Friends cannot accept a gift of a term life insurance policy without cash value unless the donor of the policy agrees to maintain the policy in force by remaining responsible for payment of future premiums. Any gift of a term policy to Friends must be accepted by the Board and, following acceptance, Friends will take steps to change the ownership of the policy from the donor to our organization and to assure that Friends is notified if any future premiums are not paid on a timely basis. The beneficiary designation will also be changed to name Friends as the beneficiary.

Gifts of life insurance policies naming multiple beneficiaries will be referred to the Committee for its consideration before acceptance. Friends will not accept gifts of cash or property from a donor if the use of the gift is restricted to the purchase of a life insurance policy on the donor or any other person.

Donors are required to file IRS Form 8283 if they contribute an insurance policy with a value in excess of \$500, and Friends is required to file Form 8282 with the IRS if the policy is sold within three years after our organization receives it.

7. Beneficiary Designation of Retirement Plan Assets. Friends will accept retirement plan (such as an IRA, 401k, 403b, and other defined contribution plans) or fund gifts as either a partial or full death beneficiary of such funds when named in the applicable death beneficiary designation. Donors interested in creating such gifts, avoiding both income and estate taxes otherwise payable, should contact the administrator of their retirement fund to provide for a death beneficiary designation of Friends of Casco Bay.

8. Direct IRA Charitable Rollover. With the most recent congressional enactment of the IRA charitable rollover (Dec. 2015) without expiration, eligible donors (age 70 ½ or older) who direct IRA funds to eligible charities can exclude up to \$100,000 per year in IRA gifts from their ordinary taxable income. Distributions may not be excluded from income to Donor-advised Funds or split-interest gifts (e.g., Charitable Gift Annuities, Charitable Remainder Trusts or Charitable Lead Trusts). Donors interested in making such gifts while avoiding inclusion of an IRA distribution in their taxable income, should contact the administrator of their IRA.

9. Miscellaneous Property Interests. Contributions of unusual property rights, such as mortgages, non-marketable notes, assignments of rent due under leases, oil and gas interests, patents, copyrights, royalties, frequent flyer miles, and easements can be accepted by Friends only by approval of the Board.

Section Three: Giving Techniques

How to give to Friends of Casco Bay . . .

1. Outright Gifts. Outright gifts are transfers directly to Friends for our immediate use. Such gifts maximize the value of the donation to Friends and generally are similar and quicker to conclude than other kinds of donations. Whether an outright gift is to be accepted by the organization or by the Board depends on the nature of the property being donated.

2. Bequests. Donors may make transfers to take effect at death through their wills or trust documents. In a will or a trust, a cash amount may be left to Friends using the following language: “I give and devise to Friends of Casco Bay, located in South Portland, Maine, the sum of \$ _____ to be used for its general charitable purposes.” Alternatively, a gift of a fraction of an estate’s or trust’s value may be made using language such as “I give and devise to Friends of Casco Bay, located in South Portland, Maine, _____ percent of the value of my residuary estate” (or “of my trust”).

If a donor or a professional advising a donor would like assistance in wording a bequest to Friends or in properly identifying and describing a restricted purpose for which any such gift is to be used, the Executive Director or Development Director can provide assistance. Gifts made to Friends under a will or a trust will be put to use in support of our annual Operating Plan or, upon the Executive Director and Board's discretion, credited to one of our Funds or in the creation of a new Fund. Gifts made to our organization under a will or a trust are subject to the same acceptance procedures, described in Section Two of this policy, as gifts made during a donor's lifetime.

Friends appreciates being advised by members that they have remembered the organization in their estate plans, whether the remembrance is in the form of a restricted gift or an unrestricted one.

Acceptance of restricted bequests must be approved by the Board. Discussion of the restricted purpose at the time the relevant document is drafted can avoid misunderstanding that can arise if Friends first finds out about the gift after the donor has died. It benefits both the donor and Friends to know in advance if the subject of the gifts and the terms on which it is made are agreeable to both parties. Discussion of the gift at the time the operative language is drafted assures that our organization will be able to accept the gift on terms that meet the donor's expectations.

In the event that Friends must decline a gift made in a donor's will or trust after the donor's death, the decision to renounce the gift, and a renunciation document that is in a form acceptable to both Friends and the representative of the estate or trust from which the transfer was to be made, will be delivered to the representative within three months after our organization is informed of the gift, and every effort will be made to assure that the renunciation document is delivered to the estate or trust representative within nine months after the decedent's death. In any case in which renunciation of a gift under a will or trust is contemplated, Friends will consult legal counsel.

3. Charitable Remainder Trusts. It is the policy of Friends not to serve as trustee of any charitable remainder annuity trusts or charitable remainder unitrusts of which our organization is a beneficiary. This policy is intended to assure that such trusts receive the full-time investment management that they deserve and to eliminate any possibility of a conflict of interest in investment choices or any other subject between the current annuity or unitrust beneficiaries of such trusts and Friends as remainder beneficiary. Representatives of Friends are, however, available to cooperate with any potential donor to a charitable remainder trust in tailoring the provisions of those trusts to the donor's particular situation.

Friends reserves the right to decline remainders under trust instruments created without its knowledge if the nature of the property or the conditions on its use are not consistent with the best interests and other activities of our organization. Decisions on whether to accept trust remainders that consist of property other than cash or marketable securities or which are subject to use restrictions are made by the Board. Unrestricted remainders consisting of cash or marketable securities may be accepted by the Executive Director.

4. Charitable Lead Trusts. It is the policy of Friends not to serve as trustee of any charitable lead trusts of which our organization is a beneficiary, for reasons similar to those outlined above in the discussion of charitable remainder trusts. As with remainder trusts, however, representatives of Friends are available to cooperate in the establishment of such trusts to assure that payments to our organization from any such trusts can be used by Friends in accordance with the donor's wishes and expectations.

Friends reserves the right to decline to accept distributions from charitable lead trusts in the drafting of which Friends has not been consulted if the distributions consist of property other than cash or

marketable securities or if the uses to which the distributions are to be put are restricted under the terms of the trust instrument to purposes not consistent with the mission and programs of the organization.

Unless otherwise agreed upon by the donor and Friends, the annual distributions from these charitable lead trusts will be used to support our organization's overall operations.

5. Charitable Gift Annuities. Charitable gift annuities allow a donor to make a current gift to Friends of Casco Bay in exchange for our organization's agreement to pay one or two annuitants a fixed payment for life either on an immediate or deferred basis. Charitable gift annuities and deferred charitable gift annuities can be made available by Friends under the following terms:

- a. The minimum gift in respect of which an annuity can be established is \$10,000.
- b. No gift annuity shall be accepted which names an income beneficiary less than 65 years of age without prior approval of the Executive Director.
- c. Deferred gift annuities shall be accepted from younger donors when the income stream begins at age 65 or later, with any deviation in age requirements being subject to the same approval procedure as stated above.
- d. There shall not be more than two income beneficiaries for a gift annuity. This can be the donor and one heir, or two heirs.
- e. Capital gains tax must be paid on annuities funded with appreciated securities. However, this gain is paid over the life of the annuity.
- f. A portion of the yearly income is considered a return on the capital and is tax-free. The tax avoidance ceases, though, with the actuarial lifespan of the donor.
- g. Payout rates for annuities offered by Friends will be at or below the maximum payout rates recommended on a yearly basis by the American Council on Gift Annuities, a nonprofit organization whose function is, among other things, to assure that annuity rates, while fair to donors, are also reasonable enough to assure that charities do not have to pay out more as annuity payments than they take in as gifts. The American Council on Gift Annuities sets the annuity rates corresponding to the age(s) of annuitant(s). These tables, which are used to calculate the income to the donor, are structured to return on a pool of gift annuities, on average, 50% of the original gift to Friends. The annuity rate is dependent on the age of the annuitant.
- h. It is the policy of Friends not to purchase private annuities to make the annuity payments that Friends, by issuing annuities, becomes obligated to make. Transferring the liability for the annuity payments to a private company would divert funds to that company and away from the charitable purposes of our organization.
- i. Friends cannot accept gifts of tangible personal property to fund an immediate gift annuity. Gifts of real estate to fund deferred annuities will be carefully considered by the Committee, and acceptance will depend on the likelihood that Friends will be able to sell the donated real estate promptly and whether, as in the case of any other gift of real estate, the gift is accompanied by sufficient cash or other liquid assets to enable Friends to carry the real estate until it is sold without diverting other funds to the purpose. Friends is unable to accept gifts of real estate subject to mortgages or other liens to fund charitable gift annuities.
- j. After the charitable gift annuity matures, the funds are transferred to a Committee-directed fund or toward our annual Operating Plan.

6. Gifts of Remainders in Residences or Farms. Gifts of remainder interests in personal residences or farms can be accepted only with the approval of the Board. In the case of any such gift, as with any other gift of real estate, Friends retains legal counsel to examine the title to the donated property and will follow the same process for considering outright gifts of real estate (see Section Two, #4, above). These basic steps are necessary to protect Friends against potential liabilities arising out of environmental contamination and a lack of salability owing to title defects. In light of these

requirements, it is the strong preference of Friends to know about gifts of remainder interests at the time they are established rather than only when our organization's interest comes to fruition. This is particularly important if the use of the proceeds of the sale of the residence or farm, or the use of the real estate itself, after our organization takes possession of it, is to be restricted by the donor under the terms of the gift. (It is otherwise the policy of the Board to sell the property and apply the proceeds to a Board-directed fund or purpose.) It is important that the donor and Friends work together to assure that the donor's desires for the use of the property or its proceeds can be satisfied by our organization when the time comes.

Ordinarily, Friends will expect to remain in close contact with the owners of the life interest or interests in a residence or farm throughout the period of his, her, or their occupancy so that Friends can remain confident of the absence of environmental liabilities and can work with the owner or owners of the life interest to maintain the value of the property. Obviously, this important on-going acquaintance with the real estate and its uses is impossible if Friends is not informed of the gift at the time the remainder interest is established.

In light of the importance of protecting Friends' other assets from exposure to liabilities arising out of the ownership of donated real estate, our organization reserves the right to decline any gift of a remainder interest in a residence or farm even after the life interest or interests in the real estate expires, when the property would otherwise pass to Friends.

8. Bargain Sales. Bargain sales to Friends are possible only with the approval of the Board. Friends will retain legal counsel to consider any such sale. Whether other steps are necessary before the consummation of any such sale will depend on the nature of the property to be sold, as described in Section Two of this Policy.

Friends cannot enter into agreements for the bargain sale of real estate subject to a mortgage or other lien or any other arrangement that would give rise to unrelated business taxable income ("UBTI"). Whether there are UBTI issues involved in any proposed bargain sale will be examined closely by counsel to Friends.