Rockford Public Library
GIFT ACCEPTANCE POLICY
May 20, 2003

I. INTRODUCTION

The Rockford Public Library (RPL) competes with other charitable, cultural, religious, social and educational organizations in its efforts to obtain charitable gifts to support its activities. The most desirable gifts are those with the least restrictions, as unrestricted funds allow RPL to address the most pressing needs of the library.

Federal tax laws may influence an individual's decision to make a gift and the size of the gift. The significance of these laws makes it an important obligation of RPL to record and acknowledge all gifts received.

The guidelines presented in this document have been established to:

- Ensure that informed decisions are made on the acceptance of gifts and that such gifts are receipted in accordance with the requirements of the Internal Revenue Service
- Ensure that efficient administrative, legal, and accounting practices and procedures are followed
- Enable accurate reporting of gifts
- Ensure consistent, equitable relations with donors

II. POLICY FOR GIFT ACCEPTANCE

All donors of significant gifts must be advised to seek representation by their own competent legal and/or financial counsel in order to avoid allegations or charges of conflict of interest, undue influence or unauthorized practice of law. RPL will not retain these services on behalf of any donor or pay any fees associated with such representation. While the staff and Board of RPL strive to maintain a high level of familiarity with current tax laws and policies, they are not able to give legal or financial advice to donors. On behalf of RPL, the Board of Trustees will seek the advice of legal counsel in all matters pertaining to its planned giving program. For example, counsel's advice will be sought in the execution of trusts requesting RPL as co-trustee, or with unusual specialized legal obligations.

RPL may elect to accept or decline any gift. The final decision to decline a gift rests with the RPL Board of Trustees. The decision to accept a gift to RPL must always be approved by the Board of Trustees when gifts:

- Might expose RPL to an uncertain or potentially significant liability
- Are precedent setting or involve sensitive activities
- Are believed to have come from illegal activities
- Present questions as to their compatibility with the mission of RPL

Charitable gifts to RPL shall be acknowledged by the Library Development Officer. Acknowledgement consists of a charitable receipt generated by RPL, accompanied by correspondence prepared by development staff. These documents are deemed to be the official acceptance of the gift and its related terms and conditions, as well as official certification of the donation for income tax purposes.

The date the gift is received by RPL is the gift date of record for gifts of cash or by credit card mailed to RPL, with the exception of 1) tax year-end gifts, when the postmark date is used to determine receipt date, 2) fiscal year-end gifts received by RPL no later than seven business days after the fiscal year-end and with a check dated December 31 or earlier and the postmark date of December 31 or earlier. These gifts have a gift date of December 31. In no instance will a gift date of record be earlier than the check date or postmark date. The date of credit card charge gift will be the date the donor authorizes the charge, not the date RPL processes the charge.

When conditions placed on a gift offer are judged to be administratively difficult or not in accordance with the mission of RPL, the RPL Board of Trustees may request that the terms of the gift be revised or recommend that the gift be declined.

Conditions which by explicit designation require the exclusion of, or discriminate against, a group or class cannot be accepted by RPL.

Information obtained from or about donors or prospects shall be held in strictest confidence by the Library Development Office. Neither the name of the donor, the amount, nor the conditions of any gift will be published without the prior written approval of the donor; nor will the name of any income beneficiary be published without written approval by the beneficiary.

III. DESCRIPTION OF GIFTS

The following gifts are deemed eligible for acceptance by RPL.

OUTRIGHT GIFTS

Cash, checks, or credit card charges

Outright gifts are those placed at the immediate disposal of RPL and in which the donor retains no interest.

Gifts by check should be made payable to “Rockford Public Library” and mailed to:

Rockford Public Library
Development Office
215 North Wyman Street
Rockford, IL 61101

Matching Gifts

Employers may match an employee’s gift to RPL. The ratio of the match and the designation of the matching gift are entirely at the discretion of the employer.

Outright Gifts of Securities

Securities are the most common form of non-cash gifts. When a donor contributes appreciated stocks held long term (more than one year) or bonds, the donor avoids paying the capital gains tax which would have been incurred if the stocks or bonds had been sold. Donors can contribute securities that are traded regularly on national or local stock exchanges or in the Over-the-Counter market (OTC). The value of a gift of securities is the average of the high and the low on the date of gift.

Publicly traded securities, shares of stock in closely held companies, bonds, and government issues may be given to RPL. The value of the gift will be the mean of the highest and lowest selling prices quoted for the stock on the day of the gift. It is understood that with gifts of stock, RPL will convert the gift to cash at the earliest opportunity.

A donor should first be asked if the donor would be incurring a loss or gain upon sale of he security. If the donor would incur a loss and if the loss would be deductible by the donor, RPL will suggest that it might be to the donor's benefit to sell the stock and gift the proceeds to RPL. If the donor would incur a gain, the donor would avoid capital gains taxes by transferring the stock to RPL. If the donors sell the securities, commissions will be paid by the donors. RPL encourages donors to consult with their financial planner when considering gifts of securities.

There are four different ways for stock to be received:

1. Transfer of securities can be handled by the donor's broker. The donor requests that his/her broker transfer a gift of a specific number of shares of securities to RPL. The broker must request the FEIN number (**36-6006084**), legal name(Rockford Public Library) and disposition instructions. The transaction is completed if a) RPL is aware of the transfer to the charitable gift account, and b) the donor is not able to pull the shares back out of the charitable gift account.

2. If securities are hand delivered to RPL, the gift date is the day the securities are delivered, and the value of the gift will be the average of its high and low value on that date. Donors should endorse security certificates only upon delivery to RPL.

3. If securities are mailed to RPL, the value of the gift will be its fair market value on the date of the postmark. Donors should obtain a stock power from their banker or broker, signing their name exactly as it appears on the certificates (if the security is owned jointly, both parties must sign), and have their signatures guaranteed by their banker or broker. An executed stock power must be provided for each separate issue of stock or bond to RPL. The stock power(s) and a letter of instruction should be mailed under separate cover from the stock certificate(s) to:

   Rockford Public Library
   Development Office
   215 North Wyman Street
   Rockford, IL 61101

   Stock certificate(s), stock power(s), or related instruments should be sent by certified mail, return receipt requested. The following information should be provided to RPL: 1) donor's full name, 2) name of the company and number of shares transferred to RPL, 3) date, 4) broker's name and phone number, and 5) if available, the designation for the gift. Unendorsed stock certificates are non-negotiable.

Closely Held Securities

Gifts of closely held securities may only be accepted with unanimous approval of the RPL Board of Trustees. RPL will not, as a condition of receiving such securities as gift, enter into any agreement that legally obliges RPL to sell or otherwise dispose of the securities.

Real Estate and Tangible Personal Property

Gifts of real estate and tangible personal property (works of art, manuscripts, literary works, jewelry, antiques) can be accepted by RPL after a thorough review indicates that the property is readily marketable or needed for use by RPL in a manner that is related to one of the purposes for which its tax exempt status was granted. Gifts of real estate and tangible personal property must be approved by the RPL Board of Trustees

RPL does not accept gifts of used motor vehicles, any aircraft or boats. Exceptions may be made with the unanimous approval of the Board of Trustees for gifts of antique and classic automobiles. Gifts of antique and classic automobiles will be immediately sold at wholesale to the top of three competitive bidders.

Donors of any real or personal property, which exceeds $5000 in value, are subject to applicable federal disclosure statutes (Form 8283). Potential donors will be notified of that requirement and advised to seek legal and/or financial counsel. Donors of real or personal property, which exceeds $5000 in value, are required to attach an appraisal summary to their tax return signed by a qualified appraiser and the Development Officer. Donors of real estate must provide an environmental audit for that property. Appraisals must be obtained by the donor; RPL will not pay appraisal fees or environmental audit costs.

Gifts of real or personal property are accepted with the understanding that RPL will make its best effort to sell the property promptly. RPL cannot guarantee that it will sell the property at the donor's appraised value. RPL will not itself appraise or assign a value to real estate or tangible personal property for the donor's valuation purposes, nor will RPL, as a condition of receiving a gift of real estate, enter into any agreement that legally obliges RPL to sell the real estate. If RPL sells or otherwise disposes of a gift of real estate within two years after receipt of the gift, RPL must notify the Internal Revenue Service via Form 8282 and provide a copy of that document to the donor. It should be noted that the Internal Revenue Service may compare the selling price reported by RPL on Form 8282 and the Form 8283, which is filed by the donor. A report of all facts must be provided to the Internal Revenue Service within 125 days of the transaction. Appropriate records of all gifts, which exceed $5000 in value, must be maintained by RPL.

In general, RPL requires that the donor bear all expenses incurred in receiving or maintaining gifts of real estate or tangible personal property.

A "Deed of Gift" form, which RPL will supply, must accompany any contribution of property, with:

1) a complete description of the donated item
2) its value (as discussed above)
3) a statement that the donor makes an unconditional gift of the item and transfers not only legal and beneficial title, but also all other rights associated with the item(s)
4) the donor(s) signature
5) date
6) and signature of RPL official receiving the gift.

RPL will consider accepting a gift of real estate (improved or unimproved) if presented with a reasonable current appraisal of the fair market value of the property and the interest in the property or asset RPL would receive if the proposed gift is approved. The donor must disclose to RPL a title insurance commitment showing the existence of any and all mortgages, deeds of trust, restrictions, reservations, easements, mechanic liens, environmental phase I study and other limitations of records. No gift of real estate will be accepted until all mortgages, deeds of trust, liens and other encumbrances have been discharged, since any liability assumed by RPL or any other person in connection with a charitable contribution reduces the value of that contribution. Exceptions may be made in very unusual cases where the fair market value of RPL interest in the property net of all encumbrances is substantial, or where a separate agreement to pay any such encumbrances which might be charged to the Rockford Public Library has been executed by a financially responsible party.

RPL will not accept multiple-owned property unless there exists a legal agreement with the other owners regarding ultimate disposition of the property.

RPL will inform the donor that if a gift of real estate is completed, the IRS will require an appraisal made within a period that begins with the day that is 60 days before the date of gift and ends on the day before the due date of the federal income tax return on which the gift is first claimed or reported. It is RPL's policy to dispose of all gifts or real estate as expeditiously as possible. The donor will be informed that any such sale occurring within two years of the date of gift will be reported to the IRS on Form 8282.

A written summary of proposal for a gift of real estate should be submitted to Rockford Public Library, including, at minimum:

1) description of the real estate
2) purpose of the gift
3) estimate or appraisal of the property and, if different, RPL's interest in the property's fair market value and marketability
4) potential for income and expenses, encumbrances, carrying costs prior to disposition
5) environmental risks or problems revealed by audit or survey, including but not limited to underground storage tanks, asbestos, lead paint, radon or contaminated water
6) credit history or financial statement of financially responsible party
7) special arrangements requested by the donor concerning disposition (potential buyers, realtors or brokers). It should be noted that the donor should not engage in negotiations with potential buyers of the property
8) a plan for funding any additional expenses incurred by the acceptance of the gift
9) any exposure to unrelated business income tax liability
10) any potential conflict of interest RPL might encounter in accepting the gift

RPL will not consider as gift any real estate found to have environmental exposures until such condition is remedied and documented. RPL will not appraise or assign a value for real estate. It is the donor's responsibility to obtain and assign a value for the gift and to provide, at donor's expense, a qualified appraisal required by the IRS in the case of assets in excess of $5000.

Bargain Sales of Property

A bargain sale of property to a qualified organization (a sale or exchange for less than the property's fair market value) is partly a charitable contribution and partly a sale or exchange. A bargain sale occurs when a donor transfers property to a charity in exchange for a payment that is less than the fair market value of the property. Typically, such transactions occur when a donor has a piece of property that has appreciated greatly in value that the donor cannot afford to part with as an outright gift.

In such cases, the gift is considered to be the amount by which the fair market value exceeds the payment; however, the donor's cost basis must be allocated to both the sale and the gift, reducing the amount of the allowable charitable deduction.

Gifts of real property that are transferred subject to a mortgage are considered bargain sales by the IRS, the amount of the gift being the fair market value of the property reduced by the amount of the mortgage. This is true even if the donor agrees to be responsible for the mortgage.

It is sometimes difficult to distinguish between a bargain sale and a discount, especially when a tangible property is involved. In such cases, the IRS has held that a key element is that of "detached and disinterested generosity," i.e., the donor's intent must be to make a gift. For example, in a recent tax court case, a deduction for a bargain sale was disallowed because the court found that the purchase price agreed upon by the donor and the charity was primarily the outcome of business negotiations. Therefore, if a bargain sale is being arranged, it is advisable that the donor and the RPL clearly document from the outset the donor's intention to sell for less than the fair market value, including a letter of gift from the donor and a letter of acceptance by RPL.

Gifts-in-Kind

Donors of items as a tangible gift-in-kind must provide a signed description of the item and a signed statement of actual retail value. Gifts-in-kind are accepted if they can be used by RPL in its usual fund raising activities. RPL will generate an acknowledgement letter for the donor.

There is no charitable income tax deduction for a gift of service, only for TANGIBLE items. While a gift of services never is deductible as a charitable contribution, out-of-pocket expenditures incident to performing services for a charity are deductible. The most common example of a gift of services is a volunteer's donation of time or expertise to a non-profit. For instance, a lawyer may donate legal counsel or an accountant may give financial advice. RPL will give such donors acknowledgement for their gift of services, but will not generate a receipt for the value of those services. Individuals rendering services to charities must maintain records substantiating their related charitable deductions for those services, and charities are not required to maintain those records; the charity is only required to provide a statement acknowledging the provision of the services. In order to be able to deduct expenditures of $250 or more incident to performing a specific service, the donor needs a written acknowledgement from the donee organizations on whether or not the donor received any goods or services in consideration for the services performed.

Life Insurance

RPL will automatically accept, without the necessity of review and approval, gifts of whole life insurance policies which meet the following criteria:

The policy is a whole life insurance policy that is either paid up or, if not paid up as of the date of gift, RPL is designated as owner and beneficiary of the policy. A policy on which the donor retains incidence of ownership and RPL is named beneficiary only is not a completed gift.

a. has a minimum face value of $100,000;
b. has a payment schedule not to exceed ten years, and which assumes an interest rate not to exceed two percent below prime interest rate as of the effective date of the policy; and
c. requires charitable contribution from the donor to RPL in the amount of any premiums including unscheduled premiums, which may become due.

A policy on which the donor retains incidents of ownership and RPL is named beneficiary only is not a completed gift. (While the policy will identify RPL as the beneficiary, the Development Officer will work with the donor to clarify the purpose of the gift – whether it be for endowment (existing or new), a specific program or library, or unrestricted use – by attachment of a memorandum, letter, or endowment agreement to the policy.) If intended for endowment purposes, the face value of the policy meets the minimum funding standards for endowments, which is $25,000.

If a policy is a paid-up policy, its fair market value is generally its replacement cost. If premiums remain to be paid on a life insurance policy, its fair market value is equal to the so-called P.S. 58, that is the interpolated terminal reserve value of the policy (an amount slightly in excess of cash surrender value), plus that part of the last premium payment that covers any period extending beyond the date of the gift.

It should be noted that an individual who donates an insurance policy may be required to obtain a “qualified appraisal” with respect to the policy if the donor claims a federal income tax charitable deduction of more than $5,000 for the donation.

NOTE: In the case of an insurance policy having a cash surrender value, the amount that is deductible for federal income tax purposes is (omitting technical details) generally whichever is less: the cash surrender value or the net premiums paid to date on the policy. Net premiums are equal to total premiums paid minus policy dividends paid back to the donor-insured.

A. Approval/Acceptance Process

RPL will prepare a written summary of any proposed gift of a life insurance policy which fails to meet all of the criteria specified above. At a minimum, the summary will include the following information:

1) a description of the type of life insurance policy, face value, premium payment schedule, interest rate, age of insured(s), and other relevant policy information, and
2) the purpose of the gift (e.g., to fund the endowment, a deferred gift, an unrestricted gift) and the program or library to benefit from the gift.

3) RPL will review the material presented by the Development Officer and make a determination as to whether to accept or reject the proposed gift or, if necessary, to impose any terms (e.g., the donor's pledge to make contributions to cover premiums, a revision in payment schedule) as a condition of approval. The final determination of RPL will be communicated to the donor in writing, including any conditions imposed by RPL prior to acceptance.

The gift will be completed upon the execution and delivery of the life insurance policy to RPL or an assignment of the policy in the event that RPL is not the original owner of the policy.

B. Administration

1) RPL will administer all gifts of life insurance policies and will maintain records of all donor policies, contribution schedules, donor designations of death benefits, and the like. RPL will also be responsible to pledge reminders and monitoring payments of premiums. Premium bills should be addressed to: Rockford Public Library, Development Office, 215 North Wyman Street, Rockford, Illinois 61101. Premiums paid by the donor to RPL will be considered charitable deductions for the donor.

2) RPL will be responsible for confirming the existence and cash value of all policies in force at least annually and for collecting and distributing death benefits.

NOTE: Corporations may designate RPL as a beneficiary of insurance policies they hold on members of their Boards of Trustees. Formal notification of the Corporation's intentions must be given, at which time a special pledge will be entered onto the system in the Corporation's name and associated credit given to the individual insured.

Planned Gifts/Trust Agreements

A number of trusts and variations exist that can be used as tools for making a charitable contribution to RPL, while benefiting the donor's estate with respect to income tax planning. Donors are advised to consult with legal and financial advisors to determine which trust is best matched to their charitable intentions.

The policy of RPL is not to serve as trustee or administrator of a revocable or irrevocable trust arrangement except in the most extraordinary of circumstances and then only with unanimous approval of the Board of Trustees. In the rare instance when RPL is a trustee, it will accept a charitable trust for no less than $100,000, and would prefer that the assets be managed by a financial organization recommended by RPL.

Charitable Gift Annuity

The charitable gift annuity, sometimes called a Charitable Remainder Trust, is a lifetime contract between the donor and RPL. The donor makes a gift to RPL and receives a fixed amount of income, and if desired, for another beneficiary's lifetime. Upon the death of the last beneficiary, RPL receives the remainder.

RPL recommends the following guidelines:

1) A minimum gift of $10,000 is required to establish a charitable gift annuity.
2) The rate of return is currently based on the tables of the national Committee on Gift Annuities, dependent upon beneficiary age.
3) Agreements will be limited to two lives, the younger age being not less than 50 years of age.

Example: Donor gives $10,000 to RPL. S/he will receive fixed payments on an annual, semi-annual, etc., schedule, even if the account does not produce that amount of income.

The donor may not make additional contributions to a charitable gift annuity; however, the donor may enter into additional contracts. A donor may also establish a Charitable Deferred Gift Annuity, sometimes called a Charitable Lead Trust, in which case a gift is made currently and the donor (or other beneficiary) receives an income stream beginning at a point in the future.

No testamentary gift annuity will be considered without consultation with legal counsel and RPL.

The costs of administration of a charitable gift annuity will be absorbed by RPL.

Charitable Remainder Unitrust

The primary feature of a charitable remainder unitrust is that it provides for periodic payment of income to the donor or another person specified by the donor, for life or a specified term of years, after which the trust assets pass to RPL. The specified payment may not exceed 20 years.

During the lifetime of the donor, s/he creates a formal trust agreement under which assets such as cash and/or appreciated securities are irrevocably transferred to a trustee(s) (a bank, individual, or financial manager), who then pays the donor or a person specified by the donor a guaranteed payment based on the percentage of the value of the assets.

During the donor's lifetime, the trust assets are managed and invested by the trustee(s) as a single fund. The donor cannot borrow or otherwise deal with the trust assets. The designated beneficiary receives payments based on a fixed percentage of the net fair market value of the trust as valued annually. RPL recommends limiting the number of income beneficiaries to two, and a minimum age of 50 years for each income beneficiary. The donor determines the fixed percentage, which may not be less than five percent, upon creation of the unitrust. It is recommended that unitrusts requiring payments of more than 10% not be established. Donors may make subsequent additions to the unitrust during their lifetime or by bequest upon their death.

RPL recommends that no unitrust be established for less than $50,000. The costs of administration of a charitable remainder unitrust will be an expense of the respective trust.

When assets have not been "irrevocably" transferred, they are not considered as assets of RPL or reported as gifts to RPL in any manner.

Charitable Remainder Annuity Trust

The annuity trust shares many common features with the unitrust, the principal difference being the manner used to calculate the payment to the income beneficiary. Whereas the unitrust provides for a payout that varies with each annual valuation, the annuity trust provides for fixed payments based upon the fair market value on the date the trust is initially funded. Additional contributions cannot be made to an annuity trust.

The donor during his or her lifetime irrevocably transfers assets to a trustee, who pays the donor or a person specified by the donor a fixed dollar amount annually for life. The trust can also provide income for the donor's survivors for life; however, the trust assets become the sole property of RPL.

RPL recommends the following when establishing a charitable remainder annuity trust:

1) A charitable remainder annuity trust for RPL may be established with a gift of $50,000 or more.
2) An investment policy that will provide, at a minimum, income equal to the commitment to the income beneficiaries
3) Limiting the number of income beneficiaries to two
4) A minimum age of 50 years for each beneficiary when the trust is established

The costs of administration of a charitable remainder annuity trust will be an expense of the respective trust.

Charitable Lead Trust

The primary feature of a charitable lead trust is that it provides for the immediate support of RPL through income generated by the assets in trust for a set period of time, after which the assets pass to a non-charitable beneficiary, such as the donor, the donor's children, or other persons the donor specifies. A charitable lead trust is conceptually the opposite of a charitable remainder trust. In a lead trust, the donor gives RPL the current economic benefit of the transferred assets and retains the right to require possession and control of the assets at a future date.

The donor during his or her lifetime creates an irrevocable trust agreement. The agreement may take effect during the donor's lifetime or be part of the donor's will. Assets are transferred to a trustee, with the stipulation that the income from the assets be paid to RPL for the life of the trust, after which the principal or corpus of the trust reverts back to the donor or to others of his or her choosing. A lead trust may be advantageous for donors who have a larger income than they currently need and who desire to transfer assets to heirs.

Each lead trust must be considered on its own circumstances. A charitable lead trust for RPL may be established with a gift of $100,000 or more.

The cost of administration of a charitable lead trust will be an expense of the respective trust.

Trust Held Outside of RPL

Control of trusts which h are qualified charitable remainder trusts or lead trusts managed by an outside source for the benefit of RPL rests with the donor's designated trustee(s). RPL normally holds a copy of such agreements once notice has been given of the trust's existence.

Bequests

A bequest is a gift of any amount or form made to RPL in a donor's will. A bequest may provide for a specific dollar amount in cash, specific securities, or specific articles of tangible personal property.

Among donors' options are residuary and contingent bequests. A residuary bequest will give RPL all or a portion of the estate after all debts, taxes, expenses, and all other bequests have been paid. A contingent bequest will ensure that, despite unforeseen circumstances, specified property will pass to RPL rather than unintended beneficiaries.

Donors may also establish, by will, an annuity trust or unitrust. The bequest can be arranged so as to provide a life income for a designated beneficiary or beneficiaries by directing that the bequest be used to establish a charitable remainder annuity trust or charitable remainder unitrust. If such a gift is made by will, the principal will pass to RPL only after the death of the life income beneficiary.

Donors are encouraged to recognize that over the many years following the designation of a gift, the needs, policies and circumstances of RPL can change in unforeseen ways. RPL must have the flexibility to make use of funds in the best interest of its mission and in accord with donor interests and specifications. Thus, donors are advised to describe specific purposes of their gifts as broadly as possible and to avoid detailed limitations and restrictions. Donors considering bequests for a specific purpose are encouraged to consult with the Development Officer at RPL.

When money is left to RPL as an unrestricted bequest, it is deposited into the unrestricted fund to be used at the sole discretions of RPL.

Bequest language may read:

> "I, John Donor, give, devise and bequeath to Rockford Public Library a gift of $10,000 (Ten Thousand Dollars)."

> "I, John Donor, give, devise and bequeath to Rockford Public Library a gift of [insert detailed description of securities, real estate or tangible personal property].

The bequest intentions of known and prospective donors will be recorded in the Development Department. The department will be responsible for maintaining a confidential record of information about known provisions in wills for testamentary gifts to RPL that, on an actuarial basis, may provide information of value for gift analysis and long-term planning.