

# GIFT ACCEPTANCE POLICY

Approved by the Board of Trustees November 8, 2012

## **GIFT ACCEPTANCE POLICY**

### **I. BACKGROUND**

The Jewish Community Foundation (the Foundation) is the endowment program of the Jewish Federation of Greater Vancouver (the Federation). The Foundation solicits and receives gifts from a variety of different sources. In addition, the growing complexity of charitable giving and applicable legislation requires that the Federation and Foundation work within strict guidelines with respect to the receipt of gifts to ensure that all legal requirements are met and risk to both entities and the donor is minimized.

### **II. GIFTS THE FOUNDATION CAN ACCEPT**

The Board of the Jewish Federation has authorized the Foundation to encourage donors to make outright gifts and to be prepared to receive deferred gifts. Outright gifts are those where title transfers at the time of the gift, while the title of deferred gifts does not pass until a specified date or until a certain condition has occurred, such as death of a donor. The Foundation may also accept gifts-in-kind subject to certain conditions.

A Gift Acceptance Committee will be established to represent the Federation and Foundation's interest in all matters relating to the acceptance of gifts as outlined in this document. The committee will be comprised of the Treasurer of the Federation, the Chair of the Foundation and other members appointed as the Federation and Foundation deem appropriate.

This document contains guidelines (Section IV) on the acceptance of gifts which may be given as both inter vivos (gifts made during one's lifetime) and testamentary (gifts made upon death) and the following gifts apply:

1. Cash
2. Publicly Traded Securities
3. Flow-through Shares
4. Interest-Bearing Loans
5. Interest-Free Loans
6. Israel Bonds
7. Other Gifts-In-Kind
8. Bequests
9. Life Insurance Policies and their proceeds
10. Real Estate
11. Gifts of Shares in Non-Publically traded Companies and other Business Interests
12. Gifts of Art

### **III. POLICIES**

The Federation Board and the Board of Trustees of the Foundation have established the following gift acceptance policies:

- i) This policy has been established to inform, serve, guide or otherwise assist donors who wish to support the Federation and the Foundation's activities. It shall never be used under any circumstances to pressure or unduly persuade donors.

- ii) The Federation and the Foundation will encourage every donor to discuss a proposed gift with his or her independent legal and/or tax advisors.
- iii) If a donor does not have independent counsel and asks for a referral, the Federation or the Foundation may provide possible advisors. The Foundation cannot have any influence on the donor's choice of advisor.
- iv) Gifts that fall into the following categories shall be brought to the Gift Acceptance Committee for acceptance: gifts of real estate, shares in non-publically traded companies and other business interests, interest-bearing and interest-free loans, property interests not readily negotiable or valued, and other gifts not contemplated by this policy.

Before accepting the gift, the Gift Acceptance Committee may have the Federation or the Foundation have its legal counsel review the legal issues related to the proposed gift and any other professional advice it deems appropriate, and the organization will collect relevant information about the proposed gift, including a copy of any appraisal secured by the donor. The Gift Acceptance Committee reserves the right to secure and rely on its own appraisal.

- v) Outright gifts of cash, publicly traded securities, flow through shares, and life insurance, do not need to be brought to the Gift Acceptance Committee for acceptance or to be reviewed by the Foundation's legal counsel.
- vi) Any gift with potentially unacceptable restrictions or conditions may be referred to the Gift Acceptance Policy Committee and/or to the Foundation's legal counsel.

Any gift with restrictions or conditions which are inconsistent or in conflict with any of the purposes or goals of the Federation/Foundation or any of the policies, procedures or rules established by Federation or the Foundation from time to time will not be accepted.

- vii) Donors are responsible for all costs related to the valuation of property and the cost of their own legal or financial counsel except where the Federation/Foundation seek its own appraisal.
- viii) All gifts will be received in strict compliance with the provisions of the Income Tax Act and with the regulations and rules as issued from time to time by the Canada Revenue Agency (CRA).

The Federation/Foundation has established the following guidelines to ensure that gifts accepted are cost-effective and acceptable to CRA.

#### **IV. GUIDELINES**

The Federation/Foundation may accept gifts made during a person's lifetime (inter vivos gifts) or gifts made upon a person's death (testamentary gifts or bequests). Gift pledges may be made and payments may be directed through authorized bank withdrawals or in the case of employees of the Federation or Foundation by authorized payroll deduction.

## **TYPES OF GIFTS**

### **1. Cash**

#### **Description**

Cash gifts of up to \$10,000 will be accepted and fall under the threshold the Canadian Government has instituted for the reporting of large cash transactions to FINTRAC (Financial Transactions and Reports Analysis Centre of Canada). The objective of this rule is to help detect and deter money laundering and the financing of terrorist activities.

Cash gifts will be accepted up to the maximum of \$10,000.

### **2. Publicly Traded Securities**

#### **Description**

Publicly traded securities are shares, debt obligations or rights listed on one of the major prescribed stock exchanges (i.e., TSX, NYSE, NASDAQ). They also include mutual fund shares or units and units in segregated fund trust. Additionally, these provisions apply to employee stock options.

Acceptance will depend on a review of the security's liquidity and will be subject to the Federation/Foundation securities receipting guidelines.

### **3. Flow-through Shares**

#### **Description**

Flow-through Shares are a form of equity investment which carries tax incentives granted by the government related to the provision of financing for natural resource related industries (mining and exploration). Generally flow-through share investments require the investor to retain ownership of their shares for a minimum holding period.

In the case that a donor gives flow-through shares to the Federation/Foundation after the completion of the required holding period, the donation will be treated as would be the case with any other publicly traded security and will be subject to the Federation/Foundation securities receipting guidelines.

There are gifting vehicles that make it possible for donors to purchase and transfer flow-through shares to charities without retaining the shares for the holding period, by arrangement for the charity to re-sell the shares immediately to a secondary buyer at an established discount.

#### **Guidelines**

- i) The investment/donation is facilitated by an established brokerage firm with extensive experience in managing and facilitating such transactions.
- ii) The Federation/Foundation will advise the donor to obtain independent professional advice before participating in any such transaction.
- iii) Any fees related to such donation must be incorporated into the gift structure so that there is no additional net cost to the Federation/Foundation for accepting the gift.

#### **4. Interest-Bearing Loans**

##### **Description**

Interest-bearing loans may be made to the Federation/Foundation by supporters who would like to make a significant contribution, but do not wish to make an irrevocable gift. The loan is not a donation, and no tax receipt is issued. The lender benefits by supporting the Federation/Foundation and retaining ownership of the loaned asset. The Federation/Foundation benefits from the use of the capital for the duration of the loan. Interest earned on the loan is generally taxable in the hands of the lender (unless the lender is a non-taxable entity). The lender may choose to forgive all or part of the interest on the loan and will be issued a tax receipt for the forgiven interest.

##### **Guidelines**

- i) An interest-bearing loan should be for at least \$100,000.
- ii) Where there is no fixed term, the lender may call the loan on 60 day's notice.

#### **5. Interest-Free Loans**

##### **Description**

Interest-free loans may be made to the Foundation by supporters who would like to make a significant contribution, but do not wish to make an irrevocable gift. The loan is not a donation, and no tax receipt is issued. The lender benefits by supporting the Foundation, lowering his/her taxable income because he/she is not receiving the income, and retaining ownership of the asset. The Foundation benefits from the use of the annual income for the duration of the loan.

##### **Guidelines**

- i) An interest-free loan should be for at least \$100,000.
- ii) The Foundation will hold the principal of the loan in a restricted fund and use income for current needs. The restricted fund will not be subject to the Foundation's preservation of capital policy.
- iii) Where there is no fixed term, the lender may call the loan on 30 day's notice.
- iv) Interest-free loans will not exceed more than 20 percent of assets under the Foundation's administration. The Foundation will ensure that it always has enough liquid assets to fund all liabilities related to interest-free loans.

#### **6. Israel Bonds**

##### **Description**

Israel Bonds are issued by the government of Israel and donors may use Israel bonds to make an irrevocable gift to the Federation or the Foundation. The gift will be accepted in accordance with the policies of the Federation/Foundation as they exist from time to time. The Gift Acceptance Committee

will ensure the proposed gift is consistent with the Foundation's investment policy regarding Israel Bonds when accepting gifts of Israel Bonds on behalf of the Foundation.

### **Guidelines**

- i) The donor arranges the transfer of a bond to the Federation/Foundation. For interest bearing bonds a gift receipt is issued based on the face value plus the interest earned at the date of transfer.
- ii) The Federation/Foundation retains the right to sell the bond before the maturity date.
- iii) The Federation/Foundation will issue a gift receipt for the face value plus the interest earned at the date of transfer. Donors will be recognized at the receipted or present value of the gift, not the maturity value.

## **7. Other Gifts-In-Kind**

### **Description**

A gift in kind refers to property other than cash such as capital property (including depreciable property) and personal-use property (including listed personal property<sup>1</sup>). It does not include a gift of services.

### **Guidelines**

- i) Subject to the guidelines above regarding specific gifts in kind, the Federation/Foundation may accept other donations in kind. Donated goods shall provide some benefit to or be of specific use to the Federation/Foundation, or the Organization. If a gift in kind is not deemed useful by the Federation/Foundation, but can be sold quickly by the Federation/Foundation with the realized proceeds directed to the Federation's/Foundation's uses, the gift in kind may be accepted. When determining the suitability of a gift in kind, consideration may be given to the following additional factors:
  - Perceived enhancement of the Federation's or the Foundation's environment;
  - Future operating costs, including maintenance and repairs;
  - Availability and/or costs associated with storage and transportation
- ii) Property of little or nominal value does not qualify as gift in kind under the policies of CRA. Examples of such items may include household furniture, used computers, books or journals or hobby crafts.
- iii) Once the Federation/Foundation has agreed to accept a gift in kind, the fair market value (FMV) of the gift must be determined as of the date of the donation. The FMV refers to the highest price (in dollars) that the property would bring in an open and unrestricted market transaction between a willing buyer and seller. Both buyer and seller must be knowledgeable, and informed, acting independently of one another. FMV does not include any amounts paid or payable to other parties, such as commissions to sales agents or sales taxes like GST or provincial sales taxes.

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<sup>1</sup> Personal use property refers to personal property which generally increases in value and includes such items as coins, stamps, a rare folio, manuscript or book, jewellery, a print, etching, drawing, painting or sculpture.

- iv) When the value of the gift is less than \$1,000, a knowledgeable and qualified staff member of the Foundation or of the Federation may provide a written appraisal.
- v) When the value of the gift exceeds \$1,000, the donor is required to obtain an independent written appraisal, provided by a qualified appraiser not associated with either the donor or the Federation/Foundation, at the donor's expense.
- vi) In the event that it is difficult to find an independent appraiser, or if that would involve unwarranted expense, valuation of a gift exceeding \$1,000 may be made by a Foundation or Federation staff member – provided that the staff member is knowledgeable in the field and is qualified to appraise the gift at its fair market value.
- vii) Gift certificates for property (not services) may be accepted if they meet the criteria described above. If the donor is the business for which the gift certificate is being issued, a tax receipt cannot be provided (this is to prevent tax receipting for goods at the retail value when they are actually donated at cost).
- viii) While a tax receipt cannot be issued for services received, a cheque exchange may be approved by staff. This occurs when the Federation/Foundation pays an individual for services rendered and later accepts the voluntary return of all, or part of, the payment as a donation. In this situation, the Federation/Foundation can issue an official receipt for the amount donated, but the donor has to declare the amount paid by the Federation/Foundation for the services as income when filing an income tax return.
- ix) A receipt for a gift in kind will be issued by the Federation/Foundation outlining:
  - the date the gift was received
  - a brief description of the property including, in the case of securities, the name of the security, the number of shares, and the per share value
  - the name and address of the appraiser of the property
  - the fair market value of the property on the donation date
  - the name and address of the donor.
- x) Gifts of significant value will be recorded as assets on the Federation/Foundation's books. Appraisals as at the date of donation shall be kept on file.

## **8. Bequests**

### **Description**

Bequests are gifts made by will.

### **Guidelines**

- i) Sample bequest language for restricted and unrestricted gifts, including endowments, will be given to donors and their lawyers to ensure that the bequest is properly worded. Donors will be encouraged to consult with Foundation staff to ensure their bequest intentions can be honoured. Donors will also be

invited to provide information about their bequest provision and, if they are willing, to send a copy of the section of their will that names the Federation/Foundation as a beneficiary.

- ii) The Associate Executive Director will represent the Federation and Foundation in all dealing with estate lawyers and executors during the probate of an estate containing a bequest to the Federation/Foundation and during the post-death administration of trusts containing provisions benefiting the Federation/Foundation.
- iii) If the Associate Executive Director becomes aware of a claim against the estate, the Associate Executive Director will provide the particulars of the estate, the claim and the decision(s) required from the Federation/Foundation, if any, to the Foundation Board Chair of the particulars of contentious estates. When a claim is made against an estate, staff will consult with the Federation's/Foundation's legal counsel if necessary.

## **9. Gifts of Life Insurance**

### **Description**

Donors may donate a life insurance policy to the Federation/Foundation in one of the following ways:

- i) irrevocably assign a paid-up policy to the Federation/Foundation, naming the Federation/Foundation as owner and beneficiary.
- ii) irrevocably assign a life insurance policy on which premiums remain to be paid, naming the Federation/Foundation as owner and beneficiary.
- iii) name the Federation/Foundation as a primary or successor beneficiary of the proceeds of a new or existing policy, or
- iv) name his or her estate as beneficiary of the proceeds of a new or existing policy and use the proceeds to fund a charitable bequest.

When ownership is irrevocably assigned to the Federation/Foundation (option i and ii), the donor is entitled to a gift receipt for the net cash surrender value (if any) and for any premiums subsequently paid.

### **Guidelines**

- i) The Federation/Foundation will consider any of the gifts in life insurance listed above.
- ii) If the donor is buying a new insurance policy, the Federation/Foundation will encourage the donor to pay it up fully in ten or fewer years. The Foundation prefers policies with equity and a significant cash surrender value.
- iii) If a donor stops paying premiums before the policy is paid up, the Foundation will either discontinue the policy or pay the remainder of the premium payments to ensure it receives the death benefit. This decision will be made by the Gift Acceptance Committee upon the recommendation of the Associate Executive Director.

## **10. Gifts of Real Estate**

### **Description**

Donors may make a gift of real estate in various ways: outright, residual interest in the property, or to fund a charitable remainder trust. The following guidelines pertain to gifts of real estate in general. Where real estate is transferred to a charitable remainder trust, additional requirements of the trust must be met.

### **Guidelines**

- i) The donor will secure a written appraisal from a qualified, independent appraiser on the approved list of any one of the top 5 schedule one banks, at the donor's expense. Unless the Gift Acceptance Committee has reason to believe the appraisal does not reflect the property's true and current value, it will issue a gift receipt for the appraised value (or calculated present value of the residual interest computed on the appraised value in the case of residual interest gifts). However, the Gift Acceptance Committee has the right to secure its own appraisal and issue a gift receipt based on that appraisal.
- ii) The Gift Acceptance Committee will determine if the donor has clear title to the property.
- iii) The Gift Acceptance Committee will review other factors, including zoning restrictions, marketability, ecological sensitivity, current use and cash flow, to determine whether it would be in the Federation's/Foundation's best interest to accept the gift.
- iv) The Gift Acceptance Committee will review the environmental status of the property and may require an environmental assessment, which would include an environmental audit. The Gift Acceptance Committee will accept the property only if (a) it contains no toxic substances or (b) toxic substances are removed or other remedies are taken prior to the title transfer, to ensure that the Federation/Foundation does not assume any liability when it accepts the gift.
- v) A deed of gift that specifies the terms of the gift will be prepared at the donor's expense and may be reviewed by the Federation's/Foundation's legal counsel before the gift is accepted. The Federation/Foundation will not execute the agreement until the donor and his or her legal advisor have determined that the trust document is in the proper form and that the gift itself is appropriate for the donor's situation.
- vi) In general, the donor will be responsible for all costs associated with assessing, evaluation and transferring the property to the Federation/Foundation. The Federation/Foundation may also retain/rely on the advice and opinion of legal counsel and other professionals and experts at its own expense.

## **11. Gifts of Shares in Non-Publically traded Companies and other Business Interests**

### **Description**

Donors may make gifts of shares and other securities of publicly-owned companies and other business interests that are not publicly-traded, and of shares and other securities of privately-owned companies and other business interests. Such gifts must be reviewed and approved by the Gift Acceptance Committee before being accepted.

## **12. Gifts of Art**

### **Description**

Art may be any two or three dimensional creation which is requested by or offered to the Federation or to the Foundation for use to enhance the Federation.