

United States Merchant Marine Academy Alumni Association & Foundation, Inc. Gift Acceptance Policy

The United States Merchant Marine Academy Alumni Association & Foundation, Inc., a not-for-profit 501(c)3 organization organized under the laws of the State of New York, encourages the solicitation and acceptance of gifts to the United States Merchant Marine Academy Alumni Association & Foundation, Inc. (hereinafter referred to as The Foundation) for purposes that will help The Foundation to further and fulfill its mission. The following policies and guidelines govern acceptance of gifts made to The Foundation or for the benefit of any of its programs. The mission of The Foundation is:

The UNITED STATES MERCHANT MARINE ACADEMY ALUMNI ASSOCIATION & FOUNDATION, INC. shall exist to serve, assist and perpetuate the United States Merchant Marine Academy at Kings Point, New York, its Regiment of Midshipmen, Faculty, Staff, and Alumni. It shall support the Academy's mission of educating and graduating Merchant Marine officers who will become leaders in the commercial and defense transportation services of the United States. The UNITED STATES MERCHANT MARINE ACADEMY ALUMNI ASSOCIATION & FOUNDATION, INC. shall provide financial support for charitable, scientific and educational purposes by raising and distributing funds, some of which will be maintained in an endowment. The UNITED STATES MERCHANT MARINE ACADEMY ALUMNI ASSOCIATION & FOUNDATION, INC. shall also foster and encourage the development of the Academy to meet the future transportation needs of the United States, and shall enhance the prestige thereof by acquisition, preservation, and dissemination of information pertaining to their history, activities, methods and objectives.

I. Purpose of Policies and Guidelines

The Board of Directors of The Foundation and its staff solicit current and deferred gifts from individuals, corporations, and foundations to secure the future growth and mission of The Foundation. It is the purpose of these policies and guidelines to govern the acceptance of gifts by The Foundation and to provide guidance to prospective donors and their advisors when making gifts to The Foundation. The provisions of these policies shall apply to all gifts received by The Foundation for any of its programs or services.

II. Use of Legal Counsel

The Foundation shall seek the advice of legal counsel, either externally, or thru the Legal Committee, in matters relating to the acceptance of gifts where appropriate. Review by counsel is recommended for the following, but not to exclude other areas where it may be required:

- a. review of closely held stock transfers that are subject to restrictions or buy-sell agreements;
- b. review of documents naming The Foundation as Trustee;
- c. review of all gifts involving contracts, such as bargain sales or other documents requiring The Foundation to assume an obligation;
- d. review of all transactions with potential conflict of interest that may invoke IRS sanctions; and
- e. such other instances in which use of counsel is deemed appropriate by the Board of Directors

III. Conflict of Interest

All prospective donors shall be strongly urged to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences. The Foundation will comply with the Model Standards of Practice for the Charitable Gift Planner promulgated by the National Committee on Planned Giving, shown as an appendix to this document.

IV. Restrictions on Gifts

The Foundation will accept unrestricted gifts, and gifts for specific programs and purposes, provided such gifts are not inconsistent with its stated mission, purposes, and priorities. The Foundation will not accept gifts that are too restrictive in purpose. Gifts that are too restrictive are those that violate the terms of the corporate charter, gifts that are too difficult to administer, or gifts that are for purposes outside the mission of The Foundation. The President of The Foundation shall pass all final decisions on the restrictive nature of a gift, and its acceptance or refusal, to the Executive Committee of the Board.

V. The Executive Committee

The Executive Committee of the Board is charged with the responsibility of reviewing all non-marketable gifts made to The Foundation, determining when legal counsel is required for review of a gift, determining when an independent appraisal is required for a gift, approving exceptions to these policies, and such other appropriate matters that relate to acceptance of gifts. The Executive Committee shall review these policies on an annual basis and make recommendations on change to the full Board of Directors.

VI. Types of Gifts

- A. The following gifts are acceptable:
 1. Cash
 2. Tangible Personal Property
 3. Securities
 4. Real Estate

5. Remainder Interests in Property
6. Oil, Gas, and Mineral Interests
7. Bargain Sales
8. Life Insurance
9. Intellectual Property Rights
10. Charitable Gift Annuities
11. Charitable Remainder Trusts
12. Charitable Lead Trusts
13. Retirement Plan Beneficiary Designations including IRA's
14. Bequests
15. Life Insurance Beneficiary Designations

B. The following criteria govern the acceptance of each gift form:

1. *Cash*: Cash is acceptable in any form. Checks shall be made payable to USMMA Alumni Association & Foundation, Inc. and shall be sent to USMMA Alumni Association & Foundation, Inc. c/o President 300 Steamboat Road Babson Center , Kings Point, NY 11024.
2. *Tangible Personal Property*: All other gifts of tangible personal property shall be examined in light of the following criteria:
 - Does the property fulfill the mission of The Foundation?
 - 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?

The final determination on the acceptance of other tangible property gifts shall be made by the Executive Committee.

3. *Securities*: The Foundation can accept both publicly traded securities and closely held securities.

Publicly Traded Securities: Marketable securities may be transferred to an account maintained at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. As a general rule, all marketable securities shall be sold upon receipt unless otherwise directed by the Investment Committee. In some cases marketable securities may be restricted by applicable securities laws; in such instance the final determination on the acceptance of the restricted securities shall be made by the Executive Committee. Directions for transferring a gift of securities to The Foundation is shown in the appendix.

Closely Held Securities: Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in LLPs and LLCs or other ownership forms, can be accepted subject to the approval of the Executive Committee. However, gifts must be reviewed prior to acceptance. The following questions, at a minimum should be raised:

- Are there restrictions on the security that would prevent The Foundation from ultimately converting those assets to cash?
- Is there a market for sale of the security?
- Will the security generate undesirable tax consequences for The Foundation or for the donor?

If potential problems arise on initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on acceptance of the gift. The final determination on the acceptance of closely held securities shall be made by the Executive Committee and legal counsel where necessary. Every effort will be made to sell non-marketable securities as quickly as possible.

4. *Real Estate:* Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, The Foundation shall require an initial environmental review of the property to ensure that the property is not contaminated with environmental damage. Environmental inspection forms are attached as an appendix to this document. In the event that the initial inspection reveals a potential problem, The Foundation shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be an expense of the donor.

Where appropriate, a title binder shall be obtained by The Foundation prior to acceptance of the real property gift. The cost of the title binder shall generally be an expense of the donor.

Prior to acceptance of the real property, the gift shall be approved by the Executive Committee and by The Foundation's legal counsel.

Criteria for acceptance of the property shall include:

- Is the property useful for the purposes of The Foundation?
- Is the property marketable?
- Are there any restrictions, reservations, easements, or other limitations associated with the property?
- Are there any carrying costs, which may include insurance, property taxes, mortgages, or notes, etc., associated with the property?
- Does the environmental audit reflect that the property is not damaged?

5. *Remainder Interests in Property:* The Foundation will accept a remainder interest in a personal residence, farm, or vacation home subject to the provisions of Paragraph 4 above. The donor or other occupants may continue to occupy the real property for the duration of the stated life. At the death of the donor, The Foundation may use the property or reduce it to cash. Where The Foundation receives a gift of a remainder interest, expenses for maintenance, real estate taxes, and

any property indebtedness are to be paid by the donor or primary beneficiary.

6. *Oil, Gas, and Mineral Interests:* The Foundation may accept oil and gas property interests, where appropriate. Prior to acceptance of an oil and gas interest the gift shall be approved by the Executive Committee, and if necessary, the Legal Committee. Criteria for acceptance of the property shall include:
 - Gifts of surface rights should have a value of \$20,000 or greater
 - Gifts of oil, gas, and mineral interests should generate at least \$3,000 per year in royalties or other income (as determined by the average of the three years prior to the gift)
 - The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate.
 - If the interest is a working interest the organization should determine the impact on The Foundation so that it may develop a plan to minimize the impact if accepted
 - The property should undergo an environmental review to ensure that The Foundation has no current or potential exposure to environmental liability.

7. *Bargain Sales:* The Foundation will enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission of The Foundation. All bargain sales must be reviewed and recommended by the Executive Committee and approved by the full Board of Directors. Factors used in determining the appropriateness of the transaction include:
 - The Foundation must obtain an independent appraisal substantiating the value of the property.
 - If The Foundation assumes debt with the property, the debt ratio must be less than 50% of the appraised market value:
 - The Foundation must determine that it will use the property, or there is a market for sale of the property allowing sale within 12 months of receipt.
 - The Foundation must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.

8. *Life Insurance:* The Foundation must be named as both irrevocable owner and beneficiary of an insurance policy before a life insurance policy can be recorded as a gift. The gift is valued as the cash surrender value upon receipt. If the donor contributes future premium payments, The Foundation will include the entire amount of additional premium payment as a gift in the year it is made. Gifts of term life insurance policies (where no cash value exists) , are also acceptable.

If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, The Foundation may:

- Continue to pay the premiums,
- Convert the policy to paid-up insurance,
- Surrender the policy for its current cash value, or
- Sell the policy on the secondary market.

9. *Intellectual Property Rights*: Intellectual property rights, which include royalties, patents, copyrights, contract rights or other similar interests shall be examined in light of the following criteria:

- Is the intellectual property right related to the mission of The Foundation?
- Can the ownership of the intellectual property right be clearly transferred or assigned to The Foundation?
- Is the intellectual property right a full or fractional interest? If fractional, describe the other owners of the property and percentage interests.
- Does the right in the intellectual property generate, or have the potential to generate, at least \$5,000 or more each year?
- Is there a market for the sale or licensing of the intellectual property right?
- Are there any costs associated with the acceptance of the intellectual property right? (That is, is the gift a patent application that will require further action to secure, are there any claims, liens, or other contests associated with the property, or are there likely to be costs associated with defending the intellectual property right?)
- Are there any restrictions on the retention or use of the property?

The Executive Committee shall make the final determination on the acceptance of intellectual property right gifts. If accepted, the President of The Foundation may enter into agreements and execute such legal documents as are required with respect to ownership and other rights related to obtain patents, to market said property and to grant licenses in the name of The Foundation for said property.

10. *Charitable Gift Annuities*: The Foundation may offer charitable gift annuities (CGA) as long as The Foundation has a certificate from the Insurance Department of the State of New York or uses another trust that is appointed in any state that a charitable gift annuity donor is domiciled in. The minimum gift for funding is \$10,000. The President of The Foundation may make exceptions to this minimum. The minimum age for the donor shall be 50 (joint donors must have youngest donor meet minimum age). No more than two donors will be permitted.

Annuity payments may be made on a quarterly, semi-annual, or annual schedule. The President of The Foundation may approve a monthly payment schedule on a case by case basis.

The Foundation will accept cash and marketable securities in exchange for a CGA. The Foundation will not accept real estate, tangible personal property, or any illiquid asset in exchange for a CGA. Funds contributed in exchange for a CGA can be reinsured or set aside in an approved trust during the term of the annuity payments. Upon termination of a CGA, the remainder of an approved trust will be considered unrestricted cash unless otherwise stipulated in the original CGA agreement by the donor.

11. *Charitable Remainder Trusts:* The Foundation may accept designation as remainder beneficiary of a charitable remainder trust with the approval of the Executive Committee. The Foundation will not accept appointment as Trustee of a charitable remainder trust.
12. *Charitable Lead Trusts:* The Foundation may accept designation as income beneficiary of a charitable lead trust with the approval of the Executive Committee. The Foundation will not accept appointment as Trustee of a charitable lead trust.
13. *Retirement Plan Beneficiary Designations including IRA's:* Donors and supporters of The Foundation shall be encouraged to name The Foundation as beneficiary of their retirement plans and/or IRA's. Such designations shall not be recorded as gifts to The Foundation until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.
14. *Bequests:* Donors and supporters of The Foundation shall be encouraged to make bequests to The Foundation under their wills and trusts. Such bequests shall not be recorded as gifts to The Foundation until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.
15. *Life Insurance Beneficiary Designations:* Donors and supporters of The Foundation shall be encouraged to name The Foundation as beneficiary or contingent beneficiary of their life insurance policies. Such designations shall not be recorded as gifts to The Foundation until such time as the gift becomes irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

VII. *Gift Instruments*

The gift instrument is the written instruction from the donor on what program or service they would like their contribution to be used for. The instruction may also state what time period the contribution is to be given and/or used. A copy of the gift instrument will be kept in the donor's file for future reference. If no written instruction is provided, the gift will be considered *unrestricted*. If the gift is a temporarily restricted gift, the President of The Foundation will ensure that the gift is placed in the correct account or assign a new account if one does not exist that fits the gift instrument instructions.

A gift that is to be established as a permanently restricted gift (endowment), where principal cannot be used, must have written instructions from the donor on what specific program or service the endowment is to be used and how should the income from the endowment be spent. If no written instruction is provided, 100% of the income from dividends and interest will be used and 100% of realized and unrealized gains/losses will remain in the principal. A minimum of \$50,000 will be required to establish an endowment. Exceptions to this minimum will be reviewed by the Executive Committee on a case by case basis. The Executive Committee of The Foundation shall review all endowment gift instruments to ensure that the gift will be used for its intended program or service and to confirm the use of the income. The Foundation will not accept any gift to an endowment that is not consistent with the mission of The Foundation (see Section IV. Restrictions on Gifts).

VIII. *Miscellaneous Provisions*

- A. *Securing appraisals and legal fees for gifts to The Foundation:* It shall be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts made to The Foundation. In instances in which The Foundation decides to request an independent appraisal, The Foundation is responsible for that fee.
- B. *Valuation of gifts for development purposes:* The Foundation shall use the donor's date of gift value as the value that it records the gift on its books and credits the donor on its records.
- C. *Responsibility for IRS filings upon sale of gift items:* The Controller of The Foundation is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within three years of receipt by The Foundation when the value of the gift for charitable purposes was greater than \$5,000. The Foundation must file this form within 125 days of the date of sale or disposition of the asset. Form 8282 with Filing Instructions is attached as an appendix to these policies.
- D. Acknowledgement of all gifts received by The Foundation and compliance with the current IRS requirements in acknowledgement of such gifts shall be the responsibility of the President of The Foundation. IRS Publication 561 *Determining the Value of Donated Property* and IRS Publication 526 *Charitable Contributions* are attached as an appendix to these policies.

IX. Changes to Policies

These policies and guidelines have been recommended by the Executive Committee of The Foundation and adopted by the Board of Directors. Changes to these policies will be made on the recommendation of the Executive Committee of The Foundation.

Approved by the Executive Committee: Date: _____

Name

Signature
