

I. Introduction

The following guidelines are intended for defining how acceptance and investments of all gifts and grants to the Library Endowment Trust (LET or 'Trust') of the Metropolitan Library System (MLS or 'Library') should be handled. All gifts will be accepted or rejected in accordance with this policy. To prevent misunderstandings and conflicts, these guidelines should be viewed as flexible and realistic to accommodate unpredictable fundraising situations and donor expectations. Such situations and expectations, however, must be consistent with the Library Endowment Trust's mission and Investment Policy as well as in consideration of the mission and policies and procedures of the Metropolitan Library System.

Gifts received and accepted by the Library Endowment Trust are given with the understanding that the Trust will expend, invest or otherwise use the gift in accordance with the donor's intent. Through gift acceptance, the Trust and the Metropolitan Library System oblige themselves to comply with donor intent. The Trust may elect to not accept a gift if the donor intent is not in accordance with the Trust's or Library's missions or strategic plans. In the absence of any donor designation, a gift is considered unrestricted and will be applied to the general endowment.

Once the Trust has accepted a gift, it becomes the Trust's property with the intention of benefit to the Library. From this point, the donor has no decision-making power regarding the disposition of the gift.

II. Acceptance of Gifts and Grants

The Board of Trustees shall, with the Library's Director of Development or other individuals the Board may designate, accept all philanthropy to the Trust, provided such gifts are in conformity with the Gift Acceptance Policy. Individuals designated to accept or negotiate gifts should follow the guidelines set forth in this policy, particularly when negotiating or, when authorized, entering into endowment agreements, trust agreements and other restricted gift agreements or deferred gift agreements. As stated in this policy, certain types of gifts must be reviewed and approved by the Trustees in collaboration with the Library prior to acceptance.

The level of information required by the Trust or Library to make an informed decision regarding the acceptance of a gift will vary depending upon the nature of the gift. If it appears that a gift may not be acceptable from the outset of discussions with the donor, the Trust and Library will endeavor to reach that conclusion as soon as possible and convey this information to the donor.

III. Gift Definition

For tax purposes, a gift is defined as a voluntary transfer of assets from a person or an organization to the Trust where no goods or services are expected, implied or forthcoming for the donor. Gifts usually take the form of cash, securities, real property or tangible personal property. The following criteria generally identify a gift:

- The gift is motivated by "charitable intent."

- Gifts are irrevocable transfers of assets. The LET is not obliged to return unexpended funds. (If, for some reason, the Trust or Library are unable to comply with the donor's intent, a return of gift may be issued at the Trust's discretion. Out of pocket expenses may be deducted from the gift before it is returned).
- Gifts are not generally subject to an exchange of consideration or other contractual duties between the Trust, the Library and the donor, except for certain deferred gifts as set out in this policy.
- Generally, funds received from individuals and family Foundations will be classified as gifts. Funds received from corporations, corporate Foundations, and major national Foundations are classified as gifts unless the grant requires performance or other consideration (i.e. matching, challenge grant).

IV. Gift Restrictions

Unrestricted gifts are encouraged and will support general endowment growth.

Gifts in any amount can be temporarily restricted by the donor and will be passed through to the Library when the restrictions are for any of the specific funds or needs established by the Library as follows:

- Collection Anywhere
- Staff Recognition/Achievement
- System-Wide Programming
- Lee B. Brawner Scholarship Grant
- Donna Morris Scholarship
- Summer Reading
- Staff Development Day
- Holocaust Collection
- Special Collections
- Additionally, gifts of any amount that are temporarily restricted by the donor for the betterment of any specific Library location will be passed through the Metropolitan Library System to that Library location.

Temporary gift designations requested by the donor that are not included in the existing list of designated Library funds may be considered by consultation among the donor, the Trust and the Director of Development for the Library with approval by the Library's Chief Financial Officer.

Gifts of \$10,000.00 or more may be placed in a permanently restricted endowed fund with a gift agreement that is accepted by the Trust, the Library and the donor.

Restriction(s) placed on the use of the funds contributed to the Trust or Library may be rendered illegal, unreasonable or unable to be fulfilled due to circumstances, including, but not limited to: the termination of a Library program, collection or facility; a surplus of funds available from other sources to fulfill the designated purpose; the insufficiency of the restricted funds to fulfill the designated purpose where no funds from other sources are available to supplement the restricted funds; or the designated purpose is no longer consistent with the mission of Library and its needs. If the donor(s) are unavailable to alter the account restriction(s), the Trust or Library, if reasonably practicable, shall consult with donor's representative or close family

members to restructure the gift. In the absence of agreement, the Trust or Library may seek approval of a court with jurisdiction to remove or modify such restriction(s). If termination of the restriction(s) is obtained, the Trust or Library may seek to use the funds for a purpose deemed appropriate assuming the restriction is removed.

V. Gift Acceptance Conditions

The Trust will accept only gifts and grants that are consistent with the core values of Library and are:

- compatible with the missions of the Library and Trust
- compatible with the Trust's nonprofit status.

Unless a specific exception is granted by the Trust the Trust and Library will not accept any gift that:

- violates any federal, state or local statute or ordinance;
- creates a fund with restrictive clauses or conditions for the Trust or Library
- commits the Trust or Library to name a fund where the gift is revocable in any way;
- requires the Trust or Library and its administration to employ a specified person at a future date;
- contains unreasonable conditions (i.e. a lien or other encumbrance) on gifts of partial interests and property;
- exposes the Trust or Library to litigation or other liabilities;
- requires the payment of maintenance costs or other expenses (i.e. debt service) for which no specific provision has been made; or
- appears to be financially unsound.

Unless a specific exception is granted by the Trust, the Trust will immediately sell all gifts of stock or property so that it can invest the proceeds in accordance with the Trust's investment policies. Gifts of stock or property designated for Endowment may be held by the Trust's investment fund manager if the gift meets the investment objectives.

VI. Fees

A. Finder's Fees or Commissions

Consistent with the codes of ethics of the Association of Fundraising Professionals and the National Committee on Planned Giving, no finder's fee or commission of any type will be paid by to any party in connection with the completion of a gift.

B. Professional Fees

Reasonable costs of gift acquisition, such as transaction costs and professional fees, will normally be borne by the donor. However, there may be occasions when a prospective donor conditions the gift on the Trust's or Library's agreement to pay such costs. The Trust or Library will verify the reasonableness of the costs and that the cost reimbursement complies with state and federal requirements, including but not limited to tax laws and professional ethical guidelines. If appropriate, the Trust or Library may agree to cover gift acquisition costs from its operating budget.

C. Administrative Fees

To the extent permitted by law, the Trust reserves the right to levy an administrative fee on endowment accounts where appropriate. The Trust's Finance Committee and the Library's Business Office will establish fees annually based on the actual cost of administration of gifts.

VII. Appraisals

All appraisals of real and personal property contributed to the Trust or Library shall be done in accordance with IRS Publication 561, "Determining the Value of Donated Property." A real property valuation should be prepared by an appraiser. Personal property should be appraised by a qualified appraiser.

Expenses incurred to obtain an appraisal shall be the responsibility of the donor unless special circumstances exist that make it appropriate for the Trust or Library to share the cost. Any appraisal cost borne by the Trust or Library must be approved by collaboration with the Trust, Library and donor.

VIII. Professional Advisors

All prospective donors will be urged to seek their own counsel in matters of estate planning, taxes and planned gifts. The Library nor the Trust shall not give legal advice. Trustees and staff may provide examples however, the donor and their counsel must bear responsibility for all legal conclusions and advice. The Library nor the Trust are not bound by any advice given.

IX. Gift Acknowledgement

The Library staff will acknowledge the receipt of all gifts to the Trust in writing and in a manner which satisfies the IRS's substantiation requirements for the deduction of charitable gifts by individual donors. Donor acknowledgments will be done in conjunction with administrative work outlined in the Memorandum of Understanding between the Trust and the Library.

XII. Types of Acceptable Gifts

Gifts are either outright or deferred. The most common gifts to the Trust are outright gifts. Deferred gifts, also called planned gifts, are typically arranged with Trust during the donor's lifetime, but the benefits to the Library do not accrue until a later time, usually after the death of the donor or his/her beneficiaries. Bequests are the most common deferred gift. Other such gifts include naming the Trust or Library as the beneficiary of a life insurance policy.

Trustees have approved the following types of gifts to the Trust subject to the guidelines and policies set forth below and established policies to be followed in the solicitation and acceptance of gifts and grants to the Trust or Library.

A. Outright Gifts

1. Cash and Checks

a. Policy

Cash and checks shall be accepted regardless of the amount.

b. Guidelines

Checks shall be made payable to the Library Endowment Trust. The value of any cash or check gift is its face value.

2. Wire Transfers

a. Policy

Donors may initiate a wire transfer to make a gift. This is common for large amounts of money and particularly at the end of the calendar and fiscal years.

b. Guidelines

Wire transfers will be counted at the face value on the day of the transfer.

3. Publicly-Traded Securities

a. Policy

Securities that are traded on the New York and American Stock Exchanges, as well as other major U.S. and foreign exchanges and the NASDAQ; corporate bonds; government issues and agency securities may all be accepted by the Trust

b. Guidelines

The Trust's Treasurer/Secretary shall sell such securities as soon as possible after the securities have been transferred to the Trust unless the securities fall within the investment policies or the donor restrictions on the securities.

The value of a gift of securities is the mean (average) of the high and low of the stock(s) or bond(s) on the day the transfer is effected by the donor to the Trust. The value of less actively traded securities, rarely traded securities or a security that does not trade on the gift date should be determined according to IRS regulations.

4. Gifts in Kind

a. Policy

Gifts in Kind of materials or services that will benefit the purpose of a special event or Trust operations will be accepted by the Trust and receipted by Library staff per IRS guidelines.

Gifts in kind of materials or services that will benefit the collection of the Library or benefit the purposes of operations within the Library are reviewed by Library staff prior to acceptance and generally not accepted by the Trust.

5. Gifts of Real or Tangible Personal Property

a. Policy

The Trust may accept gifts of real or tangible personal property, both improved and unimproved, only after review and approval by the Finance Committee, the Board of Trustees and in consultation with legal counsel.

b. Guidelines

The Trust may require one or more of the following items in order to review a gift of real or tangible personal property:

- A preliminary title report clear of unacceptable encumbrances, performed by a reputable title insurance company
- An MAI (Member of the Appraisal Institute) appraisal by a qualified appraiser
- A phase one environmental audit indicating that ownership will not expose the Trust to environmental liabilities
- A market feasibility study for purposes of liquidation
- An on-site evaluation by a Trustee or a designated representative of the Trust
- A structural engineering report (when applicable)
- A review of leases (for commercial properties)
- A disclosure statement for residential properties (when applicable)

A donor must pay for any initial appraisal made on the property. Unless waived by the Trust, it is the responsibility of a donor to cover all the costs involved in an environmental impact study, title search and any other related studies.

Special attention shall be given to the receipt of real estate encumbered by a mortgage. The Trust's ownership of such property may give rise to unrelated business income tax for the Trust and disqualification of certain split interest gifts unless handled in a proper manner.

No gift of personal property subject to the requirement of ownership or maintenance in perpetuity shall be accepted without prior approval of the Trust. No perishable property or property that would require special facilities, maintenance, or security to be properly safeguarded shall be accepted without prior approval of the Trust.

B. Deferred Gifts

Any planned giving agreement that requires execution by the Trust shall first be reviewed and approved as to form and substance by the Trustees and with appropriate legal counsel as approved by the Trust. It is recommended that prospective donors who are considering gifts to the Trust or Library that will take effect at the donor's death, consult with the Director of Development of the Library regarding how to properly designate the gift to the Trust and to discuss any trust or bequest restriction that is being considered.

1. Bequests

a. Policy

Direct, unencumbered bequests shall be accepted by the Trust if the underlying assets are in conformance with the guidelines set forth in Section A: Outright Gifts. If the underlying assets are not in conformance with the guidelines, the bequest shall be referred to the Finance and Investment Committee for consideration. The Trust reserves the right to disclaim gifts from the estates or trusts of deceased donors that are not in keeping with the terms of this policy.

b. Description

A bequest to the Trust is made in the donor's will or revocable trust. The donor can designate a specific amount, a percentage, or the remainder of an estate to the Trust.

c. Guidelines

Donors should be encouraged to notify the Library's Director of Development when considering a bequest in order to ensure that the assets left to the Trust and/or Library

meet the criteria set forth in this gift acceptance policy and to ensure that the donor's wishes are carried out.

2. Designating the Trust as Beneficiary

a. Policy

The Trust will accept any proceeds that it receives as a designated beneficiary (or an alternate beneficiary) of a life insurance policy, a deferred annuity contract, a defined benefit plan, a 401 (k) plan, a defined contribution (profit sharing) plan or other qualified plan as applicable by law, without prior review unless the designation imposes restrictions or a trust arrangement, in which case, Finance and Investment Committee prior review and approval is required.

Pledges

Pledges of Cash: Pledges of outright gifts annually or in sponsorship of an event or activity should be communicated in writing and should commit to a specific dollar amount that will be paid according to a fixed time schedule. The pledge payment period, regardless of when the pledge is made, should not exceed three years for outright gifts and 120 days for sponsorship commitments related to special events.