



## **GIFT ACCEPTANCE POLICIES AND PROCEDURES**

The Santa Barbara Maritime Museum, a not for profit organization organized under the laws of the State of California (hereinafter referred to as “SBMM”), encourages the solicitation and acceptance of gifts to SBMM for purposes that will help SBMM to further fulfill its mission. The following policies and guidelines govern acceptance of gifts made to SBMM or for the benefit of any of its programs.

“The mission of the Santa Barbara Maritime Museum is to preserve and celebrate the maritime heritage of the California Coast and present it to the public in an interesting and exciting way.”

### **I. *Purpose of Policies and Guidelines***

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

### **II. *Use of Legal Counsel***

SBMM will seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by counsel is recommended for:

- a. Closely held stock transfers that are subject to restriction or buy-sell agreements
- b. Documents naming SBMM as Trustee
- c. Gifts involving contracts, such as bargain sales or other documents requiring SBMM to assume an obligation
- d. Transactions with potential conflict of interest that may invoke IRS sanctions
- e. Other instances in which use of counsel is deemed appropriate by the Gift Acceptance Committee (See below V.- The Executive/Gift Acceptance Committee)

### **III. *Conflict of Interest***

SBMM will urge all prospective donors of both standard and non-standard gifts to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences. SBMM will comply with the Model Standards of Practice for the Charitable Gift Planner promulgated by the National Committee on Planned Giving. Representatives of SBMM will not use their position for private advantage or personal gain, but will act in the best interest of the donor and the SBMM.

### **IV. *The Executive/Gift Acceptance Committee***

The Executive/Gift Acceptance Committee shall consist of:

- The Board President of SBMM
- The Board Vice-President of SBMM
- The Board Treasurer of SBMM
- The Board Secretary of SBMM
- The Immediate Past Board President of SBMM
- The Chair of the Development Committee (if such Board Member does not hold one of the above positions)
- The Executive Director of SBMM

In order to act both prudently and efficiently, a quorum of the committee shall consist of any three of the above Board Members.

The Executive/Gift Acceptance Committee is charged with the responsibility of reviewing all gifts made to SBMM, properly screening and accepting those gifts, and making recommendations to the Board on gift acceptance issues when appropriate. Notwithstanding the foregoing, the Executive/Gift Acceptance Committee shall not be required to review in advance unrestricted cash gifts or de minimis gifts.

#### **V. *Restrictions on Gifts***

SBMM will accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are not inconsistent with its stated mission, purposes, and priorities. SBMM 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 SBMM. All final decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the Executive/Gift Acceptance Committee of SBMM.

#### **VI. *Types of Gifts***

- A. The following gifts are acceptable subject to the limitations and review standards set forth herein:
- a. Cash
  - b. Tangible Personal Property
  - c. Securities
  - d. Real estate
  - e. Remainder Interests in Property
  - f. Gas, Oil, and Mineral Interests
  - g. Bargain Sales
  - h. Life Insurance and Life Insurance Beneficiary Designations
  - i. Charitable Gift Annuities
  - j. Charitable Remainder Trusts
  - k. Charitable Lead trusts
  - l. Retirement Plan Beneficiary Designations
  - m. Bequests

n. Such other gifts as are approved by the Executive/Gift Acceptance Committee

Unsolicited, unexpected, unrestricted gifts

- of \$100,000 or more will first be allocated 10% to the SBMM Endowment (Board Designated) or Capital Needs Reserve with the balance directed as the Board of Directors determines.
- from \$50,000 to \$99,999 will be allocated in part to the SBMM Endowment (Board Designated) or Capital Needs Reserve, unless otherwise directed by the Board of Directors.
- from \$10,001 to \$49,999 shall be used as designated by the Executive /Gift Acceptance Committee with input from the Executive Director
- from \$2,501 to \$10,000 shall be used for operations or the purpose deemed most appropriate by the Executive/Gift Acceptance Committee with input from the Executive Director.
- up to \$2,500 shall be used for the purpose deemed most appropriate by the Executive Director.

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

**a. Cash-** Cash is acceptable in any form. Checks shall be made payable to the Santa Barbara Maritime Museum, and shall be delivered to 113 Harbor Way, Suite 190, Santa Barbara, CA 93109, in SBMM's administrative offices.

**b. Tangible Personal Property-** All gifts of tangible personal property shall be examined in light of the following criteria:

- Does the property fulfill the mission of SBMM?
- Is the property marketable or usable for operations?
- Are there any undue restrictions on the use, display, or sale of the property?
- Are there any carrying costs or possible liabilities for the property?
- Is the gift appropriate for the Museum's collections? If so, the Exhibits Committee will initially review such gifts to add to the Collections in accordance with the Museum's Accessioning and Deaccessioning Policy

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

**c. Securities-** SBMM 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 securities shall be sold upon receipt unless otherwise directed by the Executive/Gift Acceptance

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/Gift Acceptance Committee of SBMM.

*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/Gift Acceptance Committee of SBMM. However, gifts must be reviewed prior to acceptance to determine whether:

- There are any restrictions on the security that would prevent SBMM from ultimately converting those assets to cash;
- The security may result in SBMM being held liable for the actions of the underlying entity;
- The security will generate any undesirable tax consequences for SBMM;
- The security will be part of the investment pool for determining SBMM's investment strategy

If potential problems, such as those set forth above, arise on initial review of a 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/Gift Acceptance Committee of SBMM and legal counsel when necessary. SBMM intends to convert all closely held securities to cash at the earliest possible time.

- d. **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, SBMM shall require an initial environmental review of the property to ensure that the property has no environmental damage or risk. In the event that the initial inspection reveals a potential problem, SBMM 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.

When appropriate, a title binder shall be obtained by SBMM prior to acceptance of the real property gift. The cost of this 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/Gift Acceptance Committee of SBMM and by SBMM's legal counsel. Criteria for acceptance of the property shall include:

- Is the property useful for the purposes of SBMM?
- Is the property marketable?

- Are there any restrictions, reservations, easements, or other limitations associated with the property?
  - Are there 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?
- e. **Remainder Interests in Real Property:** SBMM may accept a remainder interest in real property, including without limitation personal residences, farms, or vacation properties, subject to the provisions of paragraph d. 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 life tenant(s), SBMM will refer to the Gift of Real Estate policy stated in VI. Item d, and may use the property or reduce it to cash. Where SBMM receives a gift or a remainder interest, expenses for maintenance, real estate taxes, adequate liability insurance, and any property indebtedness are to be paid by the donor or primary life beneficiary.
- f. **Oil, Gas, and Mineral Interests:** SBMM may accept oil and gas property interests, when appropriate. Prior to acceptance of an oil and gas interest the gift shall be approved by the Executive/Gift Acceptance Committee, and if necessary, by SBMM's legal counsel. Criteria for acceptance of the property shall include:
- Gifts of surface rights ideally should have a value of \$20,000 or greater.
  - Gifts of oil, gas, and mineral interests ideally 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.
  - A working interest is rarely accepted. A working interest may only be accepted when there is a plan to minimize potential liability and tax consequences.
  - The property should undergo an environmental review to ensure that SBMM has no current or potential exposure to environmental liability.
- g. **Bargain Sales:** SBMM may enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission and purposes of SBMM. All bargain sales must be reviewed and recommended by the Executive/Gift Acceptance Committee and approved by the Board of Directors. Factors used in determining the appropriateness of the transaction include:
- SBMM must obtain an independent appraisal substantiating the value of the property.
  - If SBMM assumes debt with the property, the debt ratio must be less than 50% of the appraised market value.

- SBMM must determine that it will use the property, or that there is a market for sale of the property allowing sale within 12 months of receipt.
- SBMM must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.

**h. Life Insurance:** SBMM may accept designations as beneficiary and owner of a life insurance policy. SBMM must be named as both beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be recorded as a gift. If solely named as a beneficiary or contingent beneficiary, SBMM will record the gift upon becoming an irrevocable beneficiary. If the irrevocable owner and beneficiary, the gift is valued at its interpolated terminal reserve value, or cash surrender value, upon receipt. If the donor contributes future premium payments, SBMM will include the entire amount of the additional premium payments as a gift in the year that it is made.

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

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

**i. Charitable Gift Annuities: Currently SBMM is not registered to accept charitable gift annuities. In the future, SBMM may offer charitable gift annuities.** The minimum gift for funding is \$5,000. SBMM Executive/Gift Acceptance Committee may make exceptions to this minimum. The minimum age for life income beneficiaries of a gift annuity shall be 55. Where a deferred gift annuity is offered, the minimum age for life income beneficiaries shall be 45. No more than two income beneficiaries will be permitted for any gift annuity.

Annuity payments may be made on a quarterly, semi-annual, or annual schedule. The SBMM Executive/Gift Acceptance Committee may approve exceptions to this payment schedule.

SBMM will not accept real estate, tangible personal property, or any other illiquid asset in exchange for current charitable gift annuities. SBMM may accept real estate, tangible personal property, or other liquid assets in exchange for deferred gift annuities so long as there is at least a 5-year period before the commencement of the annuity payment date, the value of the property is reasonably certain, and the Executive/Gift Acceptance Committee approves the arrangement.

Funds contributed in exchange for a gift annuity shall be established and maintained in accordance with applicable state insurance laws and set aside and invested during the term of the annuity payments. Once those payments have terminated, the funds

representing the remaining principal contributed in exchange for the gift annuity shall be transferred to SBMM's general endowment funds, or to such specific funding categories as designated by the donor.

- j. **Charitable Remainder Trusts:** SBMM may accept designation as remainder beneficiary of a charitable remainder trust with the approval of the Executive/Gift Acceptance Committee. The Board of SBMM will not accept an appointment as Trustee of a charitable remainder trust without a vote of the full Board of Directors.
- k. **Charitable Lead Trusts:** SBMM may accept a designation as income beneficiary of a charitable lead trust. The Board of SBMM will not accept an appointment as Trustee of a charitable lead trust.
- l. **Retirement Plan Beneficiary Designations:** Donors and supporters of SBMM may be encouraged to name SBMM as beneficiary of their retirement plans. Such designations will not be recorded as gifts to SBMM until such time as the gift is irrevocable. When 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.
- m. **Bequests:** Donors and supporters of SBMM may be encouraged to make bequests to SBMM under their wills and trusts. Such bequests will not be recorded as gifts to SBMM until such time as the gift is irrevocable. When 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.
- n. **Pooled Income Funds:** SBMM may accept a remainder trust in a Pooled Income Fund administered by third parties such as the Santa Barbara Foundation or Fidelity Charitable Gift Fund.
- o. **Assigned Royalties and Other Intellectual Properties:** SBMM may accept assignments of rights to receive royalties, as well as rights in other forms of intellectual properties.

## **VII. *Miscellaneous Provisions***

- A. **Securing appraisals and legal fees for gifts to SBMM:** It will be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts made to SBMM.
- B. **Valuation of gifts for development purposes:** SBMM will record a gift received by SBMM at its valuation for gift purposes on the date of gift.

- C. **Responsibility for IRS Filings upon sale of gift items:** The Executive/Gift Acceptance Committee for SBMM is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within three years of receipt by SBMM when the charitable deduction value of the item is more than \$5,000. SBMM must file this form within 125 days of the date of sale or disposition of the asset.
- D. **Acknowledgments:** Acknowledgement of all gifts made to SBMM and compliance with the current IRS requirements in acknowledgement of such gifts shall be the responsibility of the staff of SBMM.
- E. **Fees and Commissions:** SBMM will not pay a fee to any person as consideration for directing a gift to or obtaining a gift for SBMM. Such payment may not be legal and may be unethical and, in the case of certain gifts, may subject the SBMM and its Board to federal and state securities regulations and policies.

#### **VIII. *Changes to Gift Acceptance Policies***

These policies and guidelines have been reviewed and accepted by the Board of Directors of SBMM. The Board of Directors of SBMM must approve any changes to or deviations from these policies, which it may do at any time in its sole discretion.