

MUSEUM LONDON

BOARD POLICY

MUSEUM GIFT ACCEPTANCE

Preamble

For the purpose of this document, Museum London is hereafter referred to as "the Museum" and the governing body of the Museum is hereafter referred to as "the Board." For clarity, this document is to be read in conjunction with the *Collections Policy*.

1. PURPOSE OF POLICIES AND GUIDELINES

The purpose of the following policies and guidelines is to identify the various types of gifts to be offered, the general policies applicable to those gifts and the specific guidelines for each type of gift. The intent is to ensure that gifts accepted will be cost-effective; will not entail undue liability; and will be acceptable to the Canada Revenue Agency. This document outlines the role of the Board, staff and volunteers.

2. GENERAL POLICY

The Museum encourages and solicits contributions of cash, personal and real property, either as outright gifts or through planned gift vehicles that are acceptable to Canada Revenue Agency and the laws of Canada and the Province of Ontario. Planned gifts include: bequests, life insurance policies, charitable gift annuities, charitable remainder trust and gifts of residual interest.

3. RESPONSIBILITY TO DONORS

While the primary interest of the Museum is to seek donations, it has an ethical responsibility to the donor. Accordingly, staff, volunteers and members of the Board will adhere to the following principles:

3. (1) Legal and Other Professional Counsel

Staff and members of the Board, where appropriate, shall encourage the donor to discuss the proposed gift with an independent financial planner, legal adviser and/or tax adviser of the donor's choice, and at the donor's expense, to ensure that the donor receives a full and accurate explanation of all aspects of the proposed charitable gift. In some cases, the Museum may decline a gift if the donor has not obtained independent advice.

As a service to the donor, the Museum's legal counsel may draft the planned giving instrument or assist the donor's legal counsel in drafting the instrument. In these cases, the Museum will accept the responsibility for the fees incurred by its own legal counsel.

In the case of instruments drafted solely by the donor's lawyer, counsel for the Museum may review all such documents before they are accepted.

3. (2) Ethics

Museum London endorses and commits to act in accordance with Imagine Canada's *Ethical Fundraising and Financial Accountability Code*. All staff, volunteers and members of the Board will conduct themselves in accordance with accepted professional

standards of accuracy, truth and integrity. They will inform, serve, guide and otherwise assist donors who wish to support the Museum's activities, but not pressure or unduly persuade.

3. (3) **Direction of Gifts**

All donors can choose to have their gift fully expended or endowed, and can direct their gift to a specific program. The use of the gift may affect whether it can be expended or endowed. On rare occasions, a gift may be declined as a result of the restrictions on the gift. See 5. (8) *Guidelines for Declining a Gift*.

4. **ACCEPTANCE POLICIES**

The Executive Director is authorized by the Board to create and execute planned gift agreements with prospective donors.

The following gifts, whether outright or deferred, must be reviewed and approved by both the Executive Director and the Chair (or his/her designate).

- All gifts of real estate.
- Gift of personal property including artwork, collectibles and other property interests not readily negotiable or valued having a value in excess of \$5,000.

Before acceptance, relevant information shall be obtained and reviewed, including a copy of any appraisal by an independent qualified appraiser(s) secured by the donor, according to Canada Revenue Agency guidelines. The Museum reserves the right to secure and rely on its own appraisal. Any gifts entailing potential financial liability, or placing unusual conditions on the Museum, must be referred directly to the Board for approval. The Executive Director may, at his/her discretion, bring to the Board other gift agreement proposals, as appropriate.

- Outright gifts of cash, publicly-traded securities, life insurance, reinsured gift annuities, residual interest gifts and charitable remainder trusts do not require approval by the Board. However, any gift may be referred to the Board if subject to potentially unacceptable restrictions.
- It is not the practice of the Museum to manage gift annuities, but rather to purchase the annuities from life insurance companies. See 5. (3) *Gift Annuity (a) Description* and (b) *Guidelines*. All assets held by the Museum are invested in accordance with policies established and approved by the Board.
- In order to properly manage endowments and gifts involving some form of restriction, the following minimum gift amounts apply:

Restricted, expendable gifts to an existing fund.	\$ 500.00
Restricted, expendable gifts requiring a new restricted fund.	\$ 5,000.00
Endowment fund.	\$10,000.00

5. **ACCEPTANCE AND DECLINE GUIDELINES**

5. (1) **Bequest**

(a) **Description**

A bequest is a specific provision in a will, directing assets from an estate to the Museum. The donor should consult a lawyer to determine the best choice.

(b) **Guidelines**

Museum staff will not become involved in the final preparations, execution or witnessing of a will in which the Museum is named as the beneficiary.

During the administration of an estate where the Museum is named as a beneficiary, the Executive Director or his/her designate, in consultation with legal counsel, shall represent the Museum in dealings with the lawyers and estate trustee.

5. (2) **Life Insurance**

(a) **Description**

There are three methods by which a life insurance policy may be contributed to the Museum.

- A policy that is already owned. A fully paid-up policy transferred to the Museum provides the donor with a tax receipt for the cash surrender value of the policy provided the Museum is named the owner and beneficiary. Upon the donor's death, the Museum receives the value of the policy.
- A new policy can be taken out in the Museum's name. In this case, the donor receives a tax receipt for the annual premiums paid on a policy in which the Museum is named the owner and beneficiary. Life insurance premiums are paid directly by the donor to the insurance company. Upon the donor's death, the Museum receives the value of the policy.
- In both bullets above, a donor can choose to direct the insurance proceeds to his/her estate and name the Museum the beneficiary of those proceeds in his/her will. In this case, the donor's estate would receive a tax receipt for the proceeds of the policy.
- The Museum can be made a secondary beneficiary under a current policy. After the surviving spouse has enjoyed a life income from the interest, a donor can leave all the proceeds of an existing policy to the Museum. Provided the policy flows through the surviving spouse's estate, a receipt would be issued for that estate.

(b) **Guidelines**

In addition to these examples there may be other forms of life insurance gifts which may be acceptable. When premiums remain outstanding, the Executive Director will make a recommendation for approval, whether to pay the premiums or cash in the policy, to the Board.

5. (3) **Gift Annuity**

(a) **Description**

A gift annuity is an irrevocable transfer of money or other assets to the Museum. Part of the principal is used to purchase an annuity from an insurance company. The cost of the annuity is determined by the donor's age and amount of the periodic payment. The remainder of the donor's principal is considered an outright gift and is used for purposes specified by the donor and acceptable to the Museum. The annuity pays the donor a guaranteed income for a specified time or for the rest of the donor's life. Upon death, the Museum will receive any

remaining guaranteed income from the annuity, unless the donor has specified otherwise. The income from a gift annuity can be partially or completely tax free, depending on the age of the donor. The donor may also receive an immediate tax receipt based on the outright donation and expected return of capital. All gift annuities must be arranged through the Museum.

(b) **Guidelines**

The minimum amount the Museum will accept for a reinsured gift annuity is \$5,000.

The cost of the commercial annuity generally should not exceed 75 percent of the assets transferred in order to result in a significant gift.

The donor has the option to have the gift portion expended immediately, to expend only the income from the gift portion, or to retain and capitalize the income from the gift portion during the term of the annuity.

A commercial insurance company shall be selected, and the terms of the annuity contract negotiated, by the Executive Director. Only "A" rated companies shall be selected to reinsure any annuity obligation. Up to three quotes will be required, unless directed differently by the donor.

5. (4) **Gifts of Securities**

(a) **Policy**

The Museum reserves the right to sell securities and manage the funds according to their respective investment policies. The amount of the tax receipt is the value of the security at the sale or close price on the business day the title is transferred. This type of asset can also be used to fund a Gift Annuity or Charitable Remainder Trust.

(b) **Guidelines**

Gifts of securities will be reviewed by the Executive Director to ensure the securities are marketable and acceptable.

5. (5) **Gifts of Other Property**

(a) **Description**

The Museum welcomes gifts of real estate, books, art collections, equipment or other property. These "gifts in kind" are an important resource to the Museum. Depending on the donor's wishes, the Museum may retain the gift or sell it and use the proceeds where they are needed most. For all gifts of property, a tax receipt will be issued under the Income Tax Act, Canada for the fair market value on the date it is transferred. An independent qualified appraiser determines this value. This type of asset can also be used to fund a Gift Annuity or Charitable Remainder Trust.

(b) **Guidelines**

Gifts of art or artifacts are subject to consideration and approval of the Executive Director. With respect to gifts of artifacts or other similar property, the Museum must ensure that it is prepared to maintain the asset, including all financial obligations.

(c) **Guidelines for Gifts of Real Estate**

The donor shall secure a qualified appraisal of the property at his/her expense. From time to time it may be necessary for the Museum to secure its own independent appraisal in order to establish fair market value and the amount of the income tax receipt.

The Executive Director (or his/her designate) shall review other factors, including zoning restrictions, marketability, current use and cash flow, and ascertain that acceptance of the gift would be in the best interests of the Museum.

5. (6) **Gifts of Residual Interest**

(a) **Description**

A residual interest gift refers to an arrangement under which an asset is deeded to the Museum but the donor retains use of the asset for life or a term of years. For example, the donor might give a residual interest in a principal residence, continue living there, or a residual interest in a painting, and retain possession of it. The donor is entitled to a tax receipt from the Museum for the present value of the gift calculated in current dollars. This assessment is called the "discounted value" and is determined by actuarial calculations provided by Canada Revenue Agency.

(b) **Guidelines**

Donors making gifts of residual interest in real estate shall be responsible for real estate taxes, insurance, utilities and maintenance after transferring title, unless otherwise agreed by the Board. The terms of the gift and responsibilities for expenses shall be specified in a deed of gift executed by the donor and the Museum.

The Museum reserves the right to inspect the property from time to time to ensure that its interest is properly safeguarded.

5. (7) **Charitable Remainder Trusts**

(a) **Description**

One type of residual interest is a Charitable Remainder Trust. A Charitable Remainder Trust is an irrevocable legal arrangement that allows a donor to make a future gift to the Museum while continuing to benefit from it throughout his/her lifetime. A trust is created by transferring property (i.e., cash, securities or real estate) to a trustee, which may be an individual or individuals or a trust company, naming the Museum beneficiary of the trust. The income from the trust can be paid to the donor, to a designate of the donor or be directed back to the trust. The donor is entitled to a tax receipt from the Museum for the present value of the gift calculated in current dollars. This valuation is called the "discounted value" and is determined by actuarial calculations provided by Canada Revenue Agency. Upon death, or after a specified period of time, assets of the trust become the property of the Museum.

(b) **Guidelines**

A Charitable Remainder Trust may be funded with cash, securities or real estate. Real estate shall be subject to the provisions outlined in 5. (5) *Gifts of Other Property* (c) *Guidelines for Gifts of Real Estate*.

It is recommended that the minimum trust size be \$100,000. However, the Board has discretion to make an exception to these recommendations in special circumstances. If the donor selects an outside trustee, the trust may be funded with any property of any value acceptable to the trustee.

The trust agreement shall be drafted and reviewed by the donor's own legal counsel prior to being reviewed by the Museum.

5. (8) **Guidelines for Declining a Gift**

The Museum would decline a gift if one of the following conditions exists:

- There are conditions to a gift and its designation which are not consistent with the aims and priorities of the Museum.
- The gift is unduly seeking to influence access to Museum services or staff.
- The gift could financially jeopardize the donor and/or the Museum.
- The gift or terms are illegal.
- The Museum does not have the resources to honour the terms of the gift or to determine its value.
- There are unacceptable risks.
- There are risks to the Museum associated with occupation, management, control or ownership of real estate with environmental concerns, unless the Museum is satisfied that the environmental condition of any real estate is such that the risk is acceptable to the Museum, in its sole discretion, after whatever review or assessment is conducted, considered or reviewed by the Museum.
- Where false promises have been made.
- The gift could jeopardize the tax-exempt status of the Museum.
- The gift could improperly benefit any individual.

If questions or concerns arise with these Policies and Guidelines, please contact the Executive Director, Museum London.

Last Revised Date: 27 November 2019

MONITORING:

Adherence

The Executive Director will report to the Board on any areas of non-adherence within a timely manner.

Policy Review

Method: Internal Report

Responsibility: Policy Committee

Minimum Frequency: Three Years