

AWA

Charitable Gift Policies

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1. Approval of Fundraising Activities

Decisions on fundraising priorities and projects are the responsibility of the Board of Directors and the Executive Director. To prevent contributors receiving multiple solicitations, the ED and BOD must be aware of all solicitations of individuals, corporations, or foundations prior to contact with those potential donors.

Rationale:

Coordinated and planned activities are important to avoid soliciting funds for projects that are outside the AWA’s intended program focus. This policy also helps prevent donors from being solicited by multiple people from the AWA, which can frustrate potential donors. In addition, the staff can provide solicitors with necessary background information, including contact and gift history, necessary to make an effective solicitation.

2. Charitable Contributions

The AWA is recognized by the Internal Revenue Service as a 501(c)(3) nonprofit organization, entitling donors to claim a charitable deduction for gifts made to the AWA. In return for receiving this status, the AWA has the obligation to inform donors about the nature of their gifts and to

determine which transactions qualify as a charitable contribution. In essence, a charitable contribution occurs when a donor makes a gift of cash or property to the AWA without receiving a substantial benefit in return other than a potential tax benefit. Examples of qualified donations include:

- Cash, stocks, or bequests
- Material, supplies, art work, etc.
- Real property
- Automobiles

The following types of transactions do not qualify as charitable contributions because the individual/corporation is receiving goods or services valued at the amount of the transaction.

- Adoption fees
- Surrender fees
- Reclaim fees, including vaccinations, etc.

3. Confidentiality of Information

All information pertaining to donors and donations received by the AWA is considered confidential. The BOD, AWA Management, and Account Fundraising staff have access to information as needed. Donor information released for purposes of cultivation or solicitation is still considered confidential. The AWA does not sell, rent, or exchange its mailing lists with outside parties.

Guidelines for Implementation

The Development Office maintains records on all donors and donations received by the AWA. The AWA may recognize donors to the AWA by publishing their names in special reports, unless otherwise requested by the donor. However, contributors may be included on the AWA's IRS Form 990 in accordance with IRS reporting requirements.

Donors may receive temporary or permanent recognition for their giving, as established by the AWA's donation recognition levels. (TBD.)

4. Statement of Charitable Registration & Release of Financial Information

The AWA is registered with the Secretary of State. We submit audited financial statements and the IRS Form 990.

If the public requests financial information from the AWA, they are to be sent a copy of our most current audited financial statement.

5. Issuance of Official AWA Receipts

AWA sends all donors thank-you letters with their total giving every March, May, July, and September and a full year-end total the first week of January.

All gifts receive a thank-you letter, and this serves as the receipt. The charitable donation will be the amount that exceeds the fair market value of a thank-you token or benefit, such as merchandise, goods, services, facility rentals, or admission to an event. For example, if the donor

attends a fundraiser event for \$75 and gets a dinner valued at \$38 in return, the donation would be \$37.

Charitable receipts will be dated the same as the date written on the check. Credit card gifts will be dated the date received by the AWA office. Checks that are received in January qualify for a charitable tax receipt that is backdated to December of the year before if:

1. The postmark on the outer envelope is December 31st of the prior year or earlier, and
2. The check is dated December 31st of the prior year or earlier.

The purchase of auction items or other merchandise does not qualify as a charitable gift if the fair market value of the item is more than or equal to the amount paid. Sales receipts indicating the price paid will be issued for the purchase of auction merchandise. Individuals who purchase an auction item for more than the fair market value may use the published price to establish any charitable contribution.

Guidelines for Implementation

When a gift is received by the AWA, it is the responsibility of the Development Office to ensure that the gift is acceptable to the AWA (that it is in support of AWA aims, objectives, or collection policies) and that the donation qualifies as a “charitable gift.”

If the staff, following internal consultation, is uncertain as to whether a donation qualifies as a charitable gift, a ruling will be sought from one or more of the following: from the AWA external auditors, from the AWA legal counsel, or from the IRS. This ruling will be adhered to by the Development Office when issuing the official receipt.

6. Treatment of Gifts

6A. Gifts of Cash

“Cash” may include bank notes, checks, money orders, currency, or other legal tender.

6B. Receipt of Monetary Donations

Cash donations that are received by the AWA and require an official receipt must be reported to the Development Office. All donations made at the time of adoption or surrender that are in excess of the published fees must be reported to the Development Office.

The Development Office has been designated as the only outlet for official donation receipts and, therefore, must receive notice of all gifts to maintain controls.

Obtaining relevant correspondence with gifts will ensure that the tax receipt is correct and issued to the appropriate party, avoiding the situation whereby the donor claims (after the fact) that the tax receipt should have been made out to some other donor (e.g., the tax receipt was made out to a corporation, but the donor claims it was a tax donation).

Guidelines for Implementation

The Development team processes gifts each day, prepares official receipts and acknowledgment letters, and records the gifts. Receipts may be issued at any time after a gift is received. The receipt is printed on AWA letterhead and must include the following:

- The AWA's address;
- The date the donation was received;
- If the donation is a gift of property other than cash, a brief description of the property;
- The name of the donor;
- The amount of the gift, if it is cash or marketable securities; and
- The purpose and any restriction on the use of the gift.

In recording the gift, the following information is noted:

- Campaign – what fundraising program the gift will be credited to;
- Solicitation – the appeal that generated the gift;
- Purpose – the particular use of the gift, as directed by the donor;
- Fund – the fund, either unrestricted, temporarily restricted, or permanently restricted, that will receive the gift;
- Donors may designate the use of their gifts and may be unrestricted, temporarily restricted, or permanently restricted.

6C. Gifts of Securities

The AWA will accept securities as charitable donations, provided the securities are transferable on the open market. In the case of closely held securities, the AWA will accept them upon the recommendation of the Board President and Treasurer. The value of the official receipt will be determined by the fair market value of the security on the date the security is transferred to the AWA.

A gift of this type is not considered complete until the AWA holds the securities. For marketable securities such as stocks and bonds, the value of the gift is determined by using the mean price of the security on the date the donor transferred the security to the AWA's account. The mean price is determined by averaging the high and low selling price for the day. All securities are to be sold immediately upon transfer to the AWA and the proceeds deposited into the AWA's operating account.

For non-marketable securities, the value of the official gift will be determined by the donor, based on a qualified, professional external appraisal obtained at the donor's expense. Only a donor can pay for and secure appraisals, AWA cannot.

6D. Gifts of Real Estate

Policy

The AWA will accept gifts of real estate as charitable donations if such property is consistent with the AWA's investment or collection aims.

Guidelines for Implementation

Donors may choose one of the following ways to make a gift of real estate:

- An outright gift made immediately. Such a gift maximizes the income tax charitable deduction and removes the property from the donor's taxable estate. Outright gifts of real estate will not be accepted if there are restrictions set as to its disposition by the AWA (e.g., restrictions on who may purchase the property).

- A simple bequest of real estate. By leaving real property to the AWA in a will, the donor avoids having the value of the property taxed in his or her estate.
- A gift of a remainder interest in a residence or farm. The donor in this case deeds the property to the AWA now, and retains for him/herself the right to continue to live in the residence for the rest of his/her life. This life-estate can be for more than one lifetime. Donor and spouse, for example, could be life-tenants, and life-tenants need not be related.
- A gift of real estate to a charitable remainder unitrust or annuity. The trustee reinvests the sale proceeds in order to pay the donor income either for life or for a term of years.

Marketability: Outright gifts of real estate should be readily marketable unless the AWA intends to hold the property for its use. Properties that have significant environmental or safety considerations will not be accepted.

Professional Appraisal: The IRS requires that a donor obtain a professional appraisal from a qualified appraiser to substantiate the value claimed as a charitable donation. It is the donor's responsibility to procure and pay for the appraisal.

Inspection and Environment Review: Gifts of residential and commercial property require an inspection by a reputable firm. Further, certain real estate gifts may also require a preliminary environmental review to insure that the property is not subject to unknown contamination. A more in-depth review may be required in the event that the initial report uncovers the need for further testing. Environmental review costs are the responsibility of the donor.

Transactional Costs: Once the real estate has been transferred to the AWA, costs associated with the management and sale of the property, such as legal fees, broker fees, title insurance, property taxes, upkeep and maintenance, will be borne by the AWA.

Mortgages and Liens: Donated property should be free of debts, liens, mortgages, unpaid property taxes, and other encumbrances or the value of the property must be substantially greater than the encumbrances, as determined by a qualified, independent appraisal.

7. Planned Gifts

Planned gifts generally refer to gifts that pass to the AWA through an estate or other deferred means. Planned gifts can include cash, securities, appreciated property, or other assets. Various methods can be used to transfer the assets, including an outright bequest in a will, life insurance, or trusts.

7A. Gifts of Life Insurance

When an individual has taken out a life insurance policy (either "whole life" or "term life") and later makes an absolute and irrevocable assignment of the death benefits of the policy to the AWA, this is considered to be a charitable donation, as long as rights, privileges, benefits, or advantages do not accrue to the donor as a result of the gift (excluding, of course, any income tax relief as a result of the charitable donation). It is critical that the AWA be named the owner and not merely the beneficiary to qualify as a charitable gift for tax purposes. The value of the charitable gift depends on whether the policy is paid up and if the donor will continue to make premium payments.

If the policy is paid up, the amount of the charitable donation is equal to the value of the policy (i.e., the cash surrender value of the policy at the time of the absolute assignment less any

outstanding loans). If the policy does not have any cash value, then a charitable donation receipt is not issued when the policy is transferred. However, subsequent premium payments will be creditable for income tax purposes.

Alternatively, the AWA may issue the receipt when the benefits are realized; in this case, the receipt is sent to the donor's estate.

If the individual donates an amount to the AWA to enable the AWA to pay each premium of a life insurance policy, the charitable donation is equal to each amount given by the individual. Payments must be made to the AWA to qualify for the donation. The AWA will in turn forward payment to the insurance company. Alternatively, a donor can make a lump sum cash contribution to the AWA and specify that it will be used to pay all premiums on a life insurance policy.

Procedures for Individuals Making Gifts of Life Insurance

To make a gift through the purchase of a new insurance policy, the donor applies for a policy on his/her life and, on issue, transfers the ownership to the AWA. The AWA will make the premium payments, and the donor will make a gift equal to each premium payment. The amount of the premium payment is considered a charitable gift.

Guidelines for Maintenance

It is important that the ED, Accountant, and Director of Development have on file the name of the donor's Insurance Company and Agent so that reminders can be sent about the reporting of premiums paid. Premium payments may qualify donors for appropriate recognition.

7C. Charitable Gift Annuities

Donors may make irrevocable gifts to the AWA in exchange for immediate guaranteed payments to the donor for life at a specified rate depending on life expectancy. Such arrangements are considered to be annuity contracts and the annuity payments are included in computing the annuitant's income. The return of the principal of the annuity payments is considered to be tax free. Earnings on the principal, however, are considered taxable income. The AWA or its agent will issue an annual statement detailing the return of principal and the earned income. AWA will not manage an annuity (directly) unless it's over \$100K. (AWA is looking to a pooled community admission to allow for accepting smaller gifts.)

7D. Charitable Remainder Unitrusts

Charitable gift unitrusts allow donors to establish a trust and receive income for one or two lives by irrevocably transferring an asset to a trust that names AWA as remainder beneficiary. Upon the death of the last income recipient, the remaining principal is transferred to the AWA. A charitable gift occurs when the asset is transferred into the fund. The AWA will issue a receipt for the fair market value of the gift.

Guidelines for Implementation

Donors can select the trustee of their choice to manage the trust, including the AWA. AWA will act as the trustee for trusts over \$100K. Donors are responsible for the legal cost of drafting the trust agreement. The AWA or its agent will issue monthly or quarterly payments to the donor, send annual statements, and prepare the tax return for the trust. Fees for maintaining the trust will be deducted from the trust's principal. In establishing the trust, the donor selects a rate of return

that cannot be changed. The tax benefit varies depending upon the rate selected, the donor's age at the time of the gift, and whether there are one or two life income recipients. The AWA will furnish the donor with estimates of these values prior to the establishment of the trust.

7E. Lifeline

The Lifeline is the AWA's program to care for pets whose owners have died. Procedures for accepting pets into this program are outlined in a specific policy for this program. AWA does not require a specific amount be left in someone's will but suggests at least \$5,000 - \$10,000.

8. Donated Goods

Donors may transfer tangible property (called "donated goods") to the AWA for the organization's use or for resale. The AWA will accept donated goods only if such charitable donations are consistent with the AWA's purposes. The AWA issues receipts for all donated goods, describing the donation but indicating no dollar amount for the value, since appraisals for tax purposes are the responsibility of the individual donor. The date of the gift for tax purposes is the day on which the AWA receives it.

Donated goods to the AWA take many different forms. For example, the AWA receives many types of tangible gifts, such as artwork, jewelry, and furniture, for auction at special events each year. Other items include animal care items such as towels, bedding, toys, and treats.

Guidelines for Implementation

Contributions of non-cash property valued at less than \$500: Pursuant to IRS Regulations 1.170A-13(b)(1), any taxpayer who makes a charitable contribution of property must receive a receipt from the AWA indicating the name of the donee, the date of the contribution, and description of the property. The valuation of the property is the responsibility of the donor.

Contributions of property valued at more than \$500 but less than \$5,000: The AWA is still required to provide a written statement. If their total deductions for all non-cash charitable contributions for the year are over \$5,000, they must complete Section A of Form 8283 and attach it to their Form 1040 return.

Contributions of property valued at more than \$5,000: IRS rules state that an appraisal must be obtained by the donor and attached to their tax return. In the event that the AWA sells, exchanges, or otherwise disposes of the property (or portion thereof) within two years of the gift, an information return (Form 8282) must be filed with the IRS, and a copy of that return must be furnished to the donor.

Donated Services: Every year many individuals donate their time and talents to help the AWA. While the AWA values the generous donation of time, IRS regulations do not allow individuals or companies to deduct the value of services. Therefore, no receipt or formal gift letter will be issued for the donation of services.

9. Auto Donations

The AWA accepts donated autos, trucks, RVs, motorcycles, and boats with certain restrictions. A third party vendor handles all arrangements.

Vehicles valued at more than \$500: Donors who intend to claim a vehicle valued between \$500 and \$5,000 must comply with the IRS policy of completing Section A of Form 8283. Donors

claiming a value of \$5,000 or more must first obtain an appraisal and complete Form 8282. All arrangements are handled by a vendor.

10. Gift Restrictions

Donors may request that their gift be used for a specific purpose consistent with the AWA's mission or needs. Donors may elect to restrict their gift to an existing purpose, such as facilities, the adoption program, equipment, etc. In addition, the gift can be more specifically restricted such as for the purchase of a particular piece of equipment, facility need, or other objective.

Guidelines for Implementation

Donors may have a particular interest or program that they would like to support. This may encourage donors to increase their giving, which benefits the AWA and provides greater satisfaction for donors. It is important that these gifts be consistent with the identified goals and objectives of the AWA. These goals and objectives are approved by the Executive Director (upon discussion and in partnership with the Board of Directors).

Gifts may be restricted as follows:

- Unrestricted: Donations for which the donor has indicated the gift is unrestricted or for the AWA's greatest needs, or where the donor has not indicated any designation.
- Temporarily restricted: Donations for which the restriction may expire at some point in the future.
- Permanently restricted: Donations that must be used for that purpose for the life of the gift.

Restrictions must be furnished in writing by the donor. Gifts that have restrictions inconsistent with the AWA's policies, goals, or objectives will be declined or returned to the donor. Restricted gifts are different than internally "earmarked" gifts.

11. Fundraising Special Events and Sponsorship Policies

The Executive Director and Director of Development must approve all fundraising events held under AWA auspices. In cases where tickets are sold and the purchaser is to receive a receipt, the value of the receipt will be the cost of the ticket less the value of any goods or services received. In cases where individuals solicit pledges, receipts will only be issued to the actual donor and not to the individual raising the pledges.

Special events such as dinners, walk-a-thons, or auctions can help raise money for the AWA and its projects. These events also reflect on the AWA's public image and, therefore, must be reviewed by the Executive Director and Director of Development.

Outside organizations occasionally hold fundraising events to benefit the AWA. Prior approval must be given by the Development Office for all outside fundraising activities, and all printed materials must be approved in advance. We have a third-party form and procedure guide.

Under IRS Code Section 6115, charitable organizations must provide a written disclosure statement to donors who make a payment in what is referred to as a "quid pro quo" contribution where the donor gives more than \$75. A quid pro quo contribution is a donation made partly as a gift, a series of pledge payments, or through a bequest or other planned gift. If the fund is being

established through pledge payments or a planned gift, the fund is not established until fully funded.

12. Endowed Funds

The endowed fund is managed as part of the AWA's investment account. Gains and losses will be allocated to the fund annually based upon the performance of the endowment.

Gift Minimums

The minimum gift to create a named fund is \$25,000. If the fund is being created through pledge payments, the pledge must be fulfilled within four years.

Endowed Fund Categories

Education – Supports the AWA's ongoing educational programs, including Pet Basics, outreach to schools, and production of educational materials.

Facilities -- Supports the maintenance of the AWA's buildings and grounds. Can be restricted to specific areas of the AWA grounds.

Spay/Neuter -- Supports the AWA spay/neuter programs.

Unrestricted -- Income from this fund will be used at the discretion of the Board of Directors.

Requests to establish named funds for other purposes are subject to the approval of the Board of Directors on the recommendation of the Executive Director.

13. Permanent Donor Recognition

To emphasize the importance of substantial gifts, the AWA often recognizes contributions with permanent donor recognition. Donations range from small animal cages to major, such as portions of the shelter. Because of the limited number of shelter areas that can be "named," recognition is restricted to significant gifts. If an area of the AWA's facilities is named, the naming rights exist only as long as the facility is in existence, although the AWA may, at its discretion, recognize donors to facilities that have been replaced in a new facility. Selected remaining naming options are to be determined.

Other permanent recognition may be established based upon meritorious accomplishments on behalf of the AWA subject to the approval of the Executive Director and the Board of Directors.

The Development Committee can recommend additional naming opportunities as desired in the future. Capital campaigns or special project campaigns will create a specific list of naming opportunities unique to the campaign's purposes. These naming opportunities will be approved by the Executive Director prior to soliciting campaign gifts.

Questions about this policy or particular gifts should be addressed to the Executive Director.

Returned Gifts (Bounced Checks)

The Controller is normally notified by the bank when a check has insufficient funds and is unable to clear.

The Controller notifies the Director of Development and Executive Directors. In Raiser's Edge the gift is removed and a note made. The Executive Director or Director of Development contact the donor to explain the situation.

Future Planning:

Planning is the act of organizing future goals into small steps today so they can become the stairway to achieving our dreams.

AWA has needs. AWA has wants. AWA has a dream of a new shelter that would better accommodate our activities and symbolize the quality of the work that we do.