

GIFT ACCEPTANCE POLICY



Cranbrook Educational Community
Board of Trustees
Committee on Advancement

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Cranbrook Educational Community
Board of Trustees
Committee on Advancement

Gift Acceptance Policy

As a Michigan not-for-profit corporation and in accordance with its Articles of Incorporation, the Cranbrook Educational Community (“Cranbrook”) and its programs and services actively solicit current and deferred gifts, gift commitments, pledges, sponsorships, and grants from individuals, corporations, foundations, and governmental and other entities to further its mission and to secure its future growth.

Mission

Cranbrook provides extraordinary education, encourages creativity and innovation, and values learners of all ages and backgrounds. Cranbrook develops people who will live with purpose and integrity, create with passion, explore with curiosity, and strive for excellence.

Gifts, gift commitments, pledges, sponsorships, or grants are solicited and accepted only for purposes that are consistent with the educational mission of Cranbrook. The President of Cranbrook, or his/her designee, is responsible for making such determinations of consistency.

Purpose of Gift Acceptance Policy

This Gift Acceptance Policy governs the acceptance of all gifts, commitments, pledges, sponsorships, and grants by Cranbrook on or after its effective date for any of its programs or services and provides guidance to donors and their advisors when making gifts to Cranbrook. The term gifts as used in this policy is intended to mean any donation, contribution, bequest, trust distribution, dues payment, fundraising event ticket purchase, gift-in-kind, or other charitable transfer made on or after the effective date of this policy.

Use of Legal Counsel

Cranbrook shall seek the advice of legal counsel in matters relating to the acceptance of gifts, gift commitments, pledges, sponsorships, or grants when appropriate. Review by counsel is recommended for:

- Closely held securities that are subject to restrictions of buy-sell arrangements or subchapter S elections;
- Gifts involving contracts, such as real estate, oil, gas or mineral interests, bargain sales, or intellectual property;
- Gifts requiring Cranbrook to assume any obligation;
- Any deferred gift arrangement;
- Gifts of cryptocurrency;
- Gifts paid in cash in excess of \$10,000 (excludes gifts paid via check, wire transfer, etc.);
- Transactions with potential conflicts of interest; and

- Other instances in which the use of such counsel is deemed appropriate by the Gift Acceptance Committee or the President.

Conflict of Interest

Cranbrook urges all prospective donors to seek the assistance of personal independent legal and financial advisors in matters relating to their gifts or gift intentions and the resulting tax and estate planning consequences. A donor's attorney may not also represent Cranbrook on a specific gift involving that donor. Donor advisors serving on a governing or advisory board for Cranbrook or any of its programs or services must disclose any conflicts of interest and refrain from voting on the acceptance or recognition of gifts in which they serve as an advisor to the donor.

No agreement, contract, or commitment shall be knowingly urged by employees or agents of Cranbrook upon any prospective donor at the expense of the donor's interests and welfare.

Confidentiality and Disclosure of Donor Information

Cranbrook considers donor, prospective donor, and gift information confidential within Cranbrook unless permission is given by the donor to release such information. Employees and volunteers must agree to maintain donor, prospective donor, and gift information confidential in accordance with Cranbrook's confidentiality policy, employee handbook (if applicable), and the Donor Bill of Rights, as created by the Association of Fundraising Professionals among other professional organizations.

Restrictions on Gifts

Cranbrook will accept unrestricted gifts, and gifts for specific programs or services, provided that such gifts are consistent with its stated mission, purposes, and priorities. Cranbrook will not accept gifts that are overly restrictive in purpose. Gifts that are overly restrictive in purpose include those that violate the terms of Cranbrook's Articles of Incorporation, gifts that are too difficult to administer or are to be administered in a way dissimilar from other similar gifts, gifts that could jeopardize its not-for-profit status under the Internal Revenue Code or other law or regulation, or gifts that are for purposes outside its mission. All final decisions on the restricted nature of a gift, and its acceptance or refusal, shall be made by the President of Cranbrook in consultation with Senior Staff. In making any such decision, the President may consult with Cranbrook's Gift Acceptance Committee (see below) and may present any decision to the Committee on Advancement and the Board of Trustees for ratification.

Cranbrook will not accept any support that implies or requires endorsement of products or services. Cranbrook will not accept any gift, sponsorship, grant, or pledge of support from any institutional donor that produces products that are or may be harmful to the Cranbrook community. Nor will it accept any support from any institutional donor that, in Cranbrook's judgement, exploits students or teachers in its product lines, marketing, workforce, or in any other way.

Gift Acceptance Committee

The Gift Acceptance Committee is charged with the responsibility of reviewing certain gifts to Cranbrook, properly evaluating those gifts, and making recommendations to the President, the Committee on Advancement, or the Board of Trustees on gift acceptance when appropriate. The Gift Acceptance Committee is comprised of Cranbrook's Chief Advancement Officer (the convener), its Chief Operating Officer, and its Chief Financial Officer. From time to time, others may be invited to join the Committee *ex officio*. Cranbrook's legal counsel may also be an *ex officio* member of the Committee as needed.

Types of Gifts

Cranbrook encourages gifts of any type and description that are consistent with its mission, objectives, and priorities. However, Cranbrook reserves the right to abstain from accepting any and all gifts that are not consistent with its purposes for any reason. Gifts that will be considered for acceptance include:

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|---|--------------------------------|
| Cash | Bargain Sales |
| Publicly Traded Securities | Life Insurance |
| Closely Held Securities | Charitable Remainder Trusts |
| Real Estate | Charitable Lead Trusts |
| Remainder Interests in Real Estate | Retirement Plan Designations |
| Tangible Personal Property | Other Beneficiary Designations |
| Intellectual Property | Bequests |
| Oil, Gas, Mineral Interests and Conservation Easements | Pooled Income Funds |
| | Other Forms of Gifts |

Many gifts to Cranbrook may be accepted without specific review by the Gift Acceptance Committee. Others, as noted below, may require increased scrutiny.

Cash. Cash contributions are acceptable in any form, including by currency, check, money order, credit or debit card, or wire transfer. Cranbrook does not accept digital currency or cryptocurrency.

Publicly Traded Securities. Marketable publicly traded securities may be transferred electronically to an account maintained by Cranbrook or delivered physically to Cranbrook with the transferor's endorsement attached. As a general rule, all marketable securities will be sold as soon as is practicable upon receipt by Cranbrook. In some cases, marketable securities may be restricted by applicable securities laws or the terms of the proposed gift. In such instances, the decision as to whether to accept restricted (but marketable) securities shall be subject to approval by the Gift Acceptance Committee and the President.

Closely Held Securities. Closely held securities, which may include debt and/or equity positions in non-publicly traded companies as well as interests in limited liability companies and partnerships, may be accepted subject to the approval of the Gift Acceptance Committee and the President. Such gifts shall be reviewed prior to acceptance to determine that:

- There are no restrictions on the security that would prevent Cranbrook from converting those assets to cash within a reasonable timeframe considering the purpose(s) for which the gift is intended;
- The security is marketable; and
- The security will not generate any unacceptable tax consequences or other potential liabilities for Cranbrook.

Real Estate. Acceptable gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to consideration, any gift of real property shall be subject to approval by the Gift Acceptance Committee and the President. Cranbrook's legal counsel should also be consulted in conjunction with any proposed gifts of real estate. Gifts of real estate should also be reviewed and approved by the Committee on Advancement and the Properties Committee and accepted only upon approval by the Board of Trustees.

Prior to the acceptance of real estate, Cranbrook shall require a fair market appraisal, an environmental review, a title search and binder, a property survey, and an inspection. The cost of each of these evaluations shall be an expense of the donor. Criteria for acceptance of a gift of real estate shall include determination of the following:

- Has the property been physically inspected by a qualified member of Cranbrook's staff?
- Is the property useful for the purposes of Cranbrook and/or any of its programs or services?
- Is the property marketable? Does Cranbrook have the right to sell the property? If Cranbrook subsequently sells the property, will Cranbrook incur a substantial administrative burden or expense?
- Does the acceptance or subsequent sale of the property create a taxable event for Cranbrook or otherwise impede its not-for-profit status?
- Are the market conditions such that a subsequent sale of the property will have a favorable financial result for Cranbrook?
- Are there any encumbrances, restrictions, reservations, easements, or other limitations associated with the property? Generally, Cranbrook will not accept a gift from a living donor of real estate that is encumbered by debt.
- Are the environmental review, title binder, and inspection acceptable to Cranbrook?
- Are there carrying costs, which may include insurance, property taxes, mortgages, notes, administrative costs and burdens, etc., associated with the property? Are those covered by an endowment for the property or otherwise acceptable to Cranbrook?
- Is the real estate transaction structured in a manner that will provide Cranbrook with the maximum flexibility for its subsequent disposal of the real estate?

Remainder Interests in Real Estate. Remainder interests in a personal residence, farm, or vacation property are, as a general rule, acceptable subject to the same provisions as real estate as set forth above. The donor or other occupants may continue to occupy the real property for the duration of the stated life or lives. At the death of the last life interest holder, Cranbrook must have full ownership interest in the property and may use the property or sell it. When Cranbrook receives a gift of a remainder interest, expenses for the maintenance, utilities, insurance, real estate taxes, and any property indebtedness must be paid by the donor, primary beneficiary, or other occupants during the lifetime of the life tenant. The life tenant shall not commit waste of the property and shall not permit liens to be placed on the property or in any way obligate Cranbrook to the life tenant's creditors. The remainder interest in the property shall ultimately pass debt free to Cranbrook at the end of the last life tenant's interest.

Tangible Personal Property. Proposed gifts of tangible personal property (also known as gifts-in-kind) should be discussed with the Chief Advancement Officer before acceptance. The Chief Advancement Officer may refer acceptance to the full Gift Acceptance Committee for approval. In general, gifts of tangible personal property shall be either put into use by Cranbrook in furtherance of its mission or sold to provide funds for other purposes. Gifts of tangible personal property should be examined in light of the following criteria:

- Has the property been physically inspected by a qualified member of Cranbrook's staff?
- Does the property fulfill the mission of Cranbrook or any of its programs or services?
- Is the property marketable?
- Are there any undue restrictions on the use, display, or sale of the property?
- Are there any carrying costs or one-time expenses for the property that would have to be incurred by Cranbrook to use the property as intended (e.g. licenses, one-time repair or annual maintenance expenses, or installation costs)?
- Are there any environmental, safety, financial, legal, or ethical factors relating to the property which would impact Cranbrook negatively?
- Does the acceptance or subsequent sale of the property create a taxable event for Cranbrook or otherwise impede its not-for-profit status?
- Are there any undue administrative burdens or expenses that Cranbrook would assume either in retaining the property or disposing of it?

In addition to the above considerations, all objects offered for placement in the collections of any of Cranbrook's programs will be subject to the collection policies applicable to that program and, if appropriate, will be reviewed by the Collections Committee of the Board of Trustees and accepted only upon approval by the Board of Trustees.

Intellectual Property. The Gift Acceptance Committee and the President should review and approve gifts of intellectual property prior to acceptance. The term intellectual property as used in this policy is intended to include the following: patents, inventions, formulae, processes, designs, or patterns; copyrights and literary, musical, or artistic compositions; trademarks; trade names; trade secrets; know-how; software; and similar property and applications or registrations of such property. Gifts of intellectual property may include a gift of ownership of the asset or a gift of the right to income from the asset. A donor may gift to Cranbrook outright ownership, name Cranbrook as a current or successor beneficiary of income from the intellectual property or bequeath to Cranbrook ownership and income rights from it.

In general, gifts of intellectual property should only be accepted if they are going to be put into use, including public display, by Cranbrook or if they are going to be subsequently sold to provide funds for other purposes. The same criteria should be reviewed relating to gifts of intellectual property as for tangible personal property or gifts-in-kind.

Oil, Gas, Mineral Interests, and Conservation Easements. Cranbrook may accept oil, gas, mineral interests, and conservation easements when appropriate. Working or operating interests will not be accepted by Cranbrook. Gifts of surface rights must have a value of \$50,000 or greater. Gifts of oil, gas, or mineral interests should generate at least \$10,000 per year in royalties. There can be valuation issues, environmental issues, unrelated business income issues, and management issues for Cranbrook with the acceptance of these asset types. Therefore, prior to acceptance of any oil, gas, mineral interests, or conservation easement, the potential gift shall be reviewed and approved by the Gift Acceptance Committee, the President, the Committee on Advancement, and the Board of Trustees. Generally, any review of these assets should include consideration of those factors applicable to gifts of real estate. Cranbrook's legal counsel should be consulted with respect to any proposed gifts of oil, gas, mineral interests, or conservation easements.

Bargain Sales. Cranbrook may enter into a bargain sale arrangement when the bargain sale furthers its mission and purposes. All bargain sales must be reviewed and approved by the Gift Acceptance Committee, the President, the Committee on Advancement, and the Board of Trustees. The Properties or Collections Committees should also review and approve bargain sale transactions, as appropriate. Factors for consideration prior to approval of a bargain sale shall include the following:

- Has the property been physically inspected by a qualified member of Cranbrook's staff?
- Is there a valid and current independent appraisal substantiating the value of the property?
- Is Cranbrook assuming debt with the property and is the debt ratio less than 50% of the appraised market value?

- Can Cranbrook, within 12 months of receipt, determine that it will use the property or, if there is a market for sale of the property, dispose of it?
- Are there carrying costs during the holding period, which may include insurance, property taxes, if applicable, mortgages, notes, or administrative costs and burdens, associated with the property? Are those acceptable to Cranbrook?
- If the property is real estate, is the environment review, title binder, survey, inspection and other evaluations acceptable to Cranbrook?
- Does the acceptance or subsequent sale of the property create a taxable event for Cranbrook or otherwise impede its not-for-profit status?
- Are market conditions such that a subsequent sale of the property will have a favorable financial result for Cranbrook?

Life Insurance. Cranbrook will generally accept any gift of a life insurance policy provided that it is under no prearranged obligation to expend its assets to maintain the policy and that it is named as both beneficiary and irrevocable owner of the policy. If the donor contributes or pledges to contribute future premium payments, Cranbrook will include the entire amount of the additional premium payment as a gift from the donor in the year that it is made. Any pledge to contribute future premium payments must be documented by an irrevocable pledge agreement in Cranbrook's approved form. All contributions of life insurance must be reviewed and approved by the Gift Acceptance Committee and the President. Factors for consideration prior to approval and acceptance of a gift of life insurance shall include:

- Does Cranbrook have the unrestricted right to fully exercise the powers of a policy owner, including the power to surrender, select payment options, designate beneficiaries, and withdraw or borrow cash values?
- If the contributed policy has premiums that remain to be paid, has the donor pledged to continue payment of all remaining premiums? If not, are alternative arrangements for payment agreeable to Cranbrook?
- Has the policy, insurance company, and benefit to Cranbrook been thoroughly vetted?

Charitable Remainder Trusts. Cranbrook may accept designation as remainder beneficiary of a charitable remainder trust, subject to the approval of the Gift Acceptance Committee and the President. Cranbrook will not accept appointment as trustee for a charitable remainder trust.

Charitable Lead Trusts. Cranbrook will accept designation as income beneficiary of a charitable lead trust, subject to the approval of the Gift Acceptance Committee and the President. Cranbrook will not accept appointment as trustee for a charitable lead trust.

Retirement Plan Beneficiary Designations. Donors and supporters of Cranbrook will be encouraged to name Cranbrook as a beneficiary of their retirement plans.

Beneficiary Designations under Revocable Trusts, Insurance Policies, and Commercial Annuities. Donors and supporters of Cranbrook will be encouraged to name Cranbrook as a beneficiary or contingent beneficiary under trusts, life insurance policies, and commercial annuities.

Bequests. Donors and supporters of Cranbrook will be encouraged to make bequests to Cranbrook under their wills and trusts. Cranbrook may accept or disclaim any testamentary bequest.

Pooled Income Funds. From time to time, Cranbrook may offer Pooled Income Funds.

Individual Retirement Account Distributions. Cranbrook will accept qualified charitable distributions from Individual Retirement Accounts (IRAs) provided that the distribution comes directly from the IRA's trustee, the donor meets other Internal Revenue Service requirements regarding account distributions, and the gift otherwise meets Cranbrook's gift acceptance criteria.

Other Forms of Gifts. All other forms of gifts not fitting within the categories above should first be discussed with the Chief Advancement Officer before negotiation with the donor or other indications of acceptance. The Chief Advancement Officer may refer consideration to the Gift Acceptance Committee and/or the President.

Responsibility for Implementation of Gift Acceptance Policy

The Office of Advancement, including each program's Office of Development, and the Accounting, Finance, and Treasurer's Offices of Cranbrook Educational Community are together responsible for implementing Cranbrook's Gift Acceptance Policy as it is adopted or amended by the Board of Trustees. It is expected that all Cranbrook staff having responsibility for the solicitation, negotiation, acceptance, implementation, or use of gifts or the proceeds from gifts made to any part of Cranbrook will understand and observe this policy at all times. It is also the responsibility of Cranbrook staff working with volunteers who are soliciting gifts on behalf of Cranbrook, its programs and services, to inform those volunteers of any applicable gift acceptance policies and to ensure that all gift discussions entered into by volunteers adhere to Cranbrook's Gift Acceptance Policy and any administrative guidelines associated therewith.

Designation of Gift Proceeds

Gifts to Cranbrook may be designated by the donor for unrestricted or restricted purposes (see Restrictions on Gifts, above). Any gifts with donor restrictions must be documented by a signed Gift Agreement in a form acceptable to Cranbrook (see Gift Agreements, below).

All designated gifts will be used, to the extent practicable, in accordance with the donor's written intention. Undesignated bequests and undesignated realized gifts shall be applied to Cranbrook's Board Designated Endowment (quasi-endowment) unless the Board of Trustees determines otherwise on the recommendation of the President. Undesignated bequests and undesignated realized gifts made to a particular Program Area shall be applied to that Program Area's Board Designated Endowment (quasi-endowment) unless the Board of Trustees determines otherwise on the recommendation of the Program Area Director in consultation with the President.

Gift Recognition

Recognition for gifts or commitments made pursuant to this Gift Acceptance Policy is governed by Cranbrook's established Gift and Donor Recognition Policy as it is amended by the Board of Trustees.

Appraisals, Other Regulatory Approval, and Legal Fees Related to Gifts

It is the responsibility of the donor to secure qualified appraisals and all other city, county, state, or federal regulatory approvals necessary to transfer property to Cranbrook at the donor's expense. It is also the donor's responsibility to secure and pay all fees for his/her own independent counsel and financial advisor relating to any gifts to Cranbrook.

Gift Agreements

Any donor of a gift to Cranbrook with restrictions shall execute a Gift Agreement in a form acceptable to Cranbrook. It is recommended that any donor of an unrestricted gift of \$10,000 or more also execute a Gift Agreement in a form acceptable to Cranbrook. Cranbrook's approved forms of Gift Agreements may be obtained from the Office of the Chief Advancement Officer at any time. All Gift Agreements, in draft, must be reviewed and approved by the Chief Advancement Officer and other Cranbrook Senior Staff before being presented to the donor.

Valuation of Gifts

Cranbrook will record a gift made in accordance with this Gift Acceptance Policy at its valuation for gift purposes on the date of the gift as that is determined by Cranbrook's gift acceptance administrative guidelines.

Exceptions and Limitations

In extraordinary circumstances, exceptions to these policies may be made by action of the Board of Trustees on the recommendation of the President and with the approval of the Committee on Advancement.

Related Resources

Gift and Donor Recognition Policy approved by the Board of Trustees on June 24, 2020, as amended from time to time.

Contact Information

If any donor, prospective donor, Cranbrook staff member or volunteer believes that any provision of this Gift Acceptance Policy is not being followed, he or she should contact Cranbrook's Chief Advancement Officer or President.

Changes to this Gift Acceptance Policy

This Gift Acceptance Policy has been reviewed and accepted by Cranbrook's Gift Acceptance Committee, recommended to and approved by the President of Cranbrook, and recommended to and approved by the Committee on Advancement and the Board of Trustees as noted below. Any changes to this Policy must follow the same review, recommendation, and approval process.

Revision History

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| May 20, 2020 | Approval by Committee on Advancement |
| June 24, 2020 | Approval by the Board of Trustees |
| June 24, 2020 | Effective Date |