

## **Hospital for Special Surgery**

### **GIFT ACCEPTANCE POLICY**

**March 2018**

#### **PURPOSE**

This policy serves as a guideline to members of the Hospital for Special Surgery staff involved with accepting gifts, to outside advisors who assist in the gift planning process, and to prospective donors who wish to make gifts to Hospital for Special Surgery. This policy is intended only as a guide and allows for some flexibility on a case-by-case basis.

#### **CASH**

1. All gifts by check shall be accepted by Hospital for Special Surgery regardless of amount.
2. Checks shall be made payable to Hospital for Special Surgery or to HSS Foundation. If a donor wishes to direct a contribution to a particular program, this can be noted in the note section of the check or in a letter accompanying the contribution and this wish will be respected. In no event shall a check be made payable to an individual who represents Hospital for Special Surgery.
3. The donor is credited with the face value of the gift (amount of the check.)

#### Pledges

Pledges may be payable in single or multiple installments and must have a value of at least \$1,000. The pledge may not exceed 5 years in duration. All donors must complete a pledge form or confirm the pledge in writing.

#### **PUBLICLY TRADED SECURITIES**

1. Readily marketable securities, such as those traded on a stock exchange, can be accepted by Hospital for Special Surgery.
2. Gifts of securities are sold immediately by Hospital for Special Surgery.
3. For Hospital for Special Surgery accounting purposes, the Finance Department records the sale proceeds. For gift crediting and receipting purposes, HSS acknowledges the shares of stock and the mean market value as determined by the average of the high and low on the date the gift was received. HSS should not acknowledge a cash value.

## **CLOSELY HELD SECURITIES**

1. Non-publicly traded securities may be accepted after consultation with the Finance Department.
2. Prior to acceptance, Hospital for Special Surgery shall explore methods of liquidation of the securities through redemption or sale. A representative of Hospital for Special Surgery shall try to contact the closely held corporation to determine:
  - An estimate of fair market value
  - Any restrictions on transfer
3. No commitment for repurchase of closely held securities shall be made prior to completion of the gift of the securities.

## **REAL ESTATE**

1. Gifts of real estate must be reviewed by the Hospital for Special Surgery Chief Executive Officer, Chief Development Officer and Legal Counsel.
2. The donor is responsible for obtaining an appraisal of the property to substantiate his/her contribution. The cost of the appraisal is borne by the donor.
3. Prior to presentation to the Chief Executive Officer, Chief Development Officer and Legal Counsel, a member of the staff must conduct a visual inspection of the property. If the property is located in a geographically isolated area, a local real estate broker can substitute for a member of the staff in conducting the visual inspection.
4. Due to the expenses associated with gifts of real estate, only gifts with a net of expense value in excess of \$500,000 will be accepted.
5. Prior to presentation to the Chief Executive Officer, Chief Development Officer and Legal Counsel, the donor must provide the following documents:
  - Real estate deed
  - Real estate tax bill
  - Plot plan
  - Substantiation of zoning status
6. Following presentation to the Chief Executive Officer, Chief Development Officer and Legal Counsel, the donor must provide an appraisal.
7. Depending on the value and desirability of the gift, the donor's connection with Hospital for Special Surgery, and the donor's past gift record, the donor may be asked to pay for all or a portion of the following until the property is sold by HSS:
  - Maintenance costs
  - Real estate taxes

- Insurance
  - Real estate broker's commission and other costs of sale
  - Appraisal costs
8. For Hospital for Special Surgery's gift crediting and accounting purposes, the value of the gift is the appraised value of the real estate less any costs incurred by the Hospital to acquire and sell the property.

## **TANGIBLE PERSONAL PROPERTY**

1. Gifts of tangible personal property to Hospital for Special Surgery should have a use related to Hospital for Special Surgery's exempt purpose. If that is not the case, the donor will be advised that the Hospital will be selling the property and the donor will be entitled to a deduction equal to the lower of the cost basis or fair market value.
2. Gifts of jewelry, artwork, collections, equipment, and software shall be accepted after approval by the Chief Executive Officer, Chief Development Officer or Legal Counsel. For gifts of artwork, please see additional guidelines below.
3. Such gifts of tangible personal property defined above shall be used by or sold for the benefit of Hospital for Special Surgery.
4. No property which requires special display facilities or security measures shall be accepted by Hospital for Special Surgery without consultation with the Chief Executive Officer, Chief Development Officer and Legal Counsel.
5. The donor is responsible for obtaining his/her own qualified appraisal in order to claim an income tax charitable deduction in excess of \$5,000. Depending upon the anticipated value of the gift, Hospital for Special Surgery may wish to have its own qualified outside appraisal done either for insurance or resale purposes before accepting the gift. Typically non-cash gifts of less than \$5,000 do not require a formal qualified appraisal.
6. Hospital for Special Surgery adheres to all IRS requirements related to disposing gifts of tangible personal property and filing appropriate forms.
7. The receipt for a gift of tangible personal property will acknowledge that a gift was made and the date it became the property of the Hospital. No dollar value will be included on the receipt.
8. The date it becomes the property of the Hospital is the date that it is physically delivered to the Hospital.

## Gifts of Art

1. Either written or verbal intent to donate works of art to the Hospital for Special Surgery should be made prior to the delivery of objects to the Hospital. For an object to be considered for a tax deduction, it must have been owned by the donor for at least a year.
2. One or more members of the committee reviewing tangible personal property will review all object(s) to be donated. Object(s) can be reviewed either in person or by photograph at the discretion of the committee. Only objects which are appropriate to the Hospital's mission will be accepted.
3. A letter of acceptance or rejection will be sent to potential donors. Letters of acceptance for donations in a calendar year will be sent before the end of each calendar year, or other tax period in which a deduction is to be claimed.
4. Object(s) must be delivered to the Hospital prior to December 31 of the gift year, or end of other declared tax period, in which a donation is intended. A receipt will be issued for all donated objects, stating the date the object was received.
5. Appraisals and expenses incurred are the responsibility of the donor. The IRS does not consider any Hospital staff to be a qualified appraiser for IRS valuation purposes.

## **PLANNED GIFTS**

Hospital for Special Surgery is authorized by its Board of Trustees to offer the following planned gift options:

- Bequests
- Charitable gift annuities
- Deferred gift annuities
- Life Insurance
- Retirement Assets
- Charitable remainder trusts
- Charitable lead trusts
- Retained life estates
- Pooled Income Fund

## Use Of Legal Counsel

Hospital for Special Surgery shall seek the advice of Legal Counsel whenever necessary as regards its planned giving program and shall execute no legal agreements without the advice of Legal Counsel. All agreements shall follow the format of agreements approved by our Legal Counsel. Prospective donors shall be urged to seek their own counsel in matters relating to their planned gifts, tax and estate planning.

## Authorization to Discuss Gift Planning

Hospital for Special Surgery staff authorized to discuss planned giving agreements with prospective donors, following these guidelines and the format of the specimen agreements approved by the Board of Trustees, without further approval of the Board are: the Chief Development Officer, other senior development officers, and planned giving staff.

All agreements that do not follow the format of the specimen agreements or otherwise meet the requirements of these guidelines shall receive the approval of Chief Development Officer and/or the Chief Executive Officer.

When property other than listed securities or securities traded over the counter are involved, the approval of the following shall be required: the Chief Financial Officer.

## Bequests

1. Assets transferred through bequests that have immediate value to Hospital for Special Surgery or can be liquidated shall be encouraged by the development staff. Gifts that appear to require more cost than benefit shall be discouraged or rejected.
2. Revocable Bequests are encouraged. Donors who have indicated that they have made a revocable bequest to Hospital for Special Surgery may, depending upon the individual situation, be asked to disclose, in writing or by copy of the will, the relevant clause that benefits Hospital for Special Surgery as evidence of their gift.
  - a. This information is recorded in the Advancement database and is not binding on the donor.
  - b. HSS recognizes revocable bequests through membership in the Hospital's legacy society, the Wilson Society. Other recognition may be provided.
  - c. HSS does not count non-binding bequests or revocable future gifts, per IRS regulations, and no gift receipt will be provided until the gift is realized.
3. Irrevocable bequests (deferred testamentary pledges) are encouraged, provided that donors: i) are age 70 or older at the time of the gift, ii) sign a written pledge agreement that makes their commitment legally binding and irrevocable, and iii) own sufficient assets to satisfy the amount committed, as best the Hospital can determine.
  - a. This information is recorded in the Advancement database and is binding on the donor.
  - b. HSS will provide an acknowledgement of the pledge for recognition purposes at the time the pledge is made. HSS also recognizes irrevocable bequests through membership in the Hospital's legacy society, the Wilson Society, and additional recognition of the testamentary pledge may be provided as determined is appropriate.
  - c. HSS will count irrevocable bequests per the generally accepted accounting principles and using the National Association of Charitable Gift Planners' Guidelines, however, per IRS regulations, no gift receipt will be provided until estate has cleared probate.

### Charitable Gift Annuities

1. It is recommended that administrative fees be included as a budget item in the Hospital's annual budget.
2. There shall be no more than 2 beneficiaries on a charitable gift annuity.
3. The minimum gift accepted to establish a charitable gift annuity is \$10,000.
4. No income beneficiary for a charitable gift annuity shall be younger than 65 years old.
5. Hospital for Special Surgery follows the American Council on Gift Annuities suggested rates.
6. No gift annuity shall be issued unless the charitable gift, computed using government tables, exceeds 10 percent of the amount transferred for the annuity.
7. The date of gift for a gift annuity or deferred payment gift annuity will be the date the check or the stocks are negotiable by the Hospital. That is, the value the Hospital will use to determine the lifetime payments will be the value of the stock on the day it first can be sold by the Hospital, or the date the cash is received in the case of a cash gift.

### Deferred Gift Annuities

1. Administrative fees shall be paid as noted above.
2. There shall be no more than 2 beneficiaries on a deferred gift annuity.
3. The minimum gift accepted to establish a deferred gift annuity is \$10,000.
4. No income beneficiary for a deferred gift annuity shall be younger than 65 years old at the time the payments are to begin.
5. Hospital for Special Surgery follows the American Council on Gift Annuities suggested rates.

### Life Insurance

1. Donors may name HSS as beneficiary of all or a portion of a life insurance policy.
  - a. This information is recorded in the Advancement database and is not binding on the donor.
  - b. HSS recognizes non-binding beneficiary designations through membership in the Hospital's legacy society, the Wilson Society. Other recognition may be provided.

- c. HSS does not count non-binding beneficiary designations or revocable future gifts, per IRS regulations, and no gift receipt will be provided until the gift is realized.
2. Hospital for Special Surgery will accept ownership of life insurance policies only when the Hospital is named as the owner and beneficiary of 100% of the policy.
  - a. If the policy is a paid-up policy, the value of the gift for Hospital for Special Surgery's gift crediting and accounting purposes is the policy's replacement cost.
  - b. If the policy is partially paid up, the value of the gift for Hospital for Special Surgery's gift crediting and accounting purposes is the policy's cash surrender value.

### Retirement Assets

1. Donors may name HSS as beneficiary of all or a portion of account type retirement assets.
  - a. This information is recorded in the Advancement database and is not binding on the donor.
  - b. HSS recognizes non-binding beneficiary designations through membership in the Hospital's legacy society, the Wilson Society. Other recognition may be provided.
  - c. HSS does not count non-binding beneficiary designations or revocable future gifts, per IRS regulations, and no gift receipt will be provided until the gift is realized.

### Charitable Remainder Trusts

1. The minimum to establish a charitable remainder trust is \$250,000.
2. As a general rule, HSS will not agree to serve as trustee. HSS will never agree to be successor trustee of a charitable remainder trust when the donor has been trustee for any appreciable length of time.
3. In those cases where HSS has agreed to be trustee, management fees for the administration of a charitable remainder trust when Hospital for Special Surgery is named as trustee or co-trustee shall be paid from the income of the trust. Specific investment decisions shall be made by the fiduciary hired to manage the trust. Unless HSS is trustee, no representations shall be made by a Hospital for Special Surgery employee or person acting on behalf of Hospital for Special Surgery as to the management or investment of such charitable remainder trust.
4. The payout rate of a charitable remainder trust shall be determined in consultation with the donor and Hospital for Special Surgery investment advisor. In those cases where HSS has agreed to be trustee, the payout rate of a charitable remainder trust shall be determined after HSS has consulted with the donor and the financial institution handling the investment and management of the trust. By law the payout rate cannot be lower than 5%. The payout rate shall be negotiated between the donor and Hospital for Special Surgery and shall reflect the number of beneficiaries, their ages, and the size of the trust.

### Pooled Income Funds

1. Administrative fees shall be paid from the income earned on the pooled income fund unless to do so unfairly penalizes the participants. In that case, the fees will be paid by the Hospital.
2. No income beneficiary in the fund shall be younger than 50 years old.
3. The minimum initial contribution to the fund shall be \$5,000. Additional gifts may be added for amounts beginning at \$1,000.
4. Pooled Income Fund agreements shall not cover more than two lives.
5. In no event shall a transfer of mortgaged property or tax exempt securities be accepted.

### **ADMINISTRATION, AUTHORIZATIONS, AND OTHER POLICY MATTERS**

1. Hospital for Special Surgery shall not act as an executor (personal representative) for a donor's estate.
2. Hospital for Special Surgery may act as co-trustee on a charitable remainder trust when the trust names Hospital for Special Surgery as a beneficiary of 50% or more of the trust, but as a general rule will discourage donors from naming HSS as trustee.
3. The Hospital will not pay fees to financial planners or others who promise to "deliver" gifts to the Hospital from their clients. This practice has been deemed unethical by the Partnership for Philanthropic Planning, and violates its Model Standards of Practice.
4. As a general practice, the Hospital will not pay the legal fees, trustee charges, appraisal fees, etc. of donor who wish to make a planned gift to the Hospital. Such costs are usually the responsibility of the donor. Any exceptions to this practice must be approved by the Chief Executive Officer after consultation with Legal Counsel.
5. Outright gifts and planned gifts of \$1 million or more that are given to HSS without direction from the donor as to how they are to be used will be allocated for general purposes.
6. Gifts that are made in exchange for the naming of a facility, program, or other entity at HSS will be approved by the Chief Executive Officer in consultation with the Chief Development Officer.
7. Miscellaneous gift-related matters requiring policy decisions or designations will be made by the Chief Development Officer in consultation with Legal Affairs.