

# Marion Fire Auxiliary Inc.

## Gift Acceptance Policy

Policy adopted by the Board of Directors on November 6, 2017

### Purpose

The IRS suggests that nonprofit charities have a gift acceptance policy. Therefore, MFA has one.

### General Rules

MFA's policy is that acceptance of any contribution, gift or grant is at the discretion of MFA. MFA will not accept any gift unless it can be used or expended consistently with MFA's mission. MFA will encourage donors to seek guidance from their own professional advisors about their gifts, contributions, or grants to MFA.

### Generally Accepted without Review

MFA will accept donations of cash or publicly traded marketable securities.

### Restrictions on Acceptance

MFA will not accept gifts that:

- Are too difficult or too expensive to administer in relation to their value
- Would result in any liability or other unacceptable consequences for MFA
- Are for purposes outside MFA's mission

Members soliciting gifts shall consult the Board prior to accepting a gift that would probably or potentially be refused.

### In-kind Services

Gifts of in-kind services will be accepted at the discretion of MFA.

### Life Insurance

MFA will accept gifts of life insurance where MFA is named as both beneficiary and irrevocable owner of the insurance policy. The donor must agree to pay, before due, any future premium payments owing on the policy.

### Use of Legal Counsel

Certain other gifts, real property, personal property, in-kind gifts, non-liquid securities, and contributions whose sources are not transparent or whose use is restricted in some manner, must be reviewed prior to acceptance due to the special obligations raised or liabilities they may pose for MFA. Review by legal counsel is recommended for:

- Gifts of securities that are subject to restrictions or buy-sell agreements.
- Documents naming MFA as trustee or requiring MFA to act in any fiduciary capacity.
- Gifts requiring MFA to assume financial or other obligations.
- Transactions with potential conflicts of interest.
- Gifts of property which may be subject to environmental or other regulatory restrictions.

### Deciding Whether to Accept or Refuse Questionable Gifts

When considering whether to accept or refuse a gift, Board members should take into consideration the following:

- Is MFA's intended use of the gift compatible with the donor's intent?
- Would acceptance of the gift damage MFA's reputation?
- Does the primary benefit accrue to MFA or the donor?
- Is acceptance of the gift consistent with prior practice?
- Is the gift offered in a form that MFA can use without incurring substantial expense or difficulty?
- Will refusal of the gift encourage or discourage future gifts?
- Is the property marketable?
- Are there any unacceptable restrictions imposed on the property?
- Is the title/provenance of the property clear?

### Acknowledging Donations

MFA will properly acknowledge donations. The IRS can impose a penalty on charities that do not meet written disclosure requirements. The penalty is \$10 per contribution, not to exceed \$5,000 per fundraising event or mailing. An organization may only avoid the penalty if it can show that failure to meet the requirements was due to reasonable cause. However, ignorance is rarely an adequate excuse in the eyes of the law. For more information consult the following IRS publications: IRS Publication 526, "Charitable Contributions;" IRS Publication 561, "Determining the Value of Donated Property;" and IRS Publication 1771,

“Charitable Contributions: Substantiation and Disclosure Requirements.”

### Cash Donations

MFA shall acknowledge all donations with a receipt despite the IRS stating that charities only must acknowledge gifts of \$250 or more. Without a written acknowledgment, the donor cannot claim a tax deduction. Donations should be acknowledged no later than January 31<sup>st</sup> of the year following the donation.

The following information should be given to the Treasurer to accompany a bank deposit slip for a donation:

- The donor’s name.
- The amount of money.
- A statement indicating whether any goods or services were provided in return for the gift.

Receipts should NEVER state that a contribution IS deductible. Rather, it should state contributions MAY BE deductible, based on the donor’s tax situation.

### “Quid Pro Quo” Donations

Whenever MFA provides a good or service in exchange for a donation of more than \$75, MFA must provide a written disclosure to the donor stating MFA’s estimate of the fair market value (FMV) of the goods and services received, and informing the donor that only the portion of the contribution that exceeds FMV is tax deductible. Determining FMV is tricky, but must be done in good faith. If MFA misrepresents or undervalues the exchange, it could be accused of defrauding the Treasury by colluding to overstate a deduction.

*Low cost articles.*

An exception for what the IRS calls “low cost articles” exists. This allows MFA to give out items such as mugs, calendars, and T-shirts bearing its logo or name. Such items do not need to be mentioned on MFA donation acknowledgements.

*Auctions.*

MFA does not have to give buyers receipts, but it is considered a good practice to do so and to mention what MFA considers to be its estimate of the item’s FMV. Doing so allows buyers who paid above the stated FMV a potential tax deduction of the difference between what they paid and the FMV.

*Raffles.*

If asked, MFA must tell buyers that they cannot deduct raffle tickets as charitable contributions. The IRS decided that the chance to win something is worth whatever was paid for the ticket. The tickets can be deducted as a gambling loss under circumstances that don’t apply to most people.

### Donations of Property (Noncash Goods)

MFA must acknowledge the receipt of a noncash gift with an estimated value of \$250 or more. The receipt must include at a minimum:

- A description of non-cash property transferred to the charity.
- It should not attempt to value the property; that is donor's responsibility. It should have a blank line in which the donor can write down the value of the property.
- A statement of whether charity provided any goods/services in consideration for the gift. If so, a description and good faith estimate of the value of those goods/services.

### Out-of-pocket expenses for volunteer services.

No deduction is available for the value of services contributed to a charity, but volunteers may deduct their out-of-pocket expenses incurred in rendering volunteer services. To claim a deduction for out-of-pocket costs, a volunteer must have adequate records to substantiate the expenses, and for expenses of \$250 or more, must obtain a written acknowledgment from the charity.

MFA will provide acknowledgments to donors meeting IRS substantiation requirements for property received by the charity as a gift. However, except for gifts of cash and publicly traded securities, no value shall be ascribed to any receipt or other form of substantiation of a gift received by MFA.

### Confidentiality

MFA will respect the intent of the donors’ stated desire to remain anonymous. With respect to anonymous gifts, MFA will restrict information about the donor to only those with a need to know.

## Compensation

MFA will not compensate, whether through commissions, finders' fees, or other means, any third party for directing a gift or a donor to MFA.