

IFAA
International Folk Art Alliance
GIFT POLICIES AND PROCEDURES
INTERNATIONAL FOLK ART ALLIANCE, INC.

I. INTRODUCTION

The International Folk Art Alliance, Inc. ("IFAA"), a not-for-profit organization organized under the laws of the State of New Mexico, encourages the solicitation and acceptance of gifts to IFAA (doing business as the International Folk Art Market or "IFAM") for purposes that will help IFAA to further and fulfill its mission. The following policies and guidelines govern acceptance of gifts made to IFAA or for the benefit of any of its operations, programs or services.

This statement of Gift Policies and Procedures is intended to give guidance and counsel to those individuals within IFAA concerned with the planning, promotion, solicitation, receipt, acceptance, application, and disposition of gifts. All gifts are to be accepted in accordance with the policies set forth herein.

The IFAA Board of Directors ("Board") is responsible for the gift policies and procedures of IFAA. This responsibility cannot be delegated or waived. All fundraising programs and day-to-day implementation are designed and managed by the IFAA Director of Advancement, in conjunction with the IFAA CEO.

This statement of Gift Policies and Procedures will be reviewed on an annual basis by the Executive Committee of the IFAA Board of Directors ("Executive Committee") and may be amended periodically as recommended by the IFAA Director of Advancement and/or the Policy, Administration & Ethics Committee of the Board. Changes to this policy are subject to the approval of the Board.

Gifts to IFAA will be accepted for purposes consistent with the objectives outlined in annual giving and campaign goals. If unusual circumstances suggest the review of a particular gift, the Executive Committee will consider the gift and determine whether or not it can be accepted. Board approval will be sought for gifts on an as-needed basis.

IFAA will accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are not inconsistent with its stated mission, purposes, priorities, and standards. IFAA will not accept gifts that are too restrictive in purpose. Gifts that are too restricted are those that violate the terms of the corporate charter, gifts that are too difficult to administer, or gifts that are for purposes outside the mission of IFAA. All final decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the IFAA Executive Committee.

To optimize financial support from individuals, IFAA must be capable of responding quickly to all gift proposals offered by prospective donors. It should be understood that IFAA policy

guidelines are meant to maintain flexibility and to accommodate complex gift situations that may occur.

As needed, IFAA will seek the advice of qualified legal and tax counsel in matters pertaining to gift transfers, including any agreements, contracts, trusts and other legal documents.

Furthermore, all prospective donors are advised to seek advice from their personal financial advisors and counsel on taxes, all aspects of their gifts, and the terms being considered. IFAA is not a source of legal, tax or financial advice to the donor.

All prospective donors will be asked to sign a statement confirming that they have received a copy of the IFAA Gift Policies and Procedures ("Gifts Policies"); has read and understands the Gifts Policies and agrees to comply with its terms.

II. GENERAL POLICIES REGARDING FUNDRAISING AND GIFT ACCEPTANCE ACTIVITIES

A. Responsibility for Fundraising: IFAA fundraising is the responsibility of the IFAA CEO and the IFAA Director of Advancement, working in concert with the Board, and is accomplished through the cooperative efforts of other staff and volunteers. The Board shall be responsible for overseeing and approving all fundraising activities and acceptance of all philanthropy to IFAA.

B. Fundraising Priorities: Funds will be sought only for general support or for projects and capital purposes that are approved by the IFAA Board in conjunction with the IFAA CEO. Solicitation of donors should not be made without coordination with the Advancement Committee and without the prior knowledge and approval of the IFAA Director of Advancement and the IFAA CEO.

C. Unacceptable Gifts: IFAA reserves the right to refuse any gift that is not consistent with its mission. In general, IFAA will not accept gifts that:

1. would result in IFAA violating its articles of incorporation or bylaws
2. would result in IFAA losing its status as an IRS§ 501(c)(3) not-for-profit organization
3. are for purposes outside IFAA's mission
4. are financially unsound, or could expose IFAA to liability
5. seek to create a fund for any purpose that could cause embarrassment to IFAA
6. contain unreasonable conditions
7. require any action on the part of IFAA that is unacceptable to the Board
8. reserve to the donor alone the right to designate a recipient
9. stipulate to IFAA the future permanent employment of any specified person
10. are unacceptable for reasons explained elsewhere in this document

D. Change in gift purpose: Should the purpose(s) of the gift become indefinite, impossible, or impractical to fulfill, the Executive Committee, in consultation with the IFAA CEO and the

Director of Advancement, shall direct the funds, in its discretion, to the purpose that most nearly fulfills the intentions of the donor.

III. CATEGORIES OF GIVING COMMITMENTS

The overall fundraising program of IFAA consists of four basic categories:

1. Annual giving includes both unrestricted and designated contributions for current fiscal year operations.
 - The most versatile gifts are unrestricted and can be used for ongoing current expenses as determined by the Finance Committee, the IFAA CEO and the IFAA Director of Finance & HR.
 - Designated annual gifts provide budgetary support for current operations as well, but their use is specifically designated (e.g. Mentor to Market support). When a designated gift is received, the gift will be recognized as current income to be expended within the current fiscal year. Exceptions will be handled on a case-by-case basis, requiring approval of the IFAA Executive Committee.
2. Capital gifts provide support for the endowment, buildings and grounds, renovations, and major equipment that add to IFAA's capital assets. All gifts received for restricted endowment purposes will be accepted only on the condition that IFAA retains the right to allocate such funds to purposes as near as possible to the original intent of the donor, should the original purpose become impractical or impossible to fulfill.
3. Restricted gifts provide expendable funds for purposes over and above current operations, such as an unbudgeted activity, event or program which has the approval of the Executive Committee and IFAA CEO. The donor designates the use of the gift for a specific purpose within the scope of Board-approved IFAA programs. Subject to disclosure to all prospective donors, IFAA may draw a percentage of the amount of the restricted gift to be applied to operating expenses (not to include costs associated with the direct conduct of fundraising activities or program services) consistent with IRS Instructions to Form 990. IFAA strives to maintain the lowest possible expenses in line with its mission.
4. Planned gifts. Except as provided below, planned gifts made through a donor's estate or financial plan provide support principally to IFAA's endowment. When a planned gift is donated for a specific purpose, IFAA shall make all reasonable efforts to honor the donor's wishes. For gifts in excess of \$100,000 whose purpose is unstated, the Board shall, in the best interests of IFAA and in order to ensure IFAA's long-term security, direct the gift to the general endowment and/or to be used for capital expenditures (including a building maintenance fund) and/or to pay down long-term debt. For such gifts up to and including \$100,000, the Executive Committee will direct the gift in the same manner. Donors who inform IFAA of their commitment or intention shall be recognized as members of the Charmay Allred Legacy Society.

IV. TYPES OF ACCEPTABLE GIFTS

IFAA gratefully accepts the following gifts and all accepted gifts are counted according to the following guidelines. Accepted methods of giving include:

A. Cash and Checks.

Includes gifts made by currency, check, credit card, electronic funds transfer, and wire transfer. Foreign currency will be reported as of the value in U.S. Dollars on the legal asset transfer date.

B. Publicly Traded Securities

Publicly traded securities in negotiable form shall be accepted by IFAA and may be transferred to an account maintained at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. The value of a gift of such securities is determined in accordance with IRS guidelines, i.e., the mean of the highest and lowest selling prices quoted for the security on the day of transfer to IFAA. The date, security name, number of shares donated, and value will be communicated to the donor by IFAA as required for the donor to report on IRS Form 8283 to claim a charitable gift deduction for gifts of \$500 or more.

In general, securities will be sold by IFAA through its agent or representative within 24 hours or as soon as practicable following receipt. Staff and volunteers will not make any commitment to a donor that a particular security will be held by IFAA, unless otherwise determined directly by the IFAM Finance and Executive Committees.

Less active or rarely traded securities or securities that do not trade on the gift date may present more complex valuation questions and will be handled on a case-by-case basis.

C. Closely Held Securities

Closely held or non-publicly traded securities, which include not only debt and equity positions in non-publicly traded companies but also interests in limited partnerships and limited liability companies, or other ownership forms, may be accepted on a case-by-case basis and only after approval of the Executive Committee. Such gifts must be reviewed prior to acceptance to determine:

- There are no restrictions on the security that would prevent IFAA from ultimately converting those assets to cash;
- An estimate of fair market value;
- The security is marketable; and
- The security will not generate any undesirable tax consequences for IFAA.

D. Restricted Securities

Because of the occasional complexity in transferring ownership and because of limits on sale of such stock, a proposed gift of restricted securities needs full review and approval by the Executive Committee, and the IFAA CEO in advance of acceptance.

If there is a potential situation where restricted securities may be given to IFAA, it is incumbent upon the donor to make evident any restrictions on the sale of such stock.

E. Real Estate

Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Gifts of real estate must be reviewed by the Executive Committee in consultation with the IFAA CEO. Acceptance of any gift of real estate is subject to the approval of the full IFAA Board.

No gift of real estate shall be accepted without a current appraisal by a qualified appraiser as required by the Internal Revenue Service, a review of carrying costs (including insurance, property taxes, mortgage, notes or the like), if warranted, an initial environmental review of the property, and a review of any other concerns specific to the property offered. The cost of an appraisal, and any environmental impact study conducted, shall be the responsibility of the donor. In addition, there may be circumstances in which IFAA will choose to commission its own independent appraisal.

IFAA will NOT accept any real estate without:

- An on-site evaluation by the Executive Committee or designee.
- A title search, title insurance policy, and marketability check. The donor is expected to procure and pay for the title search and marketability check (unless waived by the Executive Committee).
- An environmental audit of the property, if warranted, to ascertain if it is subject to environmental restrictions, sanctions, toxic wastes, or otherwise encumbered so as to cause possible economic liabilities for IFAA, unless waived by the Executive Committee. It is the responsibility of the donor to cover all costs associated with an environmental study.
- A conveyance by warranty deed or trustee deed (preferred to Quit Claim deed).
- No gift of real estate will be accepted with the understanding that it will be held in perpetuity or subject to rights of reversion or other conditions without the express written approval of the Board.

F. Facilities/Office Space

IFAA welcomes gifts that support office and storage space and improvements. However, any gifts made outside the parameters of periodic capital campaigns must be approved by the Board.

G. Tangible Personal Property

Tangible personal property can be described as physical assets exclusive of real property and financial instruments. Typically, such property might include art, antiques, collections, manuscripts, books, vehicles, marine vessels, etc.

- Tangible personal property can be donated for charitable purposes, but the manner in which the value is treated for income taxes depends on whether the property relates to the exempt purposes of the organization. If the use is related, the donor is entitled to a charitable deduction based on the fair market value of the donated asset. If the property's use is unrelated to IFAA's tax exempt purpose, the donor's charitable deduction is generally limited to the property's cost basis or fair market value, whichever is less. (See I.R.C. §170(e).)
- The related use test does not apply in the case of gifts of tangible personal property given by will. All such property given by bequest may be deductible for estate tax purposes to the extent allowed by law.
- Tangible personal property will only be accepted upon approval of the Board and shall include an assessment of the costs associated with relocating the item or putting it into service

and the carrying costs; undue restrictions on the use, display, or sale of the property; and of title and provenance.

- Donors are responsible for obtaining appraisals of gifts of tangible property for the donor's tax return.
- No personal property shall be accepted requiring ownership in perpetuity, or for a specified period of time, without the express written approval of the Board.

H. Other Property

Other non-cash property of any description, including mortgages, notes, copyrights, royalties, patents, easements, fractional interests, and the like shall be accepted, counted, and credited at the sole discretion of the Executive Committee. Prior to the acceptance of any such property, due diligence will be exercised to determine whether the gift is in keeping with IFAA's tax-exempt purpose. IFAA will decline those gifts in which issues surrounding the donor's title to the assets would make it difficult to manage those assets.

V. PLANNED GIFTS

IFAA will not act as an executor (or personal representative) for a donor's estate or as a trustee. Planned or deferred gifts may involve the transfer of substantial assets, creating a significant impact on the donor's estate and final plans. These gifts often do not confer immediate institutional ownership and are not included with annual income.

Acceptable methods of creating planned gifts are described below.

- **Gifts by Will or Other Testamentary Instrument.** Bequests may be given as restricted or unrestricted gifts. A restricted bequest supports a certain purpose or program designated by the donor. Donors are encouraged, however, to recognize that over the many years following establishment of a planned gift, the needs, policies, and circumstances of an organization can change in unforeseen ways. IFAA's Board, in consultation with IFAA staff, must have the flexibility to fulfill its obligation to make use of the funds in the best interest of the organization and in accordance with donor intent. Donors are encouraged to avoid detailed limitations and restrictions on their gift, which may limit its usefulness in unforeseen circumstances. Donors considering bequests for a specific purpose are encouraged to consult with the IFAA CEO. Unless otherwise specified, bequests will be directed pursuant to Section III.4.

Among donors' options are residuary and contingent bequests. A residuary bequest will give IFAA all or a portion of the estate after all debts, taxes, expenses, and other bequests have been paid. A contingent bequest is made subject to some contingency and is often used to ensure that specified property will pass to the designated organization rather than to unintended beneficiaries.

Donors may also establish, by will or deed (see below), a split interest trust with a charitable beneficiary. Such a trust is arranged to provide income for a designated beneficiary for life or a period of years, after which the remainder is paid to another beneficiary. The charity is usually

the remainder beneficiary. Two types of trust qualify for tax exemption under federal law: a unitrust and an annuity trust. Others may qualify under state laws only. Certain other transfers, whether in trust or not, may also qualify. Consult a qualified estate planner if in doubt.

Gifts may be made to IFAA through the execution of a new will or addition (codicil) to an existing will.

Bequests will not be recorded as gifts to IFAA until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of the gift may be recorded at the time when the gift becomes irrevocable.

- Other Planned Gifts

IFAA will also accept gifts made through:

- o Charitable Lead Trusts
- o Charitable Remainder Unitrusts
- o Charitable Annuity Trusts
- o Life insurance
- o Retirement plan designation
- o Life estate

Donors considering gifts made through these vehicles are urged to contact IFAA to discuss their use by the organization at the time the gift passes to IFAA. The Executive Committee reserves the right to consider the donor's intended use and to accept, modify, or reject such use if deemed inappropriate or not in the best interests of IFAA.

Such gifts will not be recorded as gifts to IFAA until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of the gift may be recorded at the time when the gift becomes irrevocable.

A. Life Insurance

IFAA will accept fully paid life insurance policies in which IFAA is named as both beneficiary and irrevocable owner of the insurance policy. Upon receiving a paid-up policy, IFAA, as owner, can surrender it and obtain the cash value or keep the policy until the death of the donor. The charitable deduction to the donor is the fair market value of a paid-up insurance policy. This is defined as the amount that the issuer of the policy would charge for a similar policy of the same specified amount on the life of a person who is the same age of the insured at the time of the contribution. The decision to keep or surrender the policy will be made by the Executive Committee. IFAA is also happy to be named as beneficiary of a non-matured policy owned by the donor, a trust, or any other individual.

B. Life Estate Gifts

Life estate gifts may be accepted with the approval of the Executive Committee. (See Section IVE for procedures for accepting gifts of real estate.)

The retained life estate agreement (RLEA) is unlike any of the other planned gifts for several reasons:

- If qualification for exemption from federal transfer taxes is desired, the item contributed to an RLEA must be the donor's home, a vacation home, or a farm that includes a residence.
- The donor irrevocably relinquishes ownership of the home in exchange for the right to enjoy use of the property as long as desired (life or a term of years). For this exchange, the donor may receive an income tax deduction. Under the RLEA, the donor is responsible for maintenance, taxes, and insurance on the property for life unless there is an agreement stating otherwise approved by the Executive Committee.

VI. ENDOWMENT AND QUASI-ENDOWMENT GIFTS

Endowment and quasi-endowment gifts contribute to IFAA's long-term financial health and are deeply appreciated and encouraged. Endowment and quasi-endowment gifts may be made at any time, by bequest or through a planned income gift. All endowment gifts (not including quasi-endowment gifts) are held in perpetuity, subject to endowment investment and distribution policies approved by IFAA's Board.

1. An endowment or quasi-endowment gift augments or creates a special fund whose distributions from earnings generated can be used for the ongoing operational expenses of IFAA or for a stipulated use.
2. Donors may name and restrict a new fund with prior acceptance of the restrictions by the IFAA Board. Both parties must understand exactly what is expected from the donor and IFAA in the form of a signed endowment acceptance agreement. Named endowed funds may be listed in our annual Market magazine each year in order to encourage further gifts. All endowment and quasi-endowment funds are overseen by IFAA's Board. The Board has the authority to delegate endowment and quasi-endowment fund investment and distribution recommendations and oversight to the Executive Committee of the Board, the Investment & Endowment Committee, or any new investment oversight committee that may be created in the future. The Executive Committee, or any newly created oversight committee, has the authority to recommend the use of financial investment advisors or managers.
3. Endowment and Quasi-Endowment Restrictions:
 - a) No restrictions on how gifts may be used will be honored without prior approval of the Board.
 - b) All restrictions must be consistent with the mission of IFAA.
 - c) All gifts received for restricted endowment purposes will be accepted only on the condition that should the purpose for which the funds are provided cease to exist, IFAA may re-allocate the principal to the general endowment.

- d) Any endowment funds or quasi-endowment funds may be augmented by gifts from other individuals with similar interests. This is encouraged through listing of the various endowed funds in the annual Market magazine.
- e) The Board shall set a minimum amount to establish new restricted endowment and quasi-endowment funds. The following levels have been approved as the minimum stipulated amounts needed to establish a particular endowment:

- o Unnamed Miscellaneous Restricted Fund
- o Named Funds

\$ 10,000 and up Minimum \$100,000

VII. GIFT REPORTING, RECOGNITION AND ACCOUNTING POLICY

A. **Stewardship and Gift Acknowledgement:** All gifts to IFAA will receive acknowledgement under the supervision of the IFAA Director of Advancement within one week of receipt of the gift, or sooner when possible. Acknowledgement will provide the donor with thanks, the date the gift was received by IFAA, the purpose and amount of the gift, and the tax-deductible amount. The IFAA CEO or Director of Advancement or Chair of the Board will sign all gift acknowledgement letters. Files of acknowledgement letters are held in the IFAA office with copies made available to donors in case of loss of the original.

In accepting a gift, IFAA also accepts a responsibility to the donor to steward that gift. This includes administering the gift properly, providing the donor with appropriate financial information about the gift, and when appropriate, reporting to the donor about the use of the gift.

B. **Donor Recognition:** Donor listing in the annual Market magazine and other publications are IFAA's main recognition tools. IFAA encourages leadership donors to allow their names to be cited, as their gifts may inspire others. Other tangible means of recognizing gifts of unusual distinction or for particular programs may be contemplated in the future.

C. **Anonymity:** Requests for anonymity will be strictly honored, and donors who wish to remain anonymous may do so with every confidence.

D. **Donor Privacy:** Fundraising and development information will be considered confidential to all but those involved in solicitation strategies. Mailing lists will not be available to outside organizations. Publicly available information or publications, such as the annual Market magazine, may be available to other groups.

E. **Honor or Memorial Gifts:** Gifts of any amount may be made in honor or in memory of someone and will be recognized as such in the annual Market magazine and other publications. While gifts of any size can be contributed toward an established fund, new memorial funds may not be established without a minimum gift as noted in Section VI. IFAA may accept gifts in

honor/memory of someone to be directed to a restricted purpose, without a named memorial fund created.

F. Services and Gifts-in-Kind: The donor's acknowledgement for gifts of personal property or goods will carry a description of the items donated and indicate the value declared by the donor. Gifts of professional services performed for IFAA may not be eligible as a charitable deduction for the purposes of federal or state tax. However, the donor may be assigned gift credit for the purpose of receiving IFAA benefits or for recognition in our annual Market magazine or other listings of donors.

G. Naming Opportunities: The naming of programs, sponsorships, or tangible property will require the approval of the Board. Naming opportunities for specific endowed funds are specified in the endowment section of this Policy.

H. Retention: Documents associated with gifts to IFAA will be retained consistent with the IFAA Records Retention Schedule.

VIII. DETERMINING THE DATE OF A GIFT

Simply defined, this is the date on which IFAA receives the gift.

A. Physical Delivery -- If property is actually delivered in person to IFAA by the donor, the date of delivery is always defined as the date of the gift. To make sure that this date is accurately noted, all gifts must be given immediately to the IFAA Director of Finance & HR, the IFAA Director of Advancement, or the Associate Director of Advancement for recording and acknowledgment.

B. U.S. Postal Service and Other Delivery Services (UPS, FedEx, etc.) -- For gifts of cash or securities UPS, FedEx, etc., it is the date of receipt by IFAA that defines the date of the gift.

C. Credit Card - These gifts are submitted online via the IFAA website, recorded by the date the gift is submitted, and deemed complete on the date the funds are deposited into IFAA's accounts.

D. Securities - Methods of Delivery and Effective Date of Transfer

- Electronic Transfer-If securities are electronically transferred from a donor's brokerage account to an account held in the name of IFAA, the value of the gift will be its fair market value on the date on which the securities reach the IFAA account.

- Hand Delivery- If securities are hand-delivered to IFAA, the securities should be accompanied by stock or bond powers, executed in accordance with all applicable requirements of transfer agents for the issues donated.

- Mailing - If securities are mailed to IFAA, donors should obtain a stock power from their banker or broker, signing their names exactly as they appear on the certificate and signatures guaranteed. The stock power(s) and a letter of instruction that states the intended purpose of the gift should be mailed to IFAA under separate cover from the stock certificate(s). No other information need be completed on the certificate of power. The stock certificate(s) should be sent by registered (not "certified") mail, return receipt requested, to the IFAA Director of Advancement. If the certificate (unsigned) and a properly executed stock power form are sent separately, the date on which the last of these documents is sent defines the completion of the gift.

- Delivery to Outside Agent- If an endorsed stock certificate is delivered to an agent of the donor (usually a broker), the gift is made on the date of the transfer on the issuing corporation's books.

E. Personal Property -- Gifts of tangible personal property, no matter how delivered, are deemed complete when they arrive at IFAA.

F. Real Estate -A gift of real estate is recorded at the time a properly executed deed to the property, stamped as recorded in the Office of the Recorder of Deeds (or similar office) in the place where the property is located, is delivered by the donor to IFAA..

IX. ETHICAL ISSUES

A. Conflict of Interest - IFAA personnel and volunteers are required to be circumspect in all dealings with donors to avoid even the appearance of any act of self-dealing. Board members, staff, and board committee members complete a conflict of interest policy form annually.

B. Conformity to Federal and State Laws -All fundraising events and affairs will be in compliance with local, state, and federal laws.

C. Audits and Investigations: IFAA will cooperate fully in all matters related to IRS and State audits and investigations of charitable gift deductions.

D. Review of Legal Arrangements - Legal counsel of IFAA shall, as required, review legal documents, contracts, and all donor agreements.


E. Donor Legal Representation - Independent legal representation will limit the possibility that a gift will be attacked under a claim of undue influence. Therefore, prospective donors are urged to contact personal tax, financial, and legal counselors of their own choosing. In situations where advisors or consultants retained by IFAA prepare documents or render advice in any form to IFAA or a donor to IFAA, IFAA will inform the donor that these documents and advice should be reviewed by the donor's own counsel prior to completion of the gift.

F. Finder's Fees or Commissions- No commission or finder's fee of any type will be paid to any party in connection with the completion of a gift to IFAA without the written approval of the Executive Committee.

X. COMPLIANCE WITH TAX LAWS AND REQUIREMENTS

IFAA will comply with all relevant tax and legal requirements, including filing requirements for IRS forms 8282 Donee Information Return - Sale, Exchange, or Other Disposition of Donated Property and 8283 Noncash Charitable Contributions. Responsibility for compliance rests with the IFAA Director of Advancement and the Director of Finance & HR. The following forms are included as attachments herein: IRS 8282 and instructions; IRS 8283 and instructions; IRS publication 526 Charitable Contributions; IRS Publication 561 Determining the Value of Donated Property; and Real Estate Management Policies.

This policy was adopted April 22, 2022 by the Board of Directors of the International Folk Art Alliance, Inc.



Lisa Adelman
Board Secretary
International Folk Art Alliance, Inc.

4/22/22

Date