

Addendum #D

**GIFT ACCEPTANCE POLICIES**

of

American Association of Orthodontists Foundation

St. Louis, Missouri

August 7, 1999

ADOPTED: April 1, 1995

1 INTRODUCTION

2  
3 In order to protect the interests of the American Association of Orthodontists Foundation and the  
4 persons and other entities who support its programs, these policies are designed to assure that all  
5 gifts to, or for the use of, the AAOF, hereinafter referred to as the Foundation, are structured to  
6 provide maximum benefits to both parties.

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8 This document will focus on both current and deferred gifts, with special emphasis on various  
9 types of deferred gifts and gifts of noncash property.

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11 The goal of these policies is to encourage funding of the Foundation without encumbering it with  
12 gifts which may prove to generate more cost than benefit, or which are restricted in a manner  
13 which is not in keeping with the Foundation's goals.

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15 It is understood that except where stated otherwise, these policies are intended as guidelines, and  
16 that flexibility must be maintained because some gift situations can be complex, and decisions  
17 will only be made after careful consideration of a number of interrelated factors. Therefore,  
18 these policies will, in some instances, require that the merits of a particular gift be considered by  
19 the gift acceptance committee and a final decision be made only by the Foundation's Board of  
20 Directors.

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22 As a general statement, the AAO Foundation will not honor a restriction by a donor or potential  
23 donor, either through a current or a planned gift, for an amount of less than \$125,000, unless  
24 there has been prior board approval and only then under unusual circumstances.

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26 SECTION I. OUTRIGHT GIFTS

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28 A. Cash

- 29  
30 1. Gifts in the form of cash and checks shall be accepted regardless of amount  
31 unless, as in the case of all gifts, there is a question as to whether the donor has  
32 sufficient title to the assets or is mentally competent to legally transfer the funds  
33 as a gift to the Foundation.  
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35 2. All checks shall be made payable to the AAO Foundation and shall in no event be  
36 made payable to an employee, agent, or volunteer for the credit of the Foundation.  
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38 B. Publicly Traded Securities/Commodities

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40 1. Securities that are traded on the New York, NASDAQ, Chicago Board of Trade  
41 or American Stock Exchanges, or other readily marketable securities, shall be  
42 accepted by the Foundation. In most cases such securities will be immediately  
43 sold by the Foundation. In no event shall an employee or volunteer working on  
44 behalf of the Foundation commit to a donor that a particular security will be held  
45 by the Foundation unless authorized to do so by the Secretary/Treasurer of the  
46 Foundation.

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2. If an individual or his/her broker indicates a willingness to donate stock or securities, that person should be informed that such transfers are handled by the Foundation's broker of record. The broker of record shall then be instructed to communicate with the donor or donor's broker.
3. The Foundation does not wish to open accounts with a variety of brokers, due to the cost and inconvenience of that process. However, the Secretary-Treasurer is authorized to open such accounts in an emergency or when a donor has inadvertently not followed the Foundation's policies. Such accounts will be closed as quickly as possible and the stock or proceeds will be immediately transferred to the Foundation's broker of record.

C. Closely-Held Securities

1. Nonpublicly traded securities or commodities shall only be accepted after approval of the gift acceptance committee. It is a policy of the Foundation not to accept as pledge payment any closely held securities or commodities that are not regularly and easily traded.
2. Such securities will be subsequently disposed of, with the approval of the gift acceptance committee, and the net proceeds credited to any pledge. No commitments shall be made for the repurchase of such securities by the Foundation prior to completion of a gift of securities, nor shall the Foundation repurchase closely held securities.

D. Real Property

1. Gifts of real estate require prior approval of the gift acceptance committee.
2. A donor shall furnish the AAOF with an independent appraisal of the real estate property, with the cost of appraisal to be borne by the donor.
3. In general, the AAOF accepts donations of real property when such is appraised at the value of \$50,000 or greater and such title is unencumbered by any mortgage, liens or other claims.
4. Real estate shall not be accepted to fund a charitable gift annuity, or other life income gift, without seeking an opinion as to the permissibility of this action under the laws of the state or states involved and only with the special approval by the gift acceptance committee.
5. The gift acceptance committee shall require that an environmental audit, inspection or impact study be made of any real estate being considered as a gift to the Foundation. The committee will not accept any gift that would expose the Foundation to expense of cleanup, litigation, etc. that may result from the

1 acceptance of such property. Cost of the audit or such study will be borne by the  
2 donor, and the party conducting the inspection or study is to be selected by the  
3 Foundation.  
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- 5 6. The gift acceptance committee may recommend a waiver of any of the above  
6 conditions to the Board of Directors if other factors warrant consideration of  
7 accepting valuable real estate.  
8

9 E. Tangible Personal Property

- 10 1. Jewelry, artwork, collections, and other personal property shall not be accepted  
11 without the prior approval of the gift acceptance committee, and unless there is an  
12 independent appraisal establishing a value in excess of \$5,000.  
13  
14 2. No personal property shall be accepted by the Foundation unless there is reason to  
15 believe the property can be quickly sold. No personal property shall be accepted  
16 that obligates the Foundation to ownership of it in perpetuity. No perishable  
17 property or property that will require special facilities or security to properly  
18 safeguard will be accepted without prior approval of the gift acceptance  
19 committee.  
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21 3. Only the gift acceptance committee or persons authorized by the gift acceptance  
22 committee to do so may represent to a donor that property may be held by the  
23 Foundation for a specific period of time or for purposes related to its tax-exempt  
24 status. Donors shall be notified at the time of receipt of a gift that the Foundation  
25 will, as a matter of corporate policy, cooperate fully in all matters related to IRS  
26 investigations of noncash charitable gifts.  
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28 4. Books, archival documents, periodicals and museum pieces that are donated to  
29 and accepted by the AAOF will generally be loaned to the AAO Library and will  
30 be catalogued and stored in accordance with the AAO Library policies.  
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33 F. Other Property

- 34 1. Other property of any description including mortgages notes, copyrights,  
35 royalties, easements, whether real or personal, shall only be accepted by action of  
36 the gift acceptance committee.  
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38 2. Appropriate inquiry shall be made and special consideration shall be given to the  
39 nature of any gift property and whether it is in keeping with the mission of the  
40 Foundation prior to the acceptance of any property by the Foundation.  
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44 SECTION II. DEFERRED GIFTS

45 A. Bequests  
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2 1. Gifts through wills and trusts (bequests) shall be actively encouraged by the  
3 Foundation.
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5 2. In the event of inquiry regarding a bequest, representations as to the future  
6 acceptability of property proposed to be left to the Foundation in a will or through  
7 any other deferred gift arrangement shall only be made in accordance with the  
8 terms and provisions of Section I paragraphs A-F of these policies.
- 9  
10 3. Gifts from the estates of deceased donors consisting of property which is not  
11 acceptable shall be rejected only by action of the gift acceptance committee. The  
12 legal counsel of the Foundation shall expeditiously communicate the decision of  
13 the gift acceptance committee to the legal representatives of the estate. If there is  
14 any indication that the representatives of the estate or any family member of the  
15 deceased is dissatisfied with the decision of the gift acceptance committee, this  
16 fact shall be communicated to the gift acceptance committee or to the Foundation  
17 staff as quickly as possible for an appeal to the Foundation Board, whose decision  
18 in such matters is final.
- 19  
20 4. Attempts shall be made to discover bequest expectancies wherever possible in  
21 order to reveal situations which might lead to unpleasant donor relations in the  
22 future. Intended planned deferred gifts should be brought to the attention of the  
23 gift acceptance committee and every attempt shall be made to encourage the  
24 donor involved to conform his or her plans to the Foundation's policy.

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26 B. Charitable Remainder Trusts

- 27  
28 1. The Board reserves the right to refuse to act as trustee and/or to appoint a trustee.
- 29  
30 2. Donors shall be encouraged to select their own trustees; however, upon request of  
31 the donor, and where it is appropriate to do so, the AAOF may recommend a  
32 corporate fiduciary in which it has confidence.
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34 3. The fees for management of a charitable remainder trust shall be charged to trust  
35 expense and will not be paid by the Foundation.
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37 4. The gift acceptance committee and other employees and volunteers acting on  
38 behalf of the Foundation should become familiar with the types of property  
39 generally accepted by a corporate fiduciary as suitable contributions to charitable  
40 remainder trusts, and employees or others acting on behalf of the Foundation shall  
41 not encourage donors to make gifts of any property to charitable remainder trusts  
42 that are not in keeping with such guidelines.
- 43  
44 5. No representations shall be made by any employee or other persons acting on  
45 behalf of the Foundation as to the manner in which charitable remainder trust  
46 assets will be managed or invested by a corporate fiduciary who may be

1 recommended by the Foundation without the prior approval of such representation  
2 by the fiduciary.  
3

- 4 6. Charitable remainder trusts and all other deferred gifts shall be encouraged as a  
5 method of making gifts to the Foundation while retaining income which may be  
6 needed by the donor or other persons chosen by the donor for any number of  
7 personal purposes. Such trusts shall not be marketed as tax avoidance devices or  
8 as investment vehicles, as it is understood such activity may violate federal and/or  
9 state securities regulations.

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11 C. Pooled Income Funds  
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- 13 1. The Foundation may establish a pooled income fund, a giving device established  
14 by Congress under the terms of Section 642 of the Internal Revenue Code and  
15 regulations promulgated thereunder.  
16  
17 2. No income beneficiary in the fund may be less than 50 years of age without prior  
18 approval of the gift acceptance committee.  
19  
20 3. There shall be no more than two income beneficiaries allowed in connection with  
21 each contribution to the fund.  
22  
23 4. The minimum initial contribution to the fund shall be \$5,000.  
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25 5. The minimum additional contribution by a participant in the fund shall be \$1,000.  
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27 6. The corporate fiduciary chosen to manage the fund shall furnish guidelines  
28 governing the acceptance of property other than cash as contributions to the  
29 Foundation's Pooled Income Fund. Such guidelines shall be adopted by the gift  
30 acceptance committee and shall be incorporated by reference in these gift  
31 acceptance policies.  
32  
33 7. No representation of the fund shall be made that could be construed as marketing  
34 the fund as an investment or security of any type. All disclosures required by  
35 state and federal regulatory agencies shall be made in a thorough and timely  
36 manner.  
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38 D. Charitable Gift Annuities  
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- 40 1. The Foundation may establish a program to encourage and accept Charitable Gift  
41 Annuity contracts from motivated donors who wish to give while receiving  
42 annual payments for life.  
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44 2. No Gift Annuity shall be accepted which names an income beneficiary under 55  
45 years of age without prior approval of the gift acceptance committee.  
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- 1 3. There shall not be more than two income beneficiaries for each Gift Annuity.
- 2
- 3 4. The minimum initial contribution for Gift Annuity shall be \$5,000.
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- 5 5. The minimum contribution for an additional Gift Annuity by an individual who
- 6 has previously entered into a Gift Annuity agreement shall be \$1,000.
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8 E. Life Estate Gifts

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- 10 1. Donors are discouraged from making gifts of real property to the Foundation
- 11 under which they maintain a life interest in the property.
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- 13 2. Such gifts may be accepted by approval of the gift acceptance committee in
- 14 situations where the asset involved appears to be a minor portion of the donor's
- 15 wealth, and the committee is satisfied that there has been full disclosure to the
- 16 donor of the possible future ramifications of the transaction.
- 17

18 F. Gifts of Life Insurance

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- 20 1. The Foundation shall encourage donors to name the Foundation to receive all or a
- 21 portion of the benefits of life insurance policies which they have purchased on
- 22 their lives.
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- 24 2. The Foundation will not, however, as a matter of course agree to accept new gifts
- 25 from donors for the purpose of purchasing life insurance on the donor's life.
- 26 Exceptions to this policy will be made only after researching relevant state laws to
- 27 assure that the Foundation has an insurable interest under applicable state law.
- 28
- 29 3. No insurance products, companies or agents may be endorsed for use in funding
- 30 gifts to the Foundation Fund without board approval.
- 31
- 32 4. In no event shall lists of the Foundation donors be furnished to anyone for the
- 33 purpose of marketing life insurance for the benefit of donors and/or the
- 34 Foundation.
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36 SECTION III. PAYMENT OF FEES RELATED TO GIFTS TO THE FOUNDATION

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38 A. Finder's Fees or Commissions

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40 The Foundation will pay no fee to any person as consideration for directing a gift to the

41 Foundation.

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43 B. Professional Fees and Referrals

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- 45 1. The Foundation will pay reasonable fees for professional services rendered in
- 46 connection with the completion of a gift to the Foundation. Such fees will be paid

1 only with prior written approval of the gift acceptance committee and only  
2 following discussion with and approval by the donor.

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- 4 2. Fees shall be reasonable and directly related to the completion of a gift. They  
5 shall generally be limited to appraisal fees by persons who are competent and  
6 qualified to appraise the property involved and who have no conflict of interest;  
7 environmental inspection fees; legal fees for the preparation of documents;  
8 accounting fees incident to the transaction; fees involved in the sale of real estate  
9 and fees of "fee for service" financial planners. In the case of financial planners,  
10 such persons must aver in writing that they are compensated only through fees for  
11 services rendered and that they are not compensated for the sale of products to  
12 clients. If the Foundation is to compensate a financial advisor, fees are paid only  
13 for services rendered for the Foundation; no commission-based sale of services or  
14 products to a donor may be made by the advisor.
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- 16 3. In the case of legal, accounting and other professional fees, an attempt shall be  
17 made by the gift acceptance committee to ascertain the reasonableness of these  
18 fees prior to payment. An hourly breakdown of time shall be required. In cases  
19 which appear excessive, the summary of fees shall be submitted to the  
20 Foundation's legal counsel for review and approval prior to payment.
- 21
- 22 4. In cases where the persons receiving fees were initially employed by the donor  
23 and the Foundation agrees to pay the fees involved, the donor shall be notified  
24 that the payment of such fees may result in taxable income to the donor in the  
25 amount of the fees paid.
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- 27 5. In situations where advisors retained by the Foundation prepare documents or  
28 render advice in any form to the Foundation or a donor to the Foundation, it shall  
29 be disclosed to the donor that the professional involved is representing the  
30 interests of the Foundation and is not acting on behalf of the donor and that any  
31 documents or other advice rendered in the course of the relationship between the  
32 Foundation and the donor should be reviewed by counsel for the donor prior to  
33 completion of the gift.
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- 35 6. To avoid the appearance of impropriety or undue influence, the Foundation will  
36 not directly refer any potential donor to a specific attorney, accountant, or other  
37 professional.
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39 SECTION IV. RESTRICTIONS

40 A. Restrictions on Use and Investment of Gifts

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43 No restrictions on how gifts may be used by the Foundation will be honored  
44 without prior approval of the gift acceptance committee in the case of current gifts  
45 or subsequent approval by the gift acceptance committee in the case of gifts

1 received by will or other gift which is effective at death which has not been  
2 previously approved by the gift acceptance committee.

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4 Section V. INTERPRETATION

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6 The above policies may be modified from time to time by the Foundation Board of Directors.  
7 The Foundation Board reserves the right to accept or reject any gift in its sole discretion without  
8 recourse by any donor.

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10 For further information, please contact the Foundation Staff at 800-424-2841, ext. 246, 247 or  
11 262.