

NEW ENGLAND CONSERVATORY

Gift Acceptance Policy

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NEW ENGLAND CONSERVATORY GIFT ACCEPTANCE POLICY

TABLE OF CONTENTS

OVERVIEW	2
1. AUTHORIZATIONS AND RESPONSIBILITIES	3
2. DEFINITIONS	5
3. UNRESTRICTED AND RESTRICTED GIFTS	6
4. PLEDGES	7
5. ACCEPTANCE AND VALUATION OF GIFTS	8
6. TYPES OF NON-CASH GIFTS	9
7. ANONYMOUS GIFTS	16
8. GIFT REPORTING AND ASSIGNMENT	18
9. NAMING OPPORTUNITIES	19
10. MINIMUM REQUIRED TO ESTABLISH ENDOWED OR NAMED FUNDS	20

OVERVIEW

New England Conservatory of Music (NEC) is a non-profit institution of higher education. The mission of New England Conservatory is the education and training of musicians of all ages from around the world, drawing on the talent and deep reservoir of experience of our distinguished faculty. NEC is dedicated to inculcating the highest standards of excellence and nurturing individual artistic sensibility and creative growth. Understanding that music is one of the transcendent expressions of human civilization, NEC aspires to ensure it has a central place in contemporary society.

Gifts raised by NEC's development program support NEC in carrying out its mission. NEC welcomes gifts of cash, securities, and other forms of property to defray NEC's general operating costs, to help build NEC's endowment, and to assist in a variety of special purposes that reflect both the needs of NEC and the interests of its donors.

The policy set forth in the following pages outlines the types of assets and the forms of gifts that NEC accepts. It also describes the administrative responsibilities and procedures developed in connection with NEC fundraising programs. By delineating the types of gift assets that are acceptable, the different forms that gifts may take, and the requirements for accepting gifts, these guidelines will facilitate the appropriate use and accountability of gifts received by NEC.

The purpose of the Gift Acceptance Policy is also to provide NEC officers, Institutional Advancement staff, and volunteers with guidelines that enable them to assist prospective donors, their families, and advisors in making gifts to NEC. The ideal gift to NEC is one that is both consistent with the donor's intent and financial plans, and also furthers NEC goals and programs without imposing undue financial or other burdens upon NEC. It is hoped that these guidelines will encourage more gifts to NEC while at the same time providing discipline in the acceptance and administration of gifts.

Terms of a gift must not discriminate against anyone on the basis of race, color, religion, gender, age, national origin, citizenship status, marital status, sexual orientation, genetic information, veteran status, or disability.

These guidelines supersede all existing gift acceptance policies at NEC; they are subject to change, in keeping with NEC's mission and programs, without prior notice by NEC.

1. AUTHORIZATIONS AND RESPONSIBILITIES

a) The Board of Trustees of NEC, hereinafter referred to as “Trustees,” has full and final authority over all policies and procedures for solicitation activities and acceptance of all gifts to NEC. The Trustees have delegated the authority to carry out these policies and procedures to the President of NEC, with certain exceptions provided for herein.

b) The Vice President of Institutional Advancement reports to the President of NEC and is responsible for developing policies for President and Board approval, and subsequent implementation of President and Board approved policies.

c) Institutional Advancement Staff reports to the Vice President of Institutional Advancement and is responsible for the following functions:

- i. Coordinating, effecting, and controlling the solicitation, receipt, acknowledgment, documentation, and stewardship of all gifts to NEC; transmitting and documenting cash, pledges, and non-cash gifts to the Business Office for timely deposit; ensuring accuracy of recording;
- ii. Maintaining records of gift acknowledgements;
- iii. Sending pledge payment reminders and collecting pledge payments;
- iv. Implementing and enforcing the Gift Policies as adopted by the Trustees of NEC; and,
- v. Acknowledging all gifts in accordance with IRS and other legal requirements.

d) All fundraising efforts on behalf of NEC must be approved by the President or the Vice President of Institutional Advancement and reflect the roles of the President and the Institutional Advancement Office.

- i. No general or group solicitation of funds for specific purposes may be undertaken by any staff, department, or operating unit of NEC without the approval of the President of NEC or the Vice President of Institutional Advancement.
- ii. Solicitation of all gifts from individuals, foundations, or corporations must be approved by the President of NEC or the Vice President of Institutional Advancement.

e) NEC reserves the right to decline any proposed gift deemed not to be in the best interest of NEC.

f) Only the President of NEC and the Vice President of Institutional Advancement, with the advice and consideration of the Senior Vice President of Finance and Operations as needed, are authorized to accept gifts to NEC. The Vice President of Institutional Advancement has the authority to delegate acceptance of particular gifts in specific circumstances. Such delegation must be in writing.

g) The President of NEC has final authority for the interpretation of NEC’s Gift Policies as they apply to specific gifts, except where circumstances warrant decisions by the Trustees. The Vice President of Institutional Advancement, as well as representatives from individual departments or programs will be consulted, as necessary, on a case by case basis.

h) An Ad Hoc Gift Committee may be appointed as required by the President in consultation with the Vice President of Institutional Advancement and the Senior Vice President of Finance and Operations. Members may include representatives from the Institutional Advancement Office, Finance Office, Office of the Dean and Provost, Advancement Committee, and Finance Committee. The Ad Hoc Gift Committee's role will be to:

- i. Review specific gifts that may not be consistent with these policies or which may create undue burden on NEC;
- ii. Make recommendations on requests for exceptions to or waivers of gift policy;
- iii. Interpret gift acceptance policies;
- iv. Assist when appropriate in coordinating the terms of a gift.

i) Any request for waivers to these policies will be directed to the President and the ad hoc Gift Committee for review. The President has the authority to grant exceptions to the policies contained herein, after consultation with the ad hoc Gift Committee.

j) No fundraising consultants, individuals or firms will be hired to work for NEC or any department thereof without the approval of the Vice President of Institutional Advancement.

k) Gifts related to facilities or projects financed with tax-exempt debt shall be reviewed by the Vice President of Institutional Advancement and Senior Vice President of Finance and Operations, in consultation with NEC legal counsel, to insure that they are consistent with the donor's wishes and do not adversely affect the tax-exempt nature of the financing.

l) Financial Records and Statements

NEC's financial records and statements are produced in accordance with Generally Accepted Accounting Principles (GAAP) and Financial Accounting Standards Board (FASB) pronouncements. For financial statement purposes, the Business Office is responsible for accounting for gifts to NEC in accordance with these guidelines. More information about NEC's accounting practices and records may be obtained from the Finance Office.

m) Use of outside legal counsel

When appropriate, NEC may engage legal counsel to advise NEC personnel with respect to certain aspects of a proposed or existing gift. These circumstances may include:

- i. Review of gifts of closely held or restricted securities, real estate, or other assets that are not readily marketable;
- ii. Review of transactions imposing contractual obligations or restrictions on NEC or its use of the gifted assets;
- iii. Review of transactions with potential conflicts of interest;
- IV. Other circumstances where the Trustees, President, Vice President of Institutional Advancement, or Senior Vice President of Finance and Operations feel appropriate.

2. DEFINITIONS

The legal name of the institution is New England Conservatory of Music.

- a) A **gift** is a voluntary, irrevocable transfer of assets from an individual or private organization to NEC. A gift may be made outright or in trust. It may be available for NEC's use immediately or the benefit to NEC may be deferred until a later date.
- b) A **non-cash gift** refers to a gift of any asset other than cash, credit card, or a check. This includes, but is not limited to, marketable securities, closely held stock, real estate, tangible personal property, life insurance, and an expected royalty stream. The policies outlined in this section apply to all non-cash gifts, whether made outright or in the form of a planned gift.
- c) A **gift-in-kind** is a gift of tangible items, such as equipment, musical instruments, or supplies, as well as contract or professional services.
- d) A **pledge** is a written or electronic commitment by a donor to complete a gift in the future. Copies of pledge documentation will be provided to the donor and maintained by the Institutional Advancement Office. NEC's financial statements reflect written pledges only.
- e) A **grant** is a transfer of assets to NEC, for specific or general purposes, from a charitable foundation, corporation, association government agency, or foreign entity, that may be governed by a formal contractual agreement and may specify various reporting requirements.
- f) An **estate** consists of an individual's property and holdings that are disposed of after death.
- g) A **bequest** is a gift of any asset by the donor's will or other estate planning instrument of personal or real property, payable at the donor's death.
- h) **Planned gifts** refer to a variety of gift vehicles other than bequests that usually provide a combination of tax benefits and/or income benefits to the donor. For NEC to record a planned gift, the donor must establish a gift through written documentation. NEC will accept the following planned gifts: pooled income funds, charitable gift annuities, charitable remainder trusts, charitable lead trusts, gifts of life insurance, gifts of real estate, and other legally acceptable arrangements.
- i) An **endowment** is a fund established by giving cash, securities, or other assets to provide income for the maintenance of a non-profit organization. Endowment funds generally are established by donor-restricted gifts and bequests to provide a permanent source of income or revenue for general or specific purposes. The amount distributable from an endowment fund in a particular year is referred to as the endowment "spending rate". NEC's annual endowment spending rate is established by the Trustees, in compliance with Massachusetts General Laws.
- j) **Anonymity** is a condition in which either the details of a donor's gift or a donor's identity is intentionally concealed from the public.

3. UNRESTRICTED AND RESTRICTED GIFTS

- a) **Unrestricted Gifts**. These types of gifts have no use limitation imposed by the donor. Most are to be spent within the current fiscal year, e.g., Annual Fund gifts.
- b) **Temporarily Restricted Gifts**. These are gifts with a donor-imposed purpose that has yet to be fulfilled or a gift subject to restrictions that will lapse or expire upon a certain event. For instance, a gift restricted for use in building a new structure will not be used except to defray costs associated with building the new structure. Likewise, a gift restricted to support a new program may not be expended until the program is ready to be implemented.
- c) **Permanently Restricted Gifts**. These are gifts that must be maintained in perpetuity by NEC. They may be limited by donor-imposed conditions that neither expire over time nor can be removed by NEC, except as provided by law. Examples include endowed funds, which may be further defined as follows:
- **Endowment, Unrestricted Income**: Gifts restricted by donors for endowment but not bearing any restriction from the donor as to the use of the income the endowment produces.
 - **Endowment, Restricted Income**: Gifts restricted by donors for endowment with their income restricted to a specific use, such as student scholarships, faculty support, program support, or other purposes.
- i. Permanently restricted gifts are added to the endowment assets of NEC and are invested to ensure the preservation of the principal. The NEC Trustee Investment Committee monitors the performance of NEC's invested assets against appropriate benchmarks, oversees the allocation of NEC's assets, and hires investment managers. The Investment Committee works with the Finance Committee to align investment growth and income goals with NEC's funding needs. The endowment spending rate, which determines the income available for operations, is based upon a policy recommended by the Finance and Investment Committees and approved by the Trustees, and is consistent with statutory spending limits.
- ii. NEC's Investment Committee may receive advice from one or more professional consulting firms advising on portfolio manager selection and/or providing portfolio and peer institution performance monitoring services.

4. PLEDGES

- a) A **pledge** is a written or electronic commitment by a donor to complete a gift in the future. Written commitments may include electronic submissions (email, fax, or pdf). While a potential donor may express an intention to make a gift to NEC, the intent alone does not constitute a pledge. In order to be considered a pledge and recorded by NEC as a financial asset, the donor must commit to and sign a written agreement that includes:
- The total amount of the pledge;
 - The time period over which the pledge will be fulfilled, with a specific schedule indicating amounts and due dates of each payment;
 - The purpose of the pledge (whether restricted by a donor or not).
- i. An unconditional pledge is a promise to give in any event. It will be recorded by the Institutional Advancement Office at the face value dependent on the passage of time for the gift to be received by NEC.
- ii. A conditional pledge is a promise to give only if and when a specific future event occurs. It will be recorded by the Institutional Advancement Office.
- b) NEC's financial statements only reflect pledges that are documented in writing. For financial statement purposes, an unconditional pledge will be recorded at the present value of the pledge using the appropriate discount rate and timeline of the pledge payments. A conditional pledge will be recorded in the Institutional Advancement Offices.
- c) A **major gift pledge** may be paid over time, generally not to exceed five years. A pledge in excess of \$250,000 that is of longer duration must be reviewed by the ad hoc Gift Committee and must receive final approval from the Vice President of Institutional Advancement. In the event that the donor is unable to fulfill the pledge by the end of the five-year period, the appropriate Development staff person, with the approval of the Gift Committee and the Vice President of Institutional Advancement, is authorized to negotiate a revised payment schedule with the donor.
- d) An **annual fund pledge** may be made by the donor's written or electronic commitment. Generally the pledge must be paid in full by June 30 of the fiscal year in which the pledge was made. Under select circumstances, a written multi-year pledge will be accepted and counted in the year in which the pledge was made.
- e) All pledge documentation will be maintained by the Institutional Advancement Office.
- f) A donor may not satisfy his or her personal pledge to NEC in whole or in part by recommending a grant from a donor-advised fund, or by establishing a Charitable Remainder Trust or Charitable Lead Trust.
- g) A donor may not recommend a grant from a donor-advised fund to be used for all or part of the cost of attending an event such as NEC's annual gala, *A Feast of Music*, as more than incidental

benefits will be received.

5. ACCEPTANCE AND VALUATION OF GIFTS

a) For the purpose of recording, checks and cash gifts will be valued on the date they are accepted by NEC. Credit card gifts are valued on the date processed and approved by the bank. The donor is responsible for supplying and signing all legal documents necessary or advisable in connection with the transfer of any property to NEC.

b) NEC will value gifts for gift and campaign credit purposes in accordance with its internal procedures reflecting in general the reporting standards suggested by the Council for the Advancement and Support of Education (CASE). Such valuation and credit will be independent of the valuation and date of the gift as reported by the donor to the Internal Revenue Service, or the value placed on the gift by the Internal Revenue Service for federal income tax purposes. Such valuation may also differ from valuation for financial statement purposes as required by the Financial Accounting Standards Board (FASB).

c) Gifts of real property will be credited toward fundraising achievement at fair market value, as ordinarily determined by a qualified independent appraiser retained by the donor. Gifts of tangible personal property will be credited at their fair market value, substantiated by an appraisal supplied by the donor if the value is in excess of \$5,000. If there is no market for the asset, the gift will be recorded in the Institutional Advancement Office's records with a zero dollar (\$0.00) value.

d) No gift will be accepted if such acceptance would cause NEC to incur a financial or other obligation that NEC deems to be burdensome (to display, store, insure, clear of legal restrictions, sell, etc.). Gifts may be subject to review by the Ad Hoc Gift Committee.

e) NEC reserves the right to dispose of gifts of property (including real property, securities, and other personal property) at any time unless otherwise agreed upon with a donor. Generally, NEC will sell any real property or securities as soon as practicable after receipt. No commitment will be made regarding the retention of a gift asset unless reviewed by the Ad Hoc Gift Committee and authorized by the President.

No commitment will be made regarding the investment of a gift unless reviewed by the Chair of the Investment Committee and the Senior Vice President of Finance and Operations and authorized by the President.

f) Neither gains nor losses realized by NEC's sale of a non-cash gift will affect the value credited toward fundraising goals. Realized gains or losses, and any fees incurred by NEC in the disposition of the asset or the maintenance of the asset until sale (utilities, taxes, insurance, etc.), will be added to or deducted from the amount credited toward fundraising goals reported by NEC.

g) The responsibility for substantiating the value of any gift for reporting to the Internal Revenue Service belongs to the donor. No NEC representative, or person retained by NEC, shall perform valuations or appraisals of a gift of property for a donor's tax purposes.

h) NEC does not provide tax, financial, or legal advice to donors. NEC strongly recommends that donors seek advice from professional financial advisors or attorneys.

i) Notwithstanding the foregoing provisions of this Part 5, the valuation of a gift to NEC shall be subject to reduction on account of amounts payable to a non-charitable beneficiary in connection with a planned gift or on account of deferral of NEC's access to such gift, as provided elsewhere in this Policy.

6. TYPES OF NON-CASH GIFTS

a) Real Property

- i. **Real Property** is defined as land and buildings erected on or affixed to land, and rights (e.g. mineral, air, and water) and easements connected with land. Ordinarily, real property will be sold by NEC after gift acceptance, except for property to be used directly for academic purposes as determined by the Trustees.
- ii. Donors may contribute real estate as a fee interest, as a remainder interest, or in connection with a planned gift. The donor must provide NEC with a qualified independent appraisal of the property's fair market value. NEC will make no representation to the donor as to the value of the property for purposes of claiming a charitable deduction.
- iii. Real property must have a clear record and marketable title. Easements, restrictions, and/or any hazardous conditions or materials on the property must be disclosed in the gift agreement. The property should be thoroughly investigated prior to acceptance, especially with regard to any environmental or marketability issues. The donor is responsible for providing NEC with the information in the following real estate property disclosure checklist:
 - General description of property
 - Title of ownership
 - Date of acquisition and cost basis
 - Value of land versus value of buildings
 - Complete mortgage information
 - Form of acquisition
 - Property tax assessment
 - Zoning restrictions
 - Environmental history
 - Deed containing deed restrictions
 - Tenant information
 - Appropriate documentation if property is part of a condominium or cooperative
- iv. The donor is responsible for all costs, expenses, and taxes incurred by the donor in maintaining the property or securing proper and legal documentation, until legal transfer of property is completed. These costs will not be included in the amount reported by NEC.

- v. Any effects of defective title must be understood by NEC. Title to property that is potentially contaminated with hazardous waste will not be accepted by NEC.
- vi. Consideration must be given to the costs of holding and maintaining any gift of real property prior to its sale. When appropriate, the donor will be approached to supplement the gift of real estate with cash or securities to cover operating costs and expenses. These costs may be included in the value of the gift.
- vii. Holding real property, especially that subject to a mortgage, may raise issues related to unrelated business income, which could be taxable to NEC. Unrelated business income issues will be considered prior to acceptance of the gift. Real property subject to a mortgage will not be accepted in connection with the funding of a charitable remainder trust.
- viii. The Senior Vice President of Finance and Operations is responsible for performing due diligence procedures in order to recommend accepting gifts of real property, or may delegate authority to a committee appointed by the Senior Vice President of Finance and Operations. The Senior Vice President of Finance and Operations is responsible for recommending acceptance of the gift to the President. The President is responsible for accepting gifts of real property. Title will not be transferred or acknowledged until after formal acceptance of the gift of real property in accordance with this policy.

b) Tangible Personal Property

- i. **Tangible Personal Property** is defined as movable and physical objects such as musical instruments, musical works, works of art, books, antiques, furniture, or equipment. Only gifts that are readily marketable (i.e. able to be sold or traded on the open market) or useful in carrying out the mission of NEC will be considered. NEC reserves the right to sell personal property at any time unless otherwise agreed to with the donor.
- ii. The Vice President of Institutional Advancement is authorized to accept gifts of tangible personal property, except where such gifts pose unreasonable constraints or conditions upon NEC or would not be in accordance with the NEC's capacity to provide the appropriate care for such property. Gifts valued at \$500 or more require the Vice President of Institutional Advancement's signature on IRS Form 8283 if the donor wishes to take an income tax deduction. Whenever the acceptance of a gift of personal property will commit NEC to a financial or other obligation, gifts between \$10,000 and \$250,000 must be reviewed by the Senior Vice President of Finance and Operations, and gifts in excess of \$250,000 must be reviewed by the Gift Committee in accordance with this policy. The Senior Vice President of Finance and Operations and the Ad Hoc Gift Committee may consider the following:
 - Can NEC use the asset in connection with its mission and programs?
 - Is the asset marketable?
 - Are there any unreasonable restrictions on the use, display, or sale of the asset?
 - Are there any carrying costs associated with the asset (insurance, lease, space, maintenance, appraisals, etc.)?

- iii. Items donated in connection with a special event, such as an auction, are exceptions to this policy and fall under the procedures adopted for such special event.
- iv. Gifts with a fair market value exceeding \$5,000 will ordinarily be credited at the value as determined by a qualified independent appraiser. In accordance with IRS regulations, the appraisal must be made not earlier than 60 days before the date the property is contributed to NEC. It is the donor's responsibility to obtain and bear the cost of the qualified independent appraisal.
- v. Gifts of tangible personal property with a value in excess of \$5,000 may only be accepted upon written notice to the donor of NEC's Gift Acceptance Policy.
- vi. Gifts of \$5,000 and below will be credited at the value placed upon them by a member of the faculty, staff, or other person with proven expertise, and that informal valuation may be used for NEC's gift and financial reporting purposes.
- vii. Gifts of books and other materials to NEC Libraries are welcome when they meet current curricular needs and support the Libraries' mission. Contact the Director of Libraries to discuss potential gifts.

c) Securities

- i. Gifts of Securities include marketable securities, options, and closely held stock.
- ii. The Vice President of Institutional Advancement or the Vice President's stated designee(s) is responsible for accepting gifts of marketable securities in accordance with established NEC policies.
- iii. Any restrictions by the donor on the management or investment of a gifted security will be referred to the President, the Senior Vice President of Finance and Operations, the appropriate Board committee, and the Chair of the Investment Committee if the value is greater than \$100,000, prior to acceptance of the gift. In normal cases the President must approve the acceptance of securities subject to restrictions.
- iv. Gifts of Non-Marketable Securities require the approval of the Senior Vice President of Finance and Operations, after consultation with the Chair of the Investment Committee. Consideration should be given to whether there are any restrictions on the sale and whether the sale will generate any adverse tax consequences to NEC (for example, in connection with the sale of stock of an S corporation).
- v. All Marketable Securities will be valued at the mean of their high and low market values on the date of transfer.
- vi. The date of transfer is the date that:

- The electronically transferred securities are deposited in an NEC brokerage account; or
 - The mailed stock certificate and a properly endorsed stock power are postmarked. If the postmarks on the documents differ, the later date will determine the date of transfer; or
 - The physical certificate and the properly completed transfer documents (e.g. stock power) are received by NEC, or its broker.
- vii. Securities not readily marketable on the date of delivery will ordinarily require a qualified appraisal furnished by the donor to determine the value of the stock.
- viii. In the normal course of business, NEC will sell donated securities as soon as practicable.
- ix. Gifts of otherwise publicly traded securities that are subject to tender offers or securities law restrictions may present peculiar tax or administrative issues for the donor and/or for NEC that may require review by members of the Ad Hoc Gift Committee prior to acceptance of the gift.

d) Life Insurance

- i. NEC must be named as both an irrevocable beneficiary and owner of an insurance policy before it can be recorded as a gift.
- ii. The current cash surrender value of the policy will be credited toward fundraising goals. If the donor pays further premiums on the policy, NEC will include the entire amount of the premium payments in its gift totals. If NEC pays the premiums, it will treat those payments as operating expenditures and not report increases in the cash surrender value of the policy as gifts.
- iii. If a donor pays future premiums on a policy with no cash surrender value, only the future premium payments will be recorded as gift receipts.
- iv. Regardless of whether the donor or NEC pays the premiums on a policy that NEC owns, the difference between the cash value and the insurance company's settlement at the donor's death will not be reported as a gift, but as a gain on the disposition of assets.
- v. In cases where NEC receives the proceeds of an insurance policy in which it is named as the beneficiary but not the owner, the full amount received will be reported as an estate gift on the date that the proceeds are delivered.

e) Designating NEC as the Beneficiary of Retirement Distributions

NEC can be named the beneficiary of qualified retirement plans in accordance with the requirements of the individual retirement plan and applicable law.

f) Planned Gifts/Gifts in Trust

- i. **Planned Gifts** may allow a donor to make a gift in which the commitment to NEC is

made currently, but NEC's receipt of funds from the gift may be delayed until a future time.

- ii. Donors may make planned gifts to NEC in the following ways: a bequest, a contribution to the NEC Pooled Income Fund, a Charitable Gift Annuity; a Charitable Remainder Trust, a Charitable Lead Trust, by making NEC the beneficiary and owner of an insurance policy, a gift of a remainder interest in a personal residence, and/or other appropriate and legal charitable gift arrangements.
- iii. The Development Staff will take responsibility for the following functions:
 - Prepare, with input from the Finance Department, all Charitable Gift Annuity documents for execution by the donor and the Vice President of Institutional Advancement or Senior Vice President of Finance and Operations.
 - Prepare, with input from the Finance Department, legal counsel, and the donor's attorney, all complicated planned gifts and gift documents such as CRTs and CLTs for execution by the donor and the Vice President of Institutional Advancement, or the Senior Vice President of Finance and Operations.
 - Secure all necessary gift information in order to enable the donor to calculate applicable charitable tax deductions and income tax treatment of any life income payments.
 - Convey such information to the donor, the Senior Vice President of Finance and Operations, and/or designated official.
 - Notify the appropriate beneficiary regarding any life income gifts and their purpose.
 - Arrange for stewardship of the donated funds to ensure the funds are properly administered and appropriate communication is maintained with the donor and beneficiary.

Trusts subject to income agreements will be credited at a value calculated by the Institutional Advancement Office and transmitted to the Business Office for financial statement purposes. This calculation used is a formula devised by the IRS to determine the present value of a deferred gift.

- iv. The present value of expected payments from **Charitable Lead Trusts** (defined below) will be recorded as a gift and as a planned giving asset. The income received will be recorded annually as a reduction in the planned gift asset value.
- v. **Charitable Remainder Trusts**, contributions to **Pooled Income Funds**, and **Gift Annuities** (defined below) will be valued in one of two ways:
 - The fair market value of assets placed into the irrevocable gift vehicle will be credited toward fundraising goals.
 - In those instances where it is anticipated that payments will be made to the beneficiary in order to meet a payout obligation, the gift will be valued at its net realizable value (i.e., the fair market value of the assets transferred less the current actuarial present value of the amount that is expected to be paid to the beneficiary). NEC separately records the liability with respect to the donor's interest.

- vi. A change in this valuation policy requires approval by the President after consultation with the Vice President of Institutional Advancement and the Senior Vice President of Finance and Operations.
- vii. NEC will not serve as the trustee of a Charitable Lead Trust or a Charitable Remainder Trust. However, NEC reserves the right to determine or change the trustee managing the NEC Pooled Income Fund and the custodian of the funds given in connection with gift annuities.
- viii. NEC reserves the right to decline any proposed gift deemed by the President not to be in the best interest of NEC.
- ix. NEC will accept those gifts in trust described below, subject to minimum value requirements as authorized by the Trustees, and existing federal and state law.
- x. **Charitable Remainder Unitrust**
 - Payments calculated as a fixed percentage (not less than 5% of trust assets determined annually) will be made to the donor and/or other named beneficiary. Payments may be limited to ordinary income and may be allowed to exceed the amount required to make up any accumulated deficiencies from prior years. When the trust terminates, NEC will receive the principal. The minimum amount to establish a Charitable Remainder Unitrust is \$100,000. In certain cases, other provisions may be added to the agreement.
 - By law, a Charitable Remainder Unitrust may not be established if the charitable remainder value is less than 10% of the initial principal. Generally, in a single-life agreement, the individual must be at least fifty-five (55) years of age to establish a Charitable Remainder Unitrust. In a two-life agreement, the younger individual must be at least 55 years of age to establish a Charitable Remainder Unitrust.
 - A Charitable Remainder Unitrust also may be established for a term of years not to exceed twenty (20), or for the life of the beneficiary, at the end of which time the principal becomes the property of NEC. A Charitable Remainder Unitrust established to run for a set term of years is not subject to minimum age requirements.
- xi. Changes in the value of the unitrust assets will be recorded annually on NEC's financial statements.
- xii. **Charitable Remainder Annuity Trust**
 - An annuity representing no less than five percent (5%) of the value of trust assets as of the date of gift will be paid to the donor and/or others. The annuity amount never changes, and no additions may be made to an annuity trust. The minimum amount to establish a Charitable Remainder Annuity Trust is \$100,000.

- By law, a Charitable Remainder Annuity Trust may not be established if the charitable remainder value is less than 10% of the initial principal. Generally, in a single-life agreement, the individual must be at least fifty-five (55) years of age to establish a Charitable Remainder Annuity Trust. In a two-individual (or beneficiary) agreement, the younger individual must be at least 55 years of age to establish a Charitable Remainder Annuity Trust.
 - A Charitable Remainder Annuity Trust also may be established for a term of years not to exceed twenty (20), or for the life of the beneficiary, at the end of which time the principal becomes property of NEC. A Charitable Remainder Annuity Trust established to run for a set term of years is not subject to minimum age requirements.
- xiii. A **Gift Annuity** is an irrevocable transfer of money or property to NEC in exchange for which NEC promises to pay the donor and a survivor, if designated, fixed annual payments for life. Total annual payments are made in calendar quarter installments.

A gift annuity may be issued for an individual who is at least sixty-five (65) years of age for an amount not less than \$25,000. Gift annuity agreements will not be entered into for more than two individuals, and, in the case of a two-individual (or beneficiary) agreement, the younger beneficiary must be at least fifty-five (55) years of age. Gift annuity maximum rates of return are determined by the donor's age at the time of the agreement. NEC generally follows the rates approved by the American Council on Gift Annuities, a national organization representing more than 250 non-profit institutions that issue gift annuity agreements. All gift annuity agreements must be reviewed and approved by a Finance Office representative.

Any exception to these limitations must be approved by a majority vote of the President, the Finance Committee Chair, and the Board Chair.

- xiv. A **Deferred Gift Annuity** allows for payment of the annuity to start at a later time than the date of the gift. The minimum age for entering into a Deferred Gift Annuity is forty years (40). The minimum age for the starting date of annuity payments under a deferred gift annuity is fifty-five years of age (55).
- xv. **Charitable Lead (or Income) Trust.** The minimum amount to establish a Lead Trust is \$500,000. Under a Charitable Lead (or Income) Trust, the donor's assets are transferred to an irrevocable trust for a period of years or an individual's lifetime, with a designated annuity or unitrust amount paid to NEC each year. At the termination of the Trust, the remaining Trust assets may revert to the donor or be transferred to beneficiaries of the donor's choice.

If the donor creates a Lead Trust, the present value of the total anticipated income is recorded as a planned giving asset; in such cases, the payment period may exceed five years, but must not exceed the period of the trust.

- xvi. **Gift of Remainder Interest in a Personal Residence or Farm.** Donors may contribute a remainder interest in a personal residence or farm to NEC while reserving the right to occupy or use the property for a term of years or for life. The rights and responsibilities of the life tenant and NEC will be set forth in a separate agreement, which will be executed in conjunction with the deed transferring the remainder interest in the real estate to NEC.

- xvii. A **Pooled Income Fund** is comprised of co-mingled assets transferred by many individual donors and managed by NEC. The donors own “shares” of the Pooled Income Fund and receive net income from the Fund. The minimum amount that can be invested in NEC Pooled Income Funds is \$5,000 and the minimum for additional contributions is \$2,000. The threshold level of a Pooled Income Fund may be set higher by vote of the Trustees. The minimum age for an individual investor is fifty-five (55) years of age.
- xviii. **Other Planned Gifts.** From time to time, the nature of donor assets or IRS regulations may provide opportunities for other forms of planned gifts not enumerated above, or blending more than one form of gift. Such possible gift arrangements will be recommended by the Vice President of Institutional Advancement for review by the Ad Hoc Gift Committee. Such gifts may involve a partial or future interest in a donor asset (e.g. a pension fund) or other forms of gifts.

7. ANONYMOUS GIFTS

Anonymity is a condition in which either the details of a donor’s gift or a donor’s identity is intentionally concealed from the public.

- a) There are two types of anonymity:
- Anonymous donor(s)
 - Anonymous gift
- b) If the donor requests anonymity, this means:
- i. No public or internal recognition
 - ii. No listing in donor honor roll or wall of honor other than “Anonymous”
 - iii. No gift receipt unless the donor requests; if donor requests, verify address with donor. Do not save gift receipt. (Note: the IRS requires a gift receipt in order to enable the donor to claim a charitable deduction). Prospect manager is responsible for verifying this information.
 - iv. No thank-you letter unless the donor requests; if donor requests, verify address with donor. Do not save thank-you letter. Prospect manager is responsible for verifying this information.
 - v. The donor may be in the Raiser’s Edge database for the purposes of receiving mailings and/or recording other public/semi-anonymous gifts, or have no Raiser’s Edge record with identifying personal information, as requested by the donor
 - vi. No soft credit in Raiser’s Edge linked to donor’s record (if they have a “non”-anonymous record also or linked to the anonymous donor’s Donor Advised Fund)
 - vii. Awareness of the donor and the gift will be restricted to very limited internal staff
 - viii. Even internal staff will refer to the donor as “anonymous donor”
- c) If the donor requests that *only the details of the gift* be anonymous with respect to the amount or purpose, this means (unless requested otherwise by donor):
- i. No public or internal recognition
 - ii. Possible listing in the donor honor roll or wall of honor, if requested by the donor

- iii. Gift receipt will be provided to the donor
 - iv. Thank-you letter (prospect manager responsible) will be provided to the donor
 - v. Donor's Raiser's Edge record with identifying personal information
 - (a) Depending on level of anonymity for the gift, the donor may have a separate record created as "Anonymous (#)" for showing on gift reports. In this case, Gift Processing shall identify the donor's identity in some pre-determined area of the Raiser's Edge file, unless directed otherwise.
 - vi. Soft credit in Raiser's Edge linked to potential Donor Advised Fund
 - vii. Awareness of the donor and the gift will be restricted to limited internal staff
- d) Potential employees and volunteers who *may* know about the anonymous donor and/or anonymous gift, as appropriate:
- President
 - Vice President of Institutional Advancement
 - Senior Vice President of Finance and Operations
 - Potentially other Key Institutional Advancement staff: Executive Director of Development, Director of Advancement Support Services, Data Manager
 - Board Chair and, if Chair deems appropriate, the Executive Committee
 - Controller
 - General Counsel - for approval of endowment/gift agreements
- e) Ultimately, there is no such thing as complete anonymity. New England Conservatory will use its best efforts to maintain anonymity but cannot guarantee complete anonymity. This possibility will be communicated to the donor. For example, anonymity may not extend to:
- Audits
 - Government subpoenas for information
 - IRS Form 990 Schedule B
 - Certain information on Form 5227 for Charitable Remainder Trusts and Charitable Lead Trusts, including trust names
- f) Communications Guidelines
- i. Review carefully all written, oral, and electronic communications with the donor to ensure they do not compromise the donor and/or gift anonymity.
 - ii. The NEC representative managing the anonymous gift should provide all documentation on anonymous donors and anonymous gifts to the Director of Advancement Support Services upon finalization of the gift.
 - iii. Prospect manager shall take care not to record details of anonymous gifts in the Raiser's Edge Actions fields or other prospect management data files.
- g) Reporting of Anonymous Gifts and Donors
- i. Anonymous gifts will be counted in all fundraising reports when appropriate and in accordance with the donor's wishes. Any fundraising report that would normally show the donor name will show "Anonymous" or "Anonymous (#)" where (#) is the specific file for that donor for those donors who wish either to be completely anonymous or for their gift to be anonymous.

8. GIFT REPORTING AND ASSIGNMENT

a) For campaign and fundraising reporting purposes, gifts will normally be credited according to the reporting standards promulgated by CASE. For financial statement and audit purposes, NEC will follow and adhere to rules and standards of FASB and The American Institute of Certified Public Accountants (AICPA). For tax reporting purposes, NEC will follow the requirements of the Internal Revenue Code and regulations there under.

b) Gift Assignment

- i. All gifts received will be assigned to a specific unrestricted or restricted gift category as outlined in Part 3: "Unrestricted & Restricted Gifts."
- ii. Gifts will be recorded by the Institutional Advancement Office by donor, date, purpose, general ledger account number (subject to review by the Controller), and by the solicitation program (Annual, Capital, etc.) with which they are affiliated. After recording all gifts, documents will be retained by the Institutional Advancement Office. Copies of relevant documents may be circulated to the NEC Finance Office and to the President's Office, where appropriate.
- iii. Under corporate matching gift programs, matching gifts will be credited to the fundraising program and purpose for which the donor's gift was made, as long as it is consistent with the matching company's policy.
- iv. During the course of a capital campaign, all gift receipts and bequest distributions that qualify for campaign credit in accordance with these policies will be recorded toward campaign goals. The Development Office may report non-qualifying gifts separately as a measure of total fundraising activity.

c) Assignment of Gifts toward Campaign Goals

- i. NEC may internally designate specific purposes to unrestricted gifts. These gifts will be recorded by the Institutional Advancement Office and the Business Office in accordance with the purpose assigned, using the following guidelines approved by the Trustees.
- ii. Annual Fund gifts with no donor-imposed designations will be credited to the unrestricted gift income account, and credited toward Annual Fund program goals.
- iii. Special or campaign gifts with no donor-imposed designations will be credited toward NEC campaign goals and will be recorded accordingly in NEC's accounts.
- iv. All unrestricted bequests will be recorded as "Other Gifts" or non-current contributions to an unrestricted endowment at the President's discretion.
- v. Adjustments of incorrect postings may be made by the NEC Business Office in consultation with the Development Office upon receipt of proper documentation.

- vi. A bequest intention shall be recorded as a pledge for the purpose of campaign credit when the following two conditions are met:
 - The donor has reached the age of 70 during the course of the campaign; and
 - A Bequest Intent form that places a dollar value on the bequest intention has been received by NEC, along with that portion of the will pertinent to NEC's intended gift.
- vii. Pledges made prior to the campaign accounting period will be credited to the campaign only where they pertain to campaign objectives. Designation will be decided by the Vice President of Institutional Advancement in collaboration with the Senior Vice President of Finance and Operations and Controller. Payments made during the campaign accounting period in fulfillment of such pledges will be credited to the campaign. Payments made after the campaign accounting period on pledges made during the campaign period will be credited to the campaign.
- viii. Donor restricted gifts are those given by a donor for a specific purpose set forth in writing by the donor.
- ix. Whenever possible, the language of deeds of gifts should allow NEC freedom of future use in the event that the donor's original intention becomes impractical, impossible, or obsolete. For example: *"If in the opinion of NEC's Board of Trustees, all or part of the income or principal of this gift cannot be usefully applied to the above purpose, it may be used for any related purpose the Board of Trustees feels most nearly accomplishes the donor's wishes."*
- x. Any restriction imposed by the donor must be approved by the President or the President's stated designee.
- xi. All restricted gifts will be recorded according to the assigned restricted purpose category. The donor's written instructions shall be part of the permanent record, subject to the provisions of Part 7 above regarding anonymous gifts.
- xii. Ambiguities regarding a gift's restricted purpose category will be resolved by the Institutional Advancement Office, in consultation with the donor and NEC's legal counsel where necessary.

9. NAMING OPPORTUNITIES

(a) Naming opportunities are available for scholarships, faculty positions, buildings, rooms, facilities, or other capital projects for which the Trustees have authorized construction, or otherwise approved for donor recognition, memorial, or other purposes.

(b) The Vice President of Institutional Advancement will submit recommendations to the President of all major naming opportunities for buildings, centers, or other large projects, or in cases that involve a large financial impact, might affect the public image of NEC, or that add or change a major program.

(c) The Vice President of Institutional Advancement is authorized to develop and revise, for the President, lists of gift opportunities, with an indication of the amounts required for naming.

(d) Simple bequest intentions will not be associated with naming opportunities. However, the Trustees may wish to honor an individual based on a bequest intention in addition to his or her long-term commitment to NEC.

(e) Planned Gifts are eligible for designated naming opportunities only if:

- i. The actuarial present value of the charitable interest in the planned giving arrangement equals or exceeds the minimum amount required to name a gift.
- ii. The gift is designated for an endowed purpose such as scholarship.

10. MINIMUM REQUIRED TO ESTABLISH ENDOWED OR NAMED FUNDS

NEC may approve the establishment of named, endowed funds. Generally, the minimum threshold amount required for naming endowed funds shall be \$100,000 for the college and \$50,000 for the Preparatory School. However, NEC will accept a minimum of \$10,000 to establish book and periodical funds, as well as for the purchase of CD's, DVD's, or sheet music.

(a) For purposes of donor recognition, NEC may approve to set levels of named, endowed funds with differing minimum threshold amounts. These minimum threshold amounts will generally be set at approximately twenty times the required income value. For instance, if the required income value for a Presidential Scholarship is \$40,000, the amount required to endow a Presidential Scholarship may be set at \$800,000 (or current market value) subject to tuition increase or a change in the Board-approved endowment spending rate.

(b) The amount required to establish an endowed fund for other specific purposes will normally be set at approximately twenty times the required income value.

(c) If, after five years, the gifts received for a fund are not sufficient to establish the named, endowed fund intended by the donor, the Development staff will contact the donor to discuss alternatives. If the donor is deceased, the donor's family will be contacted. If the donor is not available, the President, in consultation with the Trustees as appropriate, will determine how the funds will be managed in accordance with legal requirements. Solicitation materials and discussions should be clear that gifts to a specific fund are subject to this contingency and also to a change in use if the stated purpose becomes impracticable, impossible, obsolete, or it becomes advisable to deviate from the express purposes of the gift to further the mission or programs of NEC.