

FN23.1 Gift Acceptance & Reporting Procedure/Guidelines

PURPOSE

This policy serves as a guideline to members of the Santa Fe Institute (SFI) staff, faculty or Trustees involved in soliciting or accepting gifts, to outside advisors who assist in the planning process and to prospective donors who wish to make gifts to SFI. This policy is intended only as a guide and allows for flexibility on a case-by-case basis. These procedures/guidelines are designed to ensure that any gift accepted by SFI is consistent with SFI's mission, purpose, and priorities and that any reports prepare for donors concerning the gift are appropriate.

GIFTS BY CASH OR CHECKS

1. All gifts by cash or check will be accepted by SFI regardless of amount and a receipt in the amount of the gift will be issued to the donor.
2. Checks should be made payable to the Santa Fe Institute. A particular purpose may be designated for the use of the funds and may be noted in the memo section or via an accompanying letter or communication. If no designation is present, the funds will be used to support the greatest needs of SFI, as determined by the President of the Institute. In no case shall a check be made payable to an individual who represents the Institute.
3. Third party checks, in general, are not accepted.

PLEDGES

Promises to pay a specified amount over a specified period of time can be accepted by SFI and considered a pledge to pay in the future. Pledges generally may be no more than five (5) years in duration and should include at least annual installment payments that are negotiated between the President of SFI, his/her designee and the donor. Pledges must be confirmed in writing via a "Pledge Agreement" and may be audited on an annual basis as requested by SFI's external auditors.

PUBLICALLY TRADED SECURITIES

Readily marketable securities, such as those traded on a stock exchange, can be accepted by SFI. Securities will be sold as quickly as prudently possible and in no instance may the donor attach any instructions that govern the sale of those securities once transferred to SFI's brokerage agent of record.

The Santa Fe Institute will record the value of the gift as the amount of cash received from the sale. Upon request, SFI will present to the donor the average of the high and the low on the date that the securities are sold. The donor and his/her tax advisor have the responsibility to determine the value of the gift for the donor's tax purposes.

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In the event that the proceeds from the sale of publically traded securities fail to satisfy a previously agreed upon gift amount or pledge payment, it will be the discretion of the President of SFI, in consultation with the Vice President for Development and Corporate Relations and the Finance Office, to determine if a donor is asked to fund the balance due on the gift or pledge amount. Credit will be given toward future pledge installments if the amount realized from the sale of stock exceeds the amount expected.

CLOSELY HELD SECURITIES

Gifts of non-marketable securities (debt and equity positions in non-publicly traded companies but also interests in LLPs and LLCs or other ownership forms) may be accepted after consultation with the President, the Finance Office and the Vice President of Development and Corporate Relations.

Prior to acceptance, the Finance Office shall explore methods of liquidation for the securities through redemption or sale with consideration given to an estimate of fair market value, any restrictions on the transfer of such closely held securities and/or any recent sales. No commitment for repurchase of the securities shall be made prior to the completion of the transfer.

REAL ESTATE

Gifts of real estate may be accepted by SFI subject to the provisions indicated below. Real estate is considered to include developed property, undeveloped property, and a remainder interest in property or gifts subject to a prior life interest. SFI may choose to keep the property or sell the property and use the proceeds to benefit programs or projects as determined by the President and in consultation with the donor.

1. All proposed gifts of real estate generally are reviewed by the President, the Vice President for Development and Corporate Relations, the Finance Office and the Finance Committee of the Board of Trustees.
2. Due to the expenses associated with gifts of real estate, the proposed property must have an expected value in excess of \$100,000.
3. The donor is responsible for obtaining, at his or her own expense, a qualified appraisal within the previous 90 days.
4. As part of the package of information needed before a final decision on acceptance can be issued, the donor will need to provide the following documents: Real Estate Deed, Most Recent Real Estate Property Tax Bill, Plot Plan, Substantiation of Zoning Status and a Declaration of Any Known or Suspected Environmental Concerns and all covenants covering the use or development of the property.
5. In addition to the above provisions guiding the acceptance of gifts of real estate, the property will be evaluated to determine:
 - Does the property have any impact, either negatively or positively, on the mission or tax exempt status of the Santa Fe Institute?

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Is the property marketable?

Are there any undue restrictions on the sale of the property?

Are there any carrying costs for the property or potential liabilities associated with it?

Will the gift generate any undesirable tax consequences (i.e. unrelated business taxable income)

6. Depending on the value and desirability of the gift, the donor's connection with SFI, the donor's past gift record or other salient factors, the donor may be asked to pay for all or a portion of the following:

- Maintenance costs

- Real estate taxes

- Insurance

- Real Estate brokers commission and other costs of sale

- Additional appraisal, inspection or costs related to the evaluation of the property

- Environmental Phase I study

7. SFI will record the value of the gift as the appraised value of the real estate less all costs considered appropriate and associated with the sale. The donor and his/her tax advisor have the responsibility to determine the value of the gift for the donor's tax purposes.
8. Prior to final review and acceptance, a visual inspection of the property must be conducted by a member of the Santa Fe Institute staff and, if warranted, their agent(s) including a licensed real estate broker, a member of the Finance Committee of the Board of Trustees or SFI counsel.

LIFE INSURANCE

SFI may accept gifts of Life Insurance when SFI is named as both beneficiary and irrevocable owner of the policy. The value of the gift for crediting and accounting purposes is the policy's cash surrender value.

It is strongly suggested that the donor consult with their tax advisors to confirm the tax deductibility of any partially paid up life insurance policy.

If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, SFI may:

- continue to pay the premiums,

- convert the policy to paid up insurance, or

- surrender the policy for its current cash value.

TANGIBLE PERSONAL PROPERTY

Gifts of tangible personal property should have a related use to SFI's exempt purpose. Gifts of jewelry, artwork, collections, equipment, etc. may be accepted only after review by the President, his/her designee and any other experts deemed necessary by the President. Such exemplified gifts of personal property will

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be used or sold for the benefit of SFI and all IRS requirements related to disposing of gifts of tangible personal property and filing of appropriate forms will be adhered to.

Depending upon the anticipated value of the gift, a qualified outside appraiser will be required to value the gift before it is accepted. The donor is responsible for obtaining and bearing the cost of that appraisal. Likewise, if the gift requires special display facilities or security measures, the donor may be asked to contribute a cash gift equal to the anticipated costs of those extraordinary measures. In the case of materials that require archival services, the donor may be asked to contribute a cash gift in the amount of the anticipated costs of those services.

PLANNED GIFTS

SFI welcomes the philanthropic intentions in the form of bequests from wills and estate plans. Bequests may take on one of two forms, generally known as Outright Bequests and Residuary Bequests. Either type of bequest may be designated for a specific purpose or program or allowed to support SFI's greatest needs as determined by the President or his/her designee. Donors who are considering the inclusion of SFI in their wills and estate plans are strongly encouraged to consult qualified estate planners who will work closely with the Vice President for Development and Corporate Relations or other SFI designated planned giving experts.

SFI may also choose to accept additional deferred giving options such as Charitable Lead Trusts, Term of Years Trusts, Life Income Gifts for Others, or Charitable Trusts for Life. The Development Office will assist donors and their estate planners or tax advisors with deferred giving options that can make meaningful gifts possible for SFI, the donors and their family.

GIFTS REQUIRING REVIEW BY COUNSEL

1) SFI shall seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by counsel is recommended for:

- a. Closely held stock transfers that are subject to restrictions or buy-sell agreements;
- b. Documents naming SFI as Trustee;
- c. Gifts involving contracts, such as bargain sales or other documents requiring the SFI to assume an obligation;
- d. Transactions with potential conflict of interest that may invoke IRS sanctions; and
- e. Any other instances in which use of counsel is deemed appropriate by the President.

DONORS OBLIGATION TO OBTAIN FINANCIAL ADVICE

SFI will urge all prospective donors to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences. SFI will comply with the Model Standards of Practice for the Charitable Gift Planner promulgated by the National Committee on Planned Giving and any and all other federal or professional standards deemed

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OVERARCHING MANDATE COVERING GIFTS ACCEPTANCE

SFI will accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are consistent with its stated mission, purpose, and priorities. The SFI will not accept gifts that are too restrictive in purpose. Gifts that are too restrictive are those that violate the terms of the corporate charter (or trust document if SFI is established under trust), gifts that are too difficult to administer, or gifts that are for purposes outside the mission of the SFI. All final decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the President or his/her designee.

GIFT REPORTING PROCEDURES AND GUIDELINES

Any reports prepared for a donor must be approved by the Office of Development. Any such reports that include financial information purporting to reflect economic activity associated with a gift must also be approved by the Finance Office.