



GIFT ACCEPTANCE POLICY

**APPROVED BY THE AGO BOARD OF TRUSTEES
NOVEMBER 28, 2018**

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1. INTRODUCTION

The Art Gallery of Ontario and The Art Gallery of Ontario Foundation (the “charitable entities”) welcome donations which enable it to fulfill its mission of great art, facilitating learning, and increasing access for audiences. Its gift acceptance process is based on, and in accordance with, its mission, priorities and strategic plan.

The Art Gallery of Ontario (AGO) and The Art Gallery of Ontario Foundation (AGOF) are registered charities recognized by the Canada Revenue Agency (CRA) and each complies with the Income Tax Act and CRA guidelines, including those addressing the receipting of charitable gifts. The Art Gallery of Ontario’s registered charitable number is 11879 0401 RR0001. The Art Gallery of Ontario Foundation’s registered charitable number is 892904368 RR0001.

This Gift Acceptance Policy and the documents it refers to have been established to create a framework for the solicitation, review, acceptance, administration and stewardship of philanthropic gifts to the charitable entities.

This Policy and associated documentation have been established to ensure:

- a) The AGO’s principles, policies and procedures are reflected throughout the gift acceptance process;
- b) Informed decisions are made concerning the acceptance of gifts;
- c) Gifts are handled in compliance with applicable federal and provincial legislation;
- d) Efficient administrative, legal and accounting practices are followed;
- e) Consistent and ethical relations with all donors and other supporters of the AGO are maintained.

This Policy is not intended to be exhaustive or inflexible and it is expected that from time to time there will be particular gift proposals that will need to be considered by the charitable entities. This Policy is meant to inform, serve, guide or otherwise assist donors who wish to support the activities of the charitable entities.

2. AUTHORIZATION

The charitable entities are authorized to encourage donors to make current and deferred gifts in accordance with policies to be determined from time to time by the AGO and AGOF. The charitable entities are committed to offering the donor the opportunity to make gifts in support of the Gallery, both cash and non-cash assets, in a manner beneficial to the donor while protecting the charitable entities fiscal and legal integrity. These policies may be subject to change as amendments are made on an ongoing basis to the Income Tax Act or as the philanthropic environment changes.

3. SCOPE

This Policy governs gift acceptance with respect to gifts from donors made in support of existing or new initiatives at the charitable entities, whether the gifts are made during the donor’s lifetime or testamentary (trusts and estates).

This Policy governs all fundraising activities and gift acceptance conducted by the charitable entities, including every department of the Gallery, or by any person authorized by the AGO.

This Policy governs employees and volunteers of the charitable entities on matters of gift acceptance and provides them with an efficient review framework.

This Policy and its guidelines provide public information about the gift acceptance policies and procedures of the charitable entities.

Gifts can be accepted from the following groups:

- a) Individuals;
- b) Corporations;
- c) Private Foundations;
- d) Charitable Organizations;
- e) Public Foundations;
- f) Charities;
- g) Powers of Attorney on Behalf of Individuals;
- h) Estates;
- i) Trusts; and
- j) Governments and other entities.

4. POLICY FOR GIFT ACCEPTANCE

The charitable entities will not accept gifts, enter into relationships, or accept external support that could reasonably compromise the AGO.

The charitable entities may elect to accept or decline any gift. The charitable entities reserve the right to decline a gift in any circumstance, including:

- a) The gift does not accord with the mission or objectives of the charitable entities;
- b) The gift exposes the charitable entities to liability or unacceptable risk;
- c) The donor applies unacceptable restrictions or conditions on the gift;
- d) The gift will be difficult to administer;
- e) The gift may have come from illegal activities;
- f) The gift is precedent-setting or involves sensitive issues;
- g) The gift could improperly benefit any individual;
- h) The gift violates the Ontario Human Rights Code;
- i) The gift does not comply with the Canada Income Tax Act and CRA guidelines;
- j) The gift could reasonably compromise the AGO's public image, reputation or commitment to its mission, priorities and strategic plan;
- k) Gifts of works of art that are not in compliance with the AGO's Acquisitions Policy.

Acceptance of any gift which involves a proposal to name is conditional upon its accordance with the AGO's Naming Policy.

5. RESPONSIBILITIES

The head of the Development Division (whose title may change from time to time) is responsible for ensuring that the gift acceptance process and operational guidelines and procedures are in compliance with this Policy. The head of the Development Division will consult as needed with the Director and CEO, Chief Financial Officer, Chief Curator or other senior staff leaders to assess any proposed gift. They will

also consult as needed with any Trustee of the charitable entities as appropriate based on the nature of the gift.

The Development Division is primarily responsible for managing the fundraising activities of the charitable entities. All persons and departments wishing to raise gift funds for programs or areas of the charitable entities must work within plans, priorities and guidelines established by the Development Division. The Development Division must be consulted prior to or during preliminary discussions with potential donors.

Emerging gift types with aspects or characteristics that were not contemplated within this Policy may occur over time. In such instances, the head of the Development Division will conduct a case-by-case review in order to determine whether accepting or declining a particular gift is in the best interest of the charitable entities and will recommend an addendum to this Policy as necessary.

6. DEFINITION OF A GIFT

For the purposes of this Policy, a gift is defined as a voluntary transfer of money or property irrevocably given to the charitable entities without any expectation of advantage to the donor or third party designated by the donor.

7. GIFT RECEIPTING

A gift made to the charitable entities may be considered eligible for a charitable donation tax receipt if it meets all three of the CRA guidelines listed below:

- a) Property, either cash or non-cash, is transferred by a donor to a registered charity;
- b) The gift to the charity is voluntary and its value is clearly ascertainable; and
- c) The value of any “advantage” gained by the donor in respect of the gift is clearly identified and ascertainable. The amount of the “advantage” that a donor receives cannot exceed 80 percent of the value of the gift given to the charity. In general, if a donor receives advantages valued at more than 80 percent of the gift, or the value of the gift cannot reasonably be ascertained, then the gift cannot be counted as a charitable gift for tax purposes.

Under the Income Tax Act the charitable entities are not required to issue a tax receipt for any gift that it has received. It is the policy of the charitable entities to issue a charitable tax receipt for all contributions of \$25 or more for the eligible amount of the cash gift. For gift denominations below \$25, the charitable entities will issue a charitable tax receipt if requested by the donor.

The charitable entities do not issue charitable tax receipts for gifts from other charities, or contributions from businesses where the business treats the gift as an expense or receives marketing benefits (e.g., sponsorships).

In order to abide by the CRA guidelines on “split-receipting” the charitable entities reserve the right to evaluate the value of the “advantage” received by a donor, as discussed in the Gift Receipting section above, and reduce the eligible amount of the gift, according to CRA guidelines, for the purpose of issuing a charitable tax receipt.

The official charitable receipt is a statement issued by the charitable entities that complies with CRA guidelines on receipting. Charitable tax receipts for the charitable entities shall be issued solely by the Advancement Division of the AGO.

8. GIFT ELIGIBILITY

The following types of gifts are deemed eligible for acceptance by the charitable entities:

Current Gifts

- a) Outright gifts of cash and cash equivalents;
- b) Publicly listed marketable securities, including shares, stock options, and units of mutual funds and income trusts;
- c) Private company securities;
- d) Real estate;
- e) Art; library gifts; and artists' ephemera;
- f) Other assets as determined by the AGO.

Deferred Gifts

- g) Bequests;
- h) Gifts of life insurance policies and proceeds;
- i) Gifts of residual interests;
- j) Charitable remainder trusts; and
- k) Gifts of registered retirement plans.

Relevant to specific gifts identified above, and on a case by case basis, the charitable entities will exercise due diligence and secure appropriate opinions on all relevant issues as determined by the Chief Financial Officer and other subject matter experts.

9. GIFT PURPOSES

All gifts to the charitable entities may be either:

- a) Unrestricted;
- b) Designated to the highest priorities of the charitable entities;
- c) Restricted to a specific program or area;
- d) Designated as expendable or endowed.

In the case of an expendable fund allocation, all funds from the donation would be made available by the charitable entities to support either an unrestricted or restricted purpose.

Gifts may also be endowed, i.e., held in perpetuity in The AGO's Foundation with an annual payment provided to support the AGO. In order to establish a separate endowed fund a minimum contribution must be made, as detailed in the Naming Policy, and is subject to The AGO Foundation's investment policy and guidelines for endowed funds and investment return allocation policies, which may be amended from time to time.

10. RIGHT OF REFUSAL

The charitable entities reserve the right to refuse any current or deferred gifts whether or not in compliance with current policies and guidelines. The advice and consultation of the leadership of the AGO may be required on a case-by-case basis including both staff leadership and board leadership, as needed. The charitable entities do not authorize the acceptance of gifts that contain unacceptable restrictions or that would jeopardize the financial, legal or moral integrity or reputation of the charitable entities.

In addition, the charitable entities reserve the right to refuse gifts that do not fall within the mission and vision of the AGO; are not relevant or related to their activities; or in the case of real estate, or other gifts in kind, are not considered by the AGO to be capable of serving a specific purpose.

In the case of gifts of art, the AGO directs its resources to works of art that serve its mission and are worthy of the highest standards of care. Approvals for works of art donations or acquisitions from funds reside with the AGO Collections Committee, a standing committee of the AGO Board of Trustees, under advisement of the Chief Curator as detailed in the AGO's Acquisition Policy.

11. NAMING AND RECOGNITION

The AGO has established Naming Policy guidelines to ensure that contributions in support of the charitable entities are properly and equitably recognized and are appropriately accounted for.

All donors providing a current or future gift to the charitable entities may be recognized in accordance with existing Naming Policy guidelines unless anonymity is requested by the donor.

The charitable entities agrees to respect and observe any donor's wish for anonymity, but it maintains the right to disclose the identity of the donor and the type and value of the gift, where legally required to do so.

Any potential issues in which the donor may receive an "advantage" in the provision of naming and recognition opportunities must be considered in advance of the charitable entities accepting a donation. Where any possible "advantage" exists, it is incumbent that the value of the "advantage" be ascertained and factored into the calculation of the charitable tax receipt and that any significant advantage amounts be communicated to the potential donor in advance of the acceptance of the gift and issuance of the charitable tax receipt.

12. GIFT ACCEPTANCE, ARRANGEMENTS, AGREEMENTS, AND PAYMENTS

The charitable entities are authorized to negotiate gift acceptance arrangements, including multi-year gifts ("pledges"), to enable the donor to commit to supporting specific funding priorities over a specified time period that is deemed mutually acceptable by the donor, and the charitable entities.

A letter of agreement must be executed for all named endowment funds, as it represents an irrevocable gift. The letter of agreement is signed by the donor, or the donor's representative, and The AGO Foundation's representative as well as a representative of the AGO to confirm agreement on purpose or use of funds by the Gallery. Endowment funds are held and managed by The AGO Foundation in accordance with policies and procedures established by The AGO Foundation.

Gift agreements will be drafted for gifts totaling \$1 million or more. All other situations will be determined *ad hoc* when requested or deemed necessary. All gift agreements requiring execution by the charitable entities shall use a standard template that was prepared with advice from legal counsel. Any variation is to be approved by the head of the Development Division and Chief Financial Officer or designate who may choose to seek advice from legal counsel. Where substantially the same agreement is used repeatedly, only the prototype requires approval.

In all other cases, gifts and pledges of \$25,000 up to \$999,999, or in special cases where the donor has provided specific gift instructions about a promised work of art to the charitable entities, the pledge will be confirmed with a gift commitment form or other acceptable documentation, which is signed by the donor.

Where an individual donor pledges to make a multi-year gift, should the AGO have the opportunity to encourage the donor to add a provision to his or her Will to require the executors of their estate to honour any pledges made by them to registered charities before his death, it will do so.

As a general practice, a donor will be asked to make an additional donation to cover the costs for donations with incremental costs expected (works of art appraisals and insurance).

13. ADVICE PERTAINING TO LEGAL AND TAXATION ISSUES

The charitable entities do not provide legal, financial and/or tax advice. In circumstances where a gift is being made, independent advice from legal and accounting professionals should be obtained by the donor. For gifts totaling \$1 million or more, an acknowledgment should be obtained that such independent legal advice has been waived and the charitable entities are released from any liability that may arise in reliance on the advice provided.

The charitable entities reserve the right to seek counsel for matters pertaining to donations, for instance as they relate to donation agreements, gift acceptance, charitable donation receipting, and estate issues. For the latter, if deemed appropriate and according to the terms of the Will, associated legal and other direct one-time costs may be charged directly to the funds benefitting from payments from the estate.

14. GIFT TYPES

This section outlines the current and deferred gifts presently accepted by the charitable entities in addition to gifts that must meet specific criteria or require prior approval before acceptance will be granted.

a) Outright Gifts of Cash and Cash Equivalents

As noted earlier, the charitable entities will issue a charitable tax receipt for the eligible amount of a cash gift. The charitable entities do not issue tax receipts for gifts from other charities; and gifts from businesses where the business treats the gift as an expense.

b) Gifts of Publicly Listed Marketable Securities

Gifts of marketable securities for which there is an active secondary market will generally be accepted, similar to cash, subject to no conditions. Donations of marketable securities may be made through an electronic transfer of securities or, rarely, by delivery of certificates accompanied by a duly executed transfer power. The process of accepting donations of securities is detailed in **Appendix A**.

Donors of the following securities do not realize a capital gain when making a donation of the securities to the charitable entities, per Government of Canada income tax information on capital gains realized on gifts of certain capital property:

- a) A share, debt obligation or right listed on a designated stock exchange;

- b) A share of a mutual fund corporation;
- c) A unit of a mutual fund trust;
- d) An interest in a related segregated fund trust;
- e) A bond, debenture, note, mortgage or similar obligation of or guaranteed by the government of Canada, and;
- f) A bond, debenture, note, mortgage or similar obligation of or guaranteed by a provincial government or an agent of that government.

Certain employees holding stock options in respect of such securities can also obtain equivalent tax treatment by exercising the option and immediately (within a period of 30 days) donating the securities to the charitable entities or by directing a designated broker to immediately sell the securities and pay the proceeds of sale to the charitable entities as a gift. **See Appendix A** for the detailed process.

The charitable entities will consider gifts of such securities to have been made when the certificates for the securities (duly endorsed for transfer) have been received by them or the securities have been received in their brokerage account. It is the charitable entities practice to value such gifts at the closing price on the day the gift is received.

c) Gifts of Shares or Debt of Privately Owned Companies and Other Business Interests

Donors may make gifts of securities for which there is no active secondary market. Such gifts whose value depends on the liquidity of the securities can be accepted by the charitable entities so long as they assume no liability in receiving them (tax or otherwise) and the property can be converted into cash within a reasonable period of time.

Gifts of securities for which there is no active secondary market will only be accepted if:

- a) The fair market value* of the gift, as defined by the CRA, can readily be obtained;
- b) The charitable entity is satisfied there are no agreements or other documents affecting ownership of the securities that would prevent the charitable entity from converting such securities into cash within a reasonable period of time; and
- c) The securities can be liquidated within a reasonable period of time as determined by the charitable entities.

*The CRA's definition of "fair market value" is normally the highest price expressed in dollars that the property would bring in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed, and prudent, and who are acting independently of each other. If the fair market value of the property is less than \$1,000, a member of the charitable entity with sufficient knowledge of the property may determine its value. If the fair market value is more than \$1,000, it is strongly recommended the property be professionally appraised by a third party.

Charitable tax receipts may not be issued to the donor at the time of the gift of shares and debt of private companies where the donated securities are "non-qualifying securities" (as defined in the Income Tax Act) unless the gift qualifies as an "excepted gift" (as defined in the Income Tax Act).

A gift of private company shares should be from a donor who deals at arm's length with the charitable entities and with each trustee or officer of the charitable entities. In addition, the charitable entities will consider whether the amount of a donation eligible for a charitable tax receipt should be less than the

fair market value of the property donated (per subsections 248(30) to (41) of the Income Tax Act). The charitable entities reserve the right to obtain a proper valuation for these or any donations.

Other Arrangements Pertaining to Gifts of Securities

As gifts of securities become more widely accepted in the Canadian philanthropic environment, more attention needs to be paid to the guidelines upon which securities beyond common and preferred shares are considered acceptable to the charitable entities.

Gifts such as options and mutual fund units may be publicly traded, and as donor sophistication increases, the following guidelines must be followed when donors inquire as to the feasibility of making donations of such securities:

- a) The value of the securities must be made readily available.
- b) The volatility of the various securities, whether they be publicly-listed or privately held, must be assessed as to prevent significant value fluctuations while the security is being liquidated.
- c) The liquidity of securities must be easily determined and must be deemed reasonable.
- d) In assessing liquidity, the charitable entities must consider factors such as the trading volume and the nature of the securities (e.g. flow-through shares, limited resource partnerships). A secondary market must be identified or made available by the donor. This may include certain buy-back arrangements, as long as the transaction does not breach any securities laws.

d) Gifts of Real Estate

Gifts of real estate may be made outright or as a residual interest in the property. The guidelines outlined below pertain to gifts of real estate in general. Where real estate is transferred as a gift of a residual interest, additional requirements of the trustee must be met.

A gift of real property will necessitate the charitable entities undertaking due diligence and specifying certain conditions which may include (but not be limited to):

- a) Completion of a search of title to ascertain state of title and existence of any encumbrances.
- b) Obtaining one or more appraisals satisfactory to the charitable entities to determine fair market value. Depending upon the circumstances, the cost of the appraisals may be borne by the donor or paid for by the charitable entities. If paid for by the charitable entities, the donor will be encouraged to make an additional contribution to the charitable entities in an amount equal to the cost of the appraisal.
- c) The charitable entities being satisfied that there are no liabilities arising from the gift including but not limited to any environmental problems, zoning restrictions, remediation requirements, any leases having onerous terms, significant mortgage payments being required or significant payments being required to make repairs or replacements on the property (for example to rectify fire code infractions, work orders, etc.) so the property is in compliance with governmental requirements. All commercial properties shall generally require a Phase 1 environmental report.
- d) The charitable entities shall conduct an environmental assessment, which may include an environmental audit, and accept the property only if (1) it contains no toxic substances, or (2) they are removed or other remedies taken assuring that the charitable entities assume no liability whatsoever.
- e) The charitable entities are satisfied with any rights that anyone has with respect to the property (such as but not limited to rights of first refusal, leases, etc.).

- f) The charitable entities being provided with evidence that fire and liability insurance is in place on the property with the charitable entities interest noted thereon, and requirement that the insurance company notify the charitable entities prior to the insurance policy being terminated or lapsing.

If the donor is retaining an interest in the property the charitable entities may specify certain conditions, which may include:

- a) Generally, the donor agreeing to be responsible during the period of time which the interest in the property is being retained, for real estate taxes, mortgage payments, insurance, utilities and repairs and maintenance. The charitable entities may, in extraordinary circumstances, agree to assume responsibility for some or all of these items. The charitable entities obtaining an acknowledgment signed by any mortgagee of the property where the charitable entities are a trustee of a gift of residual interest, acknowledging that the charitable entities will not incur any liability in so acting as trustee in the event of a default.
- b) The charitable entities retaining the right to inspect the property from time to time on reasonable notice.
- c) The donor of the property agreeing to maintain the property, subject to reasonable wear and tear, and ensuring compliance with governmental requirements.
- d) In non-commercial real estate situations, the donor agreeing not to grant a lease or license to any party while residing on the property on a full-time basis.
- e) The charitable entities being satisfied the property will be able to be marketed in a reasonable period of time after the residual interest falls in.
- f) The charitable entities reserve the right to secure their own appraisal and issue a charitable tax receipt based on the appraised value (or present value computed on the appraised value in the case of residual interest gifts).

e) Gifts of Art, Library Gifts, and Artists' Ephemera

The AGO's Acquisition Policy provides guidance on the acquisition of works of art and promised gifts to the Gallery. An acquisition constitutes the addition of an object to the permanent collection whereby the ownership of that object is transferred to the Gallery. A work of art may be acquired by purchase or as a gift (including bequest). Individual works and collections may also be acquired as a combination purchase/gift. The Acquisition Policy is complemented by the AGO's Deaccessioning Policy.

f) Other Assets

Gifts-in-Kind

In order for the AGO to provide a donor with a charitable tax receipt for a gift in kind, the fair market value must easily be ascertainable. In addition, the fair market value of a gift in kind as of the date of the donation (the date on which ownership is transferred from the donor to the AGO) must be determined before a charitable donation receipt can be issued by the AGO.

Business Receipts

A donor making a cash gift or a gift-in-kind may not require a charitable tax receipt, and may be able to claim a tax deduction for the value of the gift-in-kind as a business expense. In this case, the charitable entities will provide the donor with a letter of acknowledgment that it has received the property.

Services

A gift of service is not eligible for a charitable tax receipt as per the CRA guidelines and the Courts ruling on what constitutes a gift of property.

When services are performed as a gift, the charitable entities will accept the following arrangements which have been endorsed by the CRA:

- a) The charitable entities may issue a charitable tax receipt if a person provides a service to it, the charitable entities pay for the service, including applicable taxes and the person then returns the payment to the charitable entities as a cash gift. In such circumstances, two transactions have taken place, the first being the provision of a service and the payment flowing therefrom, and the second being a gift proper.
- b) The charitable entities will issue a cheque in payment for the service and the donor must issue a cheque to the charitable entities as a gift. This ensures the presence of an audit trail, as the donor must account for the taxable income.
- c) The charitable entities will not issue an official tax receipt to a service-provider in exchange of an invoice marked "paid".

Sponsorships

The AGO appreciates the monetary contributions it receives from corporations to enable funding for various programs and events. In each case, a corporate sponsorship agreement provides guidance on sponsorship benefits. The AGO does not issue a charitable tax receipt for sponsorships.

The AGO will consider all reasonable promotional marketing and sponsorship opportunities and qualified proposals, but has no obligation to accept any of them. The AGO reserves the right to refuse any proposal for any reason, including but not limited to, those submitted by parties whose activities are perceived to be incompatible with the goals, values or mission of the Gallery, or from parties whose reputation could, in the Gallery's sole opinion, prove detrimental to its image.

The AGO will not accept sponsorships that:

- a) Promote alcohol and other addictive substances at events targeted primarily at children and/or under-aged individuals; no lifestyle advertising should be involved.
- b) Promote the use of tobacco or cannabis products in line with federal, provincial and municipal laws;
- c) Promote pornography;
- d) Promote or support involvement in the production, distribution, and sale of weapons and other life-threatening products;
- e) Present demeaning, derogatory or stereotypical portrayals of individuals or groups, or contain any message that it is likely to cause deep or widespread offence;
- f) Promote religious or political messages that might be deemed prejudicial to other religious or political groups;
- g) Violate any federal, provincial or municipal law or regulation, or any other applicable Gallery policy;
- h) Are not consistent with the brand image of the Gallery.

Gifts from Inventory of a Business

The charitable entities do not issue charitable tax receipts for a gift from the inventory of a business. It is the charitable entities practice to issue acknowledgements only for gifts from the inventory of a business.

15. DEFERRED GIFTS

g) Bequests

Bequests have contributed significantly to the building of institutional endowments as well as funding the highest priorities of the charitable entities. The charitable entities receive both undesignated bequests and bequests designated for specific purposes. In the case of designated bequests, the direction of the gift must be properly aligned with the mission of the charitable entities in order for the gift to be accepted.

During the probate of estates containing a bequest to the charitable entities and during the post-death administration of *inter vivos* trusts containing dispositive provisions benefiting the charitable entities, Gallery staff, from time to time together with the legal counsel, shall represent the charitable entities, in all dealings with legal counsel and personal representatives of the estate.

Sample bequest language for unrestricted gifts will be made available to donors and their lawyers to ensure that the bequest is properly documented. **See Appendix B.** Donors will also be invited to provide information about their bequest provision and if they are willing, to send a copy of that section of their Wills naming the charitable entities.

Upon the realization of the bequest, the charitable entities will make best efforts to direct distributions from estates according to the intent of the donor as specified in their Will.

As described earlier, the charitable entities do not provide legal, financial, and tax advice to donors. However, in the management of estates in progress from bequests, it is incumbent on the charitable entities to exercise due diligence to ensure that the terms of the Will are abided by and that the charitable entities interest is maximized and is received in a timely manner. Acceptance of residual estate gifts is contingent on the proper administration of the estate and appropriate compensation for trustees and the legal counsels representing them.

h) Gifts of Life Insurance

There are several ways that proceeds of an insurance policy may be received by the charitable entities. The donor may:

- a) Irrevocably assign the ownership of a paid-up life insurance policy to the charitable entities;
- b) Irrevocably assign the ownership of a life insurance policy (other than a term policy) on which premiums remain to be paid;
- c) Irrevocably assign the ownership of a term life insurance policy on which premiums remain to be paid; or

- d) Name the charitable entities as a beneficiary (whether primary or secondary) of the proceeds. (The ownership of the insurance policy is not irrevocably assigned to the charitable entities in this instance.)

In each of (a), (b) and (c) above, the charitable entities become the legal owner and beneficiary of the life insurance policy.

The donor is entitled to a charitable tax receipt for income tax purposes for the cash surrender value of the policies assigned in (a) and (b) above. No charitable tax receipt for income tax purposes is available for the assignment of a term life insurance policy in (c) above as no cash surrender value exists.

The donor may obtain a charitable tax receipt for income tax purposes for the premiums paid either directly to the insurance company or to the charitable entities (which will then pay the insurance premium), with respect to (a) and (c) above. No charitable tax receipt for income tax purposes is available for the premiums paid in (d) above. However, a receipt may be issued in (d) above when the charitable entities receive the insurance proceeds upon the death of the insured individual.

On any assignment of insurance policies to the charitable entities in (a) and (c) above, the charitable entities will ensure that it is not incurring any liability to the insurance company for future insurance premiums. Generally, such premiums will be paid by the charitable entities only in circumstances where the charitable entities receive the amount of the premium from the donor. The charitable entities will incur no liability (to the donor of the insurance policy, the insured or otherwise), if it has not paid the insurance premiums because it has not received such amount from the donor.

i) Gifts of Residual Interest

A residual interest gift refers to an arrangement under which property is deeded to the charitable entities, but the donor retains use of the property for life or a term of years. For example, the donor might give a residual interest in a principal residence and continue living there.

Before the acceptance of any gifts of residual interest or charitable remainder trusts, the charitable entities shall undertake due diligence and secure appropriate opinions on all relevant issues as the Chief Financial Officer determines. Should the charitable entities accept a gift of residual interest, the charitable entities will provide an acknowledgement letter for the present value of the residual interest.

The donor shall continue to be responsible for real estate taxes, insurance, utilities and maintenance after transferring title to the property unless the charitable entities, upon prior approval of the Chief Financial Officer or Board Committee as determined by the Chief Financial Officer, agrees to assume responsibility for any portion of these items. The terms of the gift and responsibilities for expenses shall be specified in a deed of gift executed by the donor(s) and the charitable entities.

The charitable entities reserve the right to inspect the property from time to time to assure that its interest is properly safeguarded. The charitable entities must be allowed access to the property on reasonable notice when requested.

j) Gifts of Charitable Remainder Trusts

A charitable remainder trust describes an arrangement whereby an asset is gifted to the charitable entities with the donor (or others) retaining use of the income derived therefrom for the donor's life, the joint lifetime of the donor and others, or for a term of years. In such circumstances, the donor will

transfer property to a trust created during their lifetime or on their death, becoming an income beneficiary for their lifetime or joint lifetime with others, with one of the residuary beneficiaries (or the sole residuary beneficiary) of the trust being the charitable entities.

The donor is entitled to a charitable tax receipt for income tax purposes for the present value of the fair market value of the residual interest of the charitable remainder trust in accordance with CRA policies at the time the gift is made. In order for a charitable tax receipt for income tax purposes to be forthcoming, certain criteria must be met:

- a) The gift must be irrevocable: No conditions can exist which would preclude the charitable entities from ultimately receiving the assets. In particular, the assets held in a charitable remainder trust will be limited to assets where the capital and income portions are readily ascertainable;
- b) The value of the gift must be capable of ascertainment: For example, if in addition to retaining the income for his or her lifetime, the donor retained the right to encroach upon the capital of the gift, no receipt for income tax purposes can be provided although capital encroachments to a maximum may be acceptable. CRA has provided guidelines for the calculation of the fair market value of the residual interest.

The charitable entities may act as a trustee for a charitable remainder trust, for which the Director and CEO will sign off on behalf of the charitable entities.

Where the charitable entities are acting as trustee of a charitable remainder trust, the value of the gift that has been receipted for income tax purposes shall generally not be less than \$50,000. In circumstances where the charitable entities are not a trustee of such a trust, there is no minimum value of the gift. As well, in accordance with CRA guidelines, the charitable entities will not issue a charitable tax receipt for additional donations to an already established charitable remainder trust, but will create a new charitable remainder trust for subsequent donation(s). This will ensure that the donor is provided a charitable tax receipt accordingly.

The charitable entities may make prototype agreements available to the donor's legal advisor, but shall execute no agreement until that person has determined that the trust agreement is in the proper form and that the gift is appropriate for the donor's and the charitable entities situation.

k) Gifts of Registered Retirement Plans

These will be accepted by the charitable entities as donations made by:

- a) A direct designation of proceeds of RRSPs or RRIFs paid directly to a charity, as a beneficiary, on the death of an individual; or
- b) The charitable entities are gifted proceeds of RRSPs or RRIFs by way of bequest.

APPENDIX A – PROCEDURES FOR DONATIONS OF SECURITIES

Publicly Listed Securities

For an electronic transfer of securities, the donor or their designate completes and signs a “Letter of Authorization”. Once signed, the letter is provided to the donor’s broker and a scanned copy of the letter sent or faxed to the AGO. The AGO is responsible for notifying its broker about the transfer in advance. This process also applies to the donation of mutual fund units to the AGO.

For a donation of securities *in specie*, in addition to receiving the certificate for the securities, the following conditions apply;

If the certificate is registered in the **name of an individual donor**, the following is required:

- a) The back of the certificate or a Power of Attorney is signed by the donor;
- b) A letter of authorization signed by the individual named on the certificate stating the intention for the transfer to be a donation to the charitable entities.

If the certificate is registered in the name of **a corporation**, the following is required:

- a) The back of the certificate or a Power of Attorney is signed by the donor;
- b) A certified copy of resolution of the directors of the corporation authorizing the donation and the signing officers; and
- c) A letter of authorization signed by the corporation stating the intention for the transfer to be a donation to the charitable entities.

Once the securities have been transferred, an official receipt for income tax purposes will be issued for an amount equal to the closing price on the date the gift of securities was received. In the case of non-electronically transferred shares, the date post marked on the envelope or the hand-delivery date will be considered the date of transfer. In most cases the charitable entities will immediately sell the securities.

Stock Options

The charitable entities will accept a donation from the proceeds from the sale of stock options. For holders of stock options for publicly listed marketable securities the donation process is as follows:

- a) The holder of the stock options exercises the options.
- b) Once the options have been exercised, the donor will either donate the shares received from the exercise of the option to the charitable entities or will direct a broker or dealer to sell the securities immediately (within a period of 30 days) and transfer all or a portion of the proceeds to the charitable entities.

APPENDIX B – SAMPLE BEQUEST LANGUAGE FOR UNRESTRICTED GIFTS

Residual Bequest

“My estate trustees shall pay _____ % of the residue of my estate to the Art Gallery of Ontario, or the Art Gallery of Ontario Foundation, Toronto, ON, for the purpose of supporting the highest priority needs as determined by the Director and CEO in consultation with the Board of Trustees.

Legacy Bequest

“My estate trustees shall pay the sum of \$ _____ (or transfer assets with an equal value) to the Art Gallery of Ontario, or the Art Gallery of Ontario Foundation, Toronto, ON, for the purposes of supporting the highest priority needs as determined by the Director and CEO in consultation with the Board of Trustees.