



TEXAS WATER TRADE GIFT ACCEPTANCE POLICIES AND GUIDELINES

I. Mission

Texas Water Trade (TWT) aims to unleash the power of markets and technological innovation to build a future of clean, flowing water for all Texans.

II. Purpose of Policies and Guidelines

TWT, a nonprofit corporation organized under the laws of the State of Texas, and an organization determined to be a 501(c)(3) organization under federal income tax law, relies on the acceptance of charitable gifts to fulfill its mission. The following policies and guidelines govern acceptance of gifts made to TWT for the benefit of any of its programs. TWT Board of Directors and its staff solicit current and deferred gifts from individuals, corporations, foundations and government entities to secure the resources to sustain and deepen TWT's impact. These policies and guidelines govern the acceptance of gifts by TWT and provide guidance to prospective donors and their advisors when making gifts to TWT. The provisions of these policies shall apply to all gifts received by TWT for any of its programs or services.

III. Core Principles

TWT's Board of Directors and staff appreciate a donor's consideration of any gift. We accept and encourage charitable support according to the following core principles:

- The gift advances TWT's mission.
- There is a reasonable expectation that TWT will be able to fulfill the spirit of the donor's intent in making the gift.
- There is a mutual belief that the gift will further the philanthropic, social, financial, or estate planning goals of the donor.
- It is within TWT's power to recognize the gift in a way that honors the donor's wishes and is fair and equitable to other supporters.
- The cost to realize the value of the gift and/or recognize it appropriately will not be excessively burdensome, nor reflect negatively on the organization.
- TWT carefully protects its integrity and autonomy – the gift cannot create undue influence, cause us to compromise our values, or result in any unlawful or discriminatory activity.
- TWT will conduct due diligence as appropriate prior to gift acceptance.
- The gift will be reported, with transparency and in full compliance with current regulations, to the required federal and state agencies.

IV. Gift Acceptance Committee

TWT has established and will maintain a Gift Acceptance Committee consisting of:

- 1) Chair of the Board of TWT;

- 2) Chair of the Finance Committee of TWT;
- 3) Chair of the Development Committee of TWT (who will also serve as Chair of the Gift Acceptance Committee);
- 4) Such other members as appointed by TWT's CEO; and
- 5) Ex-officio members shall include TWT's CEO and Director of Development

The Gift Acceptance Committee is charged with the responsibility of periodically reviewing gift acceptance principles and guidelines, reviewing unusual gifts, and making recommendations to the TWT's board of director on gift acceptance issues when appropriate.

V. Donor use of Advisors

Most gifts offer some tax advantage to donors, and TWT urges each donor to seek the most appropriate ways to maximize these advantages. While TWT welcomes the opportunity to discuss philanthropic goals, giving opportunities, and gift intentions with each donor, we will not offer specific financial or estate planning advice on gift methods, financial management, or other aspects of charitable gift planning. TWT does not make any representations of the federal and state law treatment of gifts, as each donor's tax status is different and subject to change. As a result, TWT urges all prospective or current donors to seek the assistance and counsel of personal legal and financial advisors in matters relating to their gifts to TWT and the resulting tax and estate planning consequences. TWT makes every effort to ensure gifts are in the best interest of the organization and the donor, and TWT exercises due care to comply with the Donor Bill of Rights (available through <http://www.afpnet.org>) and the Model Standards of Practice for the Charitable Gift Planner (available through <http://www.pppnet.org>)

VI. Use of Legal Counsel

TWT reserves the right to seek legal counsel in any matter concerning the negotiation, documentation, and/or acceptance of gifts. Review by counsel will be considered for any transaction, including, but not limited to:

- 1) Closely held stock transfers that are subject to restrictions or buy-sell agreements;
- 2) Documents naming TWT as a Trustee;
- 3) Gifts involving contracts, such as bargain sales or other documents requiring TWT to assume an obligation;
- 4) Transactions with potential conflict of interest that may invoke IRS sanctions;
- 5) Other instances as deemed appropriate by the Gift Acceptance Committee.

VII. Types of Gifts Accepted

TWT welcomes outright gifts of cash, securities, insurance policies, real and personal property, as well as multiyear pledges. We are also pleased to accept deferred gifts such as bequests, trusts, and annuities. The following assets are acceptable as described, either as outright gifts, as bequests or estate gifts, or when deemed appropriate by TWT's Gift Acceptance Committee:

Cash: TWT accepts cash, currency, checks, money orders, wire transfers and bank drafts. Check or money orders should be made payable to Texas Water Trade.

Securities: TWT accepts both publicly traded and closely held securities.

- Publicly Traded Securities: Gifts of publicly traded stocks and bonds will generally be accepted. To expedite transfer of funds to the appropriate account and facilitate processing, TWT's brokerage firm or investment department of the financial institution that manages the majority TWT's short term cash shall be used whenever possible. It is TWT's policy to sell donated securities immediately upon completion of the donation. TWT may decline donations of publicly traded securities for any reason, including, without limitation, restrictions on marketability, encumbrances, and lack of market activity.
- Closely Held Securities: Closely held stock (including, but not limited to debt and equity positions in non-publicly traded companies, interests in limited partnerships and limited liability companies) may be accepted if and only if TWT determines, in its sole discretion, that doing so is in TWT's best interest. In making this determination, TWT will consider marketability, tax consequences, and other matters deemed appropriate. Every effort will be made to sell closely held securities as quickly as possible unless a longer term hold is deemed advisable by TWT in its sole discretion.

Deferred Income/Retirement Plan Beneficiary Designations: Donors and supporters of TWT will be encouraged to name TWT as beneficiary of their retirement plans including IRA's, 401(k)'s, 403(b)'s and other plans. Direct Rollovers from such plans may also be possible and will be accepted as made allowable by federal tax law.

Insurance: TWT may be named as a percentage or contingent beneficiary of any life insurance policy. In addition, TWT accepts life insurance policies for which the donor has relinquished ownership by assigning all rights, title, and interest in the policy to TWT. If the insurance policy is not fully paid up, the usefulness of the gift is judged on a case-by-case basis. If the policy is accepted, TWT may choose either to cash it in for the current surrender value or continue to pay the premium. TWT shall have no obligation to continue premium payments on insurance policies. Paid-up life insurance policy gifts in which TWT is the owner and irrevocable beneficiary are acceptable.

Tangible Personal Property: TWT may accept gifts of tangible personal property. Before accepting personal property, TWT will consider, among other things, potential use, marketability, restrictions, and carrying costs.

Property Rights: Donations of real estate (including remainder interests) and water rights will be evaluated for acceptance on a case-by-case basis. Such donations may be accepted based upon the results of a review by TWT's legal counsel of such documents as legal counsel determines are necessary to give legal advice concerning the efficacy of the donation. Before accepting a donation of property rights, TWT will consider in its sole discretion any attributes specific to the property right, including, without limitation, potential use, marketability, restrictions, carrying costs, environmental liability, and existence of financial encumbrances.

Our customary procedure will be to sell such real estate gifts immediately; however, TWT retains the right to postpone a sale, and the donor may not stipulate the timing of a sale as a condition to acceptance of the gift.

In the case of a remainder interest in a personal residence, farm, or vacation home, the donor or other occupant may continue to occupy the real property for the duration of the life of the stated beneficiary. Expenses for maintenance, real estate taxes, and any property indebtedness are to be paid by the donor or primary beneficiary.

In the case of water rights, TWT may:

- Retain all or any part of the water right, in which case TWT may, but is not obligated to, at some point, amend or modify all or part of the water right consistent with TWT's mission and appropriate in light of the conservation value of the water right;
- Convey all or part of the water right to a water trust;
- Transfer or convey all or part of the water right consistent with TWT's mission and appropriate in light of the conservation value of the water right; or
- Take any other action as TWT in its sole discretion determines to be appropriate to the specific donated water right(s) that would further TWT's mission.

Bargain Sales: TWT may accept donations involving bargain sales, subject to approval by the Gift Acceptance Committee. Factors used in determining the appropriateness of the transaction include: value substantiated through independent appraisal, debt ratio, potential for use or sale of property, costs to safeguard, insure, and other expense to own the property (including property tax, if applicable) during the holding period.

Charitable Gift Annuities: TWT may offer charitable gift annuities. The minimum gift for funding is \$5,000. The Gift Acceptance Committee may make exceptions to this minimum. The minimum age for life income beneficiaries of a gift annuity shall be 55. Where a deferred gift annuity is offered, the minimum age for life income beneficiaries shall be 45. No more than two life income beneficiaries will be permitted for any gift annuity.

Annuity payments may be made on a quarterly, semi-annual, or annual schedule. The Gift Acceptance Committee may approve exceptions to this payment schedule. TWT will not accept real estate, tangible personal property, or any other illiquid asset in exchange for current charitable gift annuities. TWT may accept real estate, tangible personal property, or other illiquid assets in exchange for deferred gift annuities so long as there is at least a 5-year period before the commencement of the annuity payment date, the value of the property is reasonably certain, and the Gift Acceptance Committee approves the arrangement.

Funds contributed in exchange for a gift annuity shall be set aside and invested during the term of the annuity payments. Once those payments have terminated, the funds representing the remaining principal contributed in exchange for the gift annuity shall be transferred to TWT's general endowment funds, or to such specific fund as designated by the donor.

Bequests: Donors and supporters of TWT will be encouraged to make bequests to TWT under their wills and trusts. Such bequests will not be recorded as gifts to TWT until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

Trusts: TWT will accept beneficial interests in trusts, including but not limited to charitable

lead trusts and charitable remainder trusts. We will not generally accept appointment as a trustee.

Other types of gifts not mentioned in these guidelines, including intangible personal property (such as oil/gas/mineral/timber rights, Life Insurance Beneficiary Designations, etc.) and in-kind contributions may be acceptable within reason for the purpose given, and in an amount appropriate for the gift type. TWT will use fiscally and legally sound rationale for acceptance and will review with the Gift Acceptance Committee and TWT's legal counsel when appropriate. We will adhere to the general spirit of TWT's gift principles and guidelines under such circumstances.

VIII. Restrictions on Gifts

TWT will not accept restricted gifts that violate our bylaws, that are prohibitively difficult to administer, or that are for purposes outside the mission of TWT. Any decision to refuse or accept an unusually restricted gift shall be reviewed by the Gift Acceptance Committee.

IX. Recording and Valuation of Gifts

Acknowledgement of all gifts made to TWT and compliance with current IRS requirements in acknowledgement of such gifts shall be the responsibility TWT's CEO and Director of Development in accordance with IRS Publication 561 Determining the Value of Donated Property (<http://www.irs.gov/pub/irs-pdf/p561.pdf>) and IRS Publication 52 Charitable Contributions (<http://www.irs.gov/pub/irs-pdf/p526.pdf>). For donor's records, gifts are dated at the time they leave the donor's possession; for TWT's records, all gifts are dated when received. Gifts of cash, securities, and paid insurance policies are accepted immediately upon receipt. For deferred gifts such as bequests, trusts, annuities and life estates, irrevocable gifts are counted at the time of the gift, discounted as necessary. Revocable gifts will be gratefully acknowledged and may be counted toward fundraising goals (e.g., campaign reports) according to generally accepted practices but will not be booked as income to TWT until realized.

Multiyear pledges will be documented through a written gift agreement. We appreciate payment in the shortest amount of time practical for the donor, generally not to exceed five years. Exceptions can be made if it is in the best interests of TWT and the donor and the duration of pledge of more than five years is the only way a major gift can be made to TWT. Generally, in accordance with standard accounting procedures, we will recognize the full value as income in the year the pledge is made and may use pledges as collateral for a line of credit to meet operating expenses.

Gifts (other than cash, which should be valued at dollar face value) will be valued in an appropriate manner and in consonance with sound accounting principles and the valuation rules set out in Publication 561 of the Internal Revenue Service and the relevant income, gift and estate tax laws and regulations. Copies of Publication 561 are available at www.irs.gov. Generally, real, personal, and/or intangible property contributed to TWT that has a value in excess of \$5,000 must be accompanied by a qualified independent appraisal. TWT reserves the right to undertake an appraisal at its own expense.

Full responsibility rests on the donor for claiming any deductions including filing form 8283. Any appraisal, legal documents, or environmental assessment found necessary will be the responsibility of and conducted

at the expense of the donor. Full responsibility also rests on the donor for the value given to tangible personal property or services, and donors will be expected to provide TWT with a copy of any qualified appraisal required. TWT will not be responsible for appraising the value of goods and/or services provided by a donor.

TWT will be responsible for filing IRS Form 8282 in compliance with IRS guidelines upon the sale or disposition of any asset sold within two years of receipt by TWT when the charitable deduction value of the item is more than \$5,000.

TWT reserves the right to alter the value of property contributed to it on the books and records of TWT for accounting, tax-reporting, annual fund record-keeping or any other purpose if developments after the completion of the gift or information that comes to the attention of TWT after the gift is completed are determined, upon review by the Gift Acceptance Committee or TWT's auditors, to merit such an alteration.

TWT reserves the right to allocate gifts received to fund institutional development annual operating expenses unless a donor stipulates that funds cannot be used in this manner.

X. Stewardship and Confidentiality

Donors can expect appropriate documentation of their gift, timely reporting on the use of funds (if desired), and utmost respect for the privacy of their personal or proprietary information.

TWT strives to recognize donors and their gifts appropriately. Donor names and giving levels may be published in TWT's annual report or other print and online communications. Recognition may also be associated with specific programs or events. Naming opportunities can be provided to recognize major gifts. Entire programs, buildings, portions of programs or buildings, and endowed positions or services can be named in recognition of a donor, a member of the donor's family, an honored friend of the organization, or another individual. All naming opportunities for major gifts will be made with the permission and involvement of the donor, TWT's CEO, and Director of Development. Such naming opportunities may be subject to review by TWT's Gift Acceptance Committee prior to gift acceptance.

All reasonable steps shall be made to keep information concerning prospective, active, inactive or lapsed donors confidential. No information, other than for the purposes of recognition, shall be released to the general public who do not have a need to know without securing the prior permission of the donor. Donor requests for anonymity will always be honored.

XI. Changes to Gift Acceptance Policies

These policies and guidelines have been reviewed and accepted by the TWT's Gift Acceptance Committee, CEO and board of directors. TWT's Gift Acceptance Committee must approve any changes to, or deviations from, these policies.

APPROVALS BY THE BOARD OF DIRECTORS

The above policy was accepted and approved by vote of the Texas Water Trade Board of Directors on May 14, 2020.