

GIFT IN KIND PROTOCOLS

Introduction:

From time-to-time the Blue Water Foundation receives gifts of items or opportunities from those wishing to help out nonprofit purposes. Such gifts range from used or new sailing gear and equipment to sailing lessons or food. The donor has the right to allocate the gift as the donor sees fit and Blue Water must either adhere to the donor's wishes or return the gift.

However, when the donor grants Blue Water the right to distribute or use the gift as Blue Water wishes, then a methodology to fairly and legally make use of the gift should be adopted. That is the purpose of these protocols.

Types of Gifts in Kind:

1. Anything that is not a cash donation may be considered a gift in kind. Note that something that is donated to be resold must normally be held for three years before it can be resold if the donation is to retain its tax-deductible status.
2. The use of a gift in kind depends on the nature of the gift. First rights to sailing equipment or personal gear should be allocated to the Blue Water vessel or program most in need of the gear. Thus, if life jackets are gifted and there is a shortage on one of the vessels, that vessel should have the gear delivered to it.
3. If a vessel does not need the gear or equipment, the next tier of recipient should be the populations we serve. Foul weather gear, sailing gloves, etc. can be donated for the use of a particular vessel or program. Some programs, such as Ocean Gate, require a full set of gear for each student but if already well stocked, then the other programs should be gifted the gear so as to build up a reserve of gear available to the student.
4. Only after the vessels, the programs, and the students are determined not to need the gear are we to consider making them available to our volunteers.
 - a. Once we consider transfers to our volunteers, we face ethical and practical limitations that must be considered.
 - b. Any payment for services is taxable and payment may be in kind. Thus, if I receive sailing lessons worth \$1000, that is taxable to me if it is in return for my volunteer services...they are no longer, from a tax point of view, considered "volunteer."
 - c. However, if the gear or services provided are to enable the volunteer to perform duties for the foundation and if the volunteer actually provides those duties, then it would not be taxable and is justifiable. Note donors often do not want to see gifts go to volunteers necessarily. We have to be ready to justify both the transfer to the volunteer, the benefit to the foundation, and the selection process that a particular volunteer receives it. We also cannot create a structure that is so complex and clumsy that it is simply not worth the effort.
 - d. A committee of no more than five and no less than three should be created to both receive and allocate the gear or opportunities according to the criteria above. The committee will determine who receives the gear and, if a volunteer, will develop the method to assure that the foundation receives value for the donation. (As an example, if lessons in sailing are given to volunteer X, the committee may require the volunteer to participate in no less than Y sails as certified crew within the following Z months.)

- e. If the committee receives gear or opportunities that are not immediately needed, they should retain same until there is a need.

Gifts Allocated to Boat Improvements:

Several of our volunteers purchase equipment and supplies for our vessels and donate them. Most of these are not high value items but over time they add up. Further, once in a while a high value item will be donated. Usually, the means of donation is that the volunteer simply buys the item(s) and puts them on board.

While the value of the item is tax deductible, the record keeping of myriad items for both our treasurer and the volunteer would be substantial, ranging from receipts for the goods and proof of use. The usual result is that the volunteer makes the transfer without receiving any tax benefit. This is a substantial loss. It loses a benefit of over thirty dollars for each hundred dollars of gear donated.

It is recommended that, instead, the volunteer donate a specific amount to Blue Water and utilize that donation over time to pay for the gear. The donation to Blue Water would be deductible to the volunteer and the volunteer would keep his or her receipts and submit them to Marty for reimbursement. We want to keep that process as clean and simple as possible. Ideally, only once the donation is above one hundred dollars would the package be sent to Marty who would then write the check to the donor to repay them for the purchase made.

Such a process for a volunteer owned boat creates its own unique problems. Yachts are already seen as non-deductible expenses by the IRS and equipment purchased may be for both personal and Blue Water use. A criteria of Blue Water use of the vessel of at least X times a year would be required, which would have to be documented, and the same method described above...a donation to Blue Water followed by later invoices...would be the method to be used.

Note that these particular gifts fall into the donor directed use of donations but use cash to purchase items rather than the items themselves.

Bosun's Use of Vessels:

Blue Water has long allowed the bosun of a boat to use it for personal sails so long as the sails do not interfere with Blue Water sails and the bosun repairs any damage to the vessel when used personally. The rationale behind this rule is twofold: it allows the bosun, outside of the noisy context of a student sail, to work the boat and determine its condition and "test" the boat. Second, it provides

the bosun and his/her family the opportunity to get to know the vessel better.

Such use is limited to Bay use from time to time.