

**Protocol for the Acceptance and Use
of
Private Contributions of Funds to LSC**

(for inclusion in the LSC Accounting and Administrative Manuals)

Proposed changes June 26, 2013

1. Protocol and Purposes

This Protocol for the Acceptance and Use of Private Contributions (“Protocol”) governs the solicitation and acceptance of financial contributions by the Legal Services Corporation (“LSC” or “Corporation”).

The purpose of this Protocol is to provide guidance for LSC’s Board of Directors (“Board”), non-Director members who are invited to serve on committees of the Board, staff, and other stakeholders concerning gifts to LSC, and to provide guidance to prospective donors and their professional advisors when making financial contributions to LSC. The provisions of this Protocol shall apply to all financial contributions received by LSC. LSC’s Board reserves the right to revise or revoke this Protocol at any time and to make exceptions. Any changes or exceptions to this Protocol must be approved by the Board in writing. These changes or exceptions will be made available on the LSC website at www.lsc.gov.

This Protocol is not meant to apply to (a) in kind contributions of goods or services or (b) funds appropriated to the LSC by the federal government.

All solicitations of gifts by Board members, non-Director members of Board committees, and LSC staff will be coordinated with the Chief Development Officer to ensure compliance with this Protocol.

2. Grants and Gifts

For the purposes of this Protocol, a “grant” is defined as any funding opportunity made available by a third party pursuant to a Request for Proposal or some other equivalent application process. A “gift” is a financial contribution, solicited or unsolicited, made available by a third party, other than a grant.

The Board’s Institutional Advancement Committee will vet funding Prospects and make recommendations to the Board for approval. LSC can pursue applications for grants and solicitations for gifts from Board-approved Prospects for purposes described below without further approval of, but subject to at least ten business days’ prior notice to, the Board:

- a. Research projects related to legal services for people of limited means;
- b. Projects to provide training and technical assistance to LSC grant recipients or

staff;

- c. Fellowships to take positions with LSC grant recipients;
- d. Public education initiatives about the role of LSC-funded legal services providers in their communities, LSC, access to justice issues, and matters related to access to justice;
- e. Advancement of *pro bono* programs serving the civil legal needs of persons of limited means;
- f. Support of LSC's private development capacity, with use of this capacity to remain subject to this protocol;
- g. Support of LSC-sponsored conferences or meetings; and
- h. Support of any Board-approved initiatives or special projects.

Before any director, officer or employee of LSC pursues any grant or gift for a purpose not listed under subparagraphs (a) through (h) from a non-approved Prospect or Prospects, the proposed grant application or solicitation must be presented to the Board for approval no later than ten business days in advance of submission of the application.

3. Gifts and other Non-Grant Contributions

a. Solicitation of Gifts

Except as otherwise provided herein, no Director, officer or employee may solicit the private contribution of funds without prior approval of the Board.

The Institutional Advancement Committee will receive at each quarterly Board meeting a prospect list of those individuals, corporations, or other entities that may be approached for gifts or grants which it will forward to the Board for its approval. Additional Prospects may be approved by the Board at any of its duly convened meetings.

Exempt from this requirement, but subject to the approval of the President of LSC, are 1) solicitations for modest donations not to exceed a total of \$5,000 per event for LSC staff events/functions and 2) fundraising among LSC staff for charitable causes.

b. Unsolicited Gifts

LSC Directors, officers and employees are authorized to discuss unsolicited offers of donations that are aligned with LSC's priorities and mission with the potential donor and will notify such prospective donor that a donation may be accepted only with the approval of the LSC President or his/her designee. If the offered donation is less than \$5,000, the LSC President or his/her designee is authorized to accept the donation if he or she deems it appropriate. For offered donations of \$5,000 or more, the LSC President or his/her designee may accept such donations with reasonable prior notice to the Board

c. Gifts Subject to Board Review and Approval Prior to Acceptance

All gifts, other than unrestricted cash contributions and those for Board-approved initiatives or projects listed in Section 2 from Board-approved Prospects, must be reviewed and approved by the Board prior to acceptance.

d. Marketable Securities

Unrestricted marketable securities shall be transferred to an account maintained by LSC at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. All marketable securities shall be sold as soon as practical following receipt unless otherwise directed by the Board.

e. Non-Marketable Securities

Non-marketable securities, including debt and equity positions in non-publicly traded companies, interests in limited liability partnerships and limited liability corporations, or other ownership forms, will be considered under the terms of gift acceptance detailed in Section 1. The Board shall review and decide whether to accept non-marketable securities based on the following factors:

- i. Restrictions on the security that would prevent LSC from ultimately converting the securities to cash;
- ii. The marketability of the securities; and
- iii. Any undesirable consequences for LSC from accepting the securities.

The Board may seek review and advice by an outside professional before deciding to accept the gift. Non-marketable securities shall be sold as quickly as possible.

f. Bequests

Donors may make bequests to LSC under their wills and trusts. LSC will not record a bequest until the gift is received.

g. Charitable Remainder Trusts

LSC may accept designations as remainder beneficiary of a charitable remainder trust. LSC shall not accept appointment as trustee of a charitable remainder trust without Board approval.

h. Charitable Lead Trusts

LSC may accept designations as income beneficiary of a charitable lead trust. LSC shall not accept an appointment as trustee of a charitable lead trust without Board approval.

i. Retirement Plan Beneficiary Designations

LSC may accept designations as beneficiary of donors' retirement plans. Designations will not be recorded as gifts until the gift is received.

j. Life Insurance

LSC may accept designations as beneficiary and owner of a life insurance policy. The life insurance policy will be recorded as a gift once LSC is named as both beneficiary and irrevocable owner of a life insurance policy. The gift shall be valued in accordance with Generally Accepted Accounting Principles ("GAAP"). If the donor contributes future premium payments, LSC will include the entire amount of the additional premium payment as a gift in the year that it is made. If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, LSC may:

- i. Continue to pay the premiums;
- ii. Convert the policy to paid up insurance, or
- iii. Surrender the policy for its current cash value.

Donors may name LSC as beneficiary or contingent beneficiary of their life insurance policies. Designations will not be recorded as gifts until the gift is irrevocable. Where the gift is irrevocable, the gift shall be recorded in accordance with GAAP.

k. Oil, Gas, and Mineral Interests

LSC may accept oil and gas property interests when appropriate.

l. Named Funds

A donor, or group of donors, may contribute and name a fund and restrict the use of the income or principal of the fund. Named funds require a minimum contribution or pledge of \$100,000 and are subject to the Board's approval.

4. Notification to Donors

Whenever a grant or other contribution to LSC is received by the Corporation, the Chief Development Officer will prepare an acknowledgment for the President's signature

and, so long as required by law, include a statement that funds contributed to LSC may not be used in any manner that violates the LSC Act or any provision of the Appropriations Act that applies to LSC.

5. Budgeting of contributions

All private funds received by LSC for the same purposes, whether in the form of grants or solicited or unsolicited contributions shall be accounted for separately. The Board shall approve the budgeting of such funds using the same LSC Budget Guidelines that apply to all other LSC funds. If contributed funds carry restrictions, acceptance of the funds is subject to a determination by the General Counsel that LSC may legally accept the funds.

6. Expenditures from contributed funds

Contributed funds shall be spent in accordance with the LSC Administrative Manual and are subject to the same approval requirements as contained in the Manual. In the event that contributed funds are to be used to pay for expenses for which federal funds may not be used, such contributed funds must be received and budgeted prior to any such expense being incurred. No federal funds shall be advanced to cover any expense intended to be paid for by private contributions.

7. Accounting

Should LSC engage in a solicitation of private contributions, the Comptroller shall provide an accounting of any additional expense to the Corporation associated with the solicitation.

8. Use of Legal Counsel

- a. **LSC.** The Board shall seek the advice of the Office of Legal Affairs in matters relating to acceptance of gifts when appropriate.
- b. **Donor.** For non-cash gifts, in order to avoid any potential conflicts of interest, LSC should encourage prospective donors to seek the assistance of their own legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences.

9. Ethical Considerations and Conflict of Interest

LSC is committed to the highest ethical business practices in fundraising. All donor engagement on behalf of LSC will adhere to LSC's Code of Ethics and Conduct and the Donor Bill of Rights. The Board shall seek the advice of LSC's Ethics Officer on the acceptance of any gift or transaction that presents an actual or potential conflict of interest.

LSC shall not accept gifts that:

- a. Violate the terms of LSC's organizational documents, including, but not limited to, the LSC Act, LSC appropriations acts, LSC regulations, or the LSC Code of Ethics and Conduct;
- b. Would jeopardize LSC's status as a tax-exempt organization under federal or state law;
- c. Are for purposes that do not further LSC's objectives; or
- d. Could damage LSC's reputation.

10. Gift Agreements

Where appropriate, LSC shall enter into a written gift agreement with the donor, specifying the terms of any restricted gift, which may include provisions regarding donor recognition.

11. Pledge Agreements

Acceptance by LSC of pledges by donors of future support of LSC (including by way of matching gift commitments) shall be contingent upon the execution and fulfillment of a written charitable pledge agreement specifying the terms of the pledge, which may include provisions regarding donor recognition.

12. Fees

LSC will not accept a gift unless the donor is responsible for (1) the fees of independent legal counsel retained by donor for completing the gift; (2) appraisal fees; (3) all other third-party fees associated with the transfer of the gift to LSC.

13. Valuation

LSC shall record gifts received at their valuation on the date of gift, except that, when a gift is irrevocable, but is not due until a future date, the gift may be recorded at the time the gift becomes irrevocable in accordance with GAAP.

**Adopted on _____, 2013 and supersedes
Board Resolution nos. 2012-012, 2010-004, and 2008-013**