

**Gift Acceptance Policy
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September 2015**

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IV. RELATED PROCEDURES

A. Gift Designations

Each gift is recorded by the Foundation according to the designation indicated by the donor. If specific restrictions are indicated and the donor's restrictions cannot be followed, the gift will not be accepted. Unrestricted gifts are deposited in unrestricted accounts within the designated area of the College or Foundation, if such a designation is indicated. If the donor has not indicated the intent of the gift or the intent is ambiguous, staff shall deposit the gift into the Foundation general fund. If the donor communicates intent verbally, staff shall document that intent in writing immediately. Written documentation of verbal directives should be confirmed with the donor.

B. Types of Gifts

The Foundation accepts gifts in the form of outright gifts, pledges or deferred commitments. The details of gift acceptance and the procedures for gift recording differ according to the type.

1. Outright Gifts

Outright gifts include cash and cash equivalents, securities, interests in business entities, real property and personal property.

i. Cash and Cash Equivalents

Cash gifts of any amount are accepted by the Foundation. These gifts can take the form of currency, check or credit card contribution. Cash or checks may be delivered in person, by mail, by Electronic Funds Transfer (EFT) or by wire transfer. Although the date of gift for IRS purposes for gifts made by checks is the date the check is mailed or hand-delivered to the Foundation (under the mailbox rule), we do not assign gift dates to donations. Tax receipts will reflect the date the gift was processed.

ii. Securities

Publicly traded securities (stocks, bonds and mutual funds) are accepted by the Foundation. Gifts of publicly traded securities are typically sold immediately but may be retained under certain circumstances.

Gifts of securities are valued at the mean of the high and low price of the security as of the date of the gift. The date of the gift is defined as the date of the postmark on the envelope or the date the security is hand delivered (physical certificates) or the date the stock is received in the Foundation's brokerage account (book-held securities). If the security is not traded on that date, and if there were sales both before and after the gift date, the value is calculated as the weighted average of the means between the highest and lowest sales on the nearest date before and the nearest date after the valuation date.

The Gift Acceptance Committee ("GAC") must approve gifts of **non-publicly traded (closely held) securities** prior to acceptance. The GAC may look at measures such as valuation, marketability, restrictions, and any other issue that may arise either in the gift negotiation or in a corresponding shareholders' agreement.

As required by the Internal Revenue Service, for gifts of non-publicly traded securities exceeding \$10,000, it is the donor's responsibility to have the securities valued by a qualified independent appraiser. Gifts of non-publicly traded securities of \$10,000 or less may be valued at the per-share cash purchase price of the most recent transaction. Normally, this transaction is the redemption of the stock by the corporation. While it is permissible for the donor's company to redeem the stock, there can be no redemption agreement, either stated or implied, prior to the gift. For a gift of \$10,000 or less, when no redemption has occurred during the reporting period, an independent certified public accountant who maintains the books for a closely held corporation is deemed to be qualified to value the stock of that corporation.

iii. Interests in Business Entities

Gifts of interests in business entities (partnership interests, S corporations, non-publicly traded stock, interests in limited liability companies, etc.) may be accepted by the Foundation with the approval of the GAC. The GAC may discuss issues such as terms of a partnership or LLC operating agreement, any issues of legal and/or financial liability in accepting the gift, the probability of conversion to a liquid asset within a reasonable period of time, projected income that will be available for distribution and administrative fees, and the nature of the business from which the asset is derived.

iv. Real Property

Real property can be used for deferred gifts (see below), as well as outright gifts. To be accepted as an outright gift or as a bargain sale gift, the gift portion of a property's fair market value must be at least \$50,000.

If a gift is in the form of an undivided partial interest in real property, the undivided interest must have a minimum value of at least \$50,000.

Real property includes improved or unimproved land, personal residences, farmland, commercial property, and rental property. These types of gifts are complicated and require involvement of a number of professionals, advisors and Foundation staff. Gifts of real estate require more planning than gifts of cash or marketable securities because of the evaluation, approval and transfer process.

As with any gift of property, if the Foundation sells or otherwise disposes of the donated property within two years of the date of the gift, the Foundation must file an information return on IRS Form 8282 and send a copy to the donor.

Questions regarding gifts of real estate should be referred to Foundation's chief planned giving officer or Foundation general counsel. Thorough due diligence shall be conducted on any gift of real estate. Upon recommendation, the GAC will review all proposed gifts of real property and will consider the following:

- a. Donor restrictions. Generally, the Foundation will not accept real estate gifts if the donor places restrictions on the gift limiting the choices of the Foundation or the College with respect to owning, managing or disposing of property.
- b. Market value and marketability. The GAC must receive a current appraisal of the fair market value of the property and the interest in the property the Foundation would receive if the proposed gift were approved. If the gift is completed, the IRS requires an appraisal made within 60 days of the date of gift. The appraisal and other information must indicate clearly and convincingly that there is a market for the property under consideration and that the property can be sold within a reasonable period of time. The Foundation may assist the donor in locating an appraiser who meets IRS requirements, but the donor must contract directly with the appraiser and pay the full cost. A representative of the Foundation or its property management affiliates must do a walkthrough of the property.
- c. Sale and/or retention of property. Generally, regardless of the value placed on the property by the donor's appraisal, the Foundation will attempt to sell at a reasonable price, as reflected by the current market,

as soon as possible after its acquisition. However, gifts of real estate may be considered for retention if the expected return as an investment exceeds what the net sales proceeds might produce if invested as a part of the Foundation's endowment or if there is a direct use of the property by the Foundation or the College. The Foundation may consult with the CUREF regarding such real estate gifts. The Foundation shall avoid selling property at a distressed price.

- d. Potential environmental risks. All proposed gifts of real property, including gifts from estates, must be accompanied by an Environmental Assessment completed by an independent firm at the direction of the Foundation. Any questions raised will be reviewed by the GAC.
- e. Carrying costs. The existence and amount of any carrying costs, such as property owner's association dues, transfer charges, taxes and insurance, must be disclosed. The donor shall pay the costs associated with the conveyance and delivery of the gift.

v. Personal Property or Gifts-in-Kind

The Foundation may consider gifts of tangible personal property (gifts-in-kind) – including but not limited to works of art, manuscripts, literary works, boats, airplanes, motor vehicles, computer hardware and software, and intellectual property – only after a review indicates that the property is either readily marketable or needed by the Foundation.

If a gift-in-kind is being considered by the Foundation (i.e., not for College use), title to the gift property should be clear and unencumbered, and properly documented. In order to approve acceptance of a gift-in-kind, the GAC must have information about compatibility, maintenance, storage and transportation costs, as relevant.

Absent a related use for the donated property, if accepted, the Foundation generally will sell or otherwise dispose of such gifts. Because the extent of the donor's allowable charitable deduction depends upon the standard of "related use," the Foundation's intention either to resell the property or to retain it for related use must be clear to the donor at the time of the gift.

The Foundation will meet all obligations with respect to IRS forms 8283 and 8282. That is, if the Foundation should sell or otherwise dispose of the donated property within two years of the date of the gift, the

Foundation must file an information return on IRS Form 8282 and send a copy to the donor.

Any gift-in-kind that involves the following circumstances, and/or has a value of greater than \$50,000, must be approved by the GAC:

- Acceptance of the gift involves significant or unbudgeted additional expense for its present or future use or display, maintenance, transfer, insurance, fees or other institutional costs;
- Financial or other burdensome technical or service obligation or expense is or will be directly or indirectly incurred by the Foundation as a result thereof;
- The gift is made on the condition or expectation that the items will be loaned back to the donor or to the donor's designee for life or extended periods of time to be determined by the donor;
- Acceptance or subsequent utilization of the property would result in an "unrelated activity" as defined in unrelated business income tax law.

All gift-in-kind donations to the Foundation must be reported, regardless of value, so that the Foundation can record each gift.

Receipts for gifts-in-kind issued by the Foundation shall describe the property transferred, but shall not state a monetary value. Gifts-in-kind will ordinarily be valued at their full fair market value. However, the GAC may choose to value the gift (for internal purposes) lower than the appraised amount.

Gifts with a fair market value exceeding \$5,000 will be reported at the values placed on them by qualified independent appraisers as required by the IRS for valuing non-cash charitable contributions. In accordance with IRS regulations, it shall be the donor's responsibility to order and pay for the qualified appraisal.

vi. Gifts of Contributed Services

The IRS does not allow charitable deductions for gifts of services (only for tangible items), even if the market value of such services can be readily attained. In addition, counting guidelines from the Council for Institutional Advancement and Support of Education (CASE) and the National Association of College and College Business Officers (NACUBO) do not allow gifts of services to be counted. The receiving department may acknowledge and thank the donor for the services, without specifying a dollar amount. In addition, "recognition credit" (not legal credit) may be entered into the donor database for donor recognition/stewardship purposes. No receipt should be generated.

2. Deferred Gifts

The Foundation accepts deferred gifts including charitable bequests, charitable gift annuities, charitable remainder trusts, pooled income fund gifts, charitable lead trusts, gifts of life insurance, and retained life estates.

i. Charitable Bequests

A donor can make a charitable bequest to the Foundation in a will and/or living trust. A bequest of cash or publicly traded securities is always acceptable. A bequest of any asset defined herein as being of significant or moderate risk must be approved or declined by the GAC as described in the Gift Acceptance Policy. For a bequest involving real property, the executor, personal representative or trustee may be asked to sell the property within the estate or trust and distribute the net proceeds to the Foundation. The Foundation may also choose to disclaim the property.

ii. Charitable Gift Annuities

A charitable gift annuity is a contract between the Foundation and a donor (not a trust agreement) whereby the donor makes an initial payment of cash or marketable securities to the Foundation and the Foundation agrees to pay the donor an annuity for the rest of his/her lifetime. The minimum acceptable initial payment will be assets valued at \$10,000. The annual payment to the donor is based on the donor's age and the fair market value of the initial payment by the donor. Since the donor expects to receive payments from the Foundation for the remainder of his/her lifetime, the actual "gift" to the Foundation has a value of significantly less than the donor's initial payment. The Foundation offers the gift annuity rates recommended by the American Council on Gift Annuities. The Foundation will accept current gift annuities, which begin payments within one year of the gift date, as well as deferred gift annuities, whose initial payment is at least a year after the gift date. The deferral period will be at the discretion of the donor and the Vice President of Institutional Advancement or designee.

Gift annuity agreements shall be limited to one life or two lives in being at the time of the gift. Ordinarily, the minimum age for the annuitants shall be 55 for immediate annuities and 50 for deferred annuities. State registration requirements must be adhered to in those states whose insurance or other laws and regulations so require.

iii. Charitable Remainder Trusts

a. Unitrusts

The basic form of unitrust provides for payment to a donor and/or beneficiary(ies) of an amount equal to a set percentage of fair market value of the assets of the trust, valued annually. The percentage is determined at the time the trust is created, is stated in the trust, and is permanent. The minimum payout allowed under IRS regulations is 5% annually. The maximum percentage shall be determined by the GAC based on recommendations by the Gift Planning staff, which shall be approved and attached to these policies as an addendum entitled Maximum Payout Allowance for Charitable Remainder Trusts. According to IRS regulations, the value of the charitable remainder must be at least 10% of the net fair market value of the property transferred to the trust on the date of the transfer. The maximum number of life income beneficiaries shall be two. If one of the life income beneficiaries is under 50, a term-of-years unitrust must be used.

If the Foundation is to serve as trustee, the minimum asset value for establishing a charitable remainder trust shall be \$100,000, and the Foundation must be the irrevocable beneficiary of at least 50% of the trust. Trusts may be funded with cash, stock, real estate or a combination of these assets. Trusts established with real property must be established with an initial minimum asset value of \$150,000. Additional assets may be added to a unitrust after its initial establishment.

Payments may be set for life or a term of years not to exceed 20 years. Because income payments are based on a fixed percentage of the annual market value of trust assets, payments will vary in amount as the value of the assets changes.

Payments to income beneficiaries must come exclusively from the trust assets and are not guaranteed by the Foundation. Trust assets are invested according to **the Life Income Arrangements Investment Guidelines**, as established by the Foundation's Investment Policy Committee. If the Foundation is to serve as trustee for a charitable remainder trust funded with real property, all Foundation policies for acceptance of real property must be followed.

b. Annuity trusts

Annuity trusts are similar to unitrusts except that the donor(s) and/or beneficiary(ies) annually receive a payout that is fixed irrevocably at

the time of the gift and stated in the trust agreement. Under IRS regulations, the payout must equal at least 5% of the fair market value of the assets placed in the trust when it is created. Income in excess of the annual payment is added to the principal. Unlike a unitrust, IRS regulations do not allow additions to annuity trusts. The trust assets are invested according to Life Income Arrangements Investment Guidelines, as established by the Foundation's Investment Policy Committee. If one of the life income beneficiaries is under 50, a term of years trust must be used.

iv. Charitable Lead Trusts

This trust is designed to make periodic payments to a charity for a period of several years, after which the trust terminates and the assets pass to the designated individuals either outright or in trust. Generally, the Foundation will not serve as trustee of a charitable lead trust. Any exception to this policy must be approved by the GAC upon a recommendation from the Vice President for Institutional Advancement.

v. Life Insurance

The Foundation can receive two types of life insurance gifts: as beneficiary or as owner and beneficiary. The donor, on the advice of his or her advisers, must decide which arrangement is in the donor's best interests. In all cases, life insurance gifts shall be valued at the cash surrender value.

- a. If the Foundation is named beneficiary of a life insurance policy (and does not own the policy), review of the gift is not required by the GAC.
- b. If the Foundation receives a gift of insurance for which the Foundation is beneficiary and owner, the gift must be reviewed by the GAC. The following criteria apply:
 - The premium must be a lump sum payment or annual premium payments for not more than ten years.
 - The policy may *not* be a term insurance policy.
 - The donor must agree to be responsible for making additional premium payments if the interest rates fall below expectations and additional premium payments are required. Cash gifts to be used for premium payments are booked at face value as received.

- The donors will be informed that if, for any reason, they are unable to make the gifts to cover the premium payments and there are not dividends to cover the payment, the Foundation will select an option for the future of the policy based upon several factors, which may be age of donor, death benefit, amount of paid-up insurance, amount of premium, number of premiums remaining, etc. The options are:
 - Pay any additional premiums and consider the policy paid at current level of insurance, if possible.
 - Surrender the policy for the cash value and use the funds as designated by the donor; or,
 - Use Foundation resources to pay the insurance premium.

vi. Retained Life Estates

A donors can receive a sizable charitable income tax deduction by making a gift to the Foundation of their personal residence or farm while retaining full use and rights to the property during his/her lifetime. (The donor retains a “life estate” and the Foundation receives the “remainder interest.”)

A life estate gift is created by transferring a deed to the Foundation, which reserves a “life estate” for the life of the donor, or his or her designees. Properties used in a life estate gift must have a minimum value of \$150,000. Donors must sign a Life Estate Agreement with the Foundation to clarify their responsibility for property repairs, taxes, insurance and other expenses. Donors are encouraged to have all documents reviewed by their own attorneys. All the normal review and gift acceptance procedures for gifts of real estate apply to gifts of life estate/remainder interest deeds.

vii. Pooled Income Fund

A pooled income fund is a trust maintained by the Foundation in which individual donors contribute assets which are commingled for investment purposes within the fund. Each donor to the fund is assigned units of participation in the fund that are based on the relationship of their contribution to the overall value of the fund at the time of contribution. Each year, the fund’s entire net investment income is distributed to fund participants according to their units of participation. Distributions are spread out in four quarterly payments. The minimum contribution to the pooled income fund is \$5000 (including repeat gifts or “additions”). Tax-exempt securities cannot be used to contribute to the pooled income fund. Any pooled income fund gift which is funded

with assets other than cash or securities, or which is funded with an amount less than the required minimum must have approval of the GAC.

3. Pledges

Pledges are commitments to give a specific dollar amount according to a fixed time schedule. All pledges other than annual fund telephone pledges are required to be in writing. Documented pledges are recorded on the Foundation database and included in financial reporting. Pledges are cancelled (written off) only when circumstances are documented and procedures noted below are followed.

i. Pledge Documentation

Legally-Binding Pledge Form: A Legally Binding Pledge Form is appropriate where the Foundation or College is taking on financial or other obligations in reliance on the anticipated gift (e.g. to start capital construction, to initiate a named program, to hire faculty for a specified position, etc.). In such cases, the development officer must consult with the Foundation general counsel to appropriately modify/use the Legally Binding Pledge Form attached to these policies. In cases where a legally-binding pledge is needed in the creation of a new fund, the Legally Binding Pledge Form shall be an attachment to the Fund Agreement.

Non-Legally Binding Pledge Form: Where a non-legally-binding pledge is being used to establish a current or endowed fund, the necessary pledge form shall be an attachment to the Fund Agreement.

Other Pledges: All other pledges shall be documented using an official Foundation Pledge Form.

All pledge forms and solicitations must contain the following minimum information:

- Total amount of the pledge
- Funds shall be made payable to the Fort Lewis College Foundation
- Payment schedule (preferably not to exceed 5 years)
- Designation for use of the funds
- No contingencies or conditions
- Donor's printed name
- Donor's signature
- Confirmation of donor expectations regarding pledge payment reminders

ii. Pledge Payments

- a. Pledges typically will be fulfilled through payments of cash or publicly traded securities.
- b. If real estate or other non-marketable assets are used as payment, the initial value recorded against the pledge shall be the fair market value of the real estate or assets as determined by an independent qualified appraisal supplied by the donor. If, upon sale of the real estate or asset, the sale proceeds net of all expenses is less than the amount booked against the pledge, an additional pledge shall be booked in an amount equal to the difference between the amount initially booked against the pledge and the net sales price.
- c. If publicly traded securities are used as payment, the amount booked against the pledge shall be valued at the mean of the high and low prices on the date of receipt.
- d. Expected matching gift amounts (such as from employers) cannot be used to reduce pledge balances. Matching gifts cannot be obligated by the donor and cannot satisfy pledges. It is permissible for the donor to have matching gifts deposited into the same fund as his/her gift. The original pledge amount should only reflect the anticipated amount for which the donor is personally responsible.
- e. Donor Advised Funds are accepted by the Foundation, but in order to comply with IRS regulations they cannot be used to fulfill a pledge commitment. If the donor indicates up front that they do intend to use DAF money to fulfill their pledge, we will not book it as a regular pledge. If a payment does come in via a DAF, we will reduce the pledge by the amount of the DAF gift and post the DAF gift as a straight gift with soft credit going to the recommending alum/friend/donor.
- f. If one or more payments have been received before a pledge is posted, only the remaining balance of the total commitment is posted as a pledge. That is, a payment cannot pre-date a pledge.

iii. Pledge Write-Offs

- a. Telephone pledges– (i.e., “Annual Fund” pledges) are not booked as revenue and can be written off with no effect on accounting reports.
- b. Single and multi-year pledges:
 - All amounts require approval of the vice president for Institutional Advancement
 - Bequest pledges require additional approval of the vice president of Institutional Advancement

- Any pledge over \$25,000 requires additional approval by the controller or chief financial officer.
- Any pledge over \$25,000 requires additional approval by the Board of Directors.

C. Special Circumstances

1. Matching Gifts

The Foundation honors each organization's matching gift policies while optimizing matching opportunities as fully as possible. If the Foundation has reason to believe that a donor is not in compliance with a matching entity's policies, staff will contact the donor for clarification. Examples may be gifts directed to non-qualifying programs (in some cases, Athletics) or pooling of gifts with non-employee donors. The Foundation will not submit claims for non-qualifying gifts.

2. Gifts from College Employees or Fund Managers

Gifts to the College or Foundation from College employees are encouraged, and may be accepted if the purpose of the gift is to support bona fide College or Foundation activities. Such gifts are subject to College and/or Foundation policies and procedures for expenditure. However, because a gift to support an employee's own research account, business travel account, or any account in which the employee is the sole authorized signer may have potential for abuse, an appropriate third party (such as the dean, department chair, chancellor, or other person in a supervisory role to the employee) must be the fund co-administrator on any such account and must take special care in approving expenditures in order to ensure that the Foundation and the College's use of the gift supports its charitable purposes. If the donor does not wish to change the signature authority on the primary account, the donor may choose to have the gift deposited into a separate account managed by the donor's supervisor or other independent party.

3. Memorial, Honorary and "On Behalf Of" Gifts

Memorial and honorary gifts are encouraged by the Foundation as generous and thoughtful ways to recognize people's lives and accomplishments. When a memorial gift is made, the decedent's next of kin is notified by the Foundation. Such notifications must not specify gift amounts. The next of kin will be consulted about the designated use of memorial monies, including whether the funds will be endowed or spent as current funds. In the case of honorary gifts, the honored person is notified, again without detail about gift amounts.

When a donor makes a gift "on behalf of" another person, the other person receives "recognition credit." The legal gift credit remains with the person who made the gift (e.g., signed the check).

4. Gifts for the Benefit of Specific Individuals

A gift that is made with the condition that the proceeds will be spent by the Foundation for the personal benefit of a named individual or individuals is not deductible as a charitable contribution. The Foundation GAC shall review and view with caution gifts that are inappropriately targeted toward the benefit of particular individuals. The GAC will also review all proposals for endowed student aid funds that contain unusual restrictions, and proposed gifts for research projects or other scholarly activities undertaken by named individuals. Funds received from a third party who has selected the recipient (e.g., an external scholarship granting entity) shall be accepted and processed by the appropriate College office of student financial aid. Such funds are not considered scholarships that are accepted by the Foundation.

5. Premiums or Goods/Services Received

The IRS requires nonprofits to verify that no goods or services were received in exchange for a contribution, in order for the gift to qualify for a full charitable deduction. Standard receipts verify this qualification. Where premiums or services are offered, only the qualifying gift amount is receipted. Gifts to Intercollegiate Athletics that give donors the right to purchase tickets are subject to the 80-20 rule; that is, 80% of the amount qualifies for tax deduction and 20% does not.

6. Trade and Barter Gifts

When services are provided to the College or Foundation and athletics tickets or other deliverables are offered in return, no gift transaction is considered to have occurred, even if the value of the service exceeds that of the tickets.

7. Diversity Gifts

If a donor wishes to designate a gift with provisions relating to ethnic, religious, gender or other descriptions, the Foundation will follow Federal and state rulings in effect at the time.

8. Gift Refunds

The Foundation does not refund contributions.

This policy will be reviewed annually for content and intent.