UNIVERSITY OF SAN FRANCISCO

Gift Acceptance Policy

POLICY CONTENTS

Effective Date: February 27, 2007
Last Updated: January 13, 2023

Responsible University Officer:
Vice President of Development

Policy Owner:
Associate Vice President for Accounting and Business Services

Policy Contacts:
Desmond Dair

POLICY STATEMENT

The University actively encourages the solicitation and acceptance of gifts and contributions that support the fulfillment of its mission of teaching, research, and public service. To this end, only gifts and pledges that are appropriate and consistent with its mission will be accepted by the University. In addition, a gift accepted by the University must be administered in accordance with any terms or conditions established by its donor. Such gifts must also be properly recorded and acknowledged in accordance with this Policy and applicable federal requirements.

REASON FOR POLICY

This Policy sets forth the standards for the approval, acknowledgment, and administration of gifts and pledges received by the University. The Policy conforms to the Internal Revenue Code (IRC) and applicable Treasury Regulations governing contributions made to charitable organizations.

WHO SHOULD READ THIS POLICY

Any employee who is responsible for the acceptance of gifts and pledges; the members of the Leadership Team, as well as supervisors and Business Managers who supervise an employee with such responsibilities.

POLICY TEXT

The University is recognized by the Internal Revenue Service (IRS) as a tax-exempt educational organization under Section 501(c)(3) of the IRC. In addition to being exempt from federal and state income taxes in the performance of its related activities, the University is eligible to receive tax-deductible gifts and contributions from its donors.

Gifts solicited by the University may be in the form of either outright gifts or deferred gifts. A gift may also be unrestricted or impose specific restrictions or conditions designated by the donor. Some restricted gifts, however, could include spending constraints or other characteristics that affect their acceptability. Accordingly, these gifts may not be accepted unless approved in advance by the Vice President for Development and the Vice President for Business and Finance, or their designees. Examples of restricted gifts that require prior approval include, but are not limited to, gifts that:

- Appear inconsistent with the University's mission and policies or may be inappropriate for use by the University;
- Do not match approved University programs, purposes, or positions or are so restrictive as to prevent expenditure of the gift funds;
- Require future maintenance costs not covered by the initial gift or include other obligations that the University may be unable or unwilling to accept;
- Include asset types which may be difficult to value or liquidate;
- Are inappropriate in light of the donor's personal or financial situation; and
- Potentially expose the University to adverse publicity, financial risk, or litigation.

Gifts that undermine the University's integrity, independence, or academic freedom or are in violation of federal or state laws will not be accepted.

PROCEDURES

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RELATED INFORMATION

Type	Title
USF	**Department Cash Handling Policy**
USF	Endowment Policy *(under construction)*

USF	**Quasi-Endowment Funds Policy**
External	**American Council on Gift Annuities**
External	**ASC 958-605, Not-for-Profit Entities–Revenue Recognition**
External	**IRS Publication 526, Charitable Contributions**
External	**IRS Publication 561, Determining the Value of Donated Property**

DEFINITIONS

Term	Definition
Bequest	A transfer of personal property by means of a will that occurs upon the donor's death.
Business Manager	A University employee designated by the President, Vice President, Vice Provost, or Dean who is the financial manager for the University account(s) being used for the expense. This may include the President, Vice Presidents, Vice Provosts, or Deans.
Cash Equivalent	Includes assets that are readily convertible into cash such as money orders, traveler's checks, cashier's checks, and certified checks.
Charitable Gift Annuity	An irrevocable agreement under which a donor transfers assets to the University. In exchange, the University agrees to pay a fixed annuity to up to two individuals for their lifetime. Upon the death of the last annuitant, the remaining assets are transferred to the University.
Charitable Lead Trust (CLT)	An irrevocable trust into which the donor deposits assets, with the income from the investment of the assets donated to the University for a certain period of time. After that time expires, the remaining assets are transferred to the trust's beneficiaries.
Charitable Lead Annuity Trust	A CLT that pays a constant dollar amount to the University based on a fixed percentage of the value of the trust at the time of establishment.
Charitable Lead Unitrust	A CLT that pays a variable dollar amount annually to the University based on a fixed percentage of the annual valuation of the trust.
Charitable Remainder Trust (CRT)	An irrevocable trust into which the donor deposits (CRT) assets, with the income from the investment of the assets going to the beneficiaries of the trust for a specified period of time. After that time expires, the remaining assets are transferred to the University.
Charitable Remainder Annuity (CRAT)	A CRT that pays a fixed percentage to the income beneficiary of not less than 5% of the initial value of the assets

	transferred to the trust. Additional gifts to the trust are not permitted.
Charitable Remainder Unitrust (CRUT)	A CRT that pays the income beneficiary a fixed percentage of not less than 5% of the trust assets as they are revalued annually. This type of trust provides the donor with the flexibility to make additional gifts to the trust.
Check	A negotiable instrument instructing a financial institution to pay a specific amount from an account held in the drawer's name with that institution.
Depository Trust Company (DTC)	One of the world's largest securities depositories. The DTC acts like a clearinghouse to settle trades in corporate and municipal securities.
Net Income Unitrust	A CRUT that pays the income beneficiary either the actual amount of income earned by the trust for the year or a fixed percentage payout rate of at least 5% of the annual FMV of the trust assets, whichever is less.
Net Income Unitrust with Flip Provision	A CRUT that allows the trust to change its payout method from a net income unitrust to a straight, fixed percentage unitrust upon the occurrence of a triggering event. This flip option is particularly attractive to a donor who wants to donate illiquid or hard-to-market assets such as real estate or closely held stock.
Outright Gift	Gifts in which the donor does not retain any interest and that are available for immediate use by the University. Such gifts may be either restricted or unrestricted, as directed by the donor.
Pooled Income Fund	A type of mutual fund operated by the University that receives assets from donors. The annual net earnings of the fund are shared by the donors on a prorata basis throughout their lifetimes. Upon a donor's death, his or her share of the earnings is transferred to the University.
Quid Pro Quo Gift	A gift in which the donor receives something of value in return for making his or her gift.
Straight Unitrust	A CRUT that pays the income beneficiaries a fixed percentage of not less than 5% of the value of the assets, as determined annually. If the earnings are less than the fixed percentage, payments are made from trust principal.

ADDITIONAL CONTACTS

Subject	Contact	Phone	E-mail
AVP,Accounting & Business Services	Desmond Dair	415.422.6732	**ddair@usfca.edu**
VP, Business & Finance	Charles Cross	415.422.6522	**cross@usfca.edu**
VP, Development	Lindsey McClenahan	415.422.5105	**lmcclenahan@usfca.edu**
AVP, Annual Giving and Operations	Chantel Smith		**csmith28@usfca.edu**
Gift and Endowment Accounting	Elizabeth Denefeld	415.422.2569	**zarate@usfca.edu**
University Cashier	Irlanda Delgadillo	415.422.6521	**idelgadillo@usfca.edu**

FORMS

Form	Use	Location
Form 8283, Noncash Charitable Contributions	Used by donors to report certain noncash contributions to the IRS.	IRS
Form 8282, Donee Information Return	Used by donee organizations to report the disposition of certain charitable contributions to the IRS and donors.	IRS

RESPONSIBILITIES

Department/Business Manager

- Ensures that gifts received by its employees are forwarded immediately to the Office of Development in accordance with this Policy.
- Monitors expenses associated with restricted gifts received by the University.

Office of Development

- Ensures that all gifts received by the University are properly recorded and acknowledged as required by this Policy and IRS regulations.
- Coordinates wire transfers for donors desiring to make cash contributions to the University via wire.
- Notifies ABS in connection with gifts made to the University by payroll deduction.
- Facilitates transfers of publicly traded securities and mutual funds in connection with donors making such gifts to the University.
- Determines whether certain gifts-in-kind would be appropriate for use by the department named as the intended recipient of the gift.
- Reviews CGA contracts and provides disclosure information to prospective donors prior to acceptance by the University.
- Obtains donor maintenance agreement in connection with a life estate interest in donated real property.

Office of Accounting and Business Services

- Ensures that gifts and pledges received by the University are properly recorded in the general ledger.
- Monitors expenses associated with restricted gifts received by the University.
- Evaluates the cost of acquiring, maintaining, and selling donated real property.
- Records the value of donations and pledges in the general ledger, as appropriate.

- Reviews CGA contracts prior to acceptance by the University.
- Requests that a third-party trustee provide the University with an annual accounting of the trust's activities.
- Sells securities and other marketable assets donated to the University.

Office of Internal Audit and Tax Compliance

- Advises on the tax requirements governing the preparation of gift acknowledgements.
- Reviews and signs required filings of the IRS Forms 8283 and 8282.

Vice President for Development and Vice President for Business and Finance

- Reviews and approves certain restricted gifts such as gifts of real estate and privately held stock before they may be accepted by the University.
- Reviews certain gifts of life insurance that are not fully paid before the policy may be accepted by the University.
- Reviews gifts of certain asset types before they may be accepted by the University.
- Reviews requests to waive an environmental audit in connection with a proposed gift of real property (Vice President for Business and Finance only).
- Reviews requests to waive the liquidation requirement for real property and other noncash gifts (Vice President for Business and Finance only).
- Reviews proposed CGA agreements prior to acceptance by the University.
- Reviews proposed CRT and CLT agreements naming the University as a trustee or co-trustee prior to acceptance by the University.
- Reviews requests to accept pass through donations on behalf of another non-profit organization.
- Reviews requests for an exception to the requirements set forth in this Policy that would require his or her approval.

President, Vice Presidents, Vice Provosts, and Deans

- Approves redirection of an unrestricted gift to a specific use by the University (President only)
- Ensures that employees in his or her division are in compliance with this Policy.

FREQUENTLY ASKED QUESTIONS

(N/A)

REVISION HISTORY

- 03/01/2016 Revised to include guidance on the acceptance of bequest intentions and other technical changes.
- 06/01/2014 Revised to provide additional guidance on the acceptance of gifts by the University.
- 02/27/2007 First publication of Policy.

APPENDICES

(N/A)

PROCEDURES

AUTHORIZATION

All gifts received by the University must be forwarded immediately to the Office of Development, which will record and acknowledge the gifts in accordance this Policy. Gifts that require prior written approval must be submitted to the Vice President for Development and/or the Vice President for Business and Finance, or their designees, before they may be accepted by the University. Such gifts include certain asset types and restricted gifts that may not be acceptable to the University.

A request for an exception to the requirements contained in this Policy must be forwarded to the Vice President for Development and/or the Vice President for Business and Finance for their review and approval, as appropriate. The request must describe the extenuating circumstances and other business reasons warranting an exception to the Policy.

OUTRIGHT GIFTS

An outright gift in which the donor does not retain any interest may be accepted as an unrestricted, restricted, or conditional gift, as directed by the donor. Outright gifts, however, must be available for immediate use by the University, subject to the following requirements:

Unrestricted Gifts
Outright gifts with no specific donor designation or those directed for the general benefit of the University will be considered unrestricted and in all cases will be recorded in an unrestricted general ledger fund. Unrestricted gifts and bequests may be redirected to specific uses only with approval from the President, in consultation with the Vice President for Business and Finance and the Vice President for Development. A gift may not be transferred to a Quasi-Endowment Fund, however, unless the transfer is approved by the Finance Committee of the Board of Trustees. See **Quasi-Endowment Funds Policy**.

Once the appropriate approvals and documentation are in place, Accounting and Business Services (ABS) may transfer an unrestricted gift to a restricted fund.

Restricted Gifts
A donor may restrict or designate a specific use for his or her gift as long as the designation is not overly restrictive and is consistent with the mission of the University. All restricted gifts must include documentation substantiating the donor's intent. This documentation may be in the form of a notation on a check, a remittance advice, an e-mail, or a letter. Oral designations must be documented by the Office of Development in writing. A gift designated to establish a new endowment must meet the minimum funding requirements described in the Endowment Policy (under construction).

Restricted gifts are recorded in a fund where their expenditures can be monitored by ABS, in addition to the applicable Business Manager.

Conditional Gifts
A conditional gift is an outright gift that is subject to a specific condition or future event designated by the donor. If the condition is not met, the donor has the right to take back the gift. Because a conditional gift could be revoked, these gifts are recorded by ABS in a deferred revenue account until the condition is substantially met.

ASSETS THAT MAY BE ACCEPTED WITHOUT PRIOR APPROVAL

The following types of assets may be accepted as outright gifts without obtaining prior approval:

Cash
Any donor desiring to make a cash donation to the University should be directed to the Office of Development, which will record and acknowledge the gift. The cash gift, along with the gift record indicating the fund to be credited, will be sent by the Office of Development to the University Cashier for deposit following established procedures. Under no circumstances should a cash deposit be sent through the campus mail system. See **Department Cash Handling Policy**.

Checks
Donors should be instructed to make checks and cash equivalents payable to the "University of San Francisco." These contributions should be sent to the Office of Development to be recorded and acknowledged. That office will deliver the checks and cash equivalents, along with the gift record indicating the funds to be credited, to the University Cashier for deposit. For contributions received by mail, the postmark date will normally be used to determine the receipt date for purposes of the calendar year-end cut-off date. The date received is used as the receipt or posting date for purposes of the fiscal year-end cut-off.

Credit Cards
The University accepts several types of credit cards, which may be used by donors for making contributions. Donors making credit card gifts should be directed to the Office of Development, which will record and acknowledge their gifts. That office will process the charge and send the gift record to the University Cashier. Credit card payments must be charged to the donor's account on or before the fiscal or calendar year-end cut-off date. For additional information on the procedures for processing credit card transactions, see **Department Cash Handling Policy**.

Payroll Deduction
Faculty and staff employees may make donations to the University by payroll deduction. Because payroll

deduction gifts are intended to be on-going, the minimum period for establishing these deductions is three (3) months. One-time employee gifts should be made by check. Employees interested in making donations to the University by payroll deduction should contact the Office of Development.

Wire Transfers
The University's wire transfer instructions should be given to a donor desiring to make a contribution by wire. The development officer should obtain information from the donor regarding the amount to be the transferred, the bank that will send the wire, and any restrictions associated with the gift. The development officer must also provide written notification to both ABS and the Office of Development that the wire has been initiated, including details sufficient to post the deposit to the correct fund. ABS will send a copy of the wire receipt to the Office of Development and credit the appropriate fund once the contribution is received.

Publicly Traded Securities
The following procedures should be followed with respect to gifts involving publicly traded securities, including mutual funds:

Transferring the Asset - If the donor holds stocks or bonds in a brokerage or bank trust account, the most efficient way to transfer these assets is through the Depository Trust Company (DTC). Development officers should provide such donors with the University's DTC information to facilitate the transfer. Alternate arrangements may need to be made for assets held in other forms. The transfer process may take from three business days to several weeks, depending on the form of the securities and method of transfer. The Office of Development should inform ABS of any expected stock or bond gifts.

Valuing the Asset - The valuation of a gift of publicly traded securities is dependent on the "completion" date of the gift. A gift is considered complete when the University is "in control" of the asset. The following events determine the completion date for various types of transfers:

- DTC transfers - The date the security is transferred into a University account.
- Stock certificate registered in the name of the University - The certificate date.
- Stock certificate and stock power received in the mail - The postmark date.
- Stock certificate and stock power hand delivered - The delivery date.

The gift value for a publicly traded stock or bond is determined by taking the average of the high and low trading prices as of the day the gift is complete. Mutual fund shares are valued at their net asset value at the close of the day on which the gift is complete.

Liquidating the Asset – In general, gifts of stocks and bonds are liquidated as soon as possible after their receipt unless the sale of the security is restricted or holding the security would be more advantageous to the University. The determination to hold a security is made by the Vice President for Business and Finance on a case-by-case basis. See **Sale of Assets**.

Gifts-in-Kind Valued at Less than $5,000
A gift-in-kind valued at less than $5,000 may be accepted by the University when the gift is intended for use by a department. Examples of gifts-in-kind include artwork, book collections, sports equipment, and computer hardware and software. Gifts of equipment and software should be new and not used. The Office of Development should consult with the intended University recipient to determine whether the gift is useful and appropriate before accepting it.

Gifts-in-kind valued at less than $5,000 are not recorded in the general ledger.

Life Insurance
Gifts of life insurance may be accepted without prior approval if the insurance policy is paid in full and the donor designates that the policy may be cashed in for its surrender value. The University must be designated as the policy owner and beneficiary.

The Vice President for Development and the Vice President for Business and Finance will evaluate, on a case-by-case basis, proposed gifts of life insurance with a cash value of $10,000 or more that are not fully paid. In addition to designating the University as the policy owner and beneficiary, the donor must make a written pledge to continue paying the premiums. If no payment is received from the donor within sixty (60) days of the premium payment due date, whole life policies will be cashed in for their cash surrender value and term life policies will be allowed to lapse. Term life policies are not recorded as gifts.

ASSETS THAT MAY NOT BE ACCEPTED WITHOUT PRIOR APPROVAL

The following asset types require prior written approval from both the Vice President for Development and the Vice President for Business and Finance, or their designees, before they may be accepted as outright gifts.

Gifts-in-Kind Intended for Sale
Gifts-in-kind that are intended for sale (e.g., coin collections, jewelry, etc.) may be accepted by the University but only if the property is readily marketable. Because it can be time-consuming and expensive to store and sell gifts of property, these gifts may not be accepted without prior approval.

Gifts-in-Kind Valued at $5,000 or More
All gifts-in-kind valued at $5,000 or more, including gifts intend for use or sale by the University, must be accompanied by a donor-provided appraisal documenting the fair market value (FMV) of the gift, unless the gift qualifies for an exception under IRS regulations or the donor has elected not to claim a tax deduction. See **IRS Publication 561, Determining the Value of Donated Property**.

If the gift is intended for use by the University, the Office of Development should consult with the intended University recipient to determine whether the gift is acceptable for use and appropriate before recommending acceptance.

Gifts-in-kind with a value of $5,000 or more may be recorded in the general ledger, as determined by ABS.

Real Property
A gift of real property may be accepted if the University receives a donor-provided appraisal that meet the IRS requirement for such gifts. The appraisal must be dated no more than sixty (60) days prior to the date of the donation and document the estimated FMV of the real property and its marketability. See **Sale of Assets**.

Factors such as significant environmental hazards, structural defects, unusually high maintenance costs, and potential unrelated business income tax considerations may significantly reduce the value of a proposed gift of real property. ABS staff will evaluate the total costs of acquiring, maintaining, and selling the property before the gift is accepted by University. As part of the evaluation process, all proposed gifts of real estate must undergo a Phase I environmental audit unless an exception is approved by the Vice President for Business and Finance.

Other Assets
Gifts of closely held or restricted stock, limited partnership interests, and intangible property also may not be accepted without prior written approval by both the Vice President for Development and the Vice President for Business and Finance, or their designees.

SALE OF ASSETS

ABS is responsible for the liquidation of donated assets received by the University and depositing the proceeds into the appropriate account. Assets that must be sold include following:

- Stocks, bonds, mutual funds, and other securities;
- Gifts-in-kind, regardless of their estimated value, that are not intended for use by the University; and
- Real property.

Generally, donated properties are sold as soon as possible unless holding the property would be in the best interests of the University. A determination to hold an asset requires approval of the Vice President for Business and Finance.

GIFT ACKNOWLEDGMENTS

All gifts and contributions received by the University must be acknowledged by the Office of Development, in accordance with IRS regulations. Under those regulations, donors must obtain a written acknowledgment from the University in order to claim a tax deduction for their contributions. The acknowledgment should be provided to the donor within thirty (30) days of the date a contribution is received by the Office of Development. In addition, the University may be required to sign an IRS Form 8283 in connection with certain noncash gifts. See **Tax Reporting**.

The following minimum requirements shall apply to written acknowledgments prepared by the Office of Development:

Cash, Checks, Credit Cards and Other Monetary Gifts - The written acknowledgment must include the donor's name, the date of the contribution, and the amount of the contribution.

Gifts of Property - The written acknowledgment must include the donor's name, the date of the contribution, and a description of the property donated but not the value of the property. The value claimed by the donor for tax purposes is the donor's responsibility.

Gifts of Publicly Traded Securities - The written acknowledgment must include the donor's name, the date of the contribution, and the number and type of securities or mutual funds donated. In addition, the acknowledgment should include the market value of the securities as of the date of the contribution.

Quid Pro Quo Donations - For monetary contributions exceeding $75, the written acknowledgment must include a good faith estimate of the FMV of any goods and services the donor in exchange for making the donation. The acknowledgment must also inform the donor that his or her deductible contribution is limited to the amount of the payment in excess of these benefits. This requirement also applies to items given to a donor that the University obtained at no cost or at a low or wholesale cost. In such cases, the retail value of the items should be used since the cost of obtaining the items would not reflect their actual value. If the goods or services given to a donor are generally not available commercially, their FMV may be determined by reference to reasonably comparable events offering similar goods or services. For example, the cost of a comparable meal at a nearby restaurant, the established admission charge for a concert performance, or the normal greens fees at the golf club hosting the fundraiser may be used to estimate the FMV. In estimating the FMV, any unique aspect associated with the University's event may be ignored such as the presence of a celebrity or the use of a gallery that displays works of art.

Under IRS regulations, some quid pro quo benefits with an insubstantial value do not have to be included in the acknowledgment given to the donor. These benefits, which must be provided in connection with a fund-raising campaign, include the following:

- Benefits with a FMV that does not exceed the lesser of 2% of the donation or $106, or
- For a contribution of at least $53, low cost articles bearing the University's name or logo (e.g., mugs, posters, tee shirts, etc.) with a total cost (not FMV) of not more than $10.60. The cost of all low cost items provided to the donor during the calendar year must be aggregated in determining whether the limit is exceeded.[1]

Although the value of an insubstantial benefit does not have to be included in the acknowledgement given to a donor, the IRS suggests that fund-raising materials include the following statement: "Under Internal Revenue Service guidelines the estimated value of [the benefits received] is not substantial; therefore, the full amount of your payment is a deductible contribution."

If a donation includes the right to purchases tickets for seating at an athletic event in exchange for the payment, the right to purchase the tickets is valued at 20% of the payment.

The IRS requires that websites and e-mail solicitations comply with the same rules that apply to direct mail and other solicitations. Web pages should contain the required disclosures as to the deductibility of donor contributions. Receipts and acknowledgments generated electronically should also contain the required disclosures for tax-deductible contributions, including quid pro quo contributions.

For additional information, see **IRS Publication 526, Charitable Contributions**. Questions regarding the IRS requirements for gift acknowledgements may also be referred to the Office of Internal Audit and Tax Compliance

[1] The dollar limits for determining whether a quid pro quo benefit is insubstantial are annually adjusted by the IRS for inflation. The limits included in this section are effective for calendar year 2016.

ACCEPTANCE OF PLEDGES

Pledges are promises to give cash or other assets to the University in the future. ABS will record pledges in accordance with Accounting Standards Codification (ASC) 958-605, Not-for-Profit Entities–Revenue Recognition.

Conditional Pledges

Conditional pledges are those where the donor imposes criteria such as fund-raising targets, which must be met before the pledge will be paid. Conditional pledges will be recognized as gift revenue only when the conditions are substantially met.

Unconditional Pledges
Unconditional pledges are those that do not include any criteria or limiting conditions. Unconditional pledges are recognized as gift revenue in the period in which the promise is made. A donor may restrict, or designate a specific use for his or her gift, as long as the designation is not overly restrictive and is consistent with the mission of the University. Whenever possible, a pledge should be made in writing and include the following information:

- Donor's full name,
- Full amount of the pledge,
- Payment schedule for the pledge,
- Pledge designation, and
- Donor signature and date.

The asset acceptance requirements that apply to outright gifts that may be accepted by the University also apply to pledges.

ACCEPTANCE OF DEFERRED GIFTS

Deferred or planned gifts are commitments to transfer cash or other assets to the University in the future. Planned gifts are often complex and involve a significant administrative commitment on the part of the University. In order to ensure that a deferred gift is in the best interest of both the University and the donor, the University will evaluate the factors set forth in this section. Accordingly, the following procedures should be followed in reviewing such gifts and determining whether they should be accepted by the University.

Bequest Intentions
Before a bequest intention will be accepted, the donor's charitable intent must be evaluated and the University's ability to meet that intent. In addition, the donor's financial position, relationship with the University, and family circumstances will be reviewed to ensure that the bequest is appropriate.

Rarely will the University act as executor for a donor's estate or as trustee for a donor's trust, as assuming this role 1) creates a conflict of interest between the rights of individual beneficiaries and the University and 2) creates additional decision making responsibilities for which the University may not be equipped to manage.

The University will review any exceptions on a case-by-case basis as detailed in this Policy. See **Authorization**.

Pooled Income Fund
Only cash gifts that are irrevocable may be accepted for investment in the Pooled Income Fund. The minimum initial gift amount is $5,000. Subsequent contributions to the Fund must be for at least $1,000. Donors and beneficiaries should be at least 55 years old.

Each donor investing in the Fund receives units commensurate with the amount of his or her contribution and a proportionate share of the future earnings, which are distributed on a quarterly basis. Upon the death of the income beneficiary, the units attributable to the gift are withdrawn from the Fund and distributed to the University.

Charitable Gift Annuity
A charitable gift annuity (CGA) is a contract between a donor and the University in which the donor irrevocably transfers cash or securities to the University under an agreement where the University will pay an annuity to no more than two beneficiaries for life. Upon the death of the last beneficiary, the University receives the residuum (i.e., residual) of the annuity account. The following requirements apply to the acceptance of a CGA:

- Income beneficiaries must be at least 65 years old at the time the annuity payments begin.
- The minimum gift amount is $20,000 in cash or highly liquid securities. If the donor wishers to create a Testamentary Gift Annuity, the minimum gift amount is $50,000. Exceptions to accept other assets will be considered on a case-by-case basis by the Vice President for Development and the Vice President for Business and Finance, or their designees.
- The assets of the CGA Fund will be segregated from other assets of the University.
- Annuity payments can be immediate or deferred. Interest rates recommended by the University, but not required, are the Uniform Gift Annuity Rates established by the **American Council on Gift Annuities**, which have been adopted by the State of California.
- Annuity payments for a Testamentary gift annuity must be deferred at least one year from the donor's date of death.
- Annuity payments generally will be made on a quarterly or annual basis. Payments will be distributed electronically by the University's CGA Administrator.
- The residual interest will be considered an unrestricted gift to the University unless a restriction has been made in writing. Donors may restrict the use of the remainder as long as the designation is not overly restrictive. CGA remainder interests may not be designated for a new endowment unless the residual interest is likely to be large enough to meet the minimum endowment size requirement, generally $50,000 for a scholarship.
- The Office of Development will urge all prospective donors to seek their own tax and legal advice in reviewing the state and federal tax consequences of their gift, the terms of any trust or other agreements, and the advisability of the gift in light of the donor's overall estate plan, financial circumstances, and personal well-being.
- Office of Development staff and volunteers shall not give tax or legal advice to prospective donors.
- The Office of Development will provide a disclosure form to the prospective donor, explaining the terms of the annuity.

The Office of Development will request advice from ABS on all CGA contracts before finalizing the agreements with prospective donors. No agreements binding the University may be executed without the prior approval of the Vice President for Development and the Vice President for Business and Finance, or their designees

Charitable Remainder and Lead Trusts
The University accepts both charitable remainder trusts (CRTs) and charitable lead trusts (CLTs) as deferred gifts, in accordance with the procedures contained in this Policy.

Under a CRT, a donor irrevocably transfers assets to the trust with distribution of income going to the beneficiaries for a specified term. At the end of the term, the assets remaining in the trust are transferred to the University. Under IRS regulations, a CRT accepted by the University must be for the lifetimes of the income beneficiaries or for a specific period of time not to exceed twenty (20) years.

There are two basic forms of CRTs accepted by the University: a charitable remainder annuity trust (CRAT) and a charitable remainder unitrust (CRUT). While a CRAT generally takes one basic form, there are four versions of CRUTs, which are accepted by the University:

- Straight Unitrust,

- Net Income Unitrust,
- Net Income Unitrust with Make-up Provision, and
- Net Income Unitrust with Flip Provision.

A CLT involves the irrevocable transfer of assets to the trust with distribution of income to the University for a fixed period of years, after which the assets revert to the donor or to another party designated by the donor (the IRS rule limiting the maximum term of a CRT to 20 years does not apply to a CLT). There are two primary forms of CLTs that are accepted by the University:

- Charitable Lead Annuity Trust, and
- Charitable Lead Unitrust.

Gifts of cash and/or appreciated securities will be accepted for any type of trust. Gifts of real estate or other illiquid assets may be accepted only for one of the net income unitrusts and are subject to the acceptance requirements described above.

For a brief description of the CRTs and CLTs accepted by the University, see **Definitions**.

The creation of a CRT or CLT typically involves the appointment of a trustee or co-trustee to administer the trust. The University may act as a trustee or not in accordance with the following requirements:

University as Trustee - The University may act as a trustee or co-trustee of a CRT or CLT if approved in advance by the Vice President for Development and the Vice President for Business and Finance, or their designees. These gifts are subject to the following requirements:

- The University may serve as the trustee of a trust which names more than one qualified charitable organization as a remainder beneficiary, provided that the University has at least a 51% interest in the trust and the present value of the University's interest in the trust is at least $100,000. As trustee, the University will allocate to each beneficiary his or her share of the income and expenses generated by the trust.
- The University may require that the author of a trust document, who also serves as the donor's counsel, certify in writing that the document qualifies as a CRT or CLT, as appropriate.
- When named as a trustee or co-trustee, the University reserves the right to retain, for a reasonable fee, an outside professional such as a trust administrator, investment advisor, broker, accountant, or custodian to assist in the management of the trust. The University also reserves the right to perform any investment or administrative functions itself when it is determined that such an arrangement would serve the best interests of the donor and the University
- The University will charge no fee for acting as a trustee; however, University and third-party expenses incurred in the management and administration of the trust will be reimbursed by the trust.

University Not the Trustee - In instances where the University is not a trustee or co-trustee of a trust but has been named as a charitable beneficiary, ABS will request that the trustee provide the University with a copy of the trust agreement and an annual accounting of the trust's performance for the period ending May 31.

Real Property with Retention of a Life Estate
A donor may irrevocably give a primary or secondary personal residence or income property to the University but reserve a life estate, i.e., the right to use the property for the balance of the donor's lifetime or for a specified term of years. When the donor dies or the term expires, the University takes full possession of the property. The cost of maintenance, taxes, insurance, and similar expenses are the responsibility of the donor/life tenant. Office of Development staff will obtain a signed agreement from the prospective donor to

that effect.

The acceptance of gifts under this category requires approval by the Vice President for Development and the Vice President for Business and Finance, or their designees.

DONATIONS OF SERVICES

Although the University welcomes contributions of volunteer time and services, the value of these contributions is not deductible under IRS regulations. However, unreimbursed out-of-pocket expenses (e.g., travel expenses) incurred by a volunteer in connection with a gratuitous service performed on behalf of the University may be deductible.

If a gift includes both property and service components, only the contributed property would be deductible. For example, a caterer may donate a meal service in connection with a University event. In this example, the cost of all food ingredients would be deductible but not the cost of labor incurred by the caterer in preparing and serving the meals.

DONATIONS EARMARKED FOR INDIVIDUALS

Donations made to the University that are earmarked for specific individuals are not deductible and do not qualify as charitable contributions. Examples of earmarked donations include payments for:

- Tuition and fees benefiting specific students,
- Travel and living expenses for individual students making an immersion trip, and
- Medical expenses for a particular person or family.

In order for a donation to be deductible, it must be intended for the benefit of the University and not a specific individual. In addition, the University must have full control over the contribution and complete discretion as to its use. See **IRS Publication 526, Charitable Contributions**.

PASS THROUGH DONATIONS

In general, the University will not accept donations on behalf of another non-profit organization. A request to accept such pass through donations as an exception to this Policy requires advance written approval by both the Vice President for Development and the Vice President for Business and Finance, or their designees. See **Authorization**.

If an exception is approved to accept pass through donations, the donations must be properly acknowledged by either the Office of Development or the recipient organization. In addition, the recipient organization must be an organization that is qualified to receive tax-deductible contributions, including an IRC section 501(c)(3) organization; a federal, state, or local governmental entity; certain foreign charities, etc. See **IRS Publication 526, Charitable Contributions**.

TAX REPORTING

Under IRS regulations, a charitable organizations has a reporting obligation with respect to certain noncash contributions received by the organization. These reporting requirements are summarized as follows:

IRS Form 8283
In general, a donor is required to file a Form 8283, Noncash Charitable Contributions, if the amount of the donor's deduction for all noncash gifts is more than $500 for the year. For C corporations, the Form 8283 filing threshold, with certain exceptions, is $5,000 instead of $500. As part of the filing process, the donor is required to complete the form in accordance with IRS instructions and submit it to the University, which must complete Part IV of the form acknowledging the donation. See **Instructions for Form 8283**.

IRS Form 8282
If the University received noncash gifts for which it signed a Form 8283 and within three (3) years of the date of donation sells, exchanges, consumes, or otherwise disposes of the property, it must file a **Form 8282, Donee Information Return**. The University is not required to file the return, however, if it meets one of two exceptions:

- **Property Valued at $500 or Less** – The University is not required to file a Form 8282 if the value of the specific item of property listed on the Form 8283 was not more than $500. If the Form 8283 contains more than one item, this exception applies only to those items that are clearly identified as having a value of $500 or less.

- **Property Consumed for Charitable Purposes** – A Form 8282 does not need to be filed if the donated property was consumed or distributed in furtherance of the University's tax-exempt purpose of instruction, research, or public service.

If the University disposes of donated property within the 3-years period and it does not meet one of the two exceptions, the Form 8282 must be filed with the IRS within 125 days after the date of disposition. A copy of the form must also be provided to the donor. See **Instructions for Form 8282**.

Review of Forms 8283 and 8282
All required filings of the Forms 8283 and 8282 are reviewed and signed by the Director of Internal Audit and Tax Compliance, or his or her designee.

VIOLATIONS

Intentional violations of any portion of this Policy may result in disciplinary action, up to and including termination of employment and/or legal action.
