HOWARD UNIVERSITY POLICY

Policy Number:	800-001
Policy Title:	GIFT ACCEPTANCE AND ADMINISTRATION
Responsible Officer:	Vice President for Development and Alumni Relations
Responsible Office:	Office of the Vice President for Development and Alumni Relations
Effective Date:	December 14, 2011

I. POLICY STATEMENT

To ensure the responsible stewardship of philanthropic gifts made to Howard University ("the University") and safeguard the Howard University brand, it is the University's policy to accept and administer philanthropic gifts according to fundraising industry standards, best practices and ethical guidelines, and in compliance with IRS and other pertinent regulations.

Gifts to the University may be for general purposes (unrestricted use) or for the specific use (restricted use) of a designated school, department, institute or agency of Howard University. Gifts may be designated for a wide range of purposes such as scholarships, research, professorships and chairs, the library, or University-approved building funds. Furthermore, gifts may be made for current or deferred use, for general or special purpose endowment funds, or planned gifts which have Howard University named as owner or beneficiary.

This policy governs the acceptance and administration of all philanthropic gifts made to Howard University, and provides guidance on the complex gifts that are for restricted purposes and/or are non-cash transactions. It establishes acceptance and administration policy for gifts that are voluntarily and gratuitously made to the University and managed by the Division of Development and Alumni Relations (DAR). It does not govern the acceptance and administration of grants managed by the Office of Research Administration Services (RAS).

II. RATIONALE

Gift revenue administration includes rigorous financial IRS guidelines and state-by-state solicitation compliance issues, which require that data be compiled and reported regularly, i.e., audited financial statements, IRS Form 990, state charitable registration filings, IRS Publication 526, and so forth. Non-compliance directly affects the University's ability to raise, receive, administer and steward gift revenue; past issues have negatively impacted University audit performance, bond/credit rating and academic accreditation.

This policy is predicated on best practices and current industry standards on the acceptance of cash, non-cash, planned gifts, and fundraising event gifts, as well as matters relating to gift revenue administration and the stewardship of gifts. It supports and drives the University's enhanced business processes developed as a result of the implementation of new technologies and mandated improvements in the recording and management of gift revenue within the University.

This policy, and the business practices associated with it, will positively impact the University's gift revenue sequence, financial and IRS reporting, and aid in boosting donor and alumni confidence through enhanced gift administration and reporting. It will provide greater transparency for the University's development practices and will enable gift agents to create and sustain positive relationships with donors, while protecting and maintaining the values, mission and goals of Howard University.

The Division of Development and Alumni Relations (DAR) has the delegated authority to provide fundraising support for and assistance to all constituent units in the University, and foster a culture of giving at Howard University. All University units and departments receiving gift funds must use them according to donor intent and work with appropriate DAR offices to submit timely reports as outlined in the *Gift Agreement* or terms of the gift.

Funds received by deans, directors or other gift agents, departments, programs or other entity directly from the donor, must be deposited through DAR Advancement Services. Under no circumstances can philanthropic funds be deposited directly into University accounts by-passing DAR**.**

Adherence to the comprehensive and coordinated gift acceptance and administration policies, as set forth in this policy, will encourage stronger, more collaborative relationships among internal and external stakeholders and will significantly enhance the University's overall operations and fundraising capacity.

III. ENTITIES AFFECTED BY THIS POLICY

This is a University-wide policy and is applicable to all University gift agents. For the purpose of this policy, a gift agent is defined as any officer, employee or representative of Howard University and any affiliated organization with responsibilities, both directly or indirectly, related to gift solicitation, acceptance or administration.

Key stakeholders of this policy include the: Board of Trustees; Office of the President; Division of Development and Alumni Relations; Office of the Provost/Chief Academic Officer; Office of the Senior Vice for Health Sciences; Deans and Directors; Office of the Senior Vice President and Chief Financial Officer, Finance, Risk and Controls, Controller, and Asset Management; Office of the General Counsel, Intellectual Property Committee; Office of the Executive Vice President and Chief Operations Officer, Capital Asset Management, Real Estate Development and Asset Management; and donors, alumni and friends of the University.

IV. DEFINITIONS

This list is ordered according to the appearance of a term in the document.

Gifts - irrevocable donations of money or property from a donor that may be earmarked for a specific purpose. With gifts, donors do not have specific control over University expenditures or work performed, and there should be no donor expectation of anything of significant value in return. Gifts may come from non-governmental sources or the private-sector, but government funds cannot be treated as gifts.

- A gift is either for restricted or unrestricted purposes. An unrestricted gift may be spent at the discretion of the university and is not limited to specific purposes, objectives, programs, or organizational units. A gift is considered unrestricted if the donor does not specify how the funds are to be used. A restricted gift is earmarked for a specific purpose, objective, program, or organizational unit, but the donor still does not have control over expenditures or over the work performed.

- Gift funds may be used to meet the cost sharing commitment on a sponsored project (grant) if the purpose of the gift so allows. As long as the general interest of the donor is met, the funds may be spent at the discretion of the university. Although gifts are not based on performance, they do come with terms and conditions.
- Gifts to Howard University are centrally coordinated and managed by the Division of Development and Alumni Relations (DAR).

Gift Agreements - written agreements between the University and donors to outline the purpose of gifts, stipulate the terms and use of gifts, and establish a schedule of contributions towards the gift fund, if needed.

Grants - donations of money or property from a donor in exchange for specific services such as, but not limited to, research, development, or service projects. Grants may come from a governmental, quasi-governmental entity, or the private-sector, including individuals. A grant may include funding for indirect costs or overhead including funds for facilities and administration. Although grants do not typically seek specific research outcomes, they do come with terms and conditions.

- Grants differ from “restricted gifts”. Unlike a “restricted gift”, a grant supports a program (or research) wherein value and ownership of the final outcome is shared with the donor.
- Increasingly, private funding sources use the term “grant” for transactions that should be considered gift revenue. If a “grant” supports a program with no other requirement than an annual report on activities within a specific timeframe, it is gift revenue that should be managed by Development and Alumni Relations (even when research is being supported).
- Grants to Howard University are centrally coordinated and managed by the Office of Research Administration Services (RAS).

Gift Agents - officers, employees or representatives of Howard University and any affiliated organizations with responsibilities (directly or indirectly) related to gift solicitation, acceptance, or administration.

Letters of Agreement (LOAs) - documents similar to *Gift Agreement*s, which outline an agreement for gifts with simple restrictions and /or administrative processes that fall beneath minimum threshold amounts for named funds and initiatives.

Letters of Intent (LOIs) - documents outlining an agreement between two or more parties before the agreement is finalized. LOIs resemble written contracts, but are usually not binding on the parties in their entirety. Many LOIs, however, contain provisions that are binding, such as non-disclosure agreements, a covenant to negotiate in good faith, or a "stand-still" or "no-shop" provision promising exclusive rights to negotiate.

Pledges - written, signed, and dated promises to fulfill a commitment at some future time; specifically, a financial promise payable according to terms set by the donor in a *Gift Agreement*. Such pledges may be legally enforceable, and subject to state law.

Cy Pres - a legal term derived from French, which means "as close as possible." When a gift is made to Howard and the named recipient of the gift does not exist, has dissolved, or no longer conducts the activity for which the gift was made, the estate or trustee must designate the gift to the program, unit, or fund at the University that comes closest to fulfilling the purpose of the gift. *Cy Pres* language in a *Gift Agreement* permits the University to alter the use of the gift in a manner that adheres to donor intent and is acceptable to the donor if, sometime in the future, the original purpose of the gift becomes difficult or impossible to carry out.

Gifts-in-kind (In-kind Gifts) - gifts of anything (good or service) other than money. Gifts-in-kind, for the purpose of this policy, can refer to:

- Agricultural Commodities, which are timber or raised livestock and crops.
- Hard Commodities, which are natural resources of value such as working oil wells, partial interests in gas fields, coal mines, iron ore, gold, and silver.
- Tangible Personal Property, which includes, but is not limited to, works of art, jewelry, manuscripts, literary works, boats, motor vehicles, and computer hardware.
- Intangible Personal Property which is property, other than real property, whose value stems from intangible elements rather than physical or tangible elements. Examples of intangible personal property include stock options, patents, copyrights, and licenses.
- Intellectual Property which is property which can be tangible or intangible property, and is generally a creation of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce.

Quid Pro Gifts/Premiums – according to the IRS, when a donor expects to receive something for making a gift, the donor makes a quid pro quo contribution. For example, a fundraiser where a portion of a donation goes towards dinner is a quid pro quo contribution and the dinner, which is the good or service that the donor expects to receive, is the premium. Part or all of the contribution may not be deductible. This type of fundraising is subject to special IRS regulations under section 170(f) (8) and section 61115.

Current Use Funds - restricted support that can be immediately used for scholarships, fellowships, student financial aid, and other program support.

Endowed Funds - restricted support in which the original principal is never invaded and the gift exists in perpetuity for scholarships, fellowships, student financial aid, and other program support. Income is distributed annually pursuant to the University's spending policies.

Scholarships - monetary awards for financial support that do not need to be repaid by the recipient. Primarily, scholarships tend to be given to undergraduate students for the purpose of general education expenses. Scholarships are usually for generalized study. There are different types of scholarships available to students at Howard, such as merit-based scholarships, need-based scholarships, student-specific scholarships and career-specific scholarships.

Fellowships - monetary awards connected to working in a specific field, usually at the graduate or post-graduate level. Most fellowships are not based on need. They are usually based on skill, GPA, and qualifications to work in a certain field. Fellowships are available for research, graduate school, international study, internships and in some cases, the completion of undergraduate studies.

Named University Loan Funds - current use or endowed loan funds from which emergency, short-term, or longer-term loans can be granted to full-time students.

Endowed Chairs or Endowed Professorships - positions permanently paid for with the revenue from an endowment fund specifically set up for that purpose. Typically, the position is designated to be in a specific department. Endowed professorships aid the university by providing a faculty member who does not have to be paid entirely out of the department's operating budget, allowing the university to either reduce its student-to-faculty ratio, and/or direct money that would otherwise have been spent on salaries toward other university needs.

In addition, holding such a professorship is considered to be an honor in the academic world, and the university can use them to reward its best faculty or to recruit top professors from other institutions.

Distinguished Professorships - endowed financial awards established to support the research and teaching of outstanding faculty at the university. These awards aid in recruiting and recognizing professors who have made a significant impact upon their field through scholarship, creativity, and leadership.

Visiting Professorships - endowed financial awards that make it possible to bring prominent individuals to teach at the University for one semester or academic year. These awards serve to strengthen the internationalization of the educational experience for scholars and students by welcoming educators from abroad to Howard University.

Endowed Lectureships - endowed financial awards that provide support for the living and travel expenses of world-class and cutting-edge scholars that are invited to campus to give seminars and lectures. These events enrich the academic environment of the institution, and allow the visiting scholar to have an opportunity to experience the rich cultural and academic environment of Howard University.

Phase I Environmental Audits - real property (real estate) audits that meet criteria specified by the American Society for Testing and Materials. These audits are required when a donor wishes to make a real property gift, and they must be performed by an environmental consultant. The auditor, who will review a wide variety of available information about the site and the operations that have been conducted on it, will also perform a non-intrusive physical inspection of the site and the current operations.

Valuation - the value placed on the property gift for University gift crediting purposes.

Fair Market Value (FMV) – defined by the IRS as "the price a willing, knowledgeable buyer would pay a willing, knowledgeable seller when neither has to buy or sell".

Closely Held Securities - gifts of non-publicly traded assets. Many gifts of closely held securities (closely held stock) represent gifts from private or family-owned businesses.

Bequests - acts of giving property by will.

Trusts - financial arrangements between three parties whereby property (real or personal, tangible or intangible) is transferred by one party to be held by another party for the benefit of a third party.

Charitable Lead Trusts - trusts that allow Howard to receive income from a donor's assets for a specified time, after which time the donor regains control of the assets.

Charitable Remainder Trusts (CRT) - types of trusts where the donor retains legal rights to income from the trust. The donor may give the right to another person, such as a child and designate that income lasts for the recipient's lifetime, or for a period of years not to exceed 20. With some CRTs, growth may be accumulated and paid out in later years as income. When the income recipient dies or the period of years has passed, the trust remainder passes to Howard University.

Charitable Remaindermen - a legal term for the individual or organization who receives the trust principal after the income interest has been satisfied.

Charitable Remainder Annuity Trusts - trusts that pay a *fixed dollar amount* of the trust's fair market value to the income recipient as it is revalued each fiscal year. If trust investments are greater or less than planned, the trust's charitable remaindermen benefits or suffers accordingly.

Charitable Remainder Unitrusts - trusts that pay *a fixed percentage* of the trust's fair market value (5 percent, for example) to the income recipient as it is revalued each fiscal year.

Gift Annuities - gift contracts, not a "trust", under which the University, in return for a transfer of cash, marketable securities or other assets, agrees to pay a fixed amount of money to the donor and possibly a secondary beneficiary.

Fundraising Events - events that are conducted for the sole or primary purpose of raising funds for the university's exempt activities that relate to its mission.

V. POLICY PROCEDURES

A. Gift Acceptance Philosophies and General Guidelines

B. Acceptance Standards

C. Gift Acceptance – Cash Gifts

- **i.** Current Use Funds
- **ii.** Endowed Funds
- **iii.** Facilities and Named Gifts

D. Gift Acceptance – Non-Cash Gifts

- **i.** Real Property
- **ii.** Gifts-in-Kind *(Tangible/Intangible Personal Property and Intellectual Property)*
- **iii.** Publicly Traded Securities
- **iv.** Closely Held Securities
- **v.** Other Gifts of Restricted, Illiquid, Private Securities and Alternative Assets

E. Gift Acceptance – Planned Gifts

F. Gift Acceptance – Fundraising Events

G. Gift Agreements and Contract Signature Authority

H. Administration and Stewardship

A. GIFT ACCEPTANCE PHILOSOPHIES AND GENERAL GUIDELINES

The criteria for gift acceptance focus primarily on the gift's immediate usefulness or its liquidity. Ideally, a proposed gift should be useful to the University in the short-term or be easily converted to cash. Barring any extenuating circumstances, University offices are required to deliver gifts and the appropriate accompanying documentation to DAR's Advancement Services Office within two (2) business days from when the gift arrives at the University office. Gifts that have been formally accepted and received with all appropriate supporting documentation by DAR's Advancement Services Office will be deposited within two (2) business days of receipt.

The University reserves the right to decline gifts that are determined as not be in the best interest of the University; made for purposes that are inconsistent with its educational mission; have restrictions that violate the University's ethical standards; or require, or may result in, illegal discrimination.

Because restricted and planned gift arrangements may obligate the University into the future, adherence to this policy protects the:

- welfare and brand of Howard University;
- representatives and administrators charged with the management of philanthropic gifts, from acceptance through administration.

Philosophy on Donors

Donors and alumni support form a critical component of the University's ability to fulfill its mission and vision. The University cares about its supporters as individuals, values their contributions, and counts on them not just for financial support, but as true advocates of the University.

Prior to completing all restricted and planned gift arrangements, the University encourages donors to consult with their personal advisors, accountants, certified estate or financial planners, attorneys and/or investment brokers.

Philosophy on Ethical Fundraising

The University's fundraising policies and practices, which are managed by the Division of Development and Alumni Relations, will adhere to the fundraising industry standards and ethical guidelines as outlined in the Association of Fundraising Professionals (AFP) Code of Ethical Principles and Standards, the Council for the Advancement & Support of Education (CASE) Ethics Statement and Donor Bill of Rights, and the Association of Professional Researchers for Advancement (APRA) Ethics Statement, where appropriate.

General Gift Acceptance Guidelines

1. Gift acceptance and administration shall be subject to reserved and delegated authority as articulated in the By-Laws of the Howard University Board of Trustees.
2. All fundraising programs shall be conducted in a manner that does not conflict with academic or administrative policy and protects the interests of Howard University. Concurrently, the interests of each donor shall be protected, and the University shall not knowingly enter any arrangement which would jeopardize the donor's interest or contradict the donor's intent.
3. Safeguarding donor data and confidential information provided to the University is good stewardship. Best practices in donor privacy shall be upheld.
4. Gifts currently accepted by authorized University gift agents and explanatory details regarding their administration, are listed within this policy and in other referenced policies and procedures. Limitations, restrictions, and minimum amounts are included, where appropriate, in the explanation of the particular gift vehicle. Such guidelines have been established based upon current University resources and needs, and current economic conditions, and do not account for specific circumstances which may justify deviation through approval of the University's Gift Acceptance Committee.
5. A Gift Acceptance Committee (GAC) shall be established and convened to evaluate proposed gifts that do not clearly fall within general gift acceptance guidelines, but merit consideration and further clarification. The DAR Vice President shall determine which gifts warrant GAC review and the composition

of GAC membership in each particular case, except as related to certain assets which, as noted herein, shall be subject to GAC review as a matter of policy.

6. In accordance with the *Philanthropy Protection Act of 1995*, all development officers of the Division of Development and Alumni Relations are salaried employees, and shall not receive commissions or any incentive of personal benefit in any gift arrangement. The University's development officers are expected to: 1) explain to prospective donors the range of giving opportunities related to their programs; and 2) describe to donors the methods of giving that may be available.

7. The DAR Vice President and by extension DAR staff members shall, to the extent appropriate and legal, provide prospective donors with information regarding the benefits and limitations of proposed gifts. All such disclosures shall be in compliance with University policies, and with the *Philanthropy Protection Act of 1995*. As representatives of the University, development officers, faculty, administrative, and academic officers shall not be authorized to offer legal or financial advice to donors on possible gift scenarios, nor send a formal *Gift Agreement* to a donor that has not been properly vetted according to the procedures in this policy.

8. Prior to making a major and/or planned gift, the University encourages donors to discuss their major or planned gift intentions with their personal legal and/or financial advisors. Similarly, the University may seek legal counsel to review and comment on specific proposed gift arrangements. For example, the University's counsel may provide advice and legal representation concerning the University's interest in estates in probate, in the establishment of charitable trusts, acquisition and sale of real property, and in issues related to the distributions from trusts.

9. Prior to completing major and/or planned gift arrangements, development officers shall provide donors initially with a *Letter of Intent*. In situations where the purpose of the gift will fund an endowment or other restricted fund and, after going through the formal gift acceptance process and both the University and donor conclude that it is in the best interests of the donor and the University, the officer shall draft a *Gift Agreement* characterizing the purpose and designation of the gift. This draft must be reviewed and approved by the DAR Vice President before sending a formal copy to the donor for signature. The donor and appropriate University representatives will sign this document and copies will be given to the donor and placed on file at the University.

10. When the donor's gift is to be used to create an endowed fund for a particular purpose, the development officer should suggest the inclusion of *Cy Pres* language in the *Gift Agreement*.

11. All University employees engaged in development activities are bound in confidence to withhold all information obtained from or about donors or prospects. Occasionally, and solely for official University business, offices such as the Internal Audit office, the General Counsel's office, or Campus Security must have access to donor information for audit and investigative purposes. Information about a gift shall not be published without the prior approval of the donor and where relevant, the donor's representative.

12. The Office of Advancement Services, which is charged with recording and reporting gifts to the University, shall be guided by the standards of accounting and reporting established by the Council for Advancement and Support of

Education (CASE), as printed in the "CASE Reporting Standards & Management Guidelines for Educational Fundraising".

13. The guidelines herein contained shall be subject to periodic review, and may be amended as necessary. Such review and amendments shall be initiated at the discretion of the DAR Vice President or his or her designees, and final approval of such amendments shall be obtained in accordance with 400-001 *Policy on Policies*.

B. ACCEPTANCE STANDARDS

Gift Acceptance Committee Review

The Gift Acceptance Committee (GAC) is responsible for reviewing gift proposals and resolving questions about proposed gifts that may contain complex restrictions or non-cash or financial transactions.

Membership shall be comprised of the DAR Vice President, Chief Financial Officer (CFO) or designee, Chief Operating Officer (COO) or designee, General Counsel or designee, and DAR directors of Planned Giving and Advancement Services. Other representatives whose interest and expertise will assist in evaluating specific gift arrangements may also be involved, for example a representative from the Office of Real Estate Development and Asset Management, or the dean who will administer a scholarship.

Under most conditions, Howard University **WILL** accept:

1. <u>Unrestricted Gifts</u> - all gifts shall be classified as unrestricted, unless the donor has expressly specified in writing indicating one or more restrictions on the use of the gift.

2. <u>Multi-year Gifts/Pledges</u> - major gifts of liquid assets that involve multi-year pledges are acceptable; however, they must have a payment schedule attached to the finalized *Gift Agreement*.

3. <u>Gifts of Liquid Assets</u> - cash, checks, listed securities and similar gifts can be accepted routinely, if the gift aligns with the University's mission. Gifts of other kinds of property that may pose problems are subject to review/approval of the GAC if they will increase the University's costs or engage the institution in activities that are unrelated to its primary mission.

4. <u>Gifts of Non-liquid Assets</u> - major gifts of real estate, tangible personal property or other non-liquid assets (such as planned gifts) are carefully examined by the University prior to acceptance. Gifts that are determined to be immediately useful are generally accepted; however, this is subject to the approval of the GAC. (Valuations are discussed in the Non-cash Gift section).

5. <u>In-kind Gifts/Gifts of Tangible Personal Property</u> - gifts of jewelry, artwork, collections, equipment, and technology shall be accepted on a case-by-case basis. In-kind gifts and gifts of tangible personal property should have a use related to the University's mission. Acceptance of these gifts can only occur after the materials to be donated are approved by the appropriate division head/dean, CFO, VP for DAR, and as needed, the General Counsel's Office. The GAC may also be retained to review such gift proposals prior to acceptance.

6. <u>Quid Pro Quo</u> - quid pro quo contributions, where donors expect and receive a good or service in return for a donation, are accepted but must conform to specific IRS

requirements. Consult the appropriate representative in the Division of Development and Alumni Relations for more information in structuring quid pro quo contributions to support fundraisers and sponsored events.

Under most conditions, Howard University **WILL NOT** accept:

1. <u>Gifts with restrictions</u> which permit the donor to designate an individual recipient—or relative of the donor—as a recipient.
2. <u>Gifts with restrictions related to the future employment of the recipient</u>, except where such restriction is consistent with the purpose of the establishment of the award and does not directly benefit the donor.
3. <u>Terms of gifts that are discriminatory</u> on the basis of race, color, religion, creed, gender, citizenship, sexual orientation, age, disability, or national origin. Please note, the University can accept gender restricted gift instruments ("pursuant to domestic or foreign wills, trusts, bequests, or similar legal instruments or by acts of a foreign government"). However, it <u>cannot</u> consider gender as a factor in the administration of scholarships gifts because this would be in violation of Title IX.
4. <u>Gifts with restrictions by the donor regarding conditions or terms of repayment</u> (including interest) of loans to students from the donated funds or their proceeds.
5. <u>Gifts with restrictions by the donor to direct investment</u> of the fund.
6. <u>Gifts of Non-liquid Assets that are NOT determined to be immediately useful are generally not accepted</u>; however, this is subject to the review of the GAC. Prior to acceptance, all major gifts of real estate, tangible personal property or other non-liquid assets must be carefully examined by University leadership and/or the GAC. (Valuations are discussed in the Non-cash Gift section).
7. <u>In-kind gifts and gifts of tangible personal property which do NOT have a use related to the University's mission</u> are generally not accepted. Gifts of jewelry, artwork, collections, equipment, and software shall be accepted on a case-by-case basis. Acceptance of these gifts can only occur after the materials to be donated are approved by the appropriate division head/dean, CFO, VP for DAR, and as needed, the General Counsel's Office. The GAC may also be retained to review gift proposals prior to acceptance of these gifts.
8. Real Property/Non-Cash Gifts of time shares and ground rents.
9. Real Property/Non-Cash Gifts of burial lots. However, on a case-by-case basis and only in extraordinary circumstances, the University may accept real property gifts containing burial grounds.

This list is intended to be illustrative and not all-inclusive. The DAR Vice President, CFO, General Counsel, or GAC should be consulted prior to acceptance of complex gifts.

C. <u>GIFT ACCEPTANCE – CASH GIFTS</u>

i. ***CURRENT USE FUNDS***

Minimum level - **<u>$5,000</u>**

<u>Exempt</u> - HUAA and affiliated clubs have a minimum level of **<u>$1,000</u>** and are permitted no more than 2 accounts, one operating account and one scholarship account.

a) Gifts must be consistent with the mission and programs of the University and must be approved or accepted by the DAR Vice President, and where appropriate, the Director of the Office of Financial Aid, or dean/director of the school/college/center that will administer the scholarship or program.

b) For gifts with complex restrictions/criteria/funding requirements, and for gifts over $25,000, the GAC must review the gift proposal before formal acceptance (Refer to *Gift Agreement & Contracting Signature Authority* in this policy).

c) Restricted accounts must be established at/by the time a *Gift Agreement* is fully executed.

d) On a semi-annual basis the Chief Financial Officer and DAR Vice President will review restricted accounts to determine 1) if account balances have fallen below $100 for more than a year or 2) no funds have been awarded from the account for more than two years. If either is determined, fund administrators will be notified in writing that they must work with DAR staff and donors to amend or re-create the donor agreements, replenish the fund, or transfer balances to an appropriate fund within **90** days of notification. Should administrators and/or donors not respond within the designated time period, or the fund no longer has an administrator or donor, the University will transfer the fund's balance to the University's general scholarship fund.

ii. *ENDOWED FUNDS*

If an Endowed Fund is established with an Outright Gift the fair market value of the asset used must meet the minimum endowed level, or a *Gift Agreement* should be completed with the University in which the donor pledges to fund the endowed project over an agreed upon time frame.

If an Endowed Fund is established with a Planned Gift the fair market value of the gift must meet the minimum endowed level. Restricted accounts must be established at/by the time a *Gift Agreement* is fully executed.

General guidelines to establish an endowed fund with Outright Gifts or Planned Gifts:

a) It is assumed that endowed named gifts will be paid within a 3-5 year pledge period.

b) Restricted accounts must be established at/by the time the *Gift Agreement* is fully executed.

c) Endowed accounts that have not met the threshold according to the timetable designated by the *Gift Agreement* will be reviewed with the donor, the Chief Financial Officer and/or the DAR Vice President to determine if the fund will continue, be awarded as current use, or be incorporated into another fund which has a purpose most similar to donor intent.

d) At least 4.5% of the market value of an endowment fund, or as determined by the Board of Trustees, is available each year to support the purpose(s) of the fund.

e) Endowed gifts are into perpetuity. For gifts with complex restrictions/criteria/ funding requirements and for gifts over $**500,000**, the GAC must review the gift proposal before formal acceptance (Refer to Section V- Item G).

CRITERIA FOR ACCEPTANCE OF SPECIFIC ENDOWED FUNDS		
Type	**Minimum**	**Description**
Scholarships	**$10,000**	• Gifts must be consistent with the mission and programs of the University. They must be approved/ accepted by the DAR VP, the Director of the Office of Financial Aid, and where appropriate, the dean/director of the school/college/center that will administer the scholarship/program. • The aforementioned should also be consulted prior to establishing a scholarship fund, and must sign the Gift Agreement.
Fellowships	**$100,000**	• Gifts must be consistent with the mission and programs of the University. They must be approved/ accepted by DAR VP, the Director of the Office of Financial Aid, and where appropriate, dean/director of the school/college/center that will administer the scholarship/program. • The aforementioned should also be consulted prior to establishing the fund, and must sign the Gift Agreement.
Named Loan Funds **(Current-Use/ Endowed)**	**$50,000**	• Gifts must be consistent with the mission and programs of the University. They must be approved/ accepted must be approved by the VP of DAR, the dean/director of the school/college/program that the fund will support, the Office of Financial Services, and the CFO of the University. • The aforementioned should also be consulted prior to establishing the fund, and must sign the Gift Agreement.
Endowed Chairs	**$1.5 million**	• Gifts must be consistent with the mission and programs of the University. They must be approved/ accepted by the President, VP of DAR, the dean/director of the school/college/program where the chair will be established, and the CFO of the University. • The aforementioned should also be consulted prior to establishing the fund, and must sign the Gift Agreement.
Distinguished Professorships	**$500,000**	• Gifts must be consistent with the mission and programs of the University. They must be approved/accepted by the President, VP of DAR, the dean/director of the school/college/program where the chair will be established, and the CFO of the University. • The aforementioned should also be consulted prior to establishing the fund, and must sign the Gift Agreement.
Visiting Professorships	**$250,000**	• Gifts must be consistent with the mission and programs of the University. They must be approved/accepted by the President, VP of DAR, the dean/director of the school/college/program where the chair will be established, and the CFO of the University. • The aforementioned should also be consulted prior to establishing the fund, and must sign the Gift Agreement.

CRITERIA FOR ACCEPTANCE OF SPECIFIC ENDOWED FUNDS		
Type	**Minimum**	**Description**
Endowed Lectureships	**$100,000**	• Gifts must be consistent with the mission and programs of the University. They must be approved/accepted by the President, VP of DAR, the dean/director of the school/college/program where the chair will be established, and the CFO of the University. • The aforementioned should also be consulted prior to establishing the fund, and must sign the Gift Agreement.

iii. *FACILITIES AND NAMED GIFTS*

The Board of Trustees reserves authority to approve the naming of facilities and entities on Howard University's campuses and establishing the criteria for naming opportunities. The GAC shall review all proposals for named gifts, prior to executing a formal gift agreement with the donor.

a) The President, upon advice of the DAR Vice President, may make recommendations to the Board on the naming of a facility or entity based on philanthropic gifts.

b) The naming of buildings and exterior spaces must be approved by the President and the Board of Trustees.

c) Recommendations to name a program must be consistent with the mission of the University; must be approved by the dean or director of the school, college or program where the named gift will be established; and must be approved by the DAR Vice President and the Chief Financial Officer.

d) Any named facility or portion thereof will remain for the useful life of the structure at the University.

e) If changes are made to a named building or interior/exterior space, the University (in consultation with the Donor or the Donors' heirs, if possible) has the right to alter the name of the space to reflect these changes to the building.

Planned Expiration Clause on Named Gifts: DAR and GAC have the right to examine the naming options and pro forma budget for the gift portion of capital projects on a case-by-case basis, to determine if an expiration clause on naming is needed.

Named Gift Type	**Gift Level Establishment & Approvals**
Programs	• The named gift levels for schools, colleges, departments, centers, institutes and academic programs will be established on a case-by-case basis. • Generally, gift levels will be determined by the program's operating budget. • Recommendations to name a program must be consistent with the mission of the University; must be approved by the dean or director of the school, college or program where the named gift will be established; and must be approved by the DAR Vice President and Chief Financial Officer.

Named Gift Type	**Gift Level Establishment & Approvals**
Existing Buildings Or Interior Spaces	• The named gift levels for existing buildings will be established on a case-by-case basis and will factor in the building's location and utility. • Generally, gift levels must be at least 50% of the estimated cost of construction and general operating costs of the space. • The naming of buildings and exterior spaces must be approved by the President and the Board of Trustees.
New Buildings, New Interior Spaces, Renovations	• The named gift levels for new or renovated buildings will be established on a case-by-case basis and will factor in the building's location and utility. • Generally, gift levels must be at least 50% of the estimated cost of construction and general operating costs of the space. • Approval is the same as above.
Exterior Spaces	• The named gift levels for the naming level for external spaces such as entry ways or gardens will be established on a case-by-case basis and will factor in the location and utility of the space. • Approval is the same as above.
Technology-related Spaces	• The named gift levels for named rooms with technology will be established on a case-by-case basis and will factor in the location and utility of the space. • Term limits will apply for named rooms with technology (3-5 years), or as long as equipment and rooms using technology are operational. • Approval is the same as above.

D. GIFT ACCEPTANCE – NON-CASH GIFTS

i. *REAL PROPERTY*

a) The University will consider gifts of real property including single and multi-family residences, condominiums, apartment buildings, and other income-producing property, farms and ranches, and other real estate assets of value. The University will accept partial interests in such real estate, provided that such interests can be readily sold.

b) The University retains the right to refuse a gift during negotiations without incurring cost or liability. Possible exposure to environmental liability and possible challenges in marketing the property could be reasons for such a refusal to consider a gift.

c) When considering potential gifts of real estate, the University will consider all expenses it might incur, and will project likely net proceeds to come to the University, whether by way of an outright gift or a deferred gift.

d) The net value of the gift to the University – taking into account all appropriate expenses, discounted to present value, should project to at least **$10,000** for the University to consider the gift.

e) The general practice of the University is to sell all gifts of real estate as soon as possible. Any sale occurring within three years of the date of gift shall be reported as required by law.

Acceptable Real Property Gifts are:

- Outright gifts of real property
- Gifts subject to a retained life estate
- Gifts for a charitable remainder trust
- Gifts in exchange for a charitable gift annuity
- Bargain sale gifts, after assessing the expenses and risks associated with receiving a gift of property as compared to the value of the gift to the University.

General Guidelines for Real Property Gifts

The Director of Development (DoD) receiving the gift will work with the donor and the Office of the Chief Financial Officer to obtain all necessary information for review before a gift can be accepted. Once information is received, donors will be advised of the time frame, generally within 90 days, to expect for the review of a potential gift of real property and the University's decision on acceptance. The donor must submit a DAR "Real Property Checklist." The purpose of the checklist is to gather basic information about the property, surface possible environmental issues, and other issues that will allow the University to become aware of the possible costs of holding the property.

a) A representative of the University will visit the property, if possible, to assess potential risks before incurring the expenses associated with further consideration of the real estate gift.

b) University representatives will be especially interested to learn of any environmental problems or pending claims pertaining to the property or abutting properties. If the gift review process proceeds, donors must provide, at their own expense, a Phase I Environmental Assessment.

c) The University must secure documentation that the donor holds clear title to the property, e.g. deed, attorney's title opinion, insurance policy, or survey. Assuming these documents indicate the donor holds clear and marketable title, the University will generally obtain title insurance at the time the property is conveyed.

d) Donors must provide, at their expense, an independent and qualified appraisal for tax purposes. In some cases the University may want to obtain its own independent appraisal. Although a recent appraisal may be used for the purposes of gift acceptance, donors must be notified that they need to obtain a qualified appraisal within sixty (60) days prior to the date on the *Gift Agreement*.

e) In many cases, it will be important to gather a further assessment of the marketability of the property. This could be in the form of an independent appraisal commissioned by the University, or a marketing study from a local realtor or real estate consultant.

f) The existence of any and all mortgages, deeds of trust, restrictions, reservations, easements, mechanic liens and other limitations of record must be disclosed by the donor. No gift of real estate will be accepted until all mortgages, deeds of trust, liens and other encumbrances have been discharged, except in the case where it is determined that the net of the fair market value of the University's interest in the real property of all encumbrances is substantial.

g) The existence and amount of any carrying costs, including but not limited to property owners' association dues, country club membership dues and/or transfer charges, taxes and insurance, must be disclosed.

h) In many instances, especially when the University provides something of value, such as a gift annuity, charitable remainder trust, or bargain sale, in exchange for real estate, the University will approach the exchange as if it were paying cash for the property.

i) Donors will be asked to sign an *Environmental Indemnity Agreement*.

j) For gifts of property subject to a retained life estate, the University will require the donor to continue to maintain the property, pay real estate taxes and any association fees or assessments, pay for insurance on the property, utilities, and repairs. Responsibility for capital improvements may be apportioned between the donor and the University, based on the life of the improvement and the donor life expectancy at the time of the donation. A Memorandum of Understanding (MOU) will be signed by the University and the donor, and will cover these topics.

k) For gifts of property to fund a charitable remainder trust, the University may act as trustee. Mortgaged properties or properties subject to an obligation to be sold cannot be accepted as gifts of real estate to fund charitable remainder trusts, as the IRS looks upon the later situation as the donor having sold the property, resulting in negative tax consequences which the donor will incur.

l) For gift annuities, prospective donors will be encouraged to defer receipt of annuity payments at least one year, to assure liquidation of the property. In most cases, donors will be informed that the annuity rate offered will be discounted from the University's usual schedule of rates to take into account the risks and expenses associated with disposing of the property.

Appraisals

All appraisals of real and personal property contributed to the University shall be done in accordance with IRS Publication 561, *"Determining the Value of Donated Property."*

- A real property valuation must be prepared by a licensed appraiser who has been approved by "Members of the Appraisal Institute" (MAI).
- Expenses incurred to obtain an appraisal shall be the responsibility of the donor.

Consideration Process

The Ad Hoc Committee on Real Estate of the Board of Trustees oversees real estate gifts and serves as a resource to the President and the DAR Vice President in the consideration process of gifts of real property.

Proposals for gifts of real property, or a portion thereof, are reviewed by the GAC, in consultation with the Office of Real Estate Development and Asset Management (REDAM) and the Ad Hoc Committee on Real Estate. Formal acceptance and approval is executed by the President of the University, Chief Financial Officer and Chief Operating Officer.

Real property will be considered for acceptance ONLY after meeting the following qualifications:

1. Title will be transferred to the benefitting unit by general warranty deed unless transfer is by a trustee, personal representative, or other fiduciary that will provide a deed appropriate to its capacity.
2. The property must be appraised by a qualified appraiser.

   a) Property must appraise for a value equal to or in excess of **$10,000**.

b) The appraisal may not be made more than 60 days prior to the date of the contribution.

c) The appraisal must be for 100% of the property.

d) The University will NOT pay for the appraisal.

e) The appraisal must be made by an independent MAI-approved appraiser.

3. The property must pass a qualified Phase I Environmental Audit. No interest in real property, whether outright, in trust, by request, as a secured interest, or otherwise will be accepted without first complying with the following procedures:

   a) An environmental review, as described below, will be performed on every potential real property asset:

      - **Rural or Agricultural** - for real property located in a rural area, or an agricultural area, an Environmental Risk Assessment must be performed by an approved consultant.
      - **Industrial** - for real property located in a developed area where manufacturing or any class of industrial activity may have taken place, a Phase I audit must be performed by an approved consultant.
      - **Residential** - an Environmental Risk Assessment must be performed for residential real estate except where the real estate has been used exclusively for residential purposes for a significant period of time (at least 25 years). Any waiver of this will be reviewed and approved by the Gift Acceptance Committee.

   b) If the environmental review indicates areas of significant concern, an additional investigation, including a Phase I or Phase II audit, as recommended, will be performed by an approved consultant prior to acceptance of the real property.

   c) If the above procedures disclose risk of liability, the real property will only be accepted with the written approval of the Gift Acceptance Committee.

   d) All contracts for environmental audits will be prepared and reviewed by the Office of the General Counsel.

4. The property, if currently income producing, must be able to provide proof of the annual net income.
5. The property must have a clear title that is substantiated through a title search.

Real property will NOT be considered for acceptance if:

1. The gift of real property has no obvious charitable intent**.** If the proposed gift cannot be used by any department, institute, agency, school or program of the University, or cannot be sold within one year, the gift will be rejected.

2. The gift of real property requires that the University carry excessive costs and extensive liquidation expenses. Properties where the University must share a deed or will have a fractional interest with another entity will be carefully considered and may not be accepted.

   Special Circumstances in the Consideration Process

   Mortgaged Property
   The University rarely accepts mortgaged property and never accepts mortgaged property into a charitable remainder unitrust. However, when real property is

acquired subject to a mortgage, the mortgage will be current and assumable and will only be accepted following GAC approval.

Prior to its acceptance:

- a clearly established method for the payment of the debt will be determined;
- an MAI (defined previously) appraisal will be required; and
- not more than 50 percent (50%) loan-to-value ratio will be met.

Leases
When real property is acquired subject to a lease, leases must not be in default and will be assignable by the landlord. Commercial property acquired subject to a lease will only be accepted following Gift Acceptance Committee (GAC) approval. Following these approvals, the leases will be assigned and all deposits, advance rents, and other monies accounted for as required by law.

Special Deed Clauses
The GAC must approve any special deed clauses.

Unsolicited Deeds
Unsolicited deeds will not be accepted. Upon the receipt of unsolicited deeds, DAR staff will immediately notify the grantor in writing that the real property has not been accepted and will not be accepted until the requirements of this policy are met.

Approval/Acceptance Process for Real Property

1. The Office of Real Estate Development and Asset Management (REDAM) with the assistance of DAR, will use the "Real Property Checklist" to prepare a written summary of the gift proposal which shall include the following information: a) description of real property; b) the purpose of the gift (e.g., to fund an endowed chair, a deferred gift, an unrestricted gift) and the department(s), programs(s), or endowment(s) to benefit from the gift; c) an appraisal of the property; d) any potential for income and expenses, encumbrances, and carrying costs prior to disposition; e) any environmental risks or problems revealed by audit or survey; f) any potential University use; and g) any special arrangements requested by the donor concerning disposition (e.g., price considerations, time durations prior to disposition, potential buyers, realtors or brokers with whom the donor would like the University to list the property, etc.).
2. DAR will review the material presented by REDAM and submit all documentation that supports the review to the Office of the General Counsel (OGC). Upon the OGC's issuance of a letter of sufficiency, and in consultation with the Ad Hoc Committee on Real Estate, as needed, the GAC shall make a determination as to accept or reject the proposed gift of real property or, if necessary, to postpone a decision pending the receipt of additional information.
3. DAR will communicate the University's final decision to the donor in writing, including any conditions imposed by the University, prior to acceptance of the gift.
4. If a proposed gift of real property is approved by the GAC, DAR will acknowledge receipt of the gift on behalf of the University. The University will not appraise or assign a value to the gift property. It is the donor's responsibility to establish a value for the gift and to provide, at the donor's expense, a qualified appraisal which is required by the IRS.

5. The gift will be completed by the execution and delivery of a deed of gift or other appropriate conveyance. The costs associated with the conveyance and delivery of the gift, including but not limited to, recording fees and if deemed necessary by REDAM, a current survey, title insurance and/or an attorney's title opinion, will be either paid by the donor or charged to the department(s), program(s), or endowment(s) to benefit from the donation, as defined in the *Gift Agreement*.
6. The donor must submit IRS Form 8283 to DAR Advancement Services, where authorized signatures will be obtained and the form will be returned to the donor. The form must be signed by the property appraiser, also.
7. The donor must submit IRS Form 8283 with his or her federal income tax return in order to obtain a tax deduction for the donation.

Liquidation of Donated Property

Proceeds resulting from the future sale of all donated real and tangible personal property must be used as determined by the *Gift Agreement* the donor signed with the University. Therefore, the GAC must review all proposed sale transactions of donated assets to ensure compliance with the restrictions as outlined in the agreement on file, including any agreement that includes *Cy Pres* language**.** The University must obtain permission from the donor, prior to using the proceeds, for purposes not in the original agreement.

1. If contributed property subject to the appraisal summary rules is sold, exchanged, or otherwise disposed of within three years of the date of the gift, the University must file IRS Form 8282, an information return, with the IRS and send a copy to the donor within 90 days of the disposition. Serious penalties may be assessed against the University for failing to comply.
2. Upon the sale of property, REDAM will prepare a final report on the property, including a financial summary of the net proceeds, and distribute it to DAR and the designated representative of the unit receiving the gift.
3. Depending upon the value of the real property and the terms of the sale, the Executive Committee of the Board of Trustees must approve the sale.

iii. ***GIFTS-IN-KIND (TANGIBLE PERSONAL PROPERTY/ INTANGIBLE PERSONAL PROPERTY/INTELLECTUAL PROPERTY)***

Gifts-in-kind shall be accepted on a case-by-case basis after the materials or services to be donated are approved by the appropriate dean or director, Chief Financial Officer, DAR Vice President, and as needed, the General Counsel’s Office and GAC. The University will consider the acceptance of gifts-in-kind only after a review indicates that the property is readily marketable, and free and clear of encumbrances OR if it is of use to the University and related to its mission.
Gifts-In-Kind refer to:

- **Services –** includes consulting, training, or other professional activities that the University would incur a cost to retain.
- **Agricultural Commodities -** including timber or raised livestock and crops.
- **Hard Commodities-** which includes natural resources of value such as working oil wells, partial interests in gas fields, coal mines, iron ore, gold, and silver.
- **Tangible Personal Property –**includes, but is not limited to, works of art, jewelry, manuscripts, literary works, boats, motor vehicles, and computer hardware.

- **Intangible Personal Property –** property (other than real property), with value that stems from intangible elements -- rather than physical or tangible elements. Examples of intangible personal property include stock options, patents, copyrights, and licenses.

General Guidelines for Gifts-In-Kind

1. Gifts-In-Kind shall be used by or sold for the benefit of the University.
2. Gift-In-Kind donors are required to furnish information on a *Gift-in-Kind* form regarding tangible/intangible personal property gifts.
3. The University does not encourage a gift of property that requires special display facilities or security measures, unless the donor is willing to cover the expenses for this effort.
4. Once formally accepted, Gifts-in-Kind must be catalogued and monitored by the Office of Strategic Sourcing, Asset Management, and Advancement Services.
5. Book collections will be accepted with approval of the Director of University Libraries.
6. Art collections and other museum artifacts will be accepted with approval of Director of University Gallery of Art, Director of the Moorland-Spingarn Research Center, the Howard University Historian, the Howard University Intellectual Property Committee, or other University official, as deemed appropriate.
7. Except in extraordinary circumstances, the University does not accept automobiles, boats, or aircraft that will not be used in its programs.
8. Obtaining an appraisal and related expenses is the responsibility of the donor.

Restrictions on Gifts-In-Kind

The following restrictions or considerations related to personal property will prohibit acceptance by the University:

1. Gifts involving significant expense to the University, either directly or indirectly, for their present or future use, display, maintenance or administration, unless with GAC approval.
2. Gifts where the donor has asked to be indemnified. The University cannot legally bind itself to indemnify the donor from liability arising in the course of the University using the property.
3. Gifts of personal property, e.g., books and paintings, other works of art, furniture, or collections made on the condition that the items will be loaned back to the donor or persons designated by the donor, permanently exhibited, or exhibited in a donor specified manner.

Gifts-In-Kind Intellectual Property Gifts

The University can accept gifts of intellectual property, which include copyrights, patents, trademarks, and trade secrets.

- If a donor wishes to donate intellectual property to the University, he or she shall complete the *Intellectual Property Gift-In-Kind* form and submit it to DAR. The language of this form differs from the standard language of the *Gift-in-Kind* form. The donor shall also complete an agreement formally assigning the intellectual property to the University.

- The Howard University Intellectual Property Committee shall be consulted prior to the acceptance of any gifts of intellectual property.

Gifts-In-Kind Protected by Copyright

The University can accept physical gifts-in-kind that are protected by copyright, including but not limited to artwork, documents, photographs, and films. Upon the offer of donation of a physical gift-in-kind protected by a copyright, the University shall ask the donor to assign the copyright to the University. If the donor agrees to do so, he or she shall complete the *Intellectual Property Gift-In-Kind* form and submit it to DAR. The donor shall also complete an agreement formally assigning the copyright to the University.

- If the donor does not wish to or cannot assign the copyright to a physical gift-in-kind to the University, they must indicate this in writing by completing the form entitled *Intellectual Property Gift-In-Kind Form for Restricted Purpose* and submitting it to DAR. The language of this form differs from the standard language of the Gift-In-Kind form.
- The Howard University Intellectual Property Committee shall be consulted prior to the acceptance of all Gifts-In-Kind protected by copyright.

Valuation

Valuation refers to the value placed on the property gift for University gift crediting purposes. It should be noted the University's valuation might not be the same value used by the donor for their tax purposes. It is the responsibility of the donor to substantiate to the IRS the gift value used on his/her tax return. The IRS defines fair market value (FMV) as, "the price a willing, knowledgeable buyer would pay a willing, knowledgeable seller when neither has to buy or sell."

Valuation Guidelines

1. Small gifts of personal property with an apparent worth of less than **$250** may be unofficially valued by the beneficiary or University personnel with expertise related to the gift.
2. University personnel may provide informal assistance to help the donor value the gift, but the donor is ultimately responsible for substantiating the actual valuation.
3. University personnel with particular expertise in the personal property may provide informal assistance (including suggesting an appraisal) to the donor in valuing an individual gift or group of gifts with an apparent value of **less than $5,000** but, again, the donor is ultimately responsible for substantiating the actual valuation.
4. Personal property gifts with a value of **$5,000 or more** will require an appraisal from a qualified third party appraiser for gift recording valuation purposes.
5. The IRS requires donors to obtain an appraisal to substantiate their charitable tax deduction for gifts valued at **$5,000 or more**. The cost of the appraisal will be the responsibility of the donor.
6. In cases where the donor is not claiming a tax deduction and thus isn't required to obtain an appraisal, documentation should be submitted with the gift form to support the valuation placed on the gift.
7. Property received from the manufacturer will be valued at the cost to the University if the University were to purchase the equipment on the open market.

In some cases, the educational discount that the University sometimes receives, would be appropriate in determining the valuation to be used.

8. DAR's Advancement Services reserves the right to evaluate the reported valuation before recording and can seek GAC approval in unusual instances.

Documentation guidelines for gifts-in-kind, as determined by the estimated FMV, are as follows:

Property valued under $100.00

- Gifts-in-kind with a total value of less than $100.00 will not be recorded by the University.
- The department accepting the gift is encouraged to send a thank you letter to the donor with a copy to Advancement Services, but no Gift-In-Kind form is required.

Property valued under $500.00

- Donors are required to complete a *Gift-In-Kind* form and the applicable Intellectual Property form, if needed.
- Provide a federal tax identification number for corporate donors.
- Provide a brief physical description of the donated asset, including an explanation of the method used to determine the FMV attached to the *Gift-In-Kind* form.

Property valued between $501.00 and $4,999.99

- Same requirements as listed above.
- Provide a copy from a readily available third-party source establishing the FMV, such as a manufacturer's or distributor's catalogue listing or an independent publication of value, but if such a third-party source is not available, then the University may require a certified appraisal.

Property valued at $5,000.00 or above, or if required by the University where the gift is over $500.00 and no FMV is readily available

- Same requirements as listed above.
- Provide independent evaluation from a qualified appraiser dated within 60 days prior to the date of the submission of the donor's *Gift-In-Kind* form.
- Provide verification that the donor has met the reporting requirements for IRS Form 8283, "Non-Cash Charitable Contributions Appraisal Summary."

Appraisals

All appraisals of real and personal property contributed to the University shall be done in accordance with IRS Publication 561, *"Determining the Value of Donated Property"*.

- Personal property should be appraised by a qualified appraiser acceptable to the University.
- Expenses incurred to obtain an appraisal shall be the responsibility of the donor.

Gifts-In-Kind Recording and Receipting

Gifts-In-Kind will generally be recorded by DAR Advancement Services in the month the gift is accepted. A completed *Gift-In-Kind* form must be received in order for Advancement Services to record the gift.

1. The donor's gift verified valuation will establish the amount for which the donor receives gift credit.
2. In most cases, the valuation amount will be credited to the legal donor of the property.
3. Gifts that cannot be verified as to value will NOT be recorded in the University’s donor database, which is administered by DAR, until such time that value can be ascertained.
4. DAR’s Advancement Services will receipt the Gift-In-Kind in accordance with IRS requirements.
5. DAR’s Advancement Services will complete and sign the University’s section IRS Form 8283 for any donor who submits a signed form to DAR. This tax form must be completed by the donor before the University will sign for having received the property.

Liquidation of Tangible/Intangible Personal Property

The University adheres to all IRS requirements and forms related to disposal of gifts of tangible/intangible personal property. The University may sell a gift of property and place the proceeds in a specific fund of the University, as requested by the donor.

1. The GAC must review all proposed sale transactions of donated assets to ensure compliance with the agreement on file. This also goes for any agreement that includes *Cy Pres* language.
2. Proceeds resulting from the sale of all donated tangible personal property must be used according to the *Gift Agreement*. If the gift is given with the intent of being sold within two years of receipt, the donor is advised to discuss the tax implications of this action with their tax advisor prior to making the gift.
3. The University must obtain permission from the donor prior to using the proceeds resulting from the sale for purposes not in the *Gift Agreement.*
4. Approval of the CFO is required before gifted property can be sold.
5. The University unit responsible for disposing of the gift will receive, in writing; any guidelines that the Office of the Chief Financial Officer and GAC imposes on the disposition. These can include, but are not limited to, a minimum sales price and approval or rejection of special arrangements with the donor.
6. Upon the sale of the property:
   a) The revenue from the sale will be transferred to the unit that the property was designated to on the *Gift-In-Kind* form.
   b) The University will prepare a final report on the property and document the net proceeds to be received from the sale. This report is to be distributed to the CFO and Director of Advancement Services.
7. The Office of the University Treasurer is responsible for filing IRS Informational Form 8282 for gifts of personal property valued at $500 or more sold by the University within two years of the date of gift.

iv. ***PUBLICLY TRADED SECURITIES***

Gifts of publicly-traded securities must be reviewed by the Chief Financial Officer (or designee), DAR Vice President and, where appropriate, the dean or director of the school, college or program where a gift of publicly-traded securities may be used to establish a gift. The GAC may review proposed gifts, should restrictions be complicated.

1. The University can accept readily marketable securities such as those publicly traded on a stock exchange.
2. Gift securities are likely to be sold immediately, but in some cases may be held.
3. For gift crediting and accounting purposes, the value of the securities is the average of the high and low on the date of the gift.

v. ***CLOSELY HELD SECURITIES***

The GAC must review these gifts prior to formal acceptance.

1. Non-publicly traded securities may only be accepted after consultation with the CFO, General Counsel, and VP for DAR.
2. Prior to acceptance, the University shall explore methods of liquidation for the securities through redemption or sale, and also contact the closely held corporation and the University’s investment advisors to determine an estimate of fair market value and any restrictions on ownership of transfer.
3. No commitment for repurchase of closely held securities shall be made prior to completion of the gift of the securities.

vi. ***OTHER GIFTS OF RESTRICTED, ILLIQUID, PRIVATE SECURITIES AND ALTERNATIVE ASSETS***

The GAC shall be required to review such gifts on an individual basis and determine the merits of acceptance in each case. Hard to value property such as limited partnership interests requires the same careful review. Before accepting the proposed gift, the University may require the donor to provide an independent appraisal of the asset from a qualified professional.

Such gift proposals shall be reviewed on a case-by-case basis, with special attention given to issues surrounding the management of the potential charitable gift vehicles in light of the University’s fiduciary obligations as the trustee.

Prior to accepting the gift, and in the course of discussions with the donor and/or the donor’s advisor(s), the University shall be mindful of the strategy to convert the gift into usable assets and the likely timing of such a conversion.

E. GIFT ACCEPTANCE – PLANNED GIFTS

Planned giving can maximize a donor's contribution and tax-relief potential, and present ways to make a larger gift than thought possible. DAR’s Office of Planned Giving does not offer financial advice to donors; rather, it presents opportunities to donors in the use of assets—stocks and securities, life insurance, retirement accounts, personal wills, and property such as artwork and rare books. The Office of Planned Giving can also help secure increased tax benefits and/or supplementary income, including earned life income, and/or the reduction of capital gains income and estate taxes.

Prior to acceptance, the GAC must review and approve all proposed planned gifts, as outlined below.

i. ***BEQUESTS***

1. Donor must provide documentation in the Will.
2. The University will provide suggested language developed by the General Counsel and DAR.
3. Donors are advised to consult their financial advisors.

ii. ***CHARITABLE LEAD TRUSTS***

1. Donor must provide documentation in the Will.
2. The University will provide suggested language developed by the General Counsel and DAR.
3. Donors are advised to consult their financial advisors.
4. These gifts are reviewed carefully to maximize benefit to the donor and University, and minimize risk for the University.

iii. ***CHARITABLE REMAINDER TRUSTS (UNITRUSTS, ANNUITY TRUSTS)***

1. Donor must provide documentation in the Will.
2. The University will provide suggested language developed by the General Counsel and DAR.
3. Donors are advised to consult their financial advisors.
4. For all trusts, Gift Agreements must be established to ensure that the University is receiving, or has access to, the valuation of the trust assets to ensure appropriate accounting is maintained.
5. Management fee guidelines for administration of a trust, if the University is listed as a trustee, are to be determined by the CFO and GAC, according to guidelines of acceptable risk to the University. For example, (a) fees shall be paid by income from the trust OR (b) if the University is named trustee for a trust that is to share proceeds with another charitable organization, at least 40% of the trust's proceeds must be designated to the University as the irrevocable charitable remaindermen, depending on the size of the trust as determined by the GAC and CFO.
6. The University will consider and abide by the terms and conditions for investment and payout rates, as delineated in the approved terms of each Gift Agreement.

iv. ***GIFT ANNUITIES***

1. Donor must provide documentation in the will.
2. University will provide suggested language developed by the General Counsel and DAR.
3. Donors are advised to consult their own financial advisors.

v. ***LIFE INSURANCE***

Donors may transfer a life insurance policy to Howard University once premiums are fully paid and take a deduction for the present value of the policy, as determined for tax purposes, or donors can purchase a new policy and designate Howard University as the owner and beneficiary.

1. Howard University must be designated as the irrevocable owner and beneficiary of 100% of the policy.

2. Donor must provide documentation in the will.
3. Donor MUST pay the premiums for the policy either directly to the vendor OR pay the premiums to the University who will then pay the vendor, which provides extra tax benefit to the donor.
4. Term policies are not accepted as gifts.
5. The policy should insure only the life of the donor, the spouse, or significant other.
6. Paid-up whole life policies of any amount may be donated.

F. GIFT ACCEPTANCE - FUNDRAISING EVENTS (GIFTS. SPONSORSHIPS, TICKETS)

All campus fundraising events must be reviewed and approved by DAR to ensure that proper accounting, reporting and best practices regarding donor information are appropriately incorporated in the management and execution of the event.

Fundraising events are defined as events that are conducted for the sole or primary purpose of raising funds for Howard University's exempt activities that relate to its mission.

As such, this policy governs the entire University and any affiliated organizations with responsibilities directly or indirectly related to gift solicitation, acceptance, or administration of fundraising events that support the University's mission. This policy will ensure that gifts accepted through fundraising events are in compliance with IRS guidelines, follow the standards set by the Office of University Events, are approved by the DAR Vice President, and are not in conflict with major University fundraising events or activities.

i. *SCHEDULING*

Schools, colleges or departments (the Unit), wherever possible, should not hold events on dates or at venues that conflict with other major University fundraising events. DAR must approve the initial scheduling/selection of dates. The proposed date and specific information regarding the event must be submitted to DAR at least 8-12 months prior to the event. *(Specific timelines/requirements for event scheduling requests to DAR will be outlined the University Fundraising Events Policy and its accompanying procedures.)*

- The event type must be clearly defined: i.e. – walk-a-thon, golf, dinner, reception, etc.
- The event purpose must be clearly defined, as it determines fund allocation following the event.
- General budgets must be attached and contain a dollar goal to be raised, less expenses.

ii. *EVENT PLANNING*

- After DAR approves the event, the Unit must work closely with DAR's Special Events staff designated by the DAR Vice President, to establish appropriate accounting and event protocols which are required by the IRS.
- When working with approved event vendors, event consultants and 3rd party fundraisers, the DAR Vice President or his/her designee from the Office of

University Events and Special Projects must be consulted to ensure appropriate budgeting, account set-up, invitations, solicitations and marketing.

- Events that will involve inviting dignitaries or VIPs to the University's campus must also follow University policy No. 400-002, Inviting Dignitaries to Howard University.
- Units, in consultation with DAR, must establish appropriate accounts so that event funds can be tracked and accounted for, as outlined in IRS Form 990.
- Print and online invitations must be approved by DAR and comply with IRS guidelines outlining the cost of goods and services rendered and the quid pro quo tax contribution. IRS guidelines state that a charitable organization is required to provide written disclosure to a donor who receives goods or services in exchange for a single payment in excess of $75.

iii. ***FUNDRAISING***

- The fundraising purpose must be clearly defined on all communications regarding the event.
- Appropriate solicitation codes must be assigned for all fundraising solicitations to ensure proper gift tracking.
- Invitation lists must be approved by DAR, and major gift prospects must be reviewed and approved by the DAR Vice President prior to solicitation.
- Event underwriting and sponsorship are encouraged as much as possible to reduce costs to the University. Sponsor prospect lists must also be reviewed and approved by DAR's Office of University Events.
- All event revenue, underwriting, ticket sales, and direct contributions, must be received and processed by DAR's Advancement Services to ensure they are recorded and acknowledged and receipted appropriately according to IRS and financial guidelines.

iv. ***EXECUTION, ADMINISTRATION AND STEWARDSHIP***

- Prior to planning fundraising events, an individual MUST be identified within the Unit to manage the administrative event duties internally and assist DAR with follow-up activities related to donor and IRS reports.
- Units must work with DAR prior to the event to ensure contracts are executed appropriately, that the event will be properly managed and that there is adequate on-site staffing and volunteers to provide assistance at the event.
- Appropriately trained staff must be on-site to receive any funds submitted at the event. Following the event, the Unit must submit an event report detailing attendance and any gifts received on-site.
- Units must retain all event records, contracts and receipts for the University's IRS Form 990 event disclosure submission.
- In addition to the official University gift receipts and acknowledgements, which are issued by DAR's Advancement Service, the dean or director must also appropriately acknowledge key donors and guests.

G. <u>GIFT AGREEMENTS & CONTRACT SIGNATURE AUTHORITY</u>

Before endowment and other restricted gifts can be officially established, a fully executed *Gift Agreement* must be filed with DAR Advancement Services and the Controller's Office. This document articulates the understanding between the donor and the University as to the name of the donor, purpose of the gift, funding type and amount of the gift, and specific information regarding the formal acceptance, administration, recognition, promotion and gift reporting.

Gift Agreements must be signed by the donor, the DAR Vice President, and the Chief Financial Officer. As recommended by the DAR Vice President or according to reserved and delegated Board authority as established in the By-Laws of the Board of Trustees, the signature of the President, Chief Financial Officer and/or the Chief Operating Officer must also be secured. Additionally, depending upon the value or complexity of the agreement, the approval of the Executive Committee of the Board of Trustees is required.

Major gifts of liquid assets that involve multi-year pledges must have a payment schedule attached to the finalized *Gift Agreement*.

Only the Vice President for Development and Alumni Relations or his/her designee is authorized to send final *Gift Agreement*s to prospective donors.

H. <u>ADMINISTRATION AND STEWARDSHIP</u>

Effective administration and stewardship are critical components of the gift acceptance and administration process. DAR, as the responsible agent within the University, is required to oversee and coordinate input from University staff, faculty, and business units in a cooperative, centralized manner.

Staff and Faculty roles, pertaining to administration and stewardship, involve:

- Directors of Development (DoDs) raising funds and assisting academic units/programs (Deans/Program Directors) in raising funds that further the goals and mission of Howard University. DoDs document donor expectations maintain donor records and engage in on-going communication with multiple donors.
- Deans/Program Directors, along with their Business Officers, identifying funding needs, establishing appropriate accounts, tracking spending, monitoring balances and sending information to DAR and General Accounting to produce reports for donors and University stakeholders.
- General Accounting monitoring, reconciling, and maintaining donor accounts. Additionally, GA produces financial reports on gift revenue for donors, the IRS and University leadership.

Specifically, the administration of gifts entails:

- appropriate designation of gifts funds and processing of gift payments/information;
- ensuring that gifts are accepted according to IRS and Howard University standards;
- recording all gifts and supporting the data integrity of all donor records in DAR database and General Ledger (GL);
- fulfilling gift reporting obligations to donors, business units, and University leadership.

Staff and Business Officers charged with overseeing/administering funds must establish appropriate accounts and use funds according to donor intent. All reporting requirements and controls for the gifts must be clearly spelled out in the *Gift Agreement*. While the actual oversight and reporting regarding specific program gifts may be handled by the recipient Unit, it must be done in cooperation with DAR and according to the guidelines established in the *Gift Agreement* and this policy document.

Every effort will be made on behalf of the University to ensure that donor confidence in the University's stewardship is well-placed and that all monies designated for restricted purposes are expended under the guidelines and within the timeframe requested by the donors.

Outside of DAR, administration and stewardship of gifts must be upheld and enforced by the fund administrator, as well as the Dean and Provost Finance Lead for the School/College; and in some instances, the University's Gift Acceptance Committee (GAC).

i. *General Components of Administration and Stewardship*

Gift Processing

a) Funds received by deans, departments, or programs directly from the donor, must be deposited through the Division of Development and Alumni Relations (DAR). In no instances should funds be deposited directly through the Cashier's Office, by-passing DAR.

b) All deposits to DAR's Advancement Services for gift processing must be hand delivered in a sealed envelope within two (2) days of receipt.

c) All deposits sent to DAR for gift processing must be received with a completed University Gift Transmittal Form, the original mailing envelope and any other documentation sent by the donor.

Acknowledgement

Acknowledgment of donor generosity is a matter of common courtesy and good stewardship. Individuals, corporations, foundations, and others who provide financial support to the University will receive written acknowledgments of appreciation. All gifts will be officially recognized by the University in a timely fashion, keeping in mind the stated wishes of the donor regarding anonymity and other levels of public disclosure.

Receipts

Gift receipts will be issued for all gifts within 30 days from the date the gift was received. Receipts will state the name of the donor, date received, restrictions if applicable, and a description of the gift. If the donor received something of value in exchange for the gift (quid pro quo), the receipt will state the value of the item received; otherwise, the receipt shall state: "No goods or services were received in exchange for this gift." Gifts of tangible personal property (including securities) shall not include a valuation of the asset, which is the responsibility of the donor.

Valuation /Gift Crediting

For fundraising reporting purposes, gifts to the University will normally be credited according to the standards promulgated by the Council for Advancement and Support of Education's (CASE) "Gift Reporting Standards and Management Reports for Educational Institutions." In some instances this may not apply to complex gifts, i.e. securities and trusts; therefore, a complete understanding of the impact of these gifts requires an evaluation of both University financial statements and fundraising reports.

The following valuation/gift crediting standards govern gifts to the University:

a) **Publicly traded securities** - Average of the high and low value (or bid and ask) on the date received into the University's brokerage account.

b) **Closely-held stock** - If $10,000 or less, the value of the per-share purchase price of the most recent transaction will be used; if over $10,000-the certified appraisal value will be used.

c) **Life insurance** - Policies are valued at interpolated terminal reserve value, or cash surrender value, upon receipt. Death benefits are credited to the donor's record less any previously reported cash surrender values.

d) **Pledges** - Pledge payments are reported as gifts on the date received.

e) **Real property** - Certified appraisal value.

f) **Tangible personal property (other than securities)** - Values of $5,000 or less will result in a soft credit to donor's record using an estimate of value provided by the donor or other expertise; values of over $5,000 will use the certified appraisal value.

g) **Deferred Gifts** - No credit to the donor's record will be made unless the interest of the University is irrevocable. If the University's interest is irrevocable, the gift will be credited at the net-present value, based on life expectancy tables and discount values chosen by the Charity's CFO or Accountant.

h) **Membership** - Membership payments may or may not be deductible as gifts depending on the level of membership and the benefits provided to the member. The non-deductible portion will be indicated on the acknowledgement receipt.

Record Keeping

Gift records reflecting the name of the donor and details of the gift will be maintained in DAR's donor database and a hard copy of all gift receipts and *Gift Agreement*s will be filed per the guidelines established in the University's Document Retention policy. Donors/administrators who serve as the legal contact/stewardee for a named fund, and/or others as the donor may designate are responsible for maintaining gift records, are expected to keep stewardee contact information updated as needed for reporting purposes. When contact information becomes lost or unknown, through changes of death, address, employment or power of attorney, etc., the fund administrator, e.g. a dean or director, will become the default legal contact/stewardee of the fund.

Recognition

It is the University's intent to communicate appreciation of gifts whenever it is acceptable to the donor and appropriate. Gifts to the University and accompanying correspondence will be considered confidential information, with the exception of the publication of donor honor rolls and instances where publicity guidelines have been established with the donor. The names of donors will not be sold by the University for marketing or fundraising purposes and may be omitted upon specific request of the donor.

Reporting

All gifts accepted by Howard University will be recorded and acknowledged through DAR in conjunction with the Office of the Chief Financial Officer, and will adhere to the University's fiscal year (July 1 to June 30) as a basis for reporting.

Annually, and within 90 after the close of the University's audit, and/or per the terms of the *Gift Agreement*, the University will provide reports to update donors on the status of their gift and/or the impact that it has made in furthering the University's mission.

For example, the University will provide:

- Endowed fund donors with a report of investment and gift activity, gains, etc.
- Endowed professorship donors with appropriate information about the activities of the faculty member during the previous fiscal year.
- Scholarship donors with the appropriate information about the recipients of scholarship assistance.

To this end, DAR and all gift administrators must follow and adhere to the administration and reporting needs of University gift vehicles, as follows:

ii. ***Non-complex Gifts: Multiyear gifts and pledges***

Administration Needs

The *Gift Agreement* should have a defined time table and end date in *Gift Agreement*.

Reporting Needs

- Annual Financial Report on Program or Scholarship
- A cover letter from the DAR Vice President
- Pledge Reminders, if necessary

iii. ***Scholarships***

Administration Needs

- The responsible party within Office of Financial Aid (OFA) or entity within school or college who will oversee awards and provide follow-up reports must be identified and documented in the gift records.
- Appropriate accounts must be established or designated.
- Funds received by deans, departments, or programs directly from the donor must be deposited through the DAR.
- In no instances should funds be deposited directly with the Cashier's Office, by-passing DAR.

Reporting Needs

- Annual Financial/ General Report on Scholarship Program
- Student Profile(s)
- Student Acknowledgement(s)
- A cover letter from the Vice President of DAR

[Please refer to University Scholarship Committee policies for additional guidelines and timelines regarding the expenditure and reporting of both endowed and current use scholarship accounts.]

iv. *Endowments*

Administration Needs

- The responsible party or specific program/entity that will administer the funds and provide and follow-up reports, as articulated in agreement, must be identified and documented in the gift records.
- Appropriate accounts must be established or designated.
- Funds received by deans, departments, or programs directly from the donor, must be deposited through the Development and Alumni Relations (DAR). In no instances should funds be deposited directly with the Cashier Office, by-passing DAR. Subsequent gifts to endowment funds must go the endowed account, unless directed otherwise by the donor.

Reporting Needs

Howard's endowment includes hundreds of individual accounts established to fund scholarships, professorships, student loans, general operations and other purposes. The oversight of endowment funds is a University function managed by an Investment Manager which is appointed by the Board of Trustees Finance and Administration Committee, not DAR. Annual reports to donors for endowed gifts must include the fund's legal name, and consist of:

- The endowed fund's fiscal page from the GL/Controller's Office, which is often accompanied by a list of expenditures if the fund is a scholarship;
- A page submitted by the beneficiary department listing line item expenditures/program activities
- Student Profile(s) or Program Report submitted by the beneficiary department
- Student, Dean, Director Acknowledgement(s)
- A cover letter from the DAR Vice President

v. *Facilities, New Construction, Renovation and Named Gifts*

Administration Needs

- The responsible party or specific program/entity that will administer the funds and provide and follow-up reports, as articulated in agreement, must be identified and documented in the gift records.

Reporting Needs

- Annual Financial/Progress Report
- Program Report
- Dean, Director Acknowledgement
- A cover letter from the DAR Vice President

vi. *Real Estate and Non Cash Gifts*

Administration Needs

- The responsible party or specific program/entity that will administer the funds and provide and follow-up reports, as articulated in agreement, must be identified and documented in the gift records.

Reporting Needs

- Annual Financial/Progress Report
- Program Report
- Dean, Director Acknowledgement
- A cover letter from the Vice President of DAR

vii. ***Planned Gifts***

Administration Needs

- The responsible party or specific program/entity that will administer the funds and provide follow-up reports, as articulated in agreement, must be identified and documented in the gift records.
- Appropriate accounts must be established or designated.
- Maturing gifts must be accompanied by documentation in a will and a certified death certificate.
- *Gift Agreement*s must:
    1. Establish appropriate measures for paying pass through premiums.
    2. Ensure appropriate contact information for those who will be receiving reports, such as an estate trustee/executor, family member, attorney.

- Gift instruments/funds received by deans, departments, or programs directly from the donor, must be deposited through the Division of Development and Alumni Relations. In no instance should funds be deposited directly with the Cashier Office, by-passing DAR.

Reporting Needs

- Guidelines for reporting will be determined by gift designation (i.e. scholarship, endowment, etc.)
- A cover letter from the DAR Vice President

VI. INTERIM POLICIES

There are no interim policies. This policy supersedes all previous gift acceptance and administration policies.

VII. SANCTIONS

Nothing in this policy shall be construed in a manner to limit the engagement of every member of the University community to actively support and encourage others to support the mission of Howard University.

Failure on the part of schools, colleges, departments, institutes or agencies of Howard University to collaborate according to the intent and spirit of this policy, as determined by the Office of the Vice President for Development and Alumni Relations, will result in disciplinary action according to the University's progressive disciplinary processes.

VIII. HYPERLINKS

www.howard.edu/policy

Forms referenced in this policy are posted on:

www.policy.edu/policy
www.howard.edu/advancement

See related policies:

Intellectual Property Policy
Intellectual Property Center website
100-001 Relationships with Industry – Health Sciences
400-002 Inviting Dignitaries to Howard University