

GIFT ACCEPTANCE POLICY AND PROCEDURES

UNIVERSITY ADVANCEMENT
THE CAMPANILE FOUNDATION
SAN DIEGO STATE UNIVERSITY

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Gift Acceptance Policy

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GIFT ACCEPTANCE POLICY

SAN DIEGO STATE UNIVERSITY

The division of University Advancement (UA) and the The Campanile Foundation (TCF) are responsible for raising and managing private gift funds for San Diego State University. Working with the college/area development staff, UA provides specialized fund-raising support services including annual giving program, major gifts planning, donor relations and special events, planned giving, prospect research and donor and alumni information systems.

TCF's responsibilities include the management and administration of contributions received on behalf of the University and its related organizations. The Foundation is responsible for: (a) the management and administration of all bequests, estates, trust arrangements and endowments in which the University or Foundation is the intended beneficiary; (b) investment of all funds and securities; (c) accounting and reporting for individual gift accounts; (d) valuation of gifts for Internal Revenue Service and State of California reporting purposes; (e) compliance with Federal and State laws and regulations regarding said contributions; and (f) acceptance, management and sale of gifts of real and personal property.

TCF ensures that all gifts and earnings are used according to donor guidelines. Donor stewardship programs are managed through UA.

TCF is organized and operated exclusively as a nonprofit public benefit corporation and is not organized for the private gain of any purpose; it is exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. The specific purposes of this corporation are to promote and assist San Diego State University to receive gifts, property, and funds to be used for the exclusive benefit of SDSU programs.

POLICY STATEMENT

San Diego State University strongly encourages the solicitation and acceptance of private gifts and grants, which enables it to fulfill its mission of teaching, scholarship and community service.

Gifts may be sought from individuals, corporations, and foundations. However, they may be sought only for purposes, positions, and programs, which have appropriate academic or administrative approval.

San Diego State University values and will protect its integrity, its independence, and the academic freedom of the San Diego State University community. Gifts that may expose San Diego State University to adverse publicity, require expenditures beyond San Diego

State University resources, or involve San Diego State University in unexpected responsibilities because of their source, condition, or purposes or are not consistent with the mission of SDSU will not be accepted

San Diego State University is unable to accept gifts too restrictive in purpose or inconsistent with its stated academic purpose and priorities. Gifts received by San Diego State University must not inhibit it from accepting gifts from other donors. Further, no gift can be received which limits, beyond a general definition of subject area, the research that a faculty member or student can perform.

San Diego State University cannot accept gifts which involve unlawful discrimination based upon race, sex, age, national origin, color, handicap or any other basis prohibited by federal, state, and local laws and regulations. Nor can San Diego State University accept gifts which obligate it to violate any other applicable law or regulation.

This policy is designed to provide guidance to the San Diego State University community and the general public so as to facilitate the gift-giving process. San Diego State University encourages philanthropic creativity, therefore, this policy is to be interpreted liberally so that prospective donors may enjoy the greatest freedom possible in formulating their gifts.

ACCEPTING AND PROCESSING GIFTS

GIFTS DEFINED

A gift is defined as any transfer of personal or real property made voluntarily and without consideration. Gifts of securities, real estate, mineral interests, equipment, books, works of art, and gifts by bequest or non-cash gifts are subject to special handling and should be referred separately to the division of University Advancement (UA) or to the constituency development directors. Gifts to TCF on behalf of San Diego State University may be made in several forms: 1) outright, 2) conveyance of the gift in such a way that the donor or the donor's designees retain(s) income from it for a term of years or for his/her lifetime(s), 3) in the form of a bequest through the donor's will or trust, 4) conveyance of the income from an asset placed in trust for a period of years and 5) conveyance of real property, while maintaining the right to occupy it for the lifetime of the donor.

NON-GIFTS

Payments for goods or services are considered operating revenue and may not be deposited to gift accounts.

Checks from tax-supported agencies in the State of California will not be processed as gifts, because it is illegal for any tax-supported agency in the state to make a donation. Scholarship payments where the donor has selected the recipient(s) of the award(s) are not gifts, and are referred to as Service Scholarships; they should be processed through the Scholarship Office.

University employees cannot be credited with gifts contributed to budgets of which they are the direct recipients.

GIFT TRANSMITTAL

All gifts to San Diego State University should be directed through the Office of University Advancement, Information Services (UA/IS), where they are properly acknowledged and recorded. When cash, checks, or other assets are sent to UA/IS for deposit, they should be accompanied by a completed gift transmittal form with the following information: gift account title; TCF account number if known; name of responsible person to whom acknowledgement should be sent, particularly in the case of corporate checks; plus copies of all correspondence relating to the gift (see example appendix).

For Gifts-in-Kind, in addition to the above-listed information, the following documentation may be required: the donor's letterhead or other standard documentation such as a catalogue or published price list giving the value and description of the equipment or products, usually including product identification numbers; any terms of the donation; and a packing slip or other paperwork to verify receipt of the gift. In addition a qualified appraisal must be submitted for any gift-in-kind of \$5,000 or more in value. For all gifts-in-kind, the physical location of the gifted item must be included on the gift transmittal form.

Checks should be made payable to The Campanile Foundation. Title to gifts of Securities and Real Property should be transferred to TCF.

All cash gifts should be sent to UA/IS for deposit immediately, and not held in the department or college. If questions remain regarding donor wishes, adjustments may be made at a later date with proper documentation.

In the case of planned gifts (trusts, annuities, insurance, life estates), the Director of Planned Giving will generate the gift transmittal form.

GIFT ACCEPTANCE

It is important to distinguish between gift acknowledgement conducted at the college and/or department level and official gift acceptance and acknowledgement that provides the donor with a receipt for tax purposes and San Diego State University and TCF with a complete record of a donor's contributions.

AUTHORIZED AGENTS

The Vice President for University Advancement has been delegated authority by the President to accept all gifts or bequests to San Diego State University. The acceptance procedure is completed by the presentation to the donor of an official gift receipt by University Advancement Information Services.

The Vice president for University Advancement pursuant to the authority delegated by the President further delegates the authority to accept gifts (subject to the policies and procedures contain in this policy) to the following agents of the University:

University Advancement

CFO, The Campanile Foundation
Chief Financial and Information Officer
Associate Vice President for Development
Director, Major Gifts
Director, Information Services
Director of Annual Programs
Executive Director, SDSU Alumni Association

Other University

Deans of the Colleges
Directors of Development
Associate Athletic Director for Development
Director, Aztec Athletic Association

TCF has the authority to receive such gifts, grants, conveyances, devises, and bequests, whether real or personal property, in trust or otherwise, for the designated or undesignated use or benefit of San Diego State University, its colleges, schools, or departments.

Gifts that may result in current or future financial obligations for San Diego State University or impact University facilities and grounds will require prior approval of the Vice President for University Advancement who will consult with appropriate University officials when necessary. Gifts that involve alternatives to or naming of a campus facility or placement of physical structures on the University grounds may also require review by the Campus Development Committee.

The President of San Diego State University or his/her designee must approve all gifts of Real Property.

AD HOC GIFT ACCEPTANCE COMMITTEE

TCF and the University are legally obligated to adhere to the terms and conditions of every gift. For this reason, the terms of each gift must be considered with the utmost care to be sure they are feasible, do not unduly hamper the usefulness and desirability of the gift, and are in conformity with San Diego State University policy.

The Vice President for University Advancement may convene an Ad Hoc Gift Acceptance committee when the circumstances surrounding a specific gift raise significant institutional issues.

The Gift Acceptance Committee (GAC) at the request of the Vice President for UA is responsible for reviewing and making recommendations regarding gifts in which present and/or future encumbrances may be incurred and in cases involving certain types of unusual non-cash gifts.

Committee members are the Vice President for University Advancement, the Associate Vice President for Development, the Vice President for Academic Affairs, the Vice President for Business and Financial Affairs, and TCF Treasurer/CFO.

Types of gifts reviewed by the committee may include, but are not limited to:

- ❑ Gifts of real property or an interest therein.
- ❑ Gifts of closely-held securities, promissory notes, partnership interests, stock options, or other negotiable instruments.
- ❑ Gifts of undivided interest or future interests.
- ❑ Bargain sales or gifts subject to any encumbrance.
- ❑ Gifts of tangible personal property such as paintings, sculpture, furniture, or other works of art, or collections of such, if made on the condition or expectation that the items will be permanently exhibited, or that the collections will be maintained and shown as such.
- ❑ Gifts that, because of their unusual nature, present questions as to whether they are within the role and scope of San Diego State University.
- ❑ Gifts that, because of their size or nature, present questions as to the impact on San Diego State University, or a particular program or area.
- ❑ Gifts that might raise questions about San Diego State University's integrity, independence, or academic freedom, or potentially expose the University to adverse publicity, financial risk, or litigation.
- ❑ Gifts that present the potential for an obligation on San Diego State University or TCF under local, state, or federal law that either may be unwilling or unable to assume.

It is the responsibility of any development director, departmental or other University administrator when presented with a gift or while working with an estate to bring all gifts that meet the above guidelines to the attention of the VP for UA prior to accepting such gifts.

GIFT VALUATION GUIDELINES FROM THE NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS

Cash

Gifts of cash are valued at their U.S. monetary worth.

Securities

Gifts of securities are credited at the mean of their market value on the date the donor relinquishes control to TCF on behalf of San Diego State University. Neither losses nor gains realized by the sale of the securities after their receipt affect the gift value credited to the donor. Any brokerage fees incurred and changes in value resulting from liquidation are considered gains, losses or operating expenses or earnings of programs benefiting by the gift.

Real and Personal Property

Major gifts of real and personal property over \$5,000 -- such as land, houses, paintings, antiques, and rare books -- are recorded at the fair market value placed upon them by an independent, expert appraiser. Small gifts of real and personal property -- such as rare books, prints, etc., with an apparent worth of less than \$5,000 -- are valued by the donor and their informal valuation is used for internal reporting purposes.

Irrevocable Trusts, Annuities, Life Estates, Insurance

Charitable Remainder Trusts, Pooled Income Funds, and Gift Annuities. Gifts made to establish charitable remainder trusts, contributions to pooled income funds, and gift annuities are credited at fair market value, i.e., the full amount of the assets given, as determined by an independent, expert appraisal. Gift recognition credit is given for the full fair market value.

Charitable Lead Trusts. In recording the value of a charitable lead trust, only the income received from it each year during the period of the operation of the trust is included in gift totals.

Life Estates: Gifts of remainder interest in a personal residence or farm will be credited at the fair market value. Gift recognition credit is given for fair market value.

Trusts Administered by Others. The value of the assets of gifts in trust that the Foundation or the donor has chosen to have administered by an independent entity, such as a bank or other fiduciary, is recorded as a gift at the time the trust is established (or at the time the institution is informed of the gift), provided the gift is irrevocable. The income derived from such trusts is treated as similar to or like, but not as endowment income and is not included in annual gift totals.

Insurance. Only in cases where TCF on behalf of San Diego State University, is both beneficiary and irrevocable owner of a whole life insurance policy is the policy recorded as a gift. The cash surrender value of the policy is recorded, rather than its face value, as the amount of the gift. If the donor pays further premiums on the policy, the donor will receive gift credit at full value of the premium. In those cases where TCF on behalf of San Diego State University receives the proceeds of an insurance policy in which it was named beneficiary but not owner, the full amount received is reported as a gift on the date delivered.

Gift of Services. Operating largely on the basis of volunteer efforts, TCF and San Diego State University in effect seek gifts of time and other services on a considerable scale. However, services -- while crucial and very appreciated -- are not tax-deductible to donors beyond out-of-pocket expenses associated with the service. San Diego State University does not issue gift receipts or acknowledgements for such out-of-pocket expenses.

Acceptance of Gifts from University Employees. Gifts to TCF on behalf of San Diego State University from University employees may be accepted if the purpose of the gift is to support bona fide University activities or purchases. Such gifts must be subject to San Diego State University's policies and procedures for expenditure. Because a gift to support an employee's own research, business travel, etc. may have potential for abuse, the dean and department chair must take special care in approving expenditures in order to ensure that the University's use of the gift supports its tax-deductibility.

ACKNOWLEDGING AND RECOGNIZING DONORS

A formal tax receipt for cash donations is sent to each donor upon acceptance of the gift. Receipts are not issued for non-cash contributions, such as gifts of stock, bonds, or gifts-in-kind. San Diego State University will formally acknowledge non-cash gifts in a letter containing a description of the donated item, although the actual fair market value will not be stated. Receipts and acknowledgements are necessary to ensure that gifts are deposited correctly and also serve as additional verification of a tax-deductible gift for the donor. Most donors are also deeply interested in the progress of the activity they have supported. Therefore, it is highly recommended that follow-up letters be sent by the area of designation to donors to inform them of the progress being made by the use of their gift, and to offer additional thanks for their contribution to San Diego State University. Liaison between the account administrator and the actual signatory on the account, e.g., faculty member or university administrator and the development officer, is particularly important for this information system to operate smoothly.

Memorial gifts and gifts in honor of others are acknowledged to the donor, and a list of donors (but not gift amounts) is provided to interested parties by University Advancement/Information Services when requested. When such gifts are transmitted by departments, they should indicate that the gift is a memorial or in-honor gift, whom it is in memory or honor of, and the name and address of someone to be notified.

San Diego State University has established university-wide gift recognition levels as a means of extending its appreciation to all donors. Descriptions and policy regarding donor recognition may be obtained from University Advancement.

USE OF GIFTS

OUTRIGHT GIFTS

Outright gifts are those placed at the immediate disposal of San Diego State University and in which the donor retains no interest. They may be either restricted or unrestricted in purpose.

ENDOWMENTS

TCF has been delegated the responsibility for implementing policies for endowments to benefit San Diego State University programs. These policies are established and maintained by University Advancement and TCF.

The following policies and guidelines for endowments have been established to facilitate processing and handling major gifts which are to be used for endowment purposes. These guidelines will provide direction for the requirements which must be met by both the donors and San Diego State University before such an endowment can be accepted. These requirements are intended to protect the interests of the donors and allow the University to economically carry out the requirements set down by the endowment guidelines.

Gifts totaling a minimum of \$10,000 (\$20,000 for scholarships) will be required to establish an endowment fund.

Endowed funds may be "named". (See San Diego State University Named Gifts Policy.)

*Every endowment shall have specific guidelines detailing the purpose of the endowment. (See sample Establishment of Fund worksheet attached.)
Unrestricted endowments will be encouraged. In addition to the use of earnings, these guidelines should include the following:*

1. Donors are encouraged to recognize that over the many years following the establishment of an endowment, the needs, policies and circumstances of San Diego State University may change in unforeseen ways. The inclusion of a flexibility clause similar to the "Change of Condition" clauses in the Endowment Fund Worksheet is desired.

Change of Conditions:

If, at some future date, circumstances within San Diego State University should change so that the uses and purposes of which this fund has been established are no longer existent and/or are in conflict with administrative or academic policies of the University, then the fund income and principal may be used in a manner which is in the best interests of San Diego State University, bearing in mind the wishes of the donor(s) set forth therein. In this unlikely event, every effort shall be made by the University to contact the donor(s) prior to any change in fund disbursement.

If TCF is dissolved, the donor(s) consent that the fund herein created shall automatically revert to San Diego State University to be managed by the University consistent with the laws of the state of California and the uses and purposes established by this document.

2. Naming the colleges and/or departments involved in administering the

endowment and ensuring that all affected offices will maintain a copy of the specific guidelines.

3. Information regarding the invasion of the corpus to permit continued compliance with the wishes of the donor.
4. Information regarding the donor for stewardship purposes.

San Diego State University will seek changes through Probate to any bequeathed endowment guidelines that are in violation of any statutory regulations.

At the initial inquiry by a prospective donor regarding an endowment, UA and TCF should be notified promptly.

TCF will ensure continued use of the earnings according to the specific donor guidelines. Donor stewardship will be managed through University Advancement.

Endowment funds investment policies and practices are developed and maintained by TCF in accordance with the Uniform Management of Institutional Funds Act of the State of California, which provides principles for the investment of endowments. Donors are not permitted to have control over the investment of endowment funds or the use of the earnings beyond the initial restrictions (see appendix)

TYPES OF GIFTS

CASH GIFTS

Cash gifts can take the form of currency, coin, checks, money orders, or bank drafts. Checks should be made payable to TCF with a letter or pledge form stating the donors designation of the gift. All gifts should initially be delivered to UA/IS.

SECURITIES

Publicly-traded securities, shares of stock in closely held companies, bonds, and government issues may be given to TCF on behalf of San Diego State University. Title to gifts of securities must be transferred to TCF.

Publicly-Traded Securities: These are securities regularly traded on a public stock exchange. The value of the gift will be the mean of the highest and lowest selling prices quoted for the stock on the valuation date of the gift, as defined below.

Closely-Held Securities: These are shares of stock in the entities, which have been organized for profit-making purposes, and are rarely traded on stock exchanges. Donors may give shares of closely-held corporate securities to San Diego State University in the same manner as publicly traded securities. However, because closely-held stock is not publicly-traded, these securities present special concerns. Gifts of closely-held securities may only be accepted by the VP for UA.

Receipt of Stock: Donations of stock should be delivered to TCF in person, to the donor's broker for transfer to TCF's broker, or mailed to TCF. Bearer bonds and street bonds should not be mailed since they are negotiable.

If mailed or delivered and stock is in name of donor:

The donor should mail (preferably by registered or certified mail) or deliver the unendorsed security to TCF, and send a stock power to TCF in a separate envelope (or obtain a stock power from TCF upon personal delivery). This prevents the stock from being negotiated, since once it is signed it becomes negotiable. The stock power should be left blank with the exception of the signature line and must be signed by the person named as owner on the security or in whose name the security is registered. TCF's broker completes the stock power. A security release, which releases the stock from the donor, must also be completed, must be signed by all owners, and **must be notarized** as required by broker's auditors. (See sample forms in appendix.)

If the back of the stock certificate is signed, it must be signed by the person named on the certificate as owner. If a signature guarantee is requested on the back of the stock certificate, TCF's broker will guarantee the signature from the security release. The name of the assignee/transferee should be left blank. No stock power is needed.

If a donor insists on inserting the assignee/transferee, it must be **The Campanile Foundation** for all gifts.

If mailed or delivered and stock is in name of TCF:

The donor should mail (preferably by registered or certified mail) or deliver the unendorsed security to TCF. TCF sends a stock power signed by the Treasurer/CFO of TCF.

If transferred through donor's broker:

The donor should follow the instructions of their broker.

The donor should instruct TCF how the gift or the proceeds from the gift are to be applied or expended. The donor's complete name and address should be obtained. The stock certificates should be delivered directly to UA. TCF will mail the stock certificates to its broker within 24 hours. The broker generally sells the stock the day after it is received. Copies of the sales journal voucher, confirmation, high and low, and date of valuation are sent to University Advancement to be used in acknowledgement.

Valuation: The value of a gift of securities is normally the mean between the high and low market value on the date the security is transferred as follows:

If mailedpostmark date
If delivered..... date of delivery
If transferred through brokerdate stock transferred from donors account

TANGIBLE PERSONAL PROPERTY

Criteria for Acceptance

San Diego State University welcomes and seeks gifts of equipment and software; however, these gifts must fit within the stated missions of the University. To be eligible for federal income tax charitable deduction tangible; personal property gifts of \$5,000 or greater require an independent qualified appraisal as defined by the IRS. New gifts, \$5,000 or more, require a recent bill of sale, or appraisal from the corporation, or independent qualified appraisal. Used gifts, \$5,000 or more, require an independent qualified appraisal. If the equipment is donated by the corporation that purchased it, the University credits the value determined by a recent bill of sale or an independent qualified appraisal. If an independent appraisal is needed, the donor pays for it. Appraisals made by San Diego State University personnel are unacceptable because the University is party to the transaction.

If the claimed value of all tangible property contributed, at the time of the donation, exceeds \$500 (regardless of their individual values), the donor must complete the appropriate parts of IRS Form 8283, and attach it to his or her federal income tax return. When contacted by the donor, University Advancement will complete and sign the appropriate sections.

TCF is responsible for filing IRS Form 8282 for gifts of tangible personal property, valued at \$5,000 or more, and disposed of by San Diego State University or TCF within two years of the date of the gift. Copies will be forwarded to University Advancement.

REAL PROPERTY

Criteria for Acceptance

Market Value and Marketability: TCF must receive a reasonably current appraisal of the fair market value of the property and donor's interest in the property San Diego State University would receive if the proposed gift were approved. Development officers should inform the donor that, if the gift is completed, the IRS requires a qualified appraisal made within sixty days of the date of the gift. Development officers must understand and communicate to donors that it is San Diego State University and TCF's policy to dispose of all gifts of real estate as expeditiously as possible. Thus, regardless of the value placed on the property by the donor's appraisal, TCF will attempt to sell at a reasonable price in light of current market conditions, and the donor needs to be informed that any such sale occurring within two years of the date of gift will be reported to the IRS on Form 8282.

In most cases, IRS regulations require that either the donor pay for the appraisal directly, or if the charity (SDSU) pays for the fee, the donor will be issued an IRS Form 1099 characterizing the fees as miscellaneous income.

Site Visit: TCF will verify the condition of the property. Through this visit the representatives should take note of the improvements and amenities, if present. Defects in paint, plumbing, appliances, roofs, foundation, walls, floors, should be observed. If necessary, the opinion of a contractor should be secured if a major problem is suspected.

Potential Environmental Risks: In order to protect San Diego State University and TCF from the high risk associated with accepting environmentally contaminated property, all proposed gifts of real property, including gifts from estates, may be required to provide a Phase 1 environmental audit performed at the donor's expense or at the expense of the Program benefited by the gift. All prospective donors should be alerted to this potential process as discovery of a potential problem may have an economic impact on them, whether or not the gift is accepted by TCF. TCF's agent will provide a recommendation concerning the need for an environmental audit to the VP for UA.

Only the VP for UA may allow an exception to this requirement, and only on residential property which has been used solely for residential purposes for a significant period of time. In cases where this exception applies and no environmental audit is undertaken, TCF may require the donor to execute an environmental indemnity agreement.

Carrying Costs: The existence and amount of any carrying costs, including but not limited to property owners' association dues, country club membership dues and transfer charges, taxes and insurance, must be disclosed and funded by the donor or the program benefited by the gift.

Title Information: A copy of any title information in the possession of the donor, such as the most recent survey of the property, a title insurance policy, and/or an attorney's title opinion must be furnished.

Approval/Acceptance Process

1. The college/area Development Director, working with the TCF Treasurer/CFO and/or others will submit a written summary of the proposed gift. The summary shall normally include the following information:
 - ❑ Complete legal description of real property and copy of warranty deed, if possible
 - ❑ Tax status of the property and any current or proposed LID assessment
 - ❑ Current zoning and any proposed changes
 - ❑ Mortgage balance, if any
 - ❑ Lease or rental information, if appropriate
 - ❑ Any oil, gas, mineral, or other rights that may or may not be transferred
 - ❑ The purpose of the gift (e.g., to fund an endowed chair, a deferred gift, an unrestricted gift) and the department(s), program(s), or endowment(s) to benefit from the gift
 - ❑ An appraisal of the property's and if different, the University's interest in the property's fair market value and marketability
 - ❑ Real estate listing information if property currently on the market

- ❑ Any potential for income and expenses, encumbrances, and carrying costs prior to disposition
 - ❑ Any environmental risks or problems revealed by audit or survey
 - ❑ Any potential use for San Diego State University
 - ❑ Any special arrangements requested by the donor concerning disposition (e.g., price considerations, time durations prior to disposition, realtors or brokers with whom the donor would like San Diego State University to list the property, etc.).
- 2. All gifts of Real Property must be approved by the President (or designee) of San Diego State University.
- 3. If a proposed gift of real property is approved by the VP University Advancement will prepare an acknowledgement and receipt of the gift on behalf of San Diego State University upon notice by TCF that the property has been properly recorded in the local Recorder's Office.
- 4. 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, a current survey, title insurance and/or an attorney's title opinion, will be either paid by the donor or charged to the fund account of the department(s), program(s), or endowment(s) to benefit by the donation. In addition, the filing of Form 8283 by the donor may be required by the IRS for gifts of real property. The Foundation will complete and execute the Section of Form 8283 required to be completed by the Donee. Copies will be forwarded to University Advancement.

LIFE INSURANCE

Criteria of Acceptance

Gifts of life insurance may be accepted without special approval if the insurance policy is fully paid and in cases where the donor intends for the policy to be cashed in immediately for its cash surrender value. TCF on behalf of San Diego State University must be owner (not just beneficiary) of policy. Gift credit will be given equal to annual premiums made by the donor if TCF owns the policy.

Gifts of life insurance with a cash value of at least \$10,000 and which are partially paid, or, on which no payments have been made at the time of gift, will be reviewed for acceptance on a case by-case basis by the VP for UA. The donor is expected to make a written pledge to continue paying the premiums on the policy. If no payment is received from the donor within ninety (90) days of the premium payment due date, whole life policies will be cashed in for the cash surrender value and term life policies will be allowed to lapse.

The value of paid-up life insurance gifts will be recorded and reported at cash surrender value rather than face value of the policy, in accordance with CASE/NACUBO guidelines.

Approval/Acceptance Process

1. The Development Officer will prepare a written summary of any proposed gift of a life insurance policy which fails to meet all of the criteria specified above and submit that summary to the VP for UA through TCF Treasurer/CFO. At a minimum the summary shall include the following information:
 - ❑ Description of the type of life insurance policy, face value, premium payment schedule, interest rate, age of insured(s), and other relevant policy information
 - ❑ The purpose of the gift (e.g., to fund an endowed chair, a deferred gift, an unrestricted gift) and the department(s), program(s), or endowment(s) to benefit from the gift
2. The VP for UA (or designee) will review the material and make a determination as to whether to accept or reject the proposed gift or, if necessary, to impose any terms (e.g., the donor's written pledge to make contributions to cover premiums, a revision in the payment schedule) as a condition of approval. The final determination of the VP for UA (or designee) shall be communicated to the AVP for Development and shall communicate the University's decision to the donor in writing, including any conditions imposed by the VP for UA (or designee) prior to acceptance.
3. If a proposed gift of a life insurance policy is approved, University Advancement Information Services will prepare acknowledgement and receipt of the gift on behalf of San Diego State University.
4. The gift will be completed upon the execution and delivery of the life insurance policy to TCF, or an assignment on behalf of San Diego State University of the policy in the event that TCF is not the original owner of the policy.

Administration

University Advancement shall administer all gifts of life insurance policies and shall maintain records of all donor policies, contribution schedules, donor designations of death benefits, and the like. This office shall also be responsible for pledge reminders and monitoring payments of premiums.

In conjunction with TCF and the TCF Treasurer/CFO, University Advancement shall be responsible for confirming the existence and cash value of all policies in force at least annually and for collecting and distributing death benefits. Upon receipt of death benefits, the University Advancement shall provide notice to the department(s), program(s), or endowment(s) to benefit from the gift.

OTHER ASSETS

Criteria of Acceptance

The VP for UA will consider gifts of other assets including but not limited to promissory notes, assignment of promissory notes, partnership interests, and restricted or non-publicly traded securities, numeral rights, deeds of trust, stock options, and other negotiable instruments, only after a thorough review of the criteria set forth below:

Market Value and Marketability: The VP for UA must receive a reasonably current appraisal of the fair market value of the property and interest in the property San Diego State University would receive if the proposed gift were approved. Development officers will inform the donor that, if the gift is completed, the IRS requires an appraisal made within sixty days of the date of gift. The appraisal and other information must indicate clearly and convincingly that there is in fact a market for the asset under consideration and that the asset can be sold within a reasonable period of time.

Potential Environmental Risks: All proposed gifts in which San Diego State University would acquire an interest in real property must be accompanied by a Phase I environmental audit performed at the donor's expense. (See Acceptance of Real Estate Gifts for further information.)

Limitations and Encumbrances: The existence of any and all mortgages, deeds of trust, restrictions, reservations, easements, mechanic liens and other limitations of record must be disclosed. No gift of an interest in real estate will be accepted until all mortgages, deeds of trust, liens and other encumbrances have been discharged, except in very unusual cases where the fair market value of TCF's interest in the property net of all encumbrances is substantial or where a separate agreement to pay any such encumbrances which might be charged to TCF has been approved by TCF's Board of Directors.

Carrying Costs: The existence and amount of any carrying costs, including but not limited to property owner's association dues, country club membership dues and transfer charges, taxes and insurance, must be disclosed and funded by the donor or the program benefiting by the gift.

Title Information: A copy of any title information in the possession of the donor, such as the most recent survey of the property, a title insurance policy, and/or an attorney's title opinion, must be furnished.

Approval/Acceptance Process

1. The college/area Development Director working with the TCF Treasurer/CFO, and/or others, will submit a written summary of the proposed gift and submit that summary to the VP for UA. At a minimum, the summary shall include the following information:
 - ☐ Description of the asset
 - ☐ The purpose of the gift (e.g., to fund an endowed chair, a deferred gift, an unrestricted gift, and the department(s), program(s), or endowment(s) to benefit from the gift
 - ☐ An estimate or appraisal of the asset's fair market value and marketability

- ❑ Potential for income and expenses, encumbrances, and carrying costs prior to disposition
 - ❑ Any environmental risks or problems revealed by audit or survey
 - ❑ Credit history or financial statement of financially responsible party, if applicable
- 2. The VP for UA (or designee) will review the material and make a determination of whether to accept or reject the proposed gift (or if necessary, to postpone a decision pending the receipt of additional information). The final determination of the VP for UA shall be communicated to the Development Officer by the AVP for Development, and the Development Officer shall communicate the University's decision to the donor in writing, including any conditions imposed by the VP for UA prior to acceptance.
- 3. If a proposed gift of an asset in this category is approved by the VP for UA (or designee), the Director of University Advancement Information Services will prepare an acknowledgement and receipt of the gift on behalf of San Diego State 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 required by the IRS in the case of assets valued at \$5,000 or more (\$10,000 for non-publicly traded stock).
- 4. The gift will be completed by the execution and delivery of a deed of gift or other appropriate conveyance, and the delivery of the property, as applicable. The costs associated with the conveyance and delivery of the gift will be paid by the donor. In addition, the filing of Form 8283 by the donor may be required by the IRS for gifts of assets valued at \$500 or more.

PLANNED GIFT VEHICLES

The following guidelines govern the solicitation and acceptance of planned gifts by San Diego State University. All representatives of San Diego State University shall use their best judgment to help donors to make appropriate planned gifts. TCF on behalf of San Diego State University may decline gifts if it is not satisfied that the donor has received proper independent legal and/or financial counseling, or that the gift is not in the best interest of the donor.

San Diego State University and TCF endorse the National Committee on Planned Giving's Model Standards of Practice for the Charitable Gift Planner and require all of its representatives to abide by them. A copy of the Model Standards of Practice is included in the appendix.

All planned gift agreements shall follow the format of the specimen agreements approved by San Diego State University and TCF or other agreements approved as to form by TCF. All prospective donors shall be urged to seek their own counsel in matters relating to planned gifts and tax and estate planning. TCF on behalf of San Diego State University will seek legal counsel as it deems necessary.

The Director of Planned Giving and members of the development staff delegated by them are authorized to negotiate planned gift agreements with prospective donors, following these guidelines and the format of the specimen agreements approved by San Diego State University and TCF. All agreements that vary in any substantial respect from the format of the specimen agreements, or otherwise vary from the requirements of these guidelines, must be approved in advance by the VP for UA (or designee).

Investment Policies and Practices for Planned Gifts

Investment policies and practices for planned gifts are similar to those for Endowment Funds (see appendix). However, the investment approach and asset mix for trusts are dependent on the objectives of each individual trust.

Although pooling of individual planned giving vehicles is permissible under current law, it may not be practical for some trusts because of conflicting objectives. However, where possible and desirable, pooling trust assets is considered for diversification and minimizing risk.

The Vanguard Group of mutual fund "families" is an investment alternative subject to review and evaluation. In addition, the Foundation utilizes the charitable trust fund of a local bank to manage its Pooled (Life) Income Fund. In the case of Gift Annuities, the State of California does not permit commingling of annuity assets with endowment or operating funds. As a result, a Gift Annuity Pool has been formed to enhance prudent management and investment performance of annuity assets. Because of the relatively high interest rates that must be paid on gift annuities, the investment strategy is to emphasize high yielding fixed income investments and add equities as an inflation hedge as the pool grows over time.

BEQUESTS

A bequest is a gift of any amount or form made to TCF on behalf of San Diego State University in a donor's will. Bequests may provide for a specific dollar amount in cash, specific securities, specific articles of tangible personal property, or be established as indicated in the section on "Outright Gifts." A gift in any amount may be accepted as a contribution to an existing fund so long as the terms and conditions of the existing fund so permit.

Among donors' options are residuary and contingent bequests. A residuary bequest will give San Diego State University all or a portion of the estate after all debts, taxes, expenses, and all other bequests have been paid. A contingent bequest will ensure that, despite unforeseen circumstances, specified property will pass to the University rather than unintended beneficiaries.

In order to expedite Estate distributions, provisions in Donor's will or trust agreements should include the statement. *"To The Campanile Foundation for the benefit of San Diego State University. "*

Donors may also establish, by will, an annuity trust or unitrust. The bequest can be arranged so as to provide a life income for a designated beneficiary by directing that the bequest be used to establish a charitable remainder annuity trust or charitable remainder unitrust. If such a gift is made by will, the principal will pass to San Diego State University only after the death of the life income beneficiary.

Gifts may be made through the execution of a new will or addition, or through a codicil to an existing will. Donors may also add either a residual or contingent codicil to their wills.

Donors are encouraged to recognize that over the many years following the establishment of an endowment, the needs, policies, and circumstances of the University can change in unforeseen ways. The University administration must have the flexibility to make use of funds in the best interest of the institution and in accord with donor interests and specifications. Thus, donors are advised to describe the specific purposes of their gifts as broadly as possible and to avoid detailed limitations and restrictions. Donors considering bequests for a specific purpose are encouraged to consult their college/area Development Director. The inclusion of a flexibility clause similar to the Changes of Condition clause in the Endowment Fund Worksheet is most desirable.

CHARITABLE REMAINDER UNITRUSTS

Definition

A charitable remainder unitrust is a gift vehicle which irrevocably transfers the remainder interest of an asset's value to San Diego State University upon the death of the named income beneficiaries or at the end of a specified term of not more than twenty years. The donor can name him or herself and/or others as income recipients, with payments made concurrently or consecutively.

In a unitrust, the donor creates a formal trust arrangement through which donated assets may be transferred to TCF on behalf of San Diego State University. The donor cannot stipulate in the trust agreement that the original assets placed in the trust be retained for the life of the trust. These assets are then managed according to the investment strategy of the trustee.

Types of unitrust gifts:

Straight Unitrust

This type of unitrust pays a fixed percentage of the net fair market value of its assets, as valued annually (January 1) to the designated beneficiaries. Additional contributions may be added at any time.

Net Income Unitrust

This agreement stipulates that the trust will distribute either the actual amount of income earned or the established percentage payout rate, whichever is LESS.

Net Income Unitrust with Make-up Provision

This agreement uses current excess income from the trust to pay the beneficiary(ies) income lost during the years when earnings are insufficient.

Minimum Funding Level

The minimum amount to establish a charitable remainder unitrust shall be \$100,000 -- and the charitable contribution, computed using standard government tables, should be the greater of \$50,000 or 25% of the initial level of funding. The amount of the initial gift may be less than \$100,000 if other factors dictate that to make an exception to this rule would be in the best interests of San Diego State University or TCF.

Minimum Age Levels

The minimum age of beneficiaries for all life income gifts is fifty-five (55) years old at the time payments begin. The minimum age, however, is not applicable for trusts of terms of years and the payment rate is subject to negotiation. For donors below 55, in special cases, approval may be granted by VP for UA.

Rate of Payment

In accordance with IRS regulations, the fixed percentage cannot be less than five percent and is established when the trust is created and cannot be changed. The maximum payment limitations are dependent upon the ages of the beneficiaries, type of trust, anticipated investment strategy and prevailing economic conditions.

It must be recognized that the fixed percentage rate is established by the donor and does not require approval by San Diego State University or TCF; however, when making proposals to prospective donors, the Director of Planned Giving, or other Development Officers shall not use a rate above eight percent (8%) without first consulting with and receiving approval from the VP for UA (or designee). Prospective donors should also be advised that as the fixed percentage and number of income beneficiaries increases, the charitable contribution deduction to which the donor is entitled will correspondingly decrease.

The maximum payout rates are subject to negotiation in the case of net income unitrusts. There is no maximum number of income beneficiaries, but there shall be no more than two generations of income beneficiaries.

Funding Assets

Gifts of cash and appreciated securities are appropriate for any of the three types of unitrust. Charitable remainder unitrusts funded with real estate or other non-liquid assets shall take the form of a "net income" or "net income with make-up" unitrust. The net income unitrust (with or without make-up provision) is the best way to handle gifts of real estate which would temporarily provide no income between the closure of the gift

and the date the property is sold. In a net income arrangement no payments are due to the beneficiary(ies) until the trust is generating income; however, the trust remains intact.

CHARITABLE REMAINDER ANNUITY TRUST

Definition

Like the unitrust, the charitable remainder annuity trust is an income vehicle which irrevocably transfers the remainder interest upon the death of the income beneficiaries (or for a specified term of not more than 20 years) to TCF on behalf of San Diego State University. The concept of an annuity trust is simple and straightforward. As its name implies, it pays income beneficiary(ies) a fixed dollar amount annually.

Minimum Funding Level

(See above Charitable Remainder Unitrust)

Minimum Age Levels

(See above Charitable Remainder Unitrust)

Rate of Payment

The amount must be specified in the trust instrument as either a dollar figure or a percentage of the initial fair market value of the assets used to fund the trust. This amount may never be less than five percent (5%) of the initial contribution. The higher the rate of return, the lower the value of the remainder interest and the lower the benefit of the charitable income tax deduction. (See above Charitable Remainder Unitrust.)

Funding Asset

As with the unitrust, gifts of cash and appreciated securities are appropriate funding assets. Annuity trusts funded with real estate or other non-liquid assets may be accepted only when the net income from the real estate or other non-liquid assets exceeds the required payout.

CHARITABLE GIFT ANNUITIES

Definition

A charitable gift annuity is a contract between TCF on behalf of San Diego State University and the donor. In return for a gift of cash or marketable securities, TCF guarantees to pay to the donor and his or her survivor, if so specified, a fixed annual annuity in equal installments until the death of the surviving annuitant. TCF's obligation to pay the annuity amount is guaranteed and secured by all assets of TCF, not merely those exchanged for the annuity contract. Because of this guaranteed obligation, no gift annuity amount shall be used for the intended purpose, but shall remain fully funded, until the Foundation's obligation to make annuity payments has been terminated.

Minimum Funding Level

Initial charitable gift annuities shall be issued for at least ten thousand dollars (\$10,000).

Minimum Age Levels

The minimum age of beneficiaries for all life income gifts is fifty-five (55) years of age at the time income payments begin. If payment is to be deferred, the period of deferral between the transfer for the deferred payment annuity and the date the annuity payments start shall be no more than twenty (20) years.

No gift annuity agreement shall be for more than two lives. No exception shall be made to this requirement -- otherwise, under law, TCF will be taxed on a large part of the gift's earnings.

Rate of Payment

The fixed rate of payment for life is established when the annuity contract is signed. Criteria for determining the rate depends upon the age(s) of the annuitant(s). When there is more than one recipient, the rates will be lower. The older the annuitant(s) at the time the annuity is established, the higher the fixed rate that can be offered.

TCF, as well as most other charities, relies on the rates recommended by the American Council on Gift Annuities, except in cases where the donor prefers to accept a lower rate. The rates are actuarially determined with the goal of having at least half the gift asset passed on to the charity and the other half paid out to the non-charitable beneficiaries in the form of annuity payments.

Gift annuity agreements shall be issued only if the charitable gift, computed using standard government table, exceeds ten percent (10%) of the amount transferred. No exception shall be made to this requirement -- otherwise, TCF will be taxed on a large part of the gift's earnings.

Funding Asset

As a rule, TCF on behalf of San Diego State University will not accept a gift annuity for tangible personal property or real estate holdings. Any deviation from this requires approval of the VP for UA.

CHARITABLE LEAD TRUST

Definition

A charitable lead trust is an arrangement whereby income generating assets may be placed in trust with TCF on behalf of San Diego State University for a designated period of years, after which period the assets transfer to non-charitable beneficiaries named by the donor. The trust is called a "lead" trust because the income interest paid to San Diego State University "leads" or precedes the "remainder" interest paid to the beneficiaries.

Types of lead trusts:

Grantor Lead Trust

This is a gift arrangement in which the donor (grantor) transfers income producing assets to a trust, income is paid to a charitable institution (San Diego State University) over the trust term, and at the end of the term the trust principal returns to the donor. In this case the donor receives an income tax deduction based on the present value of the gift. He/she also pays income tax on the trust income each year.

Non-Grantor Lead Trust

In this situation, the donor chooses another non-charitable beneficiary (other than him/herself) to receive the assets at the end of the trust term. The donor does not receive an income tax deduction; however, he/she is not liable for income tax on the annual income of the trust. This type of trust is a taxable entity. The donor receives a gift and estate tax deduction for the present value of the gift of future income,

Minimum Funding Level

The minimum amount suggested to establish a charitable lead trust shall be \$100,000 and trust terms shall not exceed 20 years unless approved by the VP for UA.

Minimum Age Levels

N/A

Rate of Payment

The annual payments of a charitable lead trust must be in one of the following forms:

As a unitrust payment, which is a stated percentage of the fair market value of the assets of the trust, determined at least annually.

Or, as an annuity payment, which is a fixed dollar amount.

Unlike other gift vehicles, there is no required minimum percentage payout.

Funding Asset

Any money or personal property may be used to fund a lead trust. Real property will not be used except in special circumstances approved by VP for UA. However, income must be produced by that property or its proceeds.

RETAINED LIFE ESTATE

While not a life-income type of gift, the irrevocable donation of real estate while retaining the right to use the property has become an increasingly attractive charitable gift arrangement. A donor can give a personal residence, farm, or second home or vacation home to TCF on behalf of San Diego State University and reserve the use of the

property for life (or a term, of years), and/or the lifetime of another resident beneficiary. This arrangement can be ideal for the older donor who owns property and has no heirs. The gift would provide tax savings and the security of knowing that he or she, and a surviving spouse, could make a major lifetime gift of a significant asset without relinquishing its use.

The immediate benefit of a gift of real estate with retained life estate is often a substantial tax deduction for the charitable gift. This deduction is equal to the remainder interest in the property, (the appraised fair market value of the real estate less the calculated value of the retained life use).

As with other gifts of real property, it is the donor's responsibility to obtain an independent appraisal of the value of the property.

The income tax deduction can mean significant tax savings in the year of the gift and may be carried forward for up to five additional years, to a limit of 30 percent of the donor's adjusted gross income each year.

All gifts of real property must be approved by the President (or designee) of San Diego State University.

For more information, see Acceptance of Real Estate Gifts.

BARGAIN SALE

A bargain sale is a sale of property in which the amount of the sales proceeds is less than the property's fair market value. When a bargain sale is made, the excess of the fair market value of the property over the sales price becomes a charitable contribution. When the bargain sale is used as a means of charitable giving, care should be taken to record the donor's intent to contribute the fair market value of the donated property in excess of its sales proceeds. Otherwise, the contribution deduction may be lost.

Where the bargain sale involves real estate, for more information, see Acceptance of Real Estate. Where securities are involved, for more information, see Acceptance of Securities.

REVOCABLE TRUSTS

TCF will serve as trustee of a revocable trust in situations where San Diego State University is the major beneficiary of the trust and the arrangement is beneficial to both the Trustor and University. All proposed revocable trusts must be approved by the VP for UA.

GENERATION-SKIPPING TRANSFERS

Deferred gifts that would be "generation-skipping" transfers shall not knowingly be accepted without specific prior approval of the VP for UA.

POOLED INCOME FUNDS

Pooled income fund trust agreements must be funded with at least five thousand dollars (\$5,000) and additional contributions must be at least one thousand dollars (\$1,000). Currently, all income beneficiaries must be at least 40 years of age at the time the agreement is executed.

The maximum number of allowable income beneficiaries is two. Tax-exempt securities shall not be accepted for transfer to any pooled income fund.

FEDERAL AND STATE TAX INFORMATION

Since TCF is organized and operated exclusively for educational purposes, it is exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. Because TCF is not a private foundation under Section 509(a) of the IRS Code, contributions made to TCF on behalf of San Diego State University are charitable contributions for federal and state tax purposes and are deductible by donors in computing corporate, partnership, gift, estate, and personal income taxes.

EXCEPTIONS

Exceptions to this policy must be approved in writing by the VP for UA.

EFFECTIVE DATE

This policy shall become effective July 1, 1995 and will supersede any existing policy purporting to cover the subject matter of this policy.

REFERENCES

CASE Statement of Ethics
CASE/NACUBO Guidelines (1982) (Revised 1996)
CASE Campaign Guidelines (1994)
Uniform Management of Institutional Funds Act of the State of California

APPENDICES

The Campanile Foundation Gift-in-Kind Acceptance Form
SDSU Gift Transmittal Form
The Campanile Foundation Request for Endowment Fund
The Campanile Foundation Request for Fund Number