

GIFT ACCEPTANCE AND DISPOSITION POLICY

SLT 8.4

Date of Last Update:

July 31, 2008

Approved By:

- Senior Leadership Team

Responsible Office:

University Development

POLICY STATEMENT

This policy is established to govern the acceptance and disposition of all gifts made to Grand Valley State University, whether such gifts are inter vivos (lifetime) or from estates, other than gifts of: (1) cash or (2) publicly traded equities traded on national exchanges. The Vice President for Development in advance of acceptance must approve all such gifts, which fall under this policy

Gifts subject to this policy will be considered in four categories:

1. Tangible personal property
2. Real property
3. Life insurance
4. Other assets

The latter category includes, but is not limited to: promissory notes, assignments of promissory notes, partnership interests, and restricted or non-publicly traded securities. The criteria for acceptance, the acceptance/approval process, and the disposition policy (where relevant) for each category are set forth below.

PROCEDURES

1. Tangible personal property

A. Criteria for acceptance

Gifts of tangible personal property, including but not limited to works of art, manuscripts, literary works, boats, motor vehicles, and computer hardware, may be accepted only after thorough review indicates that the property is (1) readily marketable

or (2) needed by the University for use in a manner that is related to one of the purposes for which tax-exempt status of the University was granted; that is, for education, research, or a combination of both.

B. Approval/acceptance process

A Development Officer or other appropriate gift officer will prepare a written summary of the gift proposal and submit that summary to the Assistant Vice President for Development Services. 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 gift's fair market value and marketability
- Any potential University use and, if so, written review by the department to benefit from the asset
- Any special arrangements requested by the donor concerning disposition (e.g., price considerations, time durations prior to disposition, potential buyers, etc.)

The Vice President for Development and the Vice President for Business and Finance will review the material presented by the Development Officer and make a determination as of whether to accept or reject the proposed gift (or, of necessary, to postpone a decision pending the receipt of additional information.) The Vice President for Development or the Vice President for Business and Finance shall communicate the final determination to the Development Officer, and the Development Officer shall communicate the University's decision to the donor in writing, including any conditions imposed by the Vice President for Development or the Vice President for Business and Finance, prior to acceptance.

If the Vice President for Development and the Vice President for Business and Finance approve a proposed gift of tangible personal property, the Development Officer 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 provide, at the donor's expense, a qualified appraisal required by the IRS in the case of gifts of tangible personal property valued in excess of \$1,500.

The gift will be completed by the execution and delivery of a deed of gift or other appropriate conveyance acceptable to the University, and the delivery of the property, as applicable. The donor will pay all costs associated with the conveyance of the gift. In addition, the filing of Form 8283 by the donor is required by the IRS for gifts of tangible

personal property valued at more than \$500. The donor should send this form to the Gift Assistant for execution.

C. Disposition

Upon approval of a proposed gift of tangible personal property by the Vice President for Development, he/she will assign a University office the responsibility for disposing of the gift, unless the gift is intended for a specific University purpose, in which case no immediate disposition is necessary. Any guidelines on disposition, including minimum sales price and approval or rejection of any special arrangements with the donor, will be put in writing to the university office responsible for disposing of the gift.

Upon approval of a proposed gift, the Vice President for Business and Finance or his/her designees will identify a Fund and Organization Code for charging expenses associated with the gift pending disposition. In the absence of a known beneficiary for the gift, a development code will be used as a holding account.

Until the property is sold or otherwise disposed of, the university office responsible for disposing of the gift will prepare quarterly status reports and distribute them to the Vice President for Development and to the designated representative of the department to benefit from the gift.

The Vice President for Development must be consulted before a gift of tangible personal property may be sold for less than appraised value, estimated fair market value, or guidelines imposed by University Development in approving the gift, as the case may be. If in the judgment of the person responsible for disposing of the gift, a current appraisal of the property would assist in disposing of the property, the person responsible for disposing of the gift may request permission to have the appraisal performed.

Upon sale of the property, the office responsible for disposing of the gift will prepare a final report on the property, including a financial summary of net proceeds to the extent known, and distribute it to the Vice President for Development, the Vice President for Business and Finance or his/her designee, and the designated representative of the department to benefit from the gift.

2. Real Property

The University will consider gifts of real property, both improved and unimproved (e.g., detached single-family residences, condominiums, apartment buildings, rental property, commercial property, farms, acreage, etc.), including gifts subject to a retained life estate, only after a thorough review of the criteria for acceptance set forth below under the direction and supervision of the Vice President for Business and Finance or his/her designee. All gifts of

real property shall be subject to terms and conditions as set forth in the Grand Valley State University Policy for Accepting Gifts of Real Estate.

A. Criteria for Acceptance

i. Market Value and Marketability: The Vice President for Business and Finance or his/her designee must receive a reasonably current appraisal of the fair market value of the property and interest in the property the University would receive if the proposed gift is approved. Development Officers must understand and communicate to donors that it is the University's policy to dispose of all gifts of real estate (other than property which the University wishes to retain) as expeditiously as possible. Thus, regardless of the value placed on the property by the donor's appraisal, the University 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 8283

ii. Potential Environmental Risks: All proposed gifts of real property, including gifts from estates, must be accompanied by a Phase I environmental audit performed at the donor's expense. The only permitted exception to this requirement is for residential property, which has been used solely for residential purposes for a significant (at least twenty year) period of time. In cases where this exception applies and no environmental audit is undertaken, the donor/executor must have an outside party complete an Environmental Checklist prepared by the Vice President for Business and Finance or his/her designee and may be required to execute an environmental indemnity agreement. Even in cases where a Phase I audit is submitted, the Vice President for Business and Finance or his/her designee may require that the donor sign an environmental indemnity agreement.

iii. Limitations and Encumbrance: 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 the University's interest in the property net of all encumbrances is substantial or where a separate agreement to pay such encumbrances which might be charges to the University has been executed by a financially responsible party.

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.

iv. 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 and attorney's title opinion, must be furnished.

B. Approval/Acceptance Process

The Development Office, with the assistance of the Vice President for Business and Finance or his/her designee, will prepare a written summary of the gift proposal and submit that summary to the Vice President for Development. At a minimum, the summary shall include the following information:

- Description of real property
- 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 properties and, if different, the University's interest in the property's fair market value and marketability
- The result of a title search
- Any potential for income and expenses, encumbrances, and carry costs prior to disposition
- Any environmental risks or problems revealed by audit or survey
- Any potential University use
- Any special arrangements requested by the donor concerning disposition (e.g., price consideration, time durations prior to disposition, potential buyers, realtors or brokers with whom the donor would like the University to list the property, etc.)

The Vice President for Development and the Vice President for Business and Finance will review the material present by the Development Officer and make a determination as of whether to accept or reject the proposed gift (or, if necessary, to postpone a decision pending the receipt of additional information.) The Vice President for Development or the Vice President for Business and Finance shall communicate the final determination to the Development Officer, and the Development Officer shall communicate the University's decision to the donor in writing, including any conditions imposed by the Vice President for Development or the Vice President for Business and Finance, prior to acceptance.

If the Vice President for Development and the Vice President for Business and Finance approve a proposed gift of real property, the Development Officer will acknowledge receipt of the gift on behalf of the University upon notice by the Vice President for Business and Finance or his/her designee that the property has been properly recorded in the local Registry of Deeds. 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.

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 the Vice President for Business and Finance or his/her designee, a current survey, title insurance and/or attorney's title opinion, will be either paid by the donor or charged to the fund code of the department(s), program(s), or endowment(s) to benefit by the donation. In addition, the IRS for gifts of real property requires the filing of Form 8283 by the donor. The donor should send this form to the Vice President for Business and Finance or his/her designee for execution.

C. Disposition

It is the responsibility of the Vice President for Business and Finance or his/her designee to dispose of all gifts of real property. Any guidelines the Vice President for Business and Finance or his/her designee wishes to impose on disposition, including minimum sales price and approval or rejection of any special arrangements with the donor, will be put in writing to the Vice President for Development.

If the Vice President for Business and Finance or his/her designee determines that it is in the best interests of the University to retain for its own use a gift of real property, it will be recommended to the appropriate officers of the University and to the Board of Trustees that the University purchase the property and that, in all other cases they authorize liquidation of such funds for the benefit of the designated gift purpose.

Upon acceptance of a gift, the Vice President for Business and Finance or his/her designee will designate a code for charging expenses associated with the gift pending disposition. In the absence of a known beneficiary for the gift, the code will be used as a holding account. Until the property is sold or otherwise disposed of, the Vice President for Business and Finance or his/her designee will prepare quarterly status reports and distribute them to the Vice President for Development and to the designated representative of the department to benefit from the gift.

Upon sale of the property, the Vice President for Business and Finance or his/her designee will prepare a final report on the property, including a financial summary of net proceeds, and distribute it to the Vice President for Development and the designated representative of the department to benefit from the gift. The Vice President for Business and Finance or his/her designee is responsible for filing Form 8283 for gifts of real property sold by the University within two years of the date of gift.

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3. Life Insurance

A. Criteria for Acceptance

With approval of the Vice President for Development, the University will accept gifts of life insurance policies that meet the following two criteria:

The policy is a life insurance policy which is either paid-up or, if not paid-up as of the date of gift:

- Has a minimum face value of \$10,000
- Has a payment schedule not to exceed ten years and which assumes an interest rate not to exceed two percent below prime interest rate as of the effective date of the policy
- Requires charitable contributions from the donor to the University in the amount of any premiums, including unscheduled premiums, which may become due.

Grand Valley State University is designated as the owner and beneficiary of the policy. If intended for endowment purposes, the face value of the policy meets the minimum funding standards for endowments established by the Board of Trustees.

B. Approval/Acceptance Process

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 in the section above and submit that summary through the University's Director of Planned & Endowed Giving or his/her designee. 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

The Vice President for Development and the Vice President for Business and Finance will review the material presented by the Development Officer and make a determination as of whether to accept or reject the proposed gift (or, if necessary, to postpone a decision pending the receipt of additional information.) The Vice President for Development or the Vice President for Business and Finance shall communicate the final determination to the Development Officer, and the Development Officer shall communicate the

University's decision to the donor in writing, including any conditions imposed by the Vice President for Development or the Vice President for Business and Finance, prior to acceptance.

If the Vice President for Development and the Vice President for Business and Finance approve a proposed gift of a life insurance policy, the assigned Development Officer will acknowledge receipt of the gift on behalf of the University.

The gift will be completed upon the execution and delivery of the life insurance policy to the University or an assignment of the policy in the event that the University is not the original owner of the policy.

C. Administration

The Office of University Development 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. The University's Director of Planned & Endowed Giving or his/her designee shall be responsible for pledge reminders and monitoring payments of premiums.

The Vice President for Business and Finance or his/her designee 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 Vice President for Business and Finance or his/her designee shall provide notice to the department(s), program(s), or endowment(s) to benefit from the gift.

4. Other Assets

Other assets include but are not limited to: promissory notes, assignments of promissory notes, partnership interests, and restricted or non-publicly traded securities.

A. Criteria for Acceptance

The University 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, only after a thorough review of the criteria set forth below.

- i. Market Value and Marketability:** The University must receive a reasonably current appraisal of the fair market value of the property and interest in the property the University would receive if the proposed gift is approved. Development Officers will inform the donor that, if the gift is completed, the IRS will require 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.

ii. Potential Environmental Risks: All proposed gifts in which the University would acquire an interest in real property must be accompanied by a Phase I environmental audit performed at the donor's expense. The only permitted exception to this requirement is for residential property, which has been used solely for residential purposes for a significant (at least twenty-year) period of time. In cases where this exception applies and no environmental audit is undertaken, the donor must have an agent complete an Environmental Checklist prepared by the Vice President for Business and Finance or his/her designee and may be required to execute an environmental indemnity agreement.

iii. 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 the University's interest in the property net of all encumbrances which might be charged to the University had been executed by a financially responsible party.

iv. 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.

v. 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.

B. Approval/Acceptance Process

The Development Officer will prepare a written summary of the gift proposal and submit that summary to the Vice President for Development and the Vice President for Business and Finance. 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, and 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 carry 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
- 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.)

The Vice President for Development and the Vice President for Business and Finance will review the material presented by the Development Officer and make a determination as to whether to accept or reject the proposed gift (or, if necessary, to postpone a decision pending the receipt of additional information.) The Vice President for Development or the Vice President for Business and Finance shall communicate the final determination to the Development Officer, and the Development Officer shall communicate the university's decision to the donor in writing, including any conditions imposed by the Vice President for Development or the Vice President for Business and Finance, prior to acceptance.

If the Vice President for Development and the Vice President for Business and Finance approve a proposed gift of an asset in Category 4, the assigned Development Officer 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 required by the IRS in the case of assets valued in excess of \$1,500.

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 cost associated with the conveyance will be paid by the donor upon delivery of the gift. In addition, the filing of Form 8283 by the donor is required by the IRS for gifts of assets valued at more than \$1,500. The donor should send this form to the Office of University Development for execution.

C. Disposition

It is the responsibility of the Vice President for Business and Finance or his/her designee to dispose of all gifts of assets in this Category 4. If the asset involves an interest in real estate, it is generally expected that the Vice President for Business and Finance or his/her designee will assist in disposing of the asset. If the asset is a security, it is generally expected that the Vice President for Business and Finance or his/her designee will follow policies for disposing the asset. Any guidelines the Vice President of Business and Finance or his/her designee wish to impose on disposition, including minimum sales price and approval or rejection of any special arrangements with the donor, will be put in writing to the Vice President for Development at this time.

Upon acceptance of a gift, the Vice President for Business and Finance or his/her designee will designate a code for charging expenses associated with the gift pending

disposition. In the absence of a known beneficiary for the gift, the Vice President for Business and Finance or his/her designee will determine how the gift will be disposed.

Until the property is sold or otherwise disposed of, the Vice President for Business and Finance or his/her designee will prepare quarterly status reports and distribute them to the Vice President for Development and to the designated representative of the department to benefit from the gift.

Upon sale of the property, the Vice President for Business and Finance or his/her designee will prepare a final report on the property, including a financial summary of net proceeds, and distribute it to the Vice President for Development and the designated representative of the department to benefit from the gift.

The Vice President for Business and Finance or his/her designee is responsible for filing Form 8283 for assets valued at more than \$5,000 sold by the university within two years of the date of gift.

5. Acceptance and Disposition of Deferred Gifts

A. Deferred Giving

Development Services is asked to record various types of deferred gifts; the office is often asked to provide a description of the nature of such a gift, or explain how various types of deferred gifts should be recorded by us and/or handled for tax purposes.

Ultimately, the Gift Assistant should refer related inquiries to the university's Director of Major & Deferred Gifts. This does not, however, remove the need for the Gift Assistant to be familiar with this type of gift. For this reason, below are the general explanations of certain types of deferred gifts with commonly accepted rules. Information concerning specific treatment of these gifts at Grand Valley State University should be procured from the Office of University Development.

B. Bequests

The most common and simplest form of deferred giving: a bequest is a gift of property that is made through a donor's will.

Benefits to Donors: Donors do not have to part with any money until they die, and do not owe any estate tax on the amount of the bequest.

6. Charitable Remainder Trusts

Two basic types of charitable remainder trusts qualify for federal tax benefits. In both arrangements, a donor gives stock, cash, or other assets to a trust. Those assets are invested; producing income for the donor - or other beneficiary – either for a fixed period of time or until the donor dies. The donor is allowed to claim a tax deduction for the estimated portion of the

assets that will ultimately go to charity. When the donor dies, the charity keeps all remaining assets. There are two types of remainder trusts:

A. Unitrusts

Under a basic unitrust, the donor receives one or more yearly payments equaling a fixed percentage of the value of the asset. The value is assessed each year. Under a net-income unitrust, the donor receives only the income earned by the trust, even if the trust earns less than the payout rate. However, the trust can be set up to include a “make-up provision,” which allows donors to make up the lost income, provided the trust earns more than the payout rate in future years.

B. Annuity Trusts The donor receives a yearly fixed payment equaling at least five percent of the value of the asset at the time the deferred-giving agreement was signed. Donors who give real estate commonly use charitable remainder trusts. Real estate is not usually given through gift annuities and cannot be given to pooled-income funds.

Benefits to Donors: Donors can get income-tax deductions and escape capital-gains taxes by making such gifts. Many donors find the trusts an appealing way to prepare for retirement. The assets can be invested to earn a lower rate of return when the donor is younger and then shifted to earn a higher rate of return, and thus provide more income, during a donor’s later years.

C. Gift Annuities

Donors contribute cash, securities, or other assets to a charity. In exchange, they receive annual payments for a fixed amount of time. With a deferred gift annuity, the annual payments do not start when the gift is made; they begin at a time specified by the donor when the gift is made.

Benefits to Donors: Gift annuities are attractive to donors who want to receive income from assets that have risen sharply in value, such as cash or stocks. In return for gifts of such assets, the charity guarantees the donors a fixed annual income for the rest of their lives and helps the donor avoid capital-gains tax. The donor also gets an income-tax break on a portion of the earnings from an annuity; the exact amount depends on the donor’s age.

D. Pooled-Income Funds

The donor gives cash, securities, or other assets to a non-profit organization, which then invests those assets in a large, diversified portfolio. The donor receives income from the fund proportionate to the value of his or her contribution, as well as an income-tax deduction based on the estimated principal that will be left to the charity. Obtaining a “unit” in a pooled-income fund is similar to buying a share of a mutual fund.

Benefits to Donors: Life gift annuities, pooled-income funds appeal to donors who want to earn income on stock and other assets and escape capital-gains taxes. Unlike annuities, a donor's income from a pooled-income fund is tied to fluctuating interest rates. That means that in the long run, donors may receive larger earnings than they do from annuities, but they can also do less well in the short term. As a result, the funds tend to appeal to younger people who are more often willing to take risks with their investments.

E. Charitable Lead Trusts

A charity receives the income from the donor's assets for a specified time, after, which the asset is transferred back to the donor or to the donor's heirs.

Benefits to Donors: A lead trust can reduce gift and estate taxes or provide a charitable deduction for the donor. Charitable lead trusts are most appealing to donors who want to pass appreciated assets to their heirs without paying a substantial amount in taxes. The donor pays a gift tax on the asset when it is placed in to the trust; after that it can grow tax-free. At the end of the specified period, the asset is returned to the donor's heir or heirs, who do not have to pay any additional taxes.

7. Deferred Gifts Policy of Grand Valley State University

In an effort to maintain continuity and consistency with deferred gifts to Grand Valley State University, the following policy has been established:

Gifts governed by this policy: All deferred gifts to the University, which are managed by Grand Valley State University or its agents, including but not limited to the following:

- Gifts establishing charitable remainder trusts
- Gifts to the pooled income funds
- Gifts purchasing charitable gift annuities
- Gifts funding charitable lead trusts

Gifts not governed by this policy: Deferred gifts that do not require management; for example, gifts of personal residences or farms with retained life estate in donor and deferred gifts with are managed by trustees other than Grand Valley State University.

Trustee: Grand Valley State University has the option to serve as trustee of any deferred gift in which the University's interest equals at least fifty-one percent of the total charitable interests. Usually the University prefers the use of a commercial trustee.

Payout rates: The payout rates offered to donors shall be competitive and determined in consultation with a Development Officer.

Value of Remainder: No deferred gift (except for deferred gift annuities) shall be accepted in which the value of the University's remainder interest is less than twenty-five percent of the value of the assets transferred.

Minimum gift amounts: Grand Valley State University has the following minimums for acceptance of deferred gifts

- Charitable remainder trusts: Initial gift – \$100,000
- Pooled income fund gifts: Initial gift - \$5,000 Additional gifts - \$1,000
- Charitable gift annuities: Initial gift - \$10,000

Note: Gift annuities may not be offered to residents of states in which such contracts are considered to be insurance products or securities. Currently almost one-half of the states (including Florida, New York and California) classify these contracts as either insurance or securities. Because this list is constantly changing, approval should be obtained from the Development Office before discussions for this gift type are initiated.

Acceptable gift assets: The University will accept the following assets:

- Cash
- Publicly traded securities
- Real estate (subject to approval of the Vice President for Development)
- Other assets, such as closely held stock and partnership interested (subject to approval of the Vice President for Development.)

Valuation of gift assets: The University will follow applicable federal tax law.

Final approval, acceptance, and execution by the University: The Vice President for Development, in collaboration with the Vice President for Business and Finance or his/her designee must approve all documents.

All documents must be sent first to the donor for signature and then to the University's Vice President of Business and Finance or his/her designee.

The Vice President of Business and Finance or his/her designee shall execute the documents on behalf of the University; and the documents shall be executed in duplicate and the originals distributed as follows:

- One original to donor
 - One original to Vice President of Business and Finance or his/her designee
 - Copies to the appropriate Development Officer
-