

Gift Acceptance Policy

- I. Purpose
- II. Payment of Fees Related to Gifts to the Foundation
- III. Definitions
- IV. Gift Review and Acceptance
- V. Types of Gifts and Authority and Procedures with Respect to Acceptance by the Foundation
- VI. Review and Amendment of the Policy

I. Purpose

A. This Gift Acceptance Policy (the “Policy”) has been adopted by The University of Hawai‘i Foundation’s (the “Foundation”) Board of Trustees to (i) outline procedures for analyzing and accepting charitable gifts to the Foundation for the benefit of the University of Hawai‘i (the “University”) and (ii) delegate the authority to accept such gifts to the appropriate Foundation Board Committees or staff. The procedures in this Policy shall be interpreted in light of two overriding principles:

Principle 1: A gift shall not be accepted by the Foundation without the prior consultation of the department, unit, or program benefiting from the gift and unless it is compatible with the mission of the University and its programs.

Principle 2: The Foundation shall encourage all donors to consult with their own independent advisors when appropriate, particularly in situations involving planned gifts or large gifts.

B. While this document is intended to provide guidance to Foundation staff and the various Committees of the Board regarding acceptance of gifts, donors are ultimately responsible for ensuring that the proposed gift furthers their charitable, financial and estate planning goals. Therefore, each prospective donor is urged to seek the advice of independent legal and/or tax counsel in the gift planning process and Foundation staff shall take appropriate steps to so notify prospective donors. The Foundation shall not give legal, accounting, tax, or other advice to prospective donors.

II. Payment of Fees Related to Gifts to the Foundation

A. Finder's Fees and Commissions

1. The Foundation shall pay no fee to any person as consideration for directing a gift to the Foundation. This prohibition does not restrict the ability of the Foundation to contract with professional fundraising counsel or other professional fundraising advisors determined by the Committee.

B. Appraisals

1. If the Foundation believes that the non cash gift has a value of five thousand dollars (\$5,000.00) or more, then the donor, at his/her sole cost and expense, should provide to the Foundation an appraisal by an Independent Qualified Appraiser as defined by the Internal Revenue Code.

2. The donors should be notified at the time of receipt of the gift that the Foundation will cooperate fully in all matters related to Internal Revenue Service (IRS) investigations of non-cash charitable gifts.

C. Professional Fees

1. The Foundation will generally not pay fees incurred by donors for professional services in connection with the completion of a gift to the Foundation, such as legal, appraisal and survey fees. The Foundation may obtain and pay for its own legal, investment, financial planning, and accounting advice as it deems necessary.

III. Definitions

A. Gift

1. Basic Definition of Gift.

An irrevocable charitable contribution to the Foundation for the benefit of the University of Hawaii system, which is intended as a donation, bestowed voluntarily and without expectation of tangible compensation and for which no contractual requirements are imposed. Gifts usually take the form of cash, checks, securities, real property, or personal property and may be current or deferred.

2. Generally No Quid Pro Quo

Gifts are not generally subject to an exchange of consideration or other contractual duties between the Foundation and the donor, except for

bargain sales and certain deferred gifts as set out in this Policy, although objectives may be stated and funds may be restricted to a specific charitable purpose acceptable to the Foundation. Fundraising activities including special events may have a non-gift element; the value of the non-gift element will be determined and subtracted from the total amount to determine the contribution portion.

3. Examples of Non-Gift Transactions.

A gift is not:

- a. a payment to or for a specific individual
- b. a payment that is conditional on a future event or the substantial probability of return to the donor or another individual(s)
- c. an involuntary payment on behalf of a charitable organization (e.g. a payment to charity in lieu of court fine.)
- d. expenses associated with conveying a gift (appraisal fees, shipping, insurance, etc.)

4. Accepting Gifts for the Benefit of Specific Individuals

- a. A proposed transfer that is made with the condition that the proceeds will be spent for the personal benefit of a named individual or individuals is generally not deductible as a charitable contribution and not a gift. *This rule does not apply, however, to deferred gifts satisfying Internal Revenue Code requirements for tax deductibility, such as charitable lead trusts, charitable remainder trusts, remainder interests in a personal residence or farm where donors retain a life interest.*
- b. The key issue is whether the donor's intent is to make a gift for the ultimate benefit of the University and the general public.
- c. The donor may impose conditions that limit the recipients of the gift and still receive a charitable deduction, so long as the conditions of a gift are not an attempt to channel the proceeds to certain individuals and there is a sufficiently large charitable class.

Example: A gift "to provide scholarships for students from Maui" would be deductible; a deduction for a gift "to provide scholarships for all pre-medical students from Maui enrolling

at the University in the fall of 1989 whose last names begin with the letter “T” would not be accepted.

d. Gifts that are made for research projects, even when carried out by named individuals (e.g., “cancer research under the direction of Dr. Smith”), would normally be tax deductible and accepted by the Foundation, since the ultimate beneficiary is the general public. However, gifts that are made “for research by Dr. Smith in his absolute discretion” are a borderline case, since the IRS might find that giving uncontrolled discretion to a named individual would empower that individual to divert the grant to purposes deemed by the IRS to be personal.

e. A gift “to be used by Dr. Jones to defray travel expenses of her family during her sabbatical leave” would not be deductible since it is a gift for the personal expenses of the doctor, not for the benefit of the general public.

5. Accepting Gifts from University Employees to Support their Own Activities. University employees may contribute to projects over which they are administrators. As with all expenditures from a Foundation project, it must support bona fide University activities and the expenditure must have a benefit to the University. These gifts cannot be used in a manner that would result in any direct or indirect personal benefit for the donor. The Foundation shall not act as a conduit for funds where a tax deduction by an employee is likely to be disallowed by the Internal Revenue Service.

B. Grants. Grants are revenues received from individuals, industry, foundations, and other sources, for the support of University programs and projects. Grants normally fall into two categories

1. Non Specific Grants are those received in support of restricted programs or projects, but which do not result from a specific grant proposal, no specific resources or services are committed, and no accounting of the use of the funds is required.
2. Specific Grants are those received in accordance with the terms of approved grant proposals for specific programs and projects. Commitments of University’s resources or services are made as a condition of the grant, and an accounting of the use of the funds may be required by the grantor.

C. Contract. Contracts are restricted payments received by the University from various contractors, made in accordance with the terms of contracts entered into

by the University to conduct specific programs. Payments made pursuant to contracts are not gifts.

IV. Gift Review and Acceptance

The Board of Trustees of the Foundation has a fiduciary responsibility for accepting or declining all gifts to the Foundation. The Board of Trustees hereby delegates responsibility for gift acceptance to the Foundation officers and various Board committees as described in this Gift Acceptance Policy. All Foundation employees, staff, officers, volunteers, and trustees shall follow the guidelines set forth in this Policy. The procedures to be followed with respect to the acceptance of various forms of gifts are described in more detail in Section IV. of this Policy. Once the Foundation has accepted a gift, it becomes Foundation property and at such point the donor has no direct decision making power regulating the disposition, use or investment of the gift. The information and analysis necessary to reach a decision and accept a gift will vary depending on the nature of the gift. The Foundation shall endeavor to reach a decision as quickly as possible and advise the prospective donor accordingly.

V. Types of Gifts and Authority and Procedures With Respect to Acceptance by the Foundation

A. Gifts to the Foundation may be in the form of pledges, current gifts, or deferred gifts. A gift may be either unrestricted or restricted to a general area of use that contributes to the benefit of the University. Gifts with inappropriate restrictions – those which are not in the best interests of the University or may be such that the proposed gift may not be a charitable gift or subject the Foundation or University to liability -- shall not be accepted.

B. If restrictions placed on an accepted gift should be rendered illegal, unreasonable or unable to be fulfilled, and if the donor(s) are unavailable to alter the account restriction, the Foundation may consult with the appropriate University officials and may, if necessary and desirable, seek court approval to remove or modify such restriction(s). If termination of such a restriction(s) is sought, the Foundation shall use such funds for a purpose that reflects as near as possible the original restriction. Restrictions shall be deemed unreasonable or unable to be fulfilled due to circumstances including, without limitation, the termination of a University program, a surplus of funds from other sources to fulfill the designated purpose, the insufficiency of the restricted funds to fulfill the designated purpose when no funds from other sources are available to supplement the restricted funds, and the designated purpose is no longer consistent with the mission of the University and its individual programs.

The authority to accept various types of gifts and the procedures to be followed in each case are described below.

C. Pledges

1. Definition of Pledge. Pledges are commitments to give a specific dollar amount according to a fixed time schedule. All pledges shall be in writing.
2. Necessary Information. The following minimum information must exist to substantiate a pledge:
 - a. The amount of the pledge must be clearly specified;
 - b. There must be a clearly defined payment schedule;
 - c. The donor may not proscribe contingencies or conditions;
 - d. The evidence of the pledge should include words such as “promise”, “agree”, “will”, “binding”, “legal.” It should not contain words such as “intend”, “plan”, “hope”, or “may”, and
 - e. The donor must be considered financially capable of making the gift.

D. Current Gifts.

Current gifts may take the form of:

Cash Gifts

Gifts in Kind

Personal Property

Real Property

Securities

A description of each and the procedures regarding the acceptance of such gifts are set forth below in this Section B.

1. Cash Gifts.

- a. Cash gifts may take the form of currency, check, credit card contribution, or wire transfers. All gifts of cash or cash equivalents without significant donor restrictions may be accepted by



appropriate Foundation staff as determined by the Vice President or Associate Vice President for Development. There is no minimum gift level for unrestricted donations of cash or cash equivalents. Restricted gifts of cash or cash equivalents will require other documentation as approved by paid officers of the Foundation.

b. Currency is accepted for security reasons only by hand delivery at the Foundation's main office at Bachman Hall 105. A receipt will be given at the time of delivery from Foundation staff.

c. Checks should be made payable to the **University of Hawai'i Foundation** and in no event shall be made payable to an employee, agent, or volunteer for the credit of the University of Hawai'i Foundation. The Foundation may accept checks that are payable to the University of Hawai'i when such checks are clearly intended as charitable gifts. Please refer to our Procedure on checks made payable to the University of Hawaii.

d. The following credit cards are accepted by the Foundation (Discover Card, Visa, MasterCard, American Express). Minimum amount to be charged is \$10. Any bank fees from a credit card transaction will be charged directly to the donor's account the following month. Credit card payments are also accepted at the Foundation's website www.uhf.hawaii.edu. Click on the tab "Make a Gift Online."

2. Gifts in Kind

a. Gifts in kind are noncash donations of materials, consulting services, executive on loan programs or long lived assets. Gifts in kind might include such items as equipment, software, printed materials, food or other items used for hosting dinners. etc. There is no minimum gift level for gifts in kind.

b. Foundation officers can accept gifts in kind that will be sold immediately. Gifts in kind that will not be sold must be accepted directly by the University. Donors should directly contact the appropriate University unit it wishes to donate to.

c. Gifts in Kind of automobiles to be used by the University should be in compliance with University Policy. Please see the appropriate University department or unit for further details. The Foundation may help facilitate the transfer of gifts in kind to the University. Gifts in Kind of automobiles to be sold once received should be

sold through Kokua-in-Kind. Proceeds from the sale may be deposited into a Foundation account.

3. Personal Property

a. The Foundation may consider gifts of personal property both tangible and intangible, including but not limited to works of art, manuscripts, literary works, boats, motor vehicles, computer hardware and software only after a review by Foundation staff indicates that the property is either readily marketable and free and clear of liens and encumbrances or needed by the University for use in a manner which is related to education, research or a combination thereof.

b. It is the policy of the Foundation to sell or otherwise dispose of all gifts of personal property, unless the items can be used by the University or Foundation in a manner related to education and/or research. The Foundation's intention to either resell the property or to retain and use it to further its charitable activities shall be communicated to the donor in writing at the time of the gift.

c. Foundation staff as determined by the Vice President for Development can accept personal property.

4. Real Property

a. Real property includes improved or unimproved land, personal residences, farmland, commercial property, bargain sales of real property, conservation easements, rental property, mineral interests, and time shares. It is the Foundation's intent to dispose of all gifts of real estate as expeditiously as possible. This intent will be communicated to donors when the Foundation receives notification of the donor's intent to gift real property. If a gift of real property is for property that will be utilized by the University in its programs, then such gift shall be made to the University directly and not the Foundation. The Foundation may help facilitate the transfer of real property from the donor to the University.

b. In regards to unrestricted gifts of property, the Foundation reserves the right to retain the property, rather than immediately selling the property.

c. No gift of real property shall be accepted by the Foundation without the approval of the Real Estate Committee. The Real

Estate Committee will review and may approve the acceptance of a gift of real property only after a thorough examination of the criteria listed below:

- i Market Value and Marketability. The Foundation must receive a current appraisal (not older than 60 days) of the fair market value of the property and interest in the property the Foundation would receive if the proposed gift were approved. The appraisal shall be done in accordance with Internal Revenue Service (“IRS”) requirements and should be performed by Member Appraisal Institute (“MAI”), Senior Residential Appraiser (“SRA”), or Senior Real Property Appraiser (“SRPA”) at the donor’s expense. The appraisal and other information must demonstrate clearly and convincingly that there is a market for the property under consideration and that the property can be sold within a reasonable period of time. Generally, a representative of the Foundation will physically view and evaluate the property. In consideration of the value placed on the property by the donor’s appraisal, the Foundation will attempt to sell at a reasonable price in light of current market conditions.
- ii Environmental Risks. An environmental assessment will be made for all gifts of real estate. The appropriate level of assessment will be determined based on the review of each individual property. (i.e. Phase I, Phase II, Phase III, or none if the property is highly unlikely to carry environmental risks.) In some cases an additional environmental indemnity agreement may be required.
- iii Limitations, Encumbrances and Title. The donor must disclose the existence of mortgages, deeds of trust, restrictions, reservations, easements, liens of any type or other limitations on title as well as current zoning and provide income statements where appropriate. Encumbrances must be removed prior to the acceptance of the gift of real estate except in very unusual circumstances approved by the Real Estate Committee and where the Foundation's equity in the real estate will substantially exceed the encumbrances. The Foundation may consider obtaining a survey. Prior to acceptance, title insurance must be obtained for the property. The Foundation will also consider whether there are any requirements for compliance with the Americans with Disability Act.

iv Carrying Costs. The existence and amount of any carrying costs, such as property owner's association dues, maintenance fees, taxes and property and liability insurance, must also be considered.

d. The gift will be completed by the execution and delivery of a deed of gift or other appropriate conveyance document to the Foundation. The costs associated with the conveyance and delivery of the gift, including, but not limited to, recording fees, a current survey, title insurance and/or an attorney's title opinion, will generally be paid by the donor. If necessary, these costs will be reimbursed through the net proceeds of the sale.

5. Securities

a. Publicly Traded Securities (stocks, bonds and mutual funds) traded on major U.S. and foreign exchanges may be accepted by Foundation staff as determined by the Vice President of Development unless the gift is restricted. Generally, the Foundation will immediately sell this type of security.

b. Closely Held Securities and Other Business Interests.

i Gifts of closely-held securities will be accepted only upon approval by the Foundation's Investment Committee pursuant to the policies applicable to gifts of closely-held securities in effect from time to time.

ii A donor of closely-held securities must provide information, assistance and copies of the issuing company's documents as may be requested by the Foundation from time to time, necessary for review of the potential gift.

iii The Foundation reserves the right, after sufficient evaluation, to either hold gifted closely-held securities as an investment or to convert the closely-held securities into cash as soon as possible subject to any applicable transfer restrictions. While it is permissible for the donor or the issuing company to repurchase the securities at fair market value, there can be no redemption or other buy-back agreement, either express or implied, prior to making a gift. The Foundation reserves the right to transfer any gift to a wholly-owned entity or an affiliated nonprofit organization at its sole discretion.

iv If proposed gift of closely-held securities will make the Foundation a majority shareholder in the issuing company, either independently or as part of a voting group, the Foundation will either not accept the gift, or accept a smaller minority interest.

E. Deferred gifts include:

Charitable Bequests

Beneficiary Designations

Charitable Gift Annuities

Charitable Remainder Trusts

Charitable Lead Trusts

Gifts of Life Insurance

Personal Residence, Vacation Homes, or Farm with a Retained Life Estates

1. All deferred gifts that are funded by real estate must be approved by the Real Estate Committee. See Section V.D.4 for further details.

2. Charitable Bequests

Donors can make charitable bequests to the Foundation in wills or living trusts. A bequest of cash or publicly traded securities is always acceptable. A bequest of closely held securities, real estate, tangible personal property, or other assets must be approved or declined by Foundation as described in this Policy.

3. Beneficiary Designations

Donors can name the Foundation as a beneficiary of certain types of “beneficiary designation” assets. Some examples of accepted assets are a donor’s life insurance policies and qualified retirement plans, such as 401(k) plans, 403(b) plans and Individual Retirement Arrangements (IRAs).

4. Charitable Gift Annuities

a. A charitable gift annuity is a contract between the Foundation and the donor, whereby the donor makes an initial transfer of cash

or publicly traded securities to the Foundation and the Foundation agrees to pay the annuitant a fixed amount for the rest of his/her lifetime. The Foundation offers the gift annuity rates recommended by the American Council on Gift Annuities.

b. Gift annuities will not be offered to non-Hawaii residents without review by legal counsel to the Foundation.

c. The Foundation will accept current gift annuities, as well as deferred payment gift annuities including flexible and college annuities. The deferral period will be discussed between the Foundation and the donor.

d. Gift annuity agreements are for one life or two lives in being at the time of the gift.

- i The minimum age for an immediate payout is 55.
- ii A deferred payout cannot begin until age 55, except for college annuities.

e. Minimum Contribution

i The minimum acceptable for an unrestricted contribution for payout shall be the proscribed IRA maximum contribution limits.

(a) Effective from 2005, the maximum IRA contribution limit is \$4,000. For those 50 years or older, the maximum IRA contribution limit is \$4,500.

ii The minimum acceptable for a restricted contribution shall be \$25,000.

f. If the contribution for the gift annuity is anything other than cash real estate, or publicly traded securities, the Life Income Sub-Committee must approve the annuity before it is accepted by the Foundation.

g. Gifts of real estate will be accepted only to fund deferred payout charitable gift annuities. As noted previously, the Real Estate Committee must approve all real estate gifts.

h. All other annuities funded with cash or publicly traded securities are considered low risk and will be accepted by Foundation officers.

5. Charitable Remainder Trusts.

a. Charitable remainder trusts shall be created by the donor and the donor's legal counsel, in consultation with the Foundation and its attorney. Generally, the Foundation shall not serve as trustee of any charitable remainder trust.

b. The Foundation may in some cases be trustee of a charitable remainder trust. The amount of the gift must be at least \$50,000; the Foundation must be 100% beneficiary of the remainder interest; and the gift must be irrevocably designated for the benefit of the Foundation. Any beneficiary intent of less than 100% must be approved by the President, Vice President for Administration/Chief Financial Officer, the Chairpersons of the Planned Gifts and Investment Committees and the Executive Committee.

c. The Foundation may serve as trustee for charitable remainder trusts that comply with the requirements above, and upon the approval of the President, Vice President for Administration/Chief Financial Officer, and the Chairpersons of the Planned Gifts and Investment Committees.

6. Charitable Lead Trusts

a. Charitable lead trusts shall be created by the donor and the donor's attorney, in consultation with the Foundation and its legal counsel. The Foundation shall generally not serve as trustee of any charitable lead trust.

b. Any exceptions require the approval of the President, Vice President for Administration/Chief Financial Officer, and the Chairpersons of the Planned Gifts and Investment Committees.

7. Gifts of Life Insurance

a. The Foundation can receive two types of life insurance gifts.

i **Beneficiary Designation:** If the Foundation is named beneficiary of a life insurance policy (and does not own the policy), review of the gift is not required.

ii **Outright:** If the Foundation receives a gift of insurance and the Foundation is beneficiary and owner, the gift must be reviewed by a Foundation officer.

- b. The following criteria apply to insurance gifts when the Foundation is owner and beneficiary:
 - i. The premium must be a lump sum payment or annual premium payments for not more than ten years. If it exceeds ten years, the Foundation will review the gift.
 - ii. The policy may not be a term insurance policy.

8. Retained Life Estates

- a. Donors can receive a charitable income tax deduction by making a gift to the Foundation of their home, vacation home, or farm while retaining full use and rights to the property during their lifetime. (The donor retains a “life estate” and the Foundation receives the “remainder interest”.)
- b. The gift is created by transferring a deed to the Foundation.
- c. Donors must sign a separate “Life Estate Agreement” with the Foundation to clarify the responsibility for maintenance, taxes, insurance, and other issues.
- d. Donors must have all documents reviewed by their own attorneys.
- e. All the normal review and gift acceptance procedures for gifts of real estate apply to gifts of life estate/remainder interest deeds.

VII. Review and Amendment of this Policy

The Board of Trustees of the Foundation, with the assistance of the Executive Committee, is responsible for formulating, implementing and amending this Policy. The Executive Committee shall exercise the authority, oversight and responsibilities specified in this Policy. The Real Estate Committee shall review and recommend to the Executive Committee the approval of the real estate portion of this Policy. The Planned Gift Committee shall review and recommend to the Executive Committee the approval of the deferred gift portion of this Policy. The chairperson of the Executive Committee, or a member of the Executive Committee, shall report to the Board of Trustees as needed. Responsibility for review of and recommendations regarding amendments to the Policy shall be that of the Executive Committee. To amend the Policy, a written amendment shall be prepared by the Executive Committee and submitted to the Board of Trustees for review and approval.

Additionally, the President shall have the authority to amend the Policy to comply with law whenever it becomes inconsistent with the Internal Revenue Code (the “Code”), the Treasury Regulations promulgated thereunder, or other applicable state or federal laws. The President shall provide a written report to the Committee explaining the reason for any change to this Policy. The President shall also submit any changes or amendments for approval at the next meeting of the Board of Trustees and the Committee. All such changes made by the President are subject to the power of the Board of Trustees to accept or modify such amendments.

Appendix A:
9/30/2008 Updated III. A. 5.