

## **GIFT ACCEPTANCE POLICY**

### **Introduction/Purpose**

#### **The University**

California Baptist University (CBU) is one of the top private Christian universities in Southern California. CBU believes each person has been created for a purpose. CBU strives to help students understand and engage their purpose by providing a Christ-centered educational experience that integrates academics with spiritual and social development opportunities.

Graduates are challenged to become individuals whose skills, integrity and sense of purpose glorify God and distinguish them in the workplace and in the world.

This Gift Acceptance Policy is intended to establish a process for the cultivation, acceptance, and management of all gifts. This policy will guide CBU's staff when discussing, planning and accepting gifts and pledges with individual donors, corporations and foundations. It shall be reviewed annually.

CBU is a 501(c)(3) not-for-profit religious benefit corporation organized under the laws of the State of California.

CBU's Federal Tax Identification Number is 95-1890710.

#### **Gifts**

CBU carefully stewards donors and gifts to the University and abides by the industry-standard Donor Bill of Rights. The Donor Bill of Rights was created by the American Association of Fund Raising Counsel, Association for Healthcare Philanthropy, the Association of Fundraising Professionals, and the Council for Advancement and Support of Education.

The responsibility of CBU staff and volunteers is to inform, guide, and assist the donor in fulfilling his/her philanthropic wishes, but never to improperly influence such a decision. The University encourages potential donors to consult with an attorney, tax advisor, and/or tax preparer with questions regarding all aspects of their gift.

This document has been developed to outline procedures for analyzing and accepting charitable gifts to CBU for the University's benefit. While the procedures set forth herein are detailed and often specific to the type of gift contemplated, they shall be interpreted within the context of these overriding principles:

1. A gift shall not be accepted by CBU if such acceptance would not be appropriate in light of the donor's personal or financial situation.
2. A gift shall not be accepted by CBU unless there is a reasonable expectation by CBU that acceptance of the gift will benefit the University.
3. CBU reserves the right to refuse any gift. However, the University shall make a good faith effort to accommodate and accept charitable contributions from donors. CBU will not accept gifts that:
  - a. Violate the terms of this policy;
  - b. Are too difficult or expensive to administer;
  - c. Could create unacceptable liability or cause the University to incur future unanticipated expenses;
  - d. Are for purposes that do not further the University's mission;
  - e. Involve unlawful discrimination prohibited by applicable local, state and federal laws or regulations;
  - f. Could damage the reputation of the University;
  - g. Would jeopardize the University's tax-exempt status; or

- h. Provide a donor with goods or services of financial value in exchange for said donor's gift unless such value is fully disclosed in the time and manner as required under federal and state law and regulations.
4. All contributions are made with the understanding that the University has complete control and administration of the use of the funds.
5. No agreement, contract, or other legal document shall be executed with any donor that differs from stated University policies and procedures without prior approval of the Vice President for University Advancement in consultation with CBU's President, Vice President for Finance and Administration, and Vice President and General Counsel.

### **Definition of a Gift**

A gift is consideration given for which the donor receives no direct benefit and requires nothing in exchange beyond an assurance that the intent of the contribution will be honored.

In addition, gifts can be made in which some benefits are received in return by the donor, e.g., memberships in the Lancer Athletic Association. These gifts are characterized *as quid pro quo* gifts. In these circumstances, CBU shall make a good faith effort to provide the donor with the amount of the payment to CBU which is a legitimate charitable contribution deduction under the Internal Revenue Service regulations.

### **Gift Review and Acceptance**

The President of the University and the Vice President for University Advancement are authorized to accept or reject gifts.

CBU recognizes that the accurate and timely processing of gifts is important to both the donor and to the University. CBU records gifts and pledge receivables in its financial statements in accordance with Financial Accounting Standards Board (FASB) Rules 116 and 117. The Director of Advancement Services assumes primary responsibility to ensure gifts and pledges are correctly recorded.

The University will promptly provide the donor with a gift receipt in accordance with IRS guidelines. The donor is informed of any quid pro quo arrangements, as described herein, applicable in the gift transaction.

A written gift agreement should be obtained for charitable contributions or pledges. All written gift agreements and pledges should be in the form prepared by Office of University Advancement and approved by the Office of the General Counsel.

- Multi-year pledge payment schedules shall be approved by the Vice President for University Advancement, however, multi-year pledges in excess of four (4) years must be approved by the President.
- Any deviations from the standard gift agreements must be approved by the President and Vice President for University Advancement in consultation with the Office of the General Counsel.
- The University and the donor(s) must sign all gift agreements.
- Gift agreements, including agreements structured as corporate or foundation grants, shall not include terms creating an exclusive relationship between CBU and an outside entity. Exceptions to this rule must be approved by the President, Vice President for Finance and Administration and Vice President for University Advancement after consultation with the Office of the General Counsel.

## Types of Gifts

Gifts to CBU may be in the form of outright gifts, pledges, or deferred commitments.

### Outright Gifts

Outright gifts include:

1. **Cash and Cash Equivalents.**

Cash is often the easiest way to give and the most frequently received form of gift accepted by CBU. These gifts can take the form of currency, check or credit card contribution. Cash may be delivered in person, by mail, Electronic Funds Transfer (EFT) or wire transfer.

The date of gift for cash gifts is the date the cash is received in the Office of University Advancement. If gifts are transferred by EFT or wire, the date of the gift is the date that the money is transferred into CBU's bank account. Credit card gifts (MasterCard, Visa, and Discover) are also accepted by CBU. When gifts are received by credit card, the date of the gift is the date the credit card charges are processed.

2. **Securities.**

Gifts of securities are valued at the average of the high and low price of the security as of the date of the gift.

The date of the gift is defined as the date of the postmark on the envelope or the date the security is hand delivered (physical certificates) including a duly endorsed assignment of the security or the date the stock is received in the CBU's brokerage account (book-held securities). If the security is not traded on that date, the date of the most recent prior sale will be used for valuation.

Publicly traded securities (stocks, bonds and mutual funds) may be accepted by CBU. It is the policy of the University to sell these donated securities upon receipt with the proceeds added to either CBU's short-term funds or its investment portfolio.

In the case of non-publicly traded (closely held) securities, CBU shall examine any issue that is not publicly traded prior to accepting them. CBU may decline a gift of such securities if it deems them difficult to value or not easily marketable.

The donor is responsible for having gifts of non-publicly traded securities exceeding \$10,000 to be evaluated by a qualified independent appraiser as required by the Internal Revenue Service.

In the case of gifts of non-publicly traded securities, CBU may, after thorough examination, consider acceptance of such assets provided that:

- The minimum value for any gift of a non-publicly traded security is \$10,000. These securities include: partnerships, limited partnerships, limited liability companies, closely-held companies, stock of entities that fall under SEC Rule 144, legend stock or bonds of entities that are thinly traded, and stock of entities held for sale at the request of a donor.
- Because of the unique nature of these securities, special due diligence review may be required prior to acceptance.

- The value of these securities will be determined based on the fair market value of the securities on the date of gift, using an appraisal or alternative method of valuation acceptable to the University.

Some factors CBU may include in its evaluation of a gift proposal of such assets include, without limitation, the probability of conversion to a liquid asset within a reasonable period of time, projected income that will be available for distribution, administrative fees and the nature of the business from which the asset is derived. Notwithstanding the foregoing, CBU may in its sole and absolute discretion decline acceptance of any such gift.

### 3. **Real Property.**

Real property includes improved or unimproved land, personal residences, farmland, commercial property, rental property and mineral interests. It is CBU's policy to dispose of all gifts of real estate as expeditiously as possible. This policy will be communicated to donors when CBU receives notification of the donor's intent to gift real property. If it is the intention of the donor that CBU not immediately dispose of real property, an agreement must be made in writing between CBU and the donor before such property may be accepted by the University.

The donor of real property should consult with his/her attorney or tax advisor regarding a possible charitable deduction or any other tax consequences prior to making the decision to donate the property. CBU will accept a gift of real property only after a thorough examination of the criteria listed below:

- A. Market Value and Marketability. CBU must receive a current appraisal (not older than 6 months) of the fair market value of the property and interest in the property CBU would receive if the proposed gift were approved. Development officers shall inform the donor that, if the gift is completed, the IRS will require an appraisal made not earlier than 60 days before the date of gift and not later than the date the donor's tax return is due (with extensions). The appraisal and other information obtained concerning the property must indicate 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. Regardless of the value placed on the property by the donor's appraisal, CBU will attempt to sell the property at a reasonable price reflected by the current market.
- B. Potential Environmental Risks. If, in the judgment of the University, the property could contain potential environmental hazards, the donor will be required to provide a guarantee and/or indemnity that the property is free from any and all environmental hazards. In addition, the University may require the donor, at the donor's expense, to provide CBU with a Phase I environmental impact study. At its discretion, CBU may, at the donor's expense, contract for an independent assessment of environmental risks.
- C. Limitations and Encumbrances. No gift of real estate may be accepted until all mortgages, deeds of trust, liens and other encumbrances have been discharged. Gifts of real estate which are subject to mortgages may result in financial liability for the University and can cause adverse tax consequences for the donor(s). The President must approve any exception to this section C.
- D. Carrying Costs. The existence and amount of any carrying costs, such as property owner's association dues, transfer charges, taxes and insurance, must be disclosed.

Gifts of real property qualifying for a charitable deduction to the donor shall be valued by using the fair market value of the property as determined by a qualified appraisal. Appraisals are generally provided and paid for by the donor.

If CBU should sell or otherwise dispose of the donated property within three years of the date of the gift, CBU is required to file an information return on IRS Form 8282 and send a copy to the donor.

#### **4. Tangible Personal Property (Gifts in kind).**

CBU may consider gifts of tangible personal property, also known as gifts in kind, which include, but are not limited to, works of art, taxidermy, stamp and coin collections, manuscripts, literary works, boats, motor vehicles, and computer hardware and software only after a review indicates that the property is either readily marketable or needed by the University for use in a manner which is related to education, research, or a combination thereof.

It is CBU's policy to sell or otherwise dispose of all gifts of personal property, unless the items can be used by the University in a manner related to education and/or research. CBU'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. The selling of these gifts within three years will put the items to an "unrelated use" which will cause a reduced charitable contribution deduction for the donor. This reduction must be communicated to the donor.

Gifts of personal property shall be valued at their full fair market value. Gifts with fair market values exceeding \$5,000 will be reported at the values placed on them by qualified independent appraisers as required by the IRS in valuing noncash charitable contributions. Gifts of \$5,000 or less may be reported at the value declared by the donor.

Title to the gift property should be clear and unencumbered, and properly documented. CBU must approve gift acceptance, compatibility, maintenance, storage, and transportation costs prior to gift acceptance.

If CBU should sell or otherwise dispose of the donated property within three years of the date of the gift, the University must file IRS Form 8282 and send a copy to the donor.

### **Direct Pledges**

Direct pledges are commitments to give a specific dollar amount according to a fixed time schedule.

The following minimum information is required to substantiate a direct pledge:

1. The amount of the pledge must be clearly specified;
2. There must be a clearly defined payment schedule;
3. The donor may not prescribe contingencies or conditions;
4. The evidence of the pledge should include words such as "promise," "agree," "will," "binding," or "legal." It should not contain words such as "intend," "plan," "hope," or "may," and
5. The donor must be considered to be financially capable of making the gift.

Direct pledges or promises to give may be recorded in CBU's financial statements in the year of the pledge at the value of the entire pledge discounted to present value in accordance with Financial Accounting Standards Board (FASB) regulations.

### **Deferred Pledges**

Deferred pledges are defined as those which relate to bequests, life insurance beneficiary designations, and retirement plan beneficiary designations. Deferred pledges are not recorded on CBU's financial statements.

However, deferred pledges are tracked separately and may be disclosed as a footnote to the financial statements to provide CBU and its Board of Trustees of an estimate of the volume of deferred arrangements “in the pipeline.”

## Deferred Gifts

Deferred gifts include but are not limited to the following:

### 1. Charitable Bequests and Retirement Plans.

Donors can make charitable bequests to CBU in wills or living trusts. In addition, donors can name CBU as beneficiary of their retirement plans such as their IRA, 401K, and 403B. This designation can be in whole or part or as a stated amount or a percentage of their balances at death. IRA Charitable Rollover federal legislation allows donors to donate up to \$100,000 to charity from their Simple IRA, if age 70 ½ or older, with some restrictions.

### 2. Charitable Remainder Trusts.

#### In General

If CBU is to serve as trustee of a charitable remainder trust, the University must be at least a 50% irrevocable remainder beneficiary of the trust. If CBU serves as trustee, the trust assets will be invested according to investment guidelines established by CBU.

Fees that are charged to a trust are those charged by external sources. If CBU is to serve as trustee for a charitable remainder trust funded with real property, all CBU policies for acceptance of real estate must be followed.

Trusts may be funded with cash, stock, real estate, tangible personal property or a combination of these assets.

Payments may be set for life or a trust term not to exceed 20 years.

Payments to income beneficiaries must come exclusively from the trust assets and are not guaranteed by CBU.

#### Unitrusts

The basic form of Unitrust provides for payment to the donor and/or beneficiary of an amount equal to a set percentage of fair market value of the assets of the trust, valued annually. The percentage is determined at the time the trust is created, is stated in the trust and is permanent. The minimum payout allowed is 5% annually. The maximum percentage shall be determined by the University based on recommendations by the Office of University Advancement. The maximum percentage shall be based on several factors, including the age of the donor(s), number of lives, amount of gift, rate of return on U.S. Treasury bonds at the time, and other considerations. Also, the value of the charitable remainder must be at least 10% of the net fair market value of the property transferred to the trust on the date of the transfer.

#### Annuity Trusts

Annuity trusts are similar to Unitrusts except that the donor and/or beneficiary annually receive a payout that is fixed irrevocably at the time of the gift and stated in the trust agreement. The payout must equal at least 5% of the fair market value of the assets placed in the trust when it is created. Income in excess of

the annual payment is added to the principal. Unlike a Unitrust, additions may not be made to Annuity Trusts.

### 3. **Charitable Lead Trusts.**

Charitable Lead Trusts are designed to make periodic payments to CBU for a period of several years, after which the trust terminates and the assets pass to the designated individuals either outright or in trust.

Major gift donors may use Charitable Lead Trusts to fulfill pledge agreements with cash, stock, real estate, or a combination of these assets, placed in trusts.

Typically, CBU will not serve as trustee.

### 4. **Life Insurance Policies.**

CBU can receive the following two types of life insurance gifts:

- CBU can be named beneficiary of a life insurance policy but does not own the policy.
- CBU can be owner and beneficiary of a life insurance policy.

The following criteria apply to insurance gifts if CBU is both the owner and the beneficiary:

- A. The premium must be a lump sum payment or annual premium payments. The premium payments are made to CBU and the University records these donor payments as gifts and provides appropriate acknowledgement. CBU remits the premium payments to the insurance company.
- B. The donor agrees to be responsible for making additional premium payments if the interest rates fall below expectations and additional premium payments are required.

Upon the advice of its advisers, the donor must decide whether it is in their best interest to name CBU as both the owner and beneficiary or to name CBU as only the beneficiary.

The donor will be informed that if, for any reason, they are unable to make the gifts to cover the premium payments and there are not adequate dividends to cover the payments, CBU will decide the future of the policy based on several factors, some of which may include the age of donor, death benefit, amount of paid-up insurance, amount of premium, or number of premiums remaining. The options are:

- A. To discontinue payment of additional premiums and consider the policy paid at current level of insurance.
- B. To surrender the policy for the cash value and use the funds as designated by the donor.
- C. To use University resources to pay the insurance premium.

Life insurance is valued at the cash surrender value.

CBU will not serve as trustee of a life insurance trust if CBU is not the sole beneficiary.

### 5. **Remainder Interest Subject to Life Estate.**

Donors can receive a sizable charitable income tax deduction by making a gift to CBU of their personal residence or farm while retaining full use and rights to the property during their lifetime. The donor retains a "life estate" and CBU receives the "remainder interest."

The gift is created by transferring a warranty deed to CBU which reserves a “life estate” for the life of the donor or his/her designates.

Donors must sign a “Life Estate Agreement” with CBU and the donor shall assume responsibility for ongoing property taxes, insurance and maintenance for the duration of the life estate.

Donors are encouraged to have all documents reviewed by their own attorneys.

The routine review and gift acceptance procedures for gifts of real estate apply to gifts of life estate/remainder interest deeds.

A donor may also create a Granted Life Estate by granting CBU a remainder interest through the donor’s last will and testament. In this circumstance, the donor designates CBU as the remainderman subject to a life estate granted to another individual or individuals.

## **Donors’ Estate Administration; Drafting of Wills; Providing Bequest Language; Planned Giving**

### **Forms**

- Neither the University nor any of its employees acting on behalf of the University may agree to act as the successor trustee of a living trust or the executor of any will in which the University is named as a beneficiary, without the approval of the President, in consultation with the Vice President for Finance and Administration, Vice President for University Advancement and Vice President and General Counsel.
- University employees acting on behalf of the University shall not draft wills or living trusts naming the University as a beneficiary, regardless of whether such employee is licensed to practice law. (This provision does not apply to employees drafting their own will or wills for family members, naming the university as a beneficiary.)
- University employees may provide donors with suggested bequest language or assistance with other language pertaining to gift designation within CBU.
- The Office of University Advancement may provide donors and their counsel with approved form documents for planned gifts such as charitable remainder trusts, charitable lead trusts and life estates.
- All matured testamentary gifts (trusts and estates) are administered through the Office of University Advancement in conjunction with the Office of Finance and Administration and Office of General Counsel.

## **Gift Designation and Restriction**

### **Unrestricted Gifts**

Unrestricted gifts provide CBU the greatest flexibility to direct resources where CBU deems they are most needed at any particular time. For that reason, unrestricted gifts are always welcome and encouraged.

### **Restricted Gifts**

Some donors may decide to restrict a gift. CBU staff will work with donors and/or their representatives to document the donor’s expectations regarding criteria for the use of restricted gifts. Once a gift has been offered and received, its use can be changed as per the gift agreement. CBU’s general policies toward restricted gifts are as follows:

- The University may accept gifts with specific designations to a particular school, unit or program.

- The donor will not be permitted to choose any individual recipient(s) or beneficiary(s) of their gift. For example, donors may not choose the holder of an academic chair or professorship, or the individual recipients of a scholarship award.
- Whenever possible, any restrictions related to the use or purpose of a gift should be written as “preferences” to allow the university the greatest latitude in ensuring future use. When that is not possible, it is desirable to reserve the authority of the University to change the use or purpose of the gift as may be called for by changed circumstances.

Unless waived by the President and Vice President for University Advancement, gift agreements concerning gifts of endowment must include the standard clause regarding frustration of purpose and/or changed circumstances.

Types of restricted gifts include:

1. Spending Purpose. When a current use gift is restricted by spending purpose (not time), it may be used at the discretion of CBU, ideally during the current fiscal year, or until funds are sufficient to achieve the designated purpose of the gift.
2. Time Restriction. Permanently restricted gifts to endowments shall be invested within the University’s endowment accounts maintained at the California Baptist Foundation (CBF) or the Common Fund and income shall be drawn from said accounts and spent according to endowment spending policies as directed by CBU.

#### **Endowed Fund Minimums**

The minimum amount to establish an endowment fund at CBU is \$25,000. This fund may be established to be funded under a pledge agreement not to exceed five years. Distributions from the fund will not occur until the fund has been fully endowed for a minimum of one calendar year. At that point the distribution will occur as per CBU’s endowment spending policy.

- **Providing Legal or Financial Advice**

No employee of the University shall provide any legal advice or financial planning services for any donor. Donors should be encouraged to seek the assistance of their own legal and financial advisors in matters relating to their gifts and resulting tax and estate planning consequences.