

**Kutztown University Foundation**

# **Gift Acceptance Policy**

**10/12/2022**

## **Gift Acceptance Policy**

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# **GIFT ACCEPTANCE POLICY**

## **KUTZTOWN UNIVERSITY FOUNDATION**

Kutztown University Foundation (KUF) is responsible for raising and managing private gift funds for the benefit of Kutztown University. KUF provides specialized fund-raising support services including annual giving programs, capital campaigns and other major gift programs, donor relations and special events, alumni outreach and engagement activities, planned giving, prospect research and donor and alumni information systems.

KUF's responsibilities include the management and administration of contributions received on behalf of the University and its related organizations. KUF is responsible for: (a) the management and administration of all bequests, estates, trust arrangements and endowments in which the University or KUF is the intended beneficiary; (b) investment of all endowed funds and other funds held for long-term purposes; (c) accounting and reporting for individual gift accounts; (d) internal control and financial reporting of gift transactions in accordance with generally accepted accounting principles and donor stipulations; (e) compliance with Federal and Commonwealth of Pennsylvania laws and regulations regarding said contributions; and (f) acceptance, management and disposition of gifts of real and personal property.

KUF ensures that all gifts and earnings thereon, if applicable, are used according to donor stipulations and manages donor stewardship programs.

KUF is organized and operated exclusively as a not-for-profit corporation; it is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The mission of the Kutztown University Foundation is to raise funds to assist in developing and enhancing quality educational opportunities at Kutztown University of Pennsylvania for its students, faculty, and alumni, and the greater Kutztown University community.

## **POLICY STATEMENT**

Kutztown University, through KUF, 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.

Gifts that may expose the University to adverse publicity, require expenditures beyond its resources, or involve the University in unexpected responsibilities because of their source, condition, or purposes or are not consistent with the mission of KU will not be accepted.

The KUF Board of Directors, in consultation with KU administration, reserves the right to terminate donor naming rights should the donor be found to have engaged in criminal or unethical behavior.

KUF is unable to accept gifts that are deemed too restrictive in purpose or inconsistent with the University's stated academic purpose and priorities. Gifts received by the Foundation 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.

KUF 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 KUF accept gifts which obligate it to violate any other applicable law or regulation.

This policy is designed to provide guidance to the University community and the general public so as to facilitate the philanthropic process. The University and KUF encourage 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, cryptocurrency, 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 to the Associate Executive Director and Chief Financial Officer. Gifts to KUF on behalf of Kutztown 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) an interest in the donated asset(s) 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 not considered gifts and may not be deposited to gift accounts.

Scholarship or emergency fund payments where the donor has selected the recipient(s) of the award(s) are not gifts and will not be accepted by KUF; they should be processed directly through the Financial Aid Office of Kutztown University.

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

## **GIFT TRANSMITTAL**

All gifts to KUF will be recorded by the Gift Accountant and acknowledged by the Executive Director and/or his designated development officer. Cash, checks, or other assets submitted for deposit should be accompanied by appropriate documentation identifying the gift account title; KUF account number if known; name of the donor(s) to whom acknowledgement should be sent, particularly in the case of corporate checks; plus, copies of all correspondence relating to the gift.

For gifts-in-kind the university or KUF wishes to accept, in addition to the above-listed information, the following documentation may be required: the donor's letterhead or other standard documentation such as a catalog or published price list giving the value and description of the donated items, 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.

Checks should be made payable to Kutztown University Foundation, Inc. Title to gifts of securities and real property should be transferred to Kutztown University Foundation, Inc.

Cash gifts should be submitted for deposit as soon as practicable upon receipt; and in no circumstances should be held by the individual who received the gift for more than 24 hours. If questions remain regarding donor wishes, adjustments may be made at a later date with proper documentation.

## **GIFT ACCEPTANCE**

It is important to distinguish between gift acknowledgements done at the college and/or department level and the official gift acceptance and acknowledgement process that provides the donor with a receipt for tax purposes and provides KUF with a complete record of a donor's contributions.

## **AUTHORIZED AGENTS**

The Executive Director has been given authority by the KUF Board of Directors to accept all gifts or requests to KUF in accordance with the guidelines set forth herein. The acceptance procedure is completed with the presentation to the donor of an official gift receipt or acknowledgment letter by KUF.

The Executive Director further delegates the authority to accept gifts (subject to the policies and procedures contain in this document) to the following agents of the Foundation:

Associate Executive Director and Chief Financial Officer  
Senior Director of Philanthropy  
Development Officers  
Associate Director of Annual  
Giving  
Director of Alumni Relations  
University employees acting on behalf of KUF

KUF 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 the University, its colleges, schools, or departments.

Gifts that may result in current or future financial obligations for the University or impact University facilities and grounds will require prior approval of the University President. 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 University Council of Trustees.

## **KUF BOARD OF DIRECTORS**

KUF 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 Foundation and University policy.

The Executive Director or Associate Executive Director and Chief Financial Officer may consult with the applicable Committee of the Board of Directors when the circumstances surrounding a specific gift raise significant institutional issues.

The Board of Directors, through its Committees, would be 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.

Types of gifts reviewed by Board Committee may include, but are not limited to:

- Gifts of real property or an interest therein.
- Bargain sales or gifts subject to any encumbrance.
- Gifts of tangible personal property, estimated to be valued at or above \$5,000, 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 Kutztown University.
- Gifts that, because of their size or nature, present questions as to the impact on the University, or a particular program or area.
- Gifts that might raise questions about the 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 the University or KUF under local, state, or federal law that either may be unwilling or unable to assume.

It is the responsibility of any development officer, other KUF employee or University employee, 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 Executive Director 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 KUF on behalf of the 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.

### **Cryptocurrency**

Gifts of cryptocurrency (defined as digital or virtual currency) are accepted via third-party vendors in which KUF has a signed contract for providing cryptocurrency gift acceptance and processing. The donation value of the cryptocurrency will be provided by the third-party processor in transaction reports. KUF will not hold, or sell, cryptocurrency directly. The third-party vendor is responsible for the valuation and gift receipting for tax purposes, in compliance with state or federal IRS guidelines, of all cryptocurrency donations. Donors are encouraged to work with their financial or tax advisors on gifts of cryptocurrency that may impact their tax liability. KUF does not provide professional financial or tax advice to donors or prospective donors. KUF will not accept cryptocurrency independently of a third-party vendor without prior review and approval by the Executive Director and the Associate Executive Director & Chief Financial Officer.

### **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 (please see addendum 1 for details regarding the evaluation, recording and recognition of gifts-in-kind.)

### **Irrevocable Trusts, Annuities, Life Estates, Insurance**

*Charitable Remainder Trusts and Gift Annuities:* Gifts made to establish charitable remainder trusts, 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 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 KUF 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 KUF on behalf of the 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, rather than its face value, is recorded 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 KUF on behalf of the 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:* KUF and Kutztown University seek gifts of time and other services on a considerable scale. However, services -- while crucial and for which we are thankful -- are not tax-deductible to donors beyond out-of-pocket expenses associated with the service. KUF does not issue gift receipts or acknowledgements for such out-of-pocket expenses. Please see Addendum 1 for details on whether service is a gift or not and how to evaluate, record and recognize services when appropriate.

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

## **ACKNOWLEDGING AND RECOGNIZING DONORS**

A letter of acknowledgment/gift 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. KUF 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. It is recommended that follow-up letters be sent 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 KUF. 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 the Foundation 15 and 30 days after the establishment of the tribute (date of the first gift). When such gifts are transmitted by University departments, they should indicate that the gift is a memorial or in-honor-of gift, whom the gift is in memory or honor of, and the name and address of someone to be notified.

## **USE OF GIFTS**

### **OUTRIGHT GIFTS**

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

## ENDOWMENTS

A true endowment is a donated gift in which the principal shall be invested in perpetuity and the income thereon shall be used to fund a particular scholarship, award, program or other specified or unrestricted expenditures. The income on an endowment may be either restricted by a donor for a particular purpose, or unrestricted.

The following policies and guidelines for endowments have been established to facilitate processing and handling of 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 KUF before such an endowment can be accepted. These requirements are intended to protect the interests of the donors and allow KUF to economically carry out the requirements set down by the endowment guidelines.

Minimum gifts of \$25,000 will be required to establish an endowment fund. Endowed funds may be "named." Every endowment shall have specific guidelines detailing the purpose of the endowment. Endowments for which the income is unrestricted will be encouraged. In addition to the use of income, 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 Kutztown University may change in unforeseen ways. The inclusion of a flexibility clause, such as the following, is desired.

*Change of Conditions:*

*If, at some future date, circumstances within Kutztown 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 the 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.*

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 donor for stewardship purposes.

The Kutztown University Foundation 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, KUF should be notified promptly.

KUF will ensure continued use of the income according to the specific donor guidelines. Donor stewardship will be managed through KUF.

Endowment funds investment policies and practices are developed and maintained by KUF in accordance with the provisions of Title 15, Pennsylvania Consolidated Statutes Section 5548 which governs the investment management and expenditure of endowments. Donors are not permitted to have control over the investment of endowment funds or the use of the income beyond the initial restrictions.

## **TYPES OF GIFTS**

### **CASH GIFTS**

Cash gifts can take the form of currency, coin, checks, money orders, credit cards and employee payroll deductions. Checks should be made payable to Kutztown University Foundation, Inc. with documentation stating the donor's designation of the gift.

### **SECURITIES**

Publicly-traded stocks, bonds, and government-issued debt may be given to KUF. Title to gifts of securities must be transferred to KUF. The preferable method of accepting gifts of securities is through electronic transfer from the donor's broker/investment advisor to KUF's custodial account at US Bank through the Depository Trust Company (DTC) system. Instructions for donors wishing to make a gift of securities are as follows:

**To deposit any DTC-eligible security into our U.S. Bank Trust account for STOCK GIFTS**  
Including but not limited to Equities, Corporate and Municipal Bonds, Commercial Paper, Medium-Term Notes, Collateralized Mortgage Issues, and Zero-Coupon Bonds

Instruct current custodian to deliver to: The Depository Trust Company  
Participant Account 2803  
For credit to Kutztown University Fdn 10126690

**To deposit any Fed-eligible security:**  
Including all Fed-eligible Bonds, Bills, Notes, and agencies, including GNMA's

Instruct current custodian to deliver to: Federal Reserve Bank of Cleveland  
For: U.S. Bank, N.A., Trust  
ABA 042-000-013  
1050/TRUST  
For Account Number: 10126690: Kutztown University Foundation, Inc.

**To deposit physical certificates for any of the foregoing, or for some type of security not shown:**

Instruct current custodian to deliver to:

U.S. Bank Trust Services  
P.O. Box 1787  
Securities Processing, MK-WI-S302  
Milwaukee, WI 53201-1787

**To deposit foreign stock or bond issues:**

Instruct current custodian to deliver to: Euroclear A/C 97816  
FFC: A/C 387000 U.S. Bank / Global Omnibus

**To deposit foreign physical issues:**

Donor must contact their investment account or trust administrator for proper delivery instructions.

*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 from the donor's account into KUF's account.

**TANGIBLE PERSONAL PROPERTY**

**Criteria for Acceptance**

KUF welcomes and seeks gifts of equipment and software; however, these gifts must fit within the stated missions of the University. All Gift-in-Kinds must be pre-approved by the University Department and Foundation Business Office before acceptance. 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, KUF 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 KUF or Kutztown University personnel are unacceptable because both the Foundation and University are parties to the transaction. Please see Addendum 1 for the details of substantiating, recording and acknowledging such gifts.

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, the Business Office of KUF will complete and sign the appropriate sections.

KUF is responsible for filing IRS Form 8282 for gifts of tangible personal property valued at \$5,000 or more, and disposed of by Kutztown University or KUF within three years of the date of the gift.

## **REAL PROPERTY**

### **Criteria for Acceptance**

*Market Value and Marketability:* KUF must receive a reasonably current appraisal of the fair market value of the property and donor's interest in the property KUF 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 the policy of the University and KUF to dispose of all gifts of real estate as expeditiously as possible, unless the University or KUF have a compelling academic and/or business need for the subject property. Thus, regardless of the value placed on the property by the donor's appraisal, KUF 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 three 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 pays for the fee, the donor will be issued an IRS Form 1099 characterizing the fees as miscellaneous income.

*Site Visit:* KUF 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 the University and KUF 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 KUF. KUF's agent will provide a recommendation concerning the need for an environmental audit.

Only the Executive Director and/or KUF Board of Directors 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, KUF 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 Development Officer, working with the Associate Executive Director and Chief Financial Officer of KUF 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 the property is 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 Kutztown University or KUF
  - 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 the University to list the property, etc.).
2. All gifts of real property must be approved by the Real Estate Committee of the Board of Directors of KUF. If the gift is intended to be used by the University, the President (or designee) of Kutztown University shall also approve the acceptance of the gift.
3. If a proposed gift of real property is approved, the Associate Executive Director and Chief Financial Officer will prepare an acknowledgement and receipt of the gift on behalf of KUF upon notice 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. KUF will complete and execute the section of Form 8283 required to be completed by the donor.

## **LIFE INSURANCE**

### **Criteria of Acceptance**

KUF may be named as the beneficiary of life insurance policies. When the death benefit is paid from a policy in which KUF is named as beneficiary but not owner, the full amount received will be recorded as an outright bequest.

KUF accepts gifts of whole life, variable and universal life insurance policies. However it is the general practice of KUF to liquidate these gifted policies.

KUF reserves the right to make limited exceptions to this policy and allow donors to gift a policy and continue to pay the premiums. The donor is expected to make a written pledge to continue paying the premiums. If the donor stops paying the premiums, KUF may liquidate the policy. Gift credit will be given equal to the cash surrender value of the policy at the time of the gift plus the amount of annual premiums subsequently paid by the donor. In such cases, however, no gift credit will be given when the death benefit is paid.

If an insurance policy is accepted as a gift, IRS form 8283 should be completed and signed by the Associate Executive Director and Chief Financial Officer of KUF. If a donated policy has a value of \$5,000 or more, a formal appraisal should be obtained from someone other than the insurer or agent who sold the policy.

Paid-up life insurance policies which are gifted to KUF 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 is not fully paid and submit that summary to the Associate Executive Director and Chief Financial Officer. 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 or make an unrestricted gift) and the department(s), program(s), or endowment(s) to benefit from the gift
2. The Associate Executive Director and Chief Financial Officer (or designee) will review the summary and make a determination as to whether to accept or reject the proposed gift or, if necessary, to impose any terms, such as a revision in the payment schedule, as a condition of approval.

## **Administration**

KUF 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.

KUF 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, KUF shall provide notice to the department(s), program(s), or endowment(s) to benefit from the gift.

## **OTHER ASSETS**

### **Criteria of Acceptance**

The Executive Director or Associate Executive Director and Chief Financial Officer 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, mineral 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 Associate Executive Director and Chief Financial Officer must receive a reasonably current appraisal of the fair value of the property and interest in the property that KUF or the 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 the University or KUF 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 KUF'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 KUF has been approved by KUF'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 Development Officer, working with the Associate Executive Director and Chief Financial Officer of KUF and/or others, will submit a written summary of the proposed gift and submit that summary to the Executive Director. 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), programs(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 Executive Director (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 Executive Director shall communicate KUF's decision to the donor in writing, including any conditions imposed by the Foundation prior to acceptance.
3. If a proposed gift of an asset in this category is approved by the Executive Director (or designee), KUF will prepare an acknowledgement and receipt of the gift. The Foundation 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 KUF. All representatives of KUF shall use their best judgment to help donors to make appropriate planned gifts. KUF 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.

All planned gift agreements shall follow the format of the specimen agreements approved by KUF. All prospective donors shall be urged to seek their own counsel in matters relating to planned gifts and tax and estate planning. KUF will seek legal counsel as it deems necessary.

The Executive Director, Associate Executive Director and Chief Financial Officer, 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 KUF. 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 Executive Director (or designee).

### **Investment Policies and Practices for Planned Gifts**

Investment policies and practices for planned gifts are similar to those for endowment funds. 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.

### **BEQUESTS**

A bequest is a gift of any amount or form made to KUF 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 KUF 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 KUF rather than unintended beneficiaries.

In order to expedite estate distributions, provisions in a donor's will or trust agreements should include the statement "To Kutztown University Foundation, Inc.," or "To Kutztown University Foundation, Inc. for the benefit of Kutztown 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 KUF 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 with KUF prior to making the bequest. The inclusion of a flexibility clause similar to the Changes of Condition clause is most desirable.

## **SPLIT-INTEREST GIFTS**

### **Definition**

A split-interest gift is a transfer of assets by the donor to a trust, fiscal agent, or the Foundation itself in which the Foundation has a beneficial interest but is not the sole beneficiary. Such transfers may in some cases be revocable by the donor, in which case KUF will not recognize gift revenue until the expiration of the provisions or conditions giving rise to the revocability of the gift commitment. Irrevocable split-interest gifts shall be recognized as revenue at the net present value of the Foundation's beneficial interest at the date of gift. Common types of split-interest gifts include Charitable Remainder Unitrusts, Charitable Remainder Annuity Trusts, Charitable Gift Annuities, Charitable Lead Unitrusts, and Charitable Lead Annuity Trusts.

## **CHARITABLE REMAINDER TRUSTS**

A charitable remainder trust is a gift vehicle in which the donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the Foundation then receives the assets remaining in the trust. These assets may be unrestricted, or the donor may place temporary or permanent restrictions on the use of these assets by the Foundation (e.g. the establishment of an endowment). The distributions may be for a specified percentage of the trust's fair value as determined annually (Charitable Remainder Unitrust), or for a specified dollar amount (Charitable Remainder Annuity Trust).

Unitrust arrangements may be further broken down into the following types:

### Straight Unitrust

This type of unitrust pays a fixed percentage of the net fair market value of its assets, as valued annually (*specify date*) 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 Kutztown University Foundation.

### **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 the Executive Director.

### **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 KUF; however, when making proposals to prospective donors, the development officer shall not use a rate above eight percent (8%) without first consulting with and receiving approval from the Chief Financial Officer. 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 GIFT ANNUITIES**

### **Definition**

A charitable gift annuity is a contract between a donor and KUF in which the donor contributes assets to KUF in exchange for a promise by KUF to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. These agreements are similar to charitable remainder annuity trusts except that no trust exists – the assets general assets of the Foundation and the annuity liability is a general obligation of the Foundation. Pennsylvania does not require charities to maintain segregated gift annuity reserve accounts; accordingly KUF does not do so. KUF's obligation to pay the annuity amount is guaranteed and secured by all assets of KUF, not merely those exchanged for the annuity contract. Because of this guaranteed obligation, it is KUF's policy that no gift annuity amount shall be used for the intended purpose until KUF's obligation to make annuity payments has been terminated.

### **Minimum Funding Level**

Initial charitable gift annuities shall be issued for at least twenty-five thousand dollars (\$25,000).

### **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.

### **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.

KUF 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 tables, exceeds ten percent (10%) of the amount transferred. No exception shall be made to this requirement.

## **Funding Asset**

As a rule, KUF will not accept a gift annuity for tangible personal property or real estate holdings.

## **CHARITABLE LEAD TRUST**

A charitable lead trust is an arrangement in which a donor establishes and funds a trust with specific distributions to be made to the Foundation over a specified period. The use of these distributions may be restricted by the donor or unrestricted. The distributions may be for a specified percentage of the trust's fair value as determined annually (Charitable Lead Unitrust), or for a fixed dollar amount (Charitable Lead Annuity Trust). Upon termination of the trust the assets transfer back to the donor or to non-charitable beneficiaries named by the donor. The trust is called a "lead" trust because the income interest paid to KUF "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 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 Executive Director.

## **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 the Executive Director. 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 KUF 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.

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.

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

## **REVOCABLE TRUSTS**

KUF will serve as trustee of a revocable trust in situations where KUF is the major beneficiary of the trust and the arrangement is beneficial to both the Trustor and KUF. All proposed revocable trusts must be approved by the Executive Director and the Associate Executive Director and Chief Financial Officer.

## **GENERATION-SKIPPING TRANSFERS**

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

## **FEDERAL AND STATE TAX INFORMATION**

Since KUF is organized and operated exclusively for charitable purposes, it is exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. Because KUF is not a private foundation under Section 509(a) of the IRS Code, contributions made to KUF on behalf of Kutztown 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 Executive Director.

## **EFFECTIVE DATE**

This policy shall become effective October 10, 2022 and will supersede any existing policy purporting to cover the subject matter of this policy.

## **APPENDICES**

CASE Ethics Guidelines and Donor Bill of Rights



## **Appendix I**

### **CASE Statement of Ethics**

Institutional advancement professionals, by nature of our responsibilities within the academic community, represent our schools, colleges, and universities to the larger society. We have, therefore, a duty to exemplify the best qualities of our institutions and to observe the highest standards of personal and professional conduct.

We conduct ourselves in a manner which is consistent with the best interests of the institution we represent.

Our words and actions embody respect for truth, fairness, free inquiry, and the opinions of others.

We promote the merits of our institutions, and of education generally, respecting both our colleagues and the mission of each institution.

We respect, celebrate, and include all individuals regardless of race, gender, sexual orientation, ethnicity, nationality, physical ability, or age. We uphold the professional reputation of colleague advancement professionals and give credit for ideas, words, or images originated by others.

We communicate clearly and fairly with others, remaining mindful of the importance of representing our institution's mission and interests.

We safeguard privacy rights and confidential information.

We do not grant or accept gifts or services for personal or individual professional gain, nor do we solicit or accept gifts or services for our institutions in which a higher public interest would be violated.

We avoid actual or apparent conflicts of interest and, if in doubt, seek guidance regarding how to proceed.

We report transgressions and/or unethical activities to the appropriate authority in order that the institution take the necessary action.

We bring abusive and/or harassing conduct to the attention of institutional leadership in order that individuals who have been subject to such abuse are protected.

We follow the letter and spirit of pertinent laws and regulations, understanding that those strictures might be different in other countries and cultures.

We align the policies and procedures of our department with those of other departments, in order that the institution can have a holistic and integrated approach to ethical conduct.

We observe these standards and others that apply to our profession and actively encourage colleagues to join us in supporting the highest standards of conduct.

*The CASE Board of Trustees adopted this Statement of Ethics to guide and reinforce our professional conduct. The Board adopted the final text on 12 March 2020. This Statement is meant to align with the CASE Principles of Practice for the professional areas as well as the CASE Zero Tolerance Pledge.*

## **Donor Bill of Rights**

Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To assure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the not-for-profit organizations and causes they are asked to support, we declare that all donors have these rights:

1. To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.
2. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.
3. To have access to the organization's most recent financial statements.
4. To be assured their gifts will be used for the purposes for which they were given.
5. To receive appropriate acknowledgment and recognition.
6. To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.
7. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.
8. To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.
9. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.
10. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

The text of this statement in its entirety was developed by the American Association of Fund-Raising Counsel (AAFRC), Association for Healthcare Philanthropy (AHP), Council for Advancement and Support of Education (CASE), and the Association of Fundraising Professionals (AFP), and adopted in November 1993.