

# USAFA Endowment, Inc.

## Gift Acceptance Policy

### Purpose of Policy

The purpose of this policy is to govern the acceptance of gifts by the USAFA Endowment, and to provide guidance to Endowment staff and to donors. This policy has been developed in order to outline straightforward and objective processes for analyzing and accepting charitable gifts to the USAFA Endowment for the benefit of the Academy, the USAFA Endowment, the Association of Graduates (AOG) or other Academy-affiliated organizations so designated.

This policy should be interpreted in light of the following principle:

The USAFA Endowment should not accept a gift unless there is a reasonable expectation that acceptance of the gift ultimately benefits the Academy, the USAFA Endowment, the Association of Graduates (AOG) or other Academy-affiliated organizations so designated. The USAFA Endowment encourages private support that will not encumber the USAFA Endowment with gifts 1) restricted in a manner that does not promote USAFA Endowment's or the Academy's missions, or 2) are likely to generate a disproportionate cost or obligation in relation to the benefit received. The Endowment defines gifts in monetary terms. When donors gift real property, it will be considered a means to fulfill the pre-established financial commitment of the donor and the donation will conform to the provisions identified in this instruction.

While this document is intended to provide guidance to USAFA Endowment personnel regarding gift acceptance, donors are ultimately responsible for ensuring that a proposed gift furthers their own charitable, financial and estate planning goals. Therefore, each prospective donor will be reminded when appropriate to seek the advice of independent legal and/or tax counsel in the gift planning process. It is not within the province of either the USAFA Endowment or its staff to give legal, accounting, tax or other advice to prospective donors.

### Responsibility to Donors

The USAFA Endowment, its staff and representatives shall endeavor to assist donors in accomplishing their philanthropic objectives in providing support for the Charity.

Information concerning all transactions between a donor and the USAFA Endowment shall be held by the USAFA Endowment in strict confidence and may be publicly disclosed only with the permission of the donor.

The USAFA Endowment shall respect the wishes of donors request to support the Charity anonymously and will take reasonable steps to safeguard those donors' identity.

### **Gift Acceptance Committee**

Certain gifts, including but not limited to those involving unusual funding arrangements, should not be routinely processed but should be reviewed by the Gift Acceptance Committee in advance of their acceptance. The Gift Acceptance Committee will be chaired by the Chairman of the USAFA Endowment Board Stewardship Committee and shall consist of the following:

- The Chairman of the USAFA Endowment Board Stewardship Committee
- Members of the USAFA Endowment Board Stewardship Committee
- The USAFA Endowment Director of Stewardship & Donor Relations
- The USAFA Endowment Vice-President of Development
- The USAFA Endowment Chief Financial Officer

When needed, other representatives may include, but are not limited to the Executive Director of Gift Planning, the USAFA Endowment President & CEO, and the USAFA Endowment Board Chairman. The USAFA Endowment Director of Stewardship & Donor Relations will serve as Secretary to the Committee.

On an "as needed" basis, the Chair shall consult with the USAFA Director of Stewardship & Donor Relations to determine when a committee assessment needs to review a potential gift. The committee must have a quorum (at least 4 members) in attendance in order to vote and make an official gift acceptance recommendation. Attendance may be considered to be in person, participating via conference call, or via email. All recommendations by the Gift Acceptance Committee must be reviewed and accepted by the USAFA Endowment President & CEO. The USAFA Endowment President & CEO maintains the right to have any additional legal reviews conducted or have the USAFA Endowment Board further review a recommendation for acceptance.

### **Types of Gifts to Be Accepted Without a Review**

The following assets are gifts that can be accepted by USAFA Endowment staff:

- Cash and Cash Equivalents
- Publicly Traded Securities

- Gifts of tangible personal property or Gifts-in-Kind with an estimated value of less than \$5,000

**Cash and Cash Equivalents** - Cash gifts of any amount are accepted by the USAFA Endowment staff. These gifts can take the form of cash or check contribution. Cash or checks may be delivered in person, by mail, by Electronic Funds Transfer (EFT), through a credit card transaction or by wire transfer.

**Publicly Traded Securities** - Publicly traded securities (stocks, bonds and mutual funds) will be accepted by USAFA Endowment staff. The USAFA Endowment should be notified in advance about securities being transferred including the shares, the intended gift date and the designation of the gift. The USAFA Endowment will typically liquidate securities as soon as possible after the securities have been received. The value of the gift will be the average of the high and low of the stock(s) or bond(s) on the day the securities are received into the USAFA Endowment's brokerage account.

**Gifts of Tangible Property with an estimated value of less than \$5,000** - The USAFA Endowment staff may accept gifts of tangible personal property (gifts-in-kind), including but not limited to works of art, manuscripts, literary works, computer hardware and software, event tickets, intellectual property, or costs associated with events – only after an internal staff review indicates that the property or a gift-in-kind is either readily marketable or needed by the Academy or the USAFA Endowment. Such gifts must be approved by the USAFA Endowment President & CEO, the Vice-President of Development and the Chief Financial Officer before final gift acceptance.

### Types of Gifts to Be Reviewed

The types of gifts which will be referred to the Gift Acceptance Committee include, but are not limited to, the following.

- Gifts of tangible property with an estimated value of \$5,000 or more
- Gifts of real estate
- Gifts of life insurance
- Gift annuities
- Gifts involving royalty interests
- Gifts involving interests in business entities
- Gifts of restricted or non-publicly traded securities
- Gifts with special restrictions that may be difficult or costly to administer
- Gifts that are unusual in nature in terms of the donor, proposed restrictions or naming opportunities

The following criteria govern the possible acceptance of some of these gift types:

**Gifts of tangible property with an estimated value of \$5,000 or more** - The USAFA Endowment may consider gifts of tangible personal property (gifts-in-kind), including but not limited to works of art, manuscripts, literary works, event tickets, boats, airplanes, motor vehicles, computer hardware and software, and intellectual property – only after a review indicates that the property is either readily marketable or needed by the Academy or the USAFA Endowment. The Gift Acceptance Committee will consider such gifts on a case-by-case basis.

Gifts of tangible property must be of sufficient value to cover holding, maintenance, sale, and administrative costs. A donor may be required to cover such costs with an additional gift before the tangible property is accepted. Donors who intend to give tangible personal property to the USAFA Endowment must submit a gift proposal in writing. The proposal must include a description of the gift, proof of ownership, the donor's cost basis, date of acquisition, and a qualified appraisal performed within 60 days of the gift proposal date. It is the donor's responsibility to obtain a "qualified appraisal" as defined by the IRS. The USAFA Endowment makes no representation that an appraisal is submitted by or on behalf of a donor for a potential gift is a "qualified appraisal". If a gift of tangible property is accepted by the USAFA Endowment based on the submission of an appraisal, the acceptance of the gift will not be construed to be an approval of the appraisal or a ratification that it is a qualified appraisal. The USAFA Endowment reserves the right to conduct at any time an additional qualified appraisal.

Donors must complete IRS Form 8283. If the USAFA Endowment sells a gift of tangible property within two years of receipt, the sale will be reported to the IRS through submission of Form 8282. In such cases, a copy of Form 8282 will be provided to the donors.

**Gifts of Real Estate** - Gifts of real estate includes improved or unimproved land, personal residences, farmland, commercial property, rental property and gifts subject to a retained life estate. Upon review and approval by the Gift Acceptance Committee, the USAFA Endowment may accept the proceeds of outright gifts of real estate with a minimum appraised value of \$25,000 when undeveloped and \$100,000 when developed. In accordance with this Policy, real estate gifts can be accepted by the USAFA Endowment into a separate legal entity where they will be liquidated as soon as possible upon receipt (except in the case of gifts subject to a retained life estate).

The Gift Acceptance Committee will meet as needed to review all potential gifts of real estate. Absent highly

unusable situations, to be considered acceptable, potential gifts of real estate should meet the following criteria:

- Gifts of real estate should be of sufficient value so that the USAFA Endowment will ultimately realize significant benefit from the gift, considering legal, administrative, and other costs likely to be incurred by the USAFA Endowment upon acceptance.
- Gifts of real estate should be readily marketable at or close to the amount of the appraised value and gifts of real estate should be able to be easily liquidated based on current market conditions.
- Gifts of real estate should be free from any liens, loans, mortgages, or other special conditions that would cause the USAFA Endowment to incur significant financial liability, risk or additional expenses.
- Gifts of real estate should be free of any additional encumbrances that would place an undue burden on the USAFA Endowment or USAFA Endowment assets prior to the sale.

Prior to the acceptance of gifts of real estate, proper documentation must be provided to the USAFA Endowment. The following documentation may be required when applicable:

- A qualified appraisal – Under applicable IRS regulations, a donor must pay for any initial qualified appraisal(s) on a gift of real estate. The appraisal must be made within 60 days before the date of the transfer, and before the filing of the tax return on which the deduction is first being claimed. It is the donor’s responsibility to obtain a “qualified appraisal” as defined by the IRS. The USAFA Endowment makes no representation that an appraisal is submitted by or on behalf of a donor for a potential gift is a “qualified appraisal”. If a gift of real estate is accepted by the USAFA Endowment based on the submission of an appraisal, the acceptance of the gift will not be construed to be an approval of the appraisal or a ratification that it is a qualified appraisal. The USAFA Endowment reserves the right to conduct at any time an additional qualified appraisal.
- A title insurance commitment showing the marketable title in the donor’s name, free and clear of unacceptable encumbrances, issued by a title insurance company deemed acceptable by the USAFA Endowment.
- A market feasibility study for the gift of real estate
- A phase I environmental study to ensure that the property has no environmental damage or will not expose the USAFA Endowment to any environmental liabilities.

If applicable, the following additional documentation may also be required:

- Evidence of compliance with the Americans with Disabilities Act (ADA)

- A disclosure statement for residential property, including any mineral, oil, or gas rights
- A structural engineering report

It is the responsibility of the donor to pay all costs incurred in the transfer of the gift of real estate, including the cost of complying with any of the USAFA Endowment's requirements outlined above.

A gift of real estate with a retained life estate is a full transfer of the title of a personal residence or farm where the donor or another authorized person retains the use of the property for a term of years or for the life or lives of the donor and/or another person. Such gifts are subject to the general conditions outlined in these policies for gifts of real estate. In addition, the agreement creating the life interest must state that the donor and/or life tenant will remain responsible for the payment of mortgages, taxes, insurance, utilities, maintenance and repairs, general upkeep, and all other costs associated with the property, unless other specific provisions are made for the payment of such expenses. Proof of insurance and proof of payments may be required by the USAFA Endowment.

Donors must complete IRS Form 8283. If the USAFA Endowment sells a gift of real estate within two years of receipt, the sale will be reported to the IRS through submission of Form 8282. In such cases, a copy of Form 8282 will be provided to the donors.

**Gifts of Life Insurance** - A gift of life insurance can be made by naming the USAFA Endowment as an owner and beneficiary of an existing or new life insurance policy. In order to avoid any fiduciary liability and the potential for conflicts of interest, the USAFA Endowment will ordinarily only accept ownership of a life insurance policy when the USAFA Endowment is the sole death beneficiary and it is a fully paid policy.

**Gifts Involving Interests in Business Entities** - Donors may make gifts of interests in business entities (e.g., partnership interests, S Corporations, interests in limited liability companies). These will be reviewed by the Gift Acceptance Committee to verify that the USAFA Endowment will assume no legal liability in receiving them. In evaluating a gift proposal of such assets, the Gift Acceptance Committee may consider the probability of conversion to a liquid asset within a reasonable period of time, projected income that will be available for distribution and administrative fees, and the nature of the business from which the asset is derived. The Gift Acceptance Committee may recommend against acceptance and USAFA Endowment may decline acceptance of any such gift.

**Gifts involving Non-Publicly Traded Securities** - In the case of non-publicly traded (closely held) securities, the Gift Acceptance Committee shall examine any issue that is not publicly traded prior to acceptance as a gift and

the USAFA Endowment may decline a gift of such securities if it deems them difficult to value or if they are not easily marketable.

The USAFA Endowment shall not accept, without a Gift Acceptance Committee review, a gift making it a principal in a joint venture or other business activity in which it would participate in the risks of operation or would have any liability for the conduct of the business that exceeds its capital contributions (e.g. as a general partner, principal in a joint venture, or as an owner of a working interest).

### Accepting Various Methods of Gifts

Gifts to the USAFA Endowment may be made by method of an outright gift, a pledge or a deferred gift.

**A. Outright Gifts** - An outright gift is defined as a gift that is not deferred, and is reflected as such by the USAFA Endowment at the time of a donor's commitment to make a gift. Each of the assets described above may be received as an outright gift, subject to the provisions of this Policy.

**B. Pledges** - Pledges are commitments to give a specific dollar amount according to a fixed time schedule. Presently, industry standard of five years is considered an acceptable pledge period; cash equivalent pledges of 7 years can be reviewed and accepted by the President/CEO of the USAFA Endowment and longer pledge periods must be reviewed and approved by the Gift Acceptance Committee. Pledges of \$1,000 or less per year may be accepted verbally. All other pledges are required to be in writing.

The following minimum information should exist to substantiate a pledge:

- 1) The amount of the pledge must be clearly specified
- 2) There must be a clearly defined payment schedule
- 3) The evidence of the pledge should include words such as "promise", "agree", "will", "commit"
- 4) Each Pledge Agreement shall provide that any portion of the donor's commitment remaining unpaid at the donor's death shall be a liability of the donor's estate, enforceable by the USAFA Endowment.

Pledges that do not contain this minimum information will be considered "conditional" pledges and will not be counted in fundraising totals.

All pledges over \$25,000 must also be accompanied by a formal gift agreement, signed by the donor and the responsible USAFA Endowment agent. A pledge greater than \$25,000 will not be accepted and entered until the gift agreement has been completed.

If a gift of tangible property or a gift of real estate is given as a pledge payment and the realized income from the gift upon sale or liquidation is less than the qualified appraised value of the tangible property or gift of real estate, the donor may be asked to make an additional gift to cover the difference.

**C. Deferred Gifts** - Deferred gifts include charitable bequests, retirement plan beneficiary designations, life insurance beneficiary designations, and split interest gifts.

- 1) Charitable Bequests - Donors may make charitable bequests to the USAFA Endowment in a will or living trust. Assets received pursuant to a bequest must be reviewed pursuant to the terms of this policy.
- 2) Retirement Plan Beneficiary Designations - The USAFA Endowment will accept gifts from retirement plans. Donors should contact their plan administrators to complete the appropriate change of beneficiary forms.
- 3) Life Income Beneficiary Designation - The USAFA Endowment may be named as a beneficiary of a life insurance policy without becoming the owner of such policy.
- 4) Split Interest Gifts - A split interest gift involves the irrevocable transfer of an asset, generally to the USAFA Endowment, while the donor generally retains either an income stream or a remainder interest. Split interest gifts include charitable gift annuities, charitable remainder trusts, charitable lead trusts and pooled income funds.
- 5) Please note that counting policies related to deferred gifts during the period of a comprehensive campaign will be specified in the campaign counting guidelines and not governed by this document.

### **Fiduciary Relationships**

Unless approved in advance by the Chief Financial Officer of the Charity, the USAFA Endowment will not agree to serve as executor of a decedent's estate or as trustee of a living trust or other trust intended to serve as a person's primary estate planning document.

The USAFA Endowment may serve as trustee of trusts to maintain its gift annuity reserve accounts, as required by relevant state insurance law, in connection with the USAFA Endowment's gift annuity program. The USAFA Endowment may serve as trustee of charitable remainder trusts, provided that no less than 50% of the remainder

interest in the trust is irrevocably dedicated to the USAFA Endowment and the charitable remainder trusts meet the minimum standards established from time to time by the gift planning procedures of the USAFA Endowment. The USAFA Endowment may serve as trustee of trusts only in circumstances in which its investment authority as trustee is unrestricted. The Charity will not serve as co-trustee of a trust.

### **Minimum Gift Levels for Endowments and Named Current (Expendable) Funds**

The minimum gift or pooled gifts required to establish an endowment is \$100,000.

A minimum initial gift of \$25,000 is required to create a Current (expendable) Fund that is separately managed for the benefit of the Academy. The minimum gift may be given in installments, but a \$5,000 minimum must be reached within one year of the date the fund is established. Gifts less than \$25,000 shall be placed in an existing Current Fund account that is most consistent with the donor's wishes.

At the discretion of the USAFA Endowment current (expendable) fund accounts with low balances for an extended period of time may be eliminated and the remaining funds combined with another existing current fund account with a similar or closely related purpose.

The USAFA Endowment has the right to waive the minimum gift requirements on an "as-needed" basis if doing so is determined to be in the best interest of the Academy and the Endowment.

### **Memorial and Honorary Funds**

A memorial or honorary fund is created by a gift (or gifts) given in memory of (or in honor of) an individual. A memorial or honorary fund may be established as an endowment or as a current fund, as determined by the family or the donor. Endowed memorial and endowed honorary funds must comply with established endowment minimums, unless otherwise agreed upon by the Gift Acceptance Committee.

### **Naming Opportunities**

Gift minimums and requisite approvals for naming opportunities (i.e. buildings, departments, institutes, centers, bureaus, classrooms, laboratories, or other physical space) shall be consistent with applicable policies established by Air Force and Air Force Academy instruction and policies.

## Periodic Review

The Stewardship Committee shall review these procedures every five years to recommend revisions.