



FOUNDATION

GIFT ACCEPTANCE POLICY GUIDELINES

Purpose

These guidelines provide a summary of the Gift Acceptance Policies of the University of North Carolina School of the Arts Foundation, Inc. (the “Foundation”). The purpose of these policies are to provide uniform guidelines and standards governing the acceptance of gifts, and guidance to staff who may be involved in the acceptance of gifts, to the Foundation, as well as its affiliates, prospective donors, and their professional advisors in completing gifts to the Foundation. These policies are intended to (a) protect donors and the Foundation, (b) further the Foundation’s mission to support the University of North Carolina School of the Arts (the “University” or “UNCSA”), and (c) serve as a resource and guide for Foundation Trustees, officers, staff, and donors.

General

The Foundation is a tax-exempt organization under Internal Revenue Code section 501(c)(3) and classified as a public charity under Internal Revenue Code sections 509(a)(1) and 170(b)(1)(A)(iv). Under federal tax laws, gifts to the Foundation are generally tax deductible if the donor does not retain control over the gift or receive personal benefit.

Professional Advice

The Foundation does not provide legal, accounting, tax, or other professional service advice to prospective donors. Each prospective donor is urged to seek the advice of independent legal, financial, or tax counsel in the gift process. The Foundation shall seek qualified professional advice and counsel advice to assist with gifts as appropriate.

Guiding Principles

Principle 1: The Foundation shall not accept a gift unless there is a reasonable expectation that acceptance of the gift will advance the missions of the Foundation and the University and will comply with applicable federal and state law.

Principle 2: The Foundation reserves the right to refuse a gift if (a) such acceptance imposes overly burdensome administrative, financial, or other risk, including reputational risk, on the Foundation or, if applicable, the University, (b) the gift does not further the Foundation’s mission or purposes or is contrary to Foundation policy, or (c) the gift would cause the Foundation to lose its tax-exempt status.

Principle 3: Donors should be actively encouraged both in written proposals or financial illustrations, as well as in person, to consult their own financial and/or legal advisors when contemplating a gift. Foundation staff should not portray themselves as financial or legal advisors to a prospective donor. No Foundation staff should knowingly accept or encourage a gift if, in his or her professional opinion, the making of the gift is not in the donor’s best interest.

Gift Acceptance Committee

The Foundation shall have a Gift Acceptance Committee, which shall review gifts of certain types of property or subject to certain types of restrictions before acceptance of such gifts. The Foundation’s Executive Committee shall serve as its Gift Acceptance Committee.

The Gift Acceptance Committee is responsible for the implementation of this policy as authorized by the Foundation's Board of Directors. The Gift Acceptance Committee will convene periodically to review for acceptance certain non-standard gifts and gifts of real estate or tangible personal property requiring its approval under this policy and not otherwise delegated to the Foundation staff under its procedures as set forth above.

Anonymous Gifts

Donors may request their gift to be noted as anonymous on donor lists and reports and may also decline any publicity regarding their gifts or pledges committed. The Foundation shall honor such requests to the extent they are not in conflict with federal, state or local laws and/or regulatory obligations. Totally anonymous gifts are not accepted. Notwithstanding the foregoing, the Foundation will report all gifts on its Form 990 as required by federal tax laws, which reporting will include the names of donors; provided, however, that such information shall be redacted from any public disclosure of the Foundation's Form 990 as permitted by federal tax laws.

Types of Gifts

The following criteria will govern the acceptance of each gift type:

Cash and cash equivalents. The Foundation accepts cash and cash equivalents in any form. Any officer, Trustee, or staff member is authorized to accept on behalf of the Foundation an unrestricted gift of cash. **Checks shall be made payable to UNCSA Foundation.** In no event shall a check be made payable to an individual who represents the Foundation. For tax purposes, the date of receipt of a gift shall be determined in accordance with applicable federal tax laws. It is a violation of the Foundation's policy to falsify a written letter of acknowledgement in any way that would violate U.S. Generally Accepted Accounting Principles (GAAP), the Revenue Reconciliation Act of 1993, or Internal Revenue Code section 170 and the regulations underlying that section.

Securities. Any officer, Trustee, or staff member of the Foundation may accept gifts of marketable securities, such as publicly traded stock, on behalf of the Foundation. Gifts of marketable securities may be made by electronic transfer to the Foundation account. It is the policy of the Foundation that all readily marketable securities are sold immediately upon receipt. For the Foundation's internal gift crediting and accounting purposes, the value of the securities is the average of the high and low on the effective date of the completed transfer to the Foundation. Gains or losses on the sale of securities, brokerage fees, or other expenses associated with the sale will not affect the reported value of the gift. Gift acknowledgements for publicly traded securities will include a description/name (type) of gift (security), the number of shares received, and the date received.

Real Estate. Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. All outright gifts of real estate must be reviewed and approved by the Gift Acceptance Committee before acceptance. Due to the expenses associated with gifts of real estate, only gifts valued in excess of \$25,000 will be considered. A proposed gift of real estate valued under that amount will be evaluated individually. The Foundation does not accept gifts of time share interests.

Where appropriate, a title binder shall be obtained by the Foundation in advance of the acceptance of the real property gift. The cost of this title binder shall generally be an expense of the donor. The donor is responsible for obtaining the required qualified appraisal for any property valued at more than \$5,000. A copy of the donor's qualified appraisal must also be provided to the Foundation.

Before presentation to the Gift Acceptance Committee, a member of the staff must conduct a visual inspection of the property. If the property is located in an area that is deemed impracticable for inspection by staff, a local real estate broker can substitute for a member of the staff in conducting the visual inspection.

Before presentation to the Gift Acceptance Committee, the donor must provide, at least, the following documents:

- Real estate tax bill;
- Current plot or survey;
- Current owner's title policy or title commitment;
- Substantiation of zoning status;
- Appraisal;
- A Phase I Environmental Site Assessment addressed to the Foundation reflecting the current environmental condition of the real estate; and
- A Phase II Environmental Site Assessment, if deemed appropriate.

The Gift Acceptance Committee shall consider the following factors before acceptance of the real property:

- Is the property useful for the purposes of the Foundation or the University?
- Is the property marketable?
- Should a second appraisal be required? Should it be paid for by the Foundation?
- Are there any restrictions, reservations, easements, or other limitations associated with the property?
- Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, etc. associated with the property?
- Does the environmental audit reflect that the property is not damaged?
- Will a new LLC be set up for the property or in which current LLC will it be placed?

Depending on the value and desirability of the gift and other factors, the donor may be asked to pay for all or a portion of the following:

- Costs of environmental remediation;
- Maintenance costs;
- Real estate taxes;
- Insurance;
- Title insurance premiums;
- Survey costs;
- Real estate broker's commission and other costs of sale; and
- Appraisal costs.

In the event the Gift Acceptance Committee agrees to accept the real estate, for the Foundation internal gift crediting and accounting purposes, the value of the gift will be the appraised value of the real estate. In the case of gifts of real estate valued at more than \$5,000, the donor must obtain a qualified appraisal to substantiate the amount of the federal income tax charitable deduction. The donor must complete an IRS Form 8283 completed by the qualified appraiser and signed by an officer of the Foundation; however, it is the responsibility of the donor to obtain the appraisal and the Form 8283. In general, the Foundation's policy is to dispose of all gifts of real estate as expeditiously as possible. This policy will be communicated to the donor when the Foundation receives notice of the donor's intent to contribute real property to the Foundation. If the Foundation sells or otherwise disposes of the donated property within three years of the date of the contribution, the Foundation must file the required Form 8282 with the IRS and send a copy to the donor.

Remainder Interests in Property. The Foundation will accept a remainder interest (with a retained life interest) in a personal residence, farm, or vacation home or property subject to the provisions of the above section on real estate. The donor or other occupants may continue to occupy the real property for the duration of the stated life. At the death of the life tenant, the Foundation may use the property or reduce it to cash. Where the Foundation receives a gift of the remainder interest, expenses for maintenance, real estate taxes, and any property indebtedness are to be paid by the donor or primary beneficiary and should be addressed in a separate agreement with the donor. All gifts of such remainder interests shall be made only in accordance with the acceptance procedures set forth above for gifts of real estate.

Oil, Gas, and Mineral Interests. Although the Foundation does not normally accept oil, gas, and mineral interests, the Foundation may accept such, where appropriate and in accordance with Foundation policies. Prior to acceptance of an oil, gas, or mineral interest, the gift must be approved by the Gift Acceptance Committee, and if necessary, by the Foundation's legal counsel and in accordance with the acceptance procedures set forth above for gifts of real estate and in this section. Criteria for acceptance of the property shall include:

- Gifts of surface rights shall have a value of \$20,000 or greater.
- Gifts of oil, gas, and mineral interests should generate at least \$3,000 per year in royalties or other income (as determined by the average of the three years prior to the gift).
- The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate.
- If the interest is a working interest, the Executive Committee should determine the impact on the Foundation so that it may develop a plan to minimize that impact if accepted.
- The property should undergo an environmental review to ensure that the Foundation has no current or potential exposure to environmental liability.
- The Foundation must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.

Life Insurance. The Foundation will accept gifts of life insurance in appropriate circumstances. The Foundation accepts gifts of life insurance policies in cases where the Foundation is named as both the owner and beneficiary and where donor designations are for unrestricted use or to support an established University program. Currently, to be considered, a policy must have a minimum face value of an amount as determined by the Foundation's Gift Acceptance Committee from time to time; a payment schedule not to exceed one percent (1%) below the prevailing prime interest rate as reported in the Wall Street Journal (for existing policies an "in force" illustration will be required); and a written pledge of a charitable contribution from the donor to the Foundation in an amount that equals or exceeds the total premiums on the policy. The Foundation as the owner of a policy reserves the right to surrender a policy at any time and forego the potential death benefit. The Foundation does not accept life insurance policies that involve premium financing. Exceptions to this policy must be approved by the Gift Acceptance Committee.

Charitable Gift Annuities. The Foundation may offer charitable gift annuities. The minimum contribution and age(s) of the annuitant(s) to establish an immediate gift annuity contract or a deferred payment gift annuity contract will be established by the Gift Acceptance Committee, in consultation with the Foundation's Audit Committee, and may be adjusted at its discretion. The annuity rates will conform to the published rates of the American Council of Gift Annuities (ACGA), and the Gift Acceptance Committee may cap rates at its discretion. Any further deviation from the ACGA rates must be approved by the Gift Acceptance Committee, in consultation with the Foundation's Audit Committee.

Gift annuity agreements shall be limited to one or two lives at the time of the gift to avoid adverse tax consequences to the Foundation under the federal unrelated business income tax laws. The Foundation will not accept real estate, tangible personal property, or any other illiquid asset in exchange for current charitable gift annuities, except in unusual circumstances and only upon approval of the Gift Acceptance Committee.

Charitable Remainder Trusts. The Foundation will not accept appointment as Trustee of a charitable remainder trust (CRT) but does have an arrangement with an LLC with trust powers to serve in such capacity. In order for the designated Trustee to serve as Trustee under this arrangement, the Foundation must be named as a vested remainder beneficiary of at least 51 percent of the remainder value of the CRT. Exceptions to this policy must be approved by the Gift Acceptance Committee. The minimum contribution and age to establish such a CRT will be determined by the Gift Acceptance Committee and may be adjusted at its discretion. The Gift Acceptance Committee is authorized to establish CRT payout rates for such trusts, which must conform to applicable federal tax and state laws.

Contributions of real estate to such a CRT must be approved by the Gift Acceptance Committee. Any costs associated with the sale of real estate within a CRT will be charged to the trust's principal.

Charitable Lead Trusts. Income produced by a charitable lead trust (CLT) for the benefit of the Foundation may be restricted by the donor and designated in accordance with policies established for any other contribution. The Foundation does not serve as trustee of CLTs but does have an arrangement with an LLC to serve in this capacity. Any exception to this policy must be approved by the Gift Acceptance Committee.

Bequests and Retirement Plan Assets. The Foundation accepts charitable bequests and retirement plan designations and will abide by donor designations indicated in the related documents, assuming such designations are applicable to current programs within the University and do not violate Foundation policy or federal, state, or local laws. If the intended use falls outside of the law, the Foundation will adhere to the laws and regulations of the State of North Carolina regarding such matters. Assets transferred through bequests that have immediate value to the Foundation or can be readily liquidated are encouraged. If the Foundation receives personal property through a testamentary transfer, these items shall be transferred from the Foundation to the University Library. Personal Property is subject to the approval of the Gift Acceptance Committee. Gifts that appear to require more cost than benefit shall be discouraged or declined. The Foundation will not accept appointment as executor for an estate. Donors and supporters of the Foundation shall be encouraged to name the Foundation as beneficiary of their retirement plans.

Execution of Documents Evidencing Gift Acceptance

All documents evidencing gift acceptance, such as endowment agreements, deeds of gift, grant agreements from foundations, charitable gift annuity agreements, etc., must be signed by an authorized officer of the Foundation. The authorized individuals to execute documents evidencing gift acceptance including, but not limited to, endowment agreements, grant agreements from foundations, charitable gift annuity agreements, etc. for the Foundation, include the Foundation's Executive Director.

Letters of Commitment (LOC)

A LOC outlines the details of a pledge for a donor(s) to give a specific dollar amount to the Foundation to support one or more priorities of the University according to a fixed time schedule. Generally, pledges should not exceed five years.

- Only the entity with legal control over the assets to be given can make a pledge. Therefore, an individual cannot make a pledge that includes anticipated matching contributions from an employer or some other source. Nor can an individual commit funds that may come from a donor-advised-fund or community foundation.
- The Foundation must be clearly identified as the entity to whom the pledge is being made.
- Changes to original pledges/LOCs (e.g., pledge amount, payment schedule or changes in the designation of a pledge) must be documented in writing and approved by the Foundation. LOCs are signed by the donor but do not require a Foundation signature.

Endowment Agreements and Gift Agreements

A fund for restricted gifts for a specific purpose will be established for commitments that meet the minimum funding thresholds and if the restriction has been vetted and approved by the Foundation's staff under procedures and standards approved by the Gift Acceptance Committee. The Foundation or its designee is responsible for drafting endowment and gift agreements.

Special Situations

Conditional Gifts. Conditional gifts are those gifts that, because of some qualifier or restriction, are considered non-routine.

Limits on Restricted Gifts. The Foundation shall not accept any gift that is restricted in any manner that would:

- Interfere with or influence that University's academic freedom or its capacity to fully control the management, operations, and direction of its affairs, including admission procedures, faculty selection and promotion, and academic programs and their integrity;
- Result in unlawful discrimination on the basis of race, creed, color, citizenship, national origin, religion, sexual orientation, gender identity, gender expression, age, marital or partnership status, military status, or disability;
- Presume or require a particular result or conclusion from scholarly work;
- Impede the free inquiry and scholarly activity of a faculty member, fellowship holder, or student;
- Be for purposes inconsistent with the University's missions related to education, research, and service;
- Convey a benefit to the donor or other private individuals rather than serving the public benefit;
- Afford the donor influence over the continued employment of specific personnel; or
- Impair the University's ability to define and pursue its mission, require illegal or unethical acts, hinder governance or administration, or compromise the University's accreditation.

Group Gifts. Donors (graduating classes, alumni groups, friends and family of conservatory programs or an academic discipline, etc.) who wish to establish a new fund collectively as a group must meet the following criteria:

- When soliciting a group of donors for new endowments the discussion and determination of the agency that will hold the account and how the monies will be used must first be established and explained and agreed upon with the donors.
- It is important that the donors are aware and agree upon the intent and use of the account at the time of solicitation.
- The Foundation has final approval for the establishment of endowments. Expendable accounts do not require Gift Acceptance Committee approval.

Third Party Gifts

Donor Advised Funds. Generally, a donor advised fund (DAF) is a separately identified fund or account that is maintained and operated by an external section 501(c)(3) organization, which is also known as a *sponsoring organization*. Each account is composed of contributions made by individual or other donors. Once the donor makes the contribution, the DAF has legal control over it. However, the donor, or the donor's representative, retains advisory privileges with respect to the distribution of funds and the investment of assets in the account.

- When a grant is received through a DAF, the legal donor is the DAF making the contribution, and the person advising is known as the adviser.
- Advisers may not receive any impermissible benefit (e.g., tuition, membership fees with more than incidental benefits, dues, admission to charitable or other event, goods bought at auction, etc.) from the Foundation as a result of receiving a grant from a DAF. Examples of permissible benefits include benefits that are not more than incidental, such as free or discounted admission, free or discounted parking, token logo-bearing key chains, caps, T-shirts, and calendars.
- The grant does not entitle the adviser or any other person to an income tax charitable deduction, because they were eligible to take a deduction at the time of the contribution(s) to the DAF.

Corporate Matching Gifts. Donors may only pledge their own personal monies and may not commit those of another entity. A matching gift may not fulfill all or a portion of a donor's pledge to the Foundation.

Confidentiality

All financial information obtained from or about donors and prospective donors shall be held in the strictest confidence by the Foundation and its Trustees, officers, staff, and volunteers. Neither the name of the donor, the amount, nor any identifying conditions of the gift shall be published without the express approval of the donor.

Receipts and Substantiation

The Foundation's staff shall see that prompt receipts, acknowledgements, thank you letters, where appropriate, and other documentation are sent to all donors in such form and containing such information as may be required or suggested from time to time under the federal income tax laws, the IRS, and the Foundation's auditors.