

# **GIFT ACCEPTANCE POLICY**

CAL POLY HUMBOLDT,  
OFFICE OF UNIVERSITY ADVANCEMENT  
AND THE  
CAL POLY HUMBOLDT FOUNDATION

Approved at September 30, 2011 Board Meeting

# GIFT ACCEPTANCE POLICY

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# **GIFT ACCEPTANCE POLICY**

## **CAL POLY HUMBOLDT**

The division of University Advancement (UA) and the Cal Poly Humboldt Foundation are responsible for raising and managing private gift funds for Cal Poly Humboldt. UA provides specialized fund-raising support services including annual giving program, major gifts planning, donor relations and special events, planned giving, prospect research and donor and alumni information systems.

Cal Poly Humboldt Foundation is organized and operated exclusively as a nonprofit public benefit corporation and is not organized for the private gain of any purpose; it is exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. The specific purpose of this corporation is: to promote and assist Cal Poly Humboldt to receive gifts and property, and to manage these resources and make them available to the University to further its educational mission and objectives.

UA and Cal Poly Humboldt Foundation responsibilities include the management and administration of contributions received on behalf of the University and its related organizations. They are responsible for: (a) the management and administration of all bequests, estates, trust arrangements and endowments in which the University is the intended beneficiary; (b) investment of all funds and securities; (c) accounting and reporting for individual gift accounts; (d) valuation of gifts for Internal Revenue Service and State of California reporting purposes; (e) compliance with Federal and State laws and regulations regarding said contributions; and (f) acceptance, management and sale of gifts of real and personal property.

Cal Poly Humboldt Foundation provides policies and procedures to ensure that all gifts and earnings are used according to donor guidelines. Donor stewardship programs are managed through UA.

## **POLICY STATEMENT**

Cal Poly Humboldt 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.

Cal Poly Humboldt values and will protect its integrity, its independence, and the academic freedom of the University community. Gifts that may expose Cal Poly

Humboldt to adverse publicity, require expenditures beyond University resources, or involve Cal Poly Humboldt in unexpected responsibilities because of their source, condition, or purposes or are not consistent with the mission of Cal Poly Humboldt will not be accepted.

Cal Poly Humboldt is unable to accept gifts too restrictive in purpose or inconsistent with its stated academic purpose and priorities. Gifts received by Cal Poly Humboldt 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.

Cal Poly Humboldt 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 Cal Poly Humboldt accept gifts which obligate it to violate any other applicable law or regulation.

This policy is designed to provide guidance to the Cal Poly Humboldt community and the general public so as to facilitate the gift-giving process. Cal Poly Humboldt encourages 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**

CHARITABLE DONATION ACCEPTANCE POLICY/EXECUTIVE MEMORANDUM P11-02,  
DATED APRIL 2011

Please see page 26.

### **GIFTS DEFINED**

A gift is defined as any contribution received by Cal Poly Humboldt for either unrestricted or restricted use in the furtherance of Cal Poly Humboldt's mission for which no commitment of resources or services, other than possibly, committing to use the gift as the donor specifies..

Gifts may include:

- Cash
- Securities
- Real estate

- ❑ Tangible personal property such as, equipment, books, works of art, vehicles, oil, gas and mineral interests
- ❑ Assets transferred through an estate
- ❑ Grants, conveyances, devises, and bequests, whether real or personal property in trust or otherwise

Gifts-in-kind are generally defined as non-cash donations, other than real and personal property, of materials or long-lived assets, and are reported at their face (fair market) value. Gifts-in-kind might include equipment, software, software licenses, printed materials, food or other items which contribute to the educational mission of the institution.

Gifts to Cal Poly Humboldt 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) income from it 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 considered operating revenue and may not be deposited to gift accounts.

Checks from tax-supported agencies in the State of California will not be processed as gifts, because it is illegal for any tax-supported agency in the state to make a donation. Scholarship payments where the donor has selected the recipient(s) of the award(s) are not gifts, and are referred to as non-Cal Poly Humboldt Scholarships; they are processed through the University Office of Financial Aid. Funds channeled through Cal Poly Humboldt by a payor, whether an individual or organization, in support of a student specified by the payor are not gifts to Cal Poly Humboldt. They are considered fee payments, are classified as non-Cal Poly Humboldt scholarships, and should not be reported as gift income. They are processed through the Cal Poly Humboldt Office of Financial Aid

#### GIFT PROCESSING CENTER

All gifts to Cal Poly Humboldt should be directed to the Gift Processing Center (GPC), Cal Poly Humboldt, where all gifts will be properly deposited and information transmitted to UA where all gifts will be properly acknowledged and recorded. When cash, checks, or other assets are sent to the GPC for deposit, they should be accompanied

with the following information if known: gift account title and account number; name of responsible person to whom acknowledgement will be sent, particularly in the case of corporate checks; plus copies of all correspondence relating to the gift.

Checks should be made payable to *Cal Poly Humboldt*. Title to gifts of Securities and Real Property should be transferred to *Cal Poly Humboldt Advancement Foundation*.

All cash gifts should be sent to the GPC for deposit immediately, and not held in the department or college. If questions remain regarding donor wishes, adjustments may be made at a later date with proper documentation.

For Gifts-in-Kind, in addition to the above-listed information required for cash gifts, the following documentation may be required: the donor's letterhead or other standard documentation such as a catalogue or published price list giving the value and description of the equipment or products, usually including product identification numbers; any terms of the donation; and a packing slip or other paperwork to verify receipt of the gift. Further, a qualified appraisal must be submitted for any gift-in-kind of \$5,000 or more in value. For all gifts-in-kind, the physical location of the gifted item must be included on the gift proposal form.

In the case of planned gifts (trusts, annuities, insurance, life estates), the Office of UA will oversee the necessary documentation.

#### GIFT ACKNOWLEDGEMENT AND RECORDING

It is important to distinguish between gift acknowledgement conducted at the university and/or departments and the official gift acceptance and acknowledgement from UA that provides the donor with a receipt for tax purposes and provides Cal Poly Humboldt with a complete record of a donor's contributions.

#### AUTHORIZED AGENTS

The Vice President (VP) for UA has been delegated authority by the President to accept all gifts to Cal Poly Humboldt.

The VP for UA pursuant to the authority delegated by the President further delegates the authority to accept gifts, subject to the policies and procedures contained in this policy, to UA and Cal Poly Humboldt Foundation.

Gifts that may result in current or future financial obligations for Cal Poly Humboldt or impact University facilities and grounds will require prior approval of the VP for UA who will consult with appropriate University officials and the Cal Poly Humboldt Foundation Gift Acceptance Committee when necessary. 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 appropriate campus official and/or committee.

#### GIFT ACCEPTANCE COMMITTEE

Cal Poly Humboldt Foundation 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 Cal Poly Humboldt policy.

The VP for UA will convene the Gift Acceptance Committee of the Cal Poly Humboldt Foundation when the circumstances surrounding a specific gift raise significant institutional issues.

The Gift Acceptance Committee at the request of the VP for UA is 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 the committee may include, but are not limited to:

- ❑ Gifts of real property or an interest therein.
- ❑ Gifts of closely-held securities, promissory notes, partnership interests, stock options, or other negotiable instruments.
- ❑ Gifts of undivided interest or future interests.
- ❑ Bargain sales or gifts subject to any encumbrance.
- ❑ Gifts of tangible personal property such as paintings, sculpture, furniture, or other works of art, or collections of such or other tangible assets, if made on the condition or expectation that the items will be permanently exhibited, that the collections will be maintained and shown as such., or restricted in use.
- ❑ Gifts that, because of their unusual nature, present questions as to whether they are appropriate to the mission of Cal Poly Humboldt.
- ❑ Gifts that, because of their size or nature, present questions as to the impact on Cal Poly Humboldt, or a particular program or area.



- ❑ Gifts that might raise questions about Cal Poly Humboldt'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 to Cal Poly Humboldt or Cal Poly Humboldt Foundation under local, state, or federal law that either may be unwilling or unable to assume.

It is the responsibility of any development officer, departmental or other University administrator when presented with a gift or while working with an estate to bring all gifts that meet any of the above criteria to the attention of the VP for UA 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 recorded as the gross sales value less fees, commissions and other expenses and what is reported to the donor is the market value on the date the donor relinquishes control to Cal Poly Humboldt. 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.

##### 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 less than or equal to \$5,000 -- are valued by Cal Poly Humboldt as an internal evaluation used for UA recording purposes.

##### Other Gifts

*Charitable Remainder Trusts, Pooled Income Funds, and Gift Annuities.* Gifts made to establish charitable remainder trusts, contributions to pooled income funds, 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 the 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 Cal Poly Humboldt Foundation 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.

*Insurance.* Only in cases where Cal Poly Humboldt, 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 is recorded, rather than its face value, 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 Cal Poly Humboldt 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.* Operating largely on the basis of volunteer efforts, Cal Poly Humboldt Foundation and Cal Poly Humboldt in effect receive gifts of time and other services. However, non-professional volunteer services, while appreciated, are not tax-deductible to volunteers beyond out-of-pocket expenses associated with the service. Cal Poly Humboldt does not issue gift receipts for such out-of-pocket expenses.

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

#### ACKNOWLEDGING AND RECOGNIZING DONORS

A formal acknowledgement letter, used for tax purposes, for cash and non-cash donations is sent to each donor upon acceptance of the gift. Cal Poly Humboldt will acknowledge non-cash gifts in a letter containing a description of the donated item, although the actual fair market value will not be stated, except in the case of securities. Acknowledgements are necessary to ensure that gifts are deposited correctly and also serve as additional verification of a tax-deductible gift for the donor. Most donors are also deeply interested in the progress of the activity they have supported. Therefore, it is highly 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 Cal Poly Humboldt. UA forwards on a regular basis gift information to appropriate parties, i.e., Vice Presidents and Deans.

Memorial gifts and tribute gifts are acknowledged to the donor, and a list of donors (but not gift amounts) is provided to interested parties by UA. When such gifts are transmitted by departments, the department should report to UA the gift is a tribute gift, whom it is in memory or honor of, and the name and address of the appropriate people to be notified.

## **USE OF GIFTS**

### **OUTRIGHT GIFTS**

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

### **ENDOWMENTS**

Cal Poly Humboldt Foundation has been delegated the responsibility for implementing policies for endowments to benefit Cal Poly Humboldt.

In accordance with Executive Memorandum P05-04, the Cal Poly Humboldt Foundation accepts the following:

1. All endowments supporting campus programs.
2. Scholarship endowments equal to or greater than \$25,000.00.

The following policies and guidelines for endowments have been established to facilitate processing and handling endowment funds. These guidelines will provide direction for the requirements which must be met by both the donors and Cal Poly Humboldt before such an endowment can be accepted. These requirements are intended to protect the interests of the donors and allow the University to effectively carry out the requirements set down by the endowment guidelines.

1. Every endowment shall have specific guidelines detailing the purpose of the endowment. Unrestricted endowments will be encouraged. In addition to the use of earnings, these guidelines should include the following:

Donors are encouraged to recognize that over the many years following the establishment of an endowment, the needs, policies and circumstances of Cal Poly Humboldt may change in unforeseen ways. A flexibility clause similar to the "Change of Conditions" clause below will be included in endowment authorization documents.

*Change of Conditions:*

*If the Board of Directors of the Cal Poly Humboldt Advancement Foundation and/or the President of Cal Poly Humboldt determine that the specific purposes for which this fund was established no longer pertain or the programs benefiting from these funds no longer exist, the Board and/or President may designate that the funds be used for those purposes and programs at Cal Poly Humboldt which are most closely aligned with the original intent. Such re-designation of funds would be allowed only to the extent permitted by California law and the policies and procedures of Cal Poly Humboldt. In this unlikely event, every effort shall be made by the University to contact the donor(s) prior to any change in fund disbursement.*

*If Cal Poly Humboldt Foundation is dissolved, the donor(s) consent that the fund herein created shall automatically revert to Cal Poly Humboldt to be managed by the University consistent with the laws of the state of California and the uses and purposes established by this document.*

2. Cal Poly Humboldt Foundation will seek the advice of legal counsel in matters relating to the modification of endowment funds that are in violation of any statutory regulations.
3. Cal Poly Humboldt Foundation will monitor the use of the endowment investment earnings according to the specific endowment guidelines. Donor stewardship will be managed through UA.
4. Endowment fund investment policies and practices are developed and maintained by Cal Poly Humboldt Foundation, specifically through the Finance Committee, in accordance with the Uniform Management of Institutional Funds Act of the State of California, which provides principles for the investment of endowments.

#### TYPES OF ENDOWMENTS

Not all endowments are "true" endowments. Three distinctly different types of endowments exist, although they usually are referred to collectively as "endowments."

1. True endowments. A "true" endowment is a permanent fund with provisions that prohibit spending the corpus, or principal, of that fund. Only investment income generated by the fund, which is usually defined to include capital gains, may be used to

support designated activities. True endowments are gifts or bequests that contain provisions prohibiting the original principal amount from ever being spent.

2. Quasi-endowments. Quasi-endowments are also called “funds functioning as endowment”. These are funds that the institution’s governing board may choose to treat as endowment, but the board is not subject to any legal prohibitions against spending the principal. Quasi-endowments may originate from several sources-unrestricted gifts, surplus operating funds, or unused reserves.

3. Term endowments. Term endowments are sometimes referred to as “wasting endowments.” These are funds with provisions that state the principal may be spent at a specified rate, after a specific date, or upon the occurrence of a specific event. These funds are not designed or required to exist in perpetuity.

## **TYPES OF GIFTS**

### **CASH GIFTS**

In accordance with Executive Memorandum P05-04, the Cal Poly Humboldt Foundation accepts cash gifts equal to or greater than \$25,000 that will not be expended within the next twelve months.

Cash gifts can take the form of currency, coin, checks, money orders, or bank drafts. Checks should be made payable to Cal Poly Humboldt with a letter or pledge form stating the donors designation of the gift. All gifts should initially be routed to the GPC.

### **SECURITIES**

Publicly-traded securities, shares of stock in closely held companies, bonds, and government issues may be given to Cal Poly Humboldt Foundation on behalf of Cal Poly Humboldt. Title to gifts of securities will be transferred to Cal Poly Humboldt Foundation.

*Publicly-Traded Securities:* These are securities regularly traded on a public stock exchange. The value of the gift will be the mean of the highest and lowest selling prices quoted for the stock on the valuation date of the gift, as defined below.

*Closely-Held Securities:* These are shares of stock in the entities, which have been organized for profit-making purposes, and are rarely traded on stock exchanges. Donors may give shares of closely-held corporate securities to Cal Poly Humboldt in the same manner as publicly traded securities. However, because closely-held stock is not publicly-traded, these securities present special concerns. Gifts of closely-held securities

may only be accepted by the VP for UA after review and approval by Cal Poly Humboldt Foundation.

*Receipt of Stock:* Donations of stock should be delivered to UA in person, to the donor's broker for transfer to Cal Poly Humboldt Foundation's broker, or mailed to UA. Bearer bonds and street bonds should not be mailed since they are negotiable.

*If mailed or delivered and stock is in name of donor:*

The donor should mail (preferably by registered or certified mail) or deliver the unendorsed security to UA, and send a stock power to UA in a separate envelope (or obtain a stock power from UA upon personal delivery). This prevents the stock from being negotiated, since once it is signed it becomes negotiable. The stock power should be left blank with the exception of the signature line and must be signed by the person named as owner on the security or in whose name the security is registered. Cal Poly Humboldt Foundation's broker completes the stock power. A security release, which releases the stock from the donor, must also be completed, must be signed by all owners, and **must be notarized** as required by broker's auditors.

If the back of the stock certificate is signed, it must be signed by the person named on the certificate as owner. If a signature guarantee is requested on the back of the stock certificate, Cal Poly Humboldt Foundation's broker will guarantee the signature from the security release. The name of the assignee/transferee should be left blank. No stock power is needed.

If a donor insists on inserting the assignee/transferee, it must be **Cal Poly Humboldt** for all gifts.

*If mailed or delivered and stock is in name of Cal Poly Humboldt:*

The donor should mail (preferably by registered or certified mail) or deliver the unendorsed security to UA. UA sends a stock power signed by the Treasurer or CFO of Cal Poly Humboldt Foundation.

*If transferred through donor's broker:*

The donor should follow the instructions of their broker.

*If transferred electronically:*

The donor should contact University Advancement for specific instructions.

The donor should instruct Cal Poly Humboldt Foundation how the gift or the proceeds from the gift are to be applied or expended. The donor's complete name and address should be obtained. The stock certificates should be delivered directly to UA. Cal Poly Humboldt Foundation will mail the stock certificates to its broker within 24 hours. The

broker generally sells the stock the day after it is received. Copies of the sales journal voucher, confirmation, high and low, and date of valuation are sent to UA to be used in acknowledgement.

*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 as follows:

- If mailed .....postmark date
- If delivered..... date of delivery
- If transferred through broker .....date stock transferred from donor's account

#### TANGIBLE PERSONAL PROPERTY

##### Criteria for Acceptance

Cal Poly Humboldt welcomes and seeks gifts of equipment and software; however, these gifts must fit within the stated mission of the University. To be eligible for a federal income tax charitable deduction tangible personal property gifts greater than \$5,000 require an independent qualified appraisal as defined by the IRS. New gifts greater than \$5,000 require a recent bill of sale, or appraisal from the corporation, or independent qualified appraisal. Used gifts greater than \$5,000 require an independent qualified appraisal. If the equipment is donated by the corporation that purchased it, the University credits the value determined by a recent bill of sale or an independent qualified appraisal. If an independent appraisal is needed, it is the responsibility of the donor to obtain and pay for this service. Appraisals made by Cal Poly Humboldt personnel are unacceptable because the University is party to the transaction.

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, UA will complete and sign the appropriate sections.

UA is responsible for filing IRS Form 8282 for gifts of tangible personal property, valued at \$5,000 or more, and disposed of by Cal Poly Humboldt or Cal Poly Humboldt Foundation within two years of accepting the gift.

#### REAL PROPERTY

##### Criteria for Acceptance

*Market Value and Marketability:* Cal Poly Humboldt Foundation must receive a reasonably current appraisal of the fair market value of the property and donor's interest in the property Cal Poly Humboldt would receive if the proposed gift were approved. UA officers should inform the donor that, if the gift is accepted, the IRS requires a qualified

appraisal made within sixty days of the date of the gift. UA officers must inform donors that Cal Poly Humboldt and Cal Poly Humboldt Foundation may dispose of all gifts of real estate if it is in the best interest of Cal Poly Humboldt. Thus, regardless of the value placed on the property by the donor's appraisal, Cal Poly Humboldt Foundation 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 two 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 (Cal Poly Humboldt Foundation) pays for the fee, the donor will be issued an IRS Form 1099 characterizing the fees as miscellaneous income.

*Site Visit:* UA 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 Cal Poly Humboldt and Cal Poly Humboldt Foundation from the high risk associated with accepting property with environmental risk, all proposed gifts of real property, including gifts from estates, may be required to provide an environmental audit performed at the donor's expense or at the expense of the University 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 Cal Poly Humboldt Foundation.

Only the VP for UA 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, Cal Poly Humboldt Foundation 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. UA, working with the Cal Poly Humboldt Foundation Treasurer or CFO 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 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
  - ❑ 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 property 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 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 Cal Poly Humboldt to list the property, etc.).
2. All gifts of Real Property valued at \$1,000 or more must be approved in writing by the President of Cal Poly Humboldt.
3. If a proposed gift of real property is approved, the VP of UA (or designee) will prepare an acknowledgement and receipt of the gift on behalf of Cal Poly Humboldt upon notice by Cal Poly Humboldt Foundation 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. UA will complete and execute the Section of Form 8283 required to be completed by the Donee.

#### LIFE INSURANCE

##### Criteria of Acceptance

Gifts of life insurance may be accepted without special approval if the insurance policy is fully paid and in cases where the donor intends for the policy to be cashed in

immediately for its cash surrender value. Cal Poly Humboldt Foundation on behalf of Cal Poly Humboldt must be owner (not just beneficiary) of policy. Gift credit will be given to annual premiums made by the donor if Cal Poly Humboldt Foundation owns the policy.

Gifts of life insurance with a cash value of at least \$10,000 and which are partially paid, or, on which no payments have been made at the time of gift, will be reviewed for acceptance on a case by case basis by the VP for UA. The donor is expected to make a written pledge to continue paying the premiums on the policy. If no payment is received from the donor within ninety (90) days of the premium payment due date, whole life policies will be cashed in for the cash surrender value and term life policies will be allowed to lapse.

The value of paid-up life insurance gifts 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

UA will prepare a written summary of any proposed gift of a life insurance policy which fails to meet all of the criteria specified above and submit that summary to the VP for UA. 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, a deferred gift, an unrestricted gift) and the department(s), program(s), or endowment(s) to benefit from the gift
1. The VP for UA (or designee) will review the material and make a determination as to whether to accept or reject the proposed gift or, if necessary, to impose any terms (e.g., the donor's written pledge to make contributions to cover premiums, a revision in the payment schedule) as a condition of approval. The final determination of the VP for UA (or designee) shall be communicated to the donor in writing, including any conditions imposed by the VP for UA (or designee) prior to acceptance.
  2. If a proposed gift of a life insurance policy is approved, UA will prepare acknowledgement and receipt of the gift on behalf of Cal Poly Humboldt.
  3. The gift will be completed upon the execution and delivery of the life insurance policy to Cal Poly Humboldt Foundation, or an assignment on behalf of Cal Poly

Humboldt of the policy in the event that Cal Poly Humboldt Foundation is not the original owner of the policy.

#### Administration

UA 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.

Cal Poly Humboldt Foundation and UA 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, UA shall provide notice to the department(s), program(s), or endowment(s) to benefit from the gift.

#### OTHER ASSETS

##### Criteria of Acceptance

The VP for UA 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 VP for UA must receive a reasonably current appraisal of the fair market value of the property and interest in the property Cal Poly Humboldt would receive if the proposed gift were approved. UA 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 Cal Poly Humboldt would acquire an interest in real property must be accompanied by an 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 Cal Poly Humboldt Foundation'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 Cal Poly Humboldt Foundation has been approved by Cal Poly Humboldt Foundation.

*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. UA will submit a written summary of the proposed gift and submit that summary to the VP for UA. 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), program(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 VP for UA (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 final determination of the VP for UA shall communicate the University's decision to the donor in writing, including any conditions imposed prior to acceptance.
3. If a proposed gift of an asset in this category is approved by the VP for UA (or designee), UA will prepare an acknowledgement and receipt of the gift on behalf of Cal Poly Humboldt. The University 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 GIFTS**

The following guidelines govern the solicitation and acceptance of planned gifts by Cal Poly Humboldt. All representatives of Cal Poly Humboldt shall use their best judgment to help donors to make appropriate planned gifts. Cal Poly Humboldt Foundation on behalf of Cal Poly Humboldt 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.

Cal Poly Humboldt and Cal Poly Humboldt Foundation endorse the National Committee on Planned Giving's Model Standards of Practice for the Charitable Gift Planner and require all of its representatives to abide by them.

All planned gift agreements shall follow the format of the specimen agreements approved by Cal Poly Humboldt and Cal Poly Humboldt Foundation or other agreements approved as to form by Cal Poly Humboldt Foundation. All prospective donors shall be urged to seek their own counsel in matters relating to planned gifts and tax and estate planning. Cal Poly Humboldt Foundation on behalf of Cal Poly Humboldt will seek legal counsel as it deems necessary.

UA development officers are authorized to negotiate planned gift agreements with prospective donors, following these guidelines and the format of the specimen agreements approved by Cal Poly Humboldt and Cal Poly Humboldt Foundation. 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 VP for UA (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 Cal Poly Humboldt Foundation on behalf of Cal Poly Humboldt 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 Cal Poly Humboldt 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 the Cal Poly Humboldt Foundation rather than unintended beneficiaries.

In order to expedite estate distributions, provisions in donor's will or trust agreements should include the statement. *"To Cal Poly Humboldt Advancement Foundation for the benefit of Cal Poly Humboldt."*

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 Cal Poly Humboldt only after the death of the life income beneficiary.

Gifts may be made through the execution of a new will 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 University Advancement. The inclusion of a flexibility clause is most desirable.

#### CHARITABLE REMAINDER UNITRUSTS

##### Definition

A charitable remainder unitrust is a gift vehicle which irrevocably transfers the remainder interest of an asset's value to Cal Poly Humboldt upon the death of the named income beneficiaries or at the end of a specified term of not more than twenty years. The donor can name him or herself and/or others as income recipients, with payments made concurrently or consecutively.

In a unitrust, the donor creates a formal trust arrangement through which donated assets may be transferred to Cal Poly Humboldt Foundation on behalf of Cal Poly Humboldt. The donor cannot stipulate in the trust agreement that the original assets placed in the trust be retained for the life of the trust. These assets are then managed according to the investment strategy of the trustee.

Types of unitrust gifts:

Straight Unitrust

This type of unitrust pays a fixed percentage of the net fair market value of its assets, as valued annually (January 1) 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.

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 Cal Poly Humboldt or Cal Poly Humboldt Foundation; however, when making proposals to prospective donors, UA shall not use a rate above eight percent (8%) without first consulting with and receiving approval from the VP for UA (or designee). 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 (is) until the trust is generating income; however, the trust remains intact.

#### CHARITABLE REMAINDER ANNUITY TRUST

##### Definition

Like the unitrust, the charitable remainder annuity trust is an income vehicle which irrevocably transfers the remainder interest upon the death of the income beneficiaries (or for a specified term of not more than 20 years) to Cal Poly Humboldt Foundation on behalf of Cal Poly Humboldt. The concept of an annuity trust is simple and straightforward. As its name implies, it pays income beneficiary (ies) a fixed dollar amount annually.

##### Rate of Payment

The amount must be specified in the trust instrument as either a dollar figure or a percentage of the initial fair market value of the assets used to fund the trust. This amount may never be less than five percent (5%) of the initial contribution. The higher the rate of return, the lower the value of the remainder interest and the lower the benefit of the charitable income tax deduction. (See above Charitable Remainder Unitrust.)

##### Funding Asset

As with the unitrust, gifts of cash and appreciated securities are appropriate funding assets. Annuity trusts funded with real estate or other non-liquid assets may be accepted only when the net income from the real estate or other non-liquid assets exceeds the required payout.

#### CHARITABLE GIFT ANNUITIES

##### Definition

Cal Poly Humboldt currently has a memorandum of understanding with The California State University Foundation (CSUF) to participate in The California State University (CSU) System wide Charitable Gift Annuity Program, and will follow its terms and conditions. A charitable gift annuity is a contract between the donor and CSUF. In return for a gift of cash or marketable securities, CSUF guarantees to pay to the donor and his or her survivor, if so specified, a fixed annual annuity in equal installments until the death of the surviving annuitant. CSUF's obligation to pay the annuity amount is



guaranteed and secured by all assets of CSUF, not merely those exchanged for the annuity contract. Because of this guaranteed obligation, no gift annuity amount shall be used for the intended purpose, but shall remain fully funded, until the CSUF's obligation to make annuity payments has been terminated.

#### Minimum Funding Level

Initial charitable gift annuities shall be issued for at least five thousand dollars (\$5,000).

#### 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.

#### 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.

Cal Poly Humboldt Foundation, as well as most other charities, 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 table, exceeds ten percent (10%) of the amount transferred. No exception shall be made to this requirement -- otherwise; Cal Poly Humboldt Foundation will be taxed on a large part of the gift's earnings.

#### Funding Asset

As a rule, Cal Poly Humboldt Foundation on behalf of Cal Poly Humboldt will not accept a gift annuity for tangible personal property or real estate holdings. Any deviation from this requires approval of the CSU Board of Governors Executive Committee.

#### CHARITABLE LEAD TRUST

##### Definition

A charitable lead trust is an arrangement whereby income generating assets may be placed in trust with Cal Poly Humboldt Foundation on behalf of Cal Poly Humboldt for a designated period of years, after which period the assets transfer to non-charitable beneficiaries named by the donor. The trust is called a "lead" trust because the income interest paid to Cal Poly Humboldt "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 (Cal Poly Humboldt) 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 VP for UA.

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 VP for UA. 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 Cal Poly Humboldt Foundation on behalf of Cal Poly Humboldt 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.

All gifts of real property valued at \$1,000 or more must be approved in writing by the President of Cal Poly Humboldt.

#### 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.

#### REVOCABLE TRUSTS

Cal Poly Humboldt Foundation will serve as trustee of a revocable trust in situations where Cal Poly Humboldt is the major beneficiary of the trust and the arrangement is

beneficial to both the Trustor and University. All proposed revocable trusts must be approved by the VP for UA and Cal Poly Humboldt Foundation.

**CHANGES TO GIFT ACCEPTANCE POLICY**

These policies and guidelines have been received and accepted by the Gift Acceptance Committee of Cal Poly Humboldt Foundation. The Gift Acceptance Committee must approve any changes to, or deviations from, these policies.

**SUBJECT: CHARITABLE DONATION ACCEPTANCE POLICY**

This Executive Memorandum addresses the process of accepting and managing charitable donations on behalf of Cal Poly Humboldt.

**Background**

In the 2004---2005 academic year, the Cal Poly Humboldt Advancement Foundation (Cal Poly Humboldt Foundation) was formed. The Cal Poly Humboldt Foundation exists to support and advance the mission of Cal Poly Humboldt by securing private support, developing and managing entrepreneurial activities, overseeing philanthropic activities, and managing endowed and other assets as requested by the University.

**Policy**

All charitable gifts intended to benefit any unit, program, scholarship or auxiliary of Cal Poly Humboldt are accepted by the Cal Poly Humboldt Foundation.

Endowed funds, with the exception of endowments already established and held in Cal Poly Humboldt state accounts, are held and invested by the Cal Poly Humboldt Foundation. All new endowments are held by the Cal Poly Humboldt Foundation. Each year, a portion of the investment returns from endowments held by Cal Poly Humboldt Foundation may be distributed, in accordance with the donor's endowment agreement, to the appropriate campus entity.

**Process**

All cash gifts are received and deposited by the Gift Processing Center (GPC), which is within the Division of Administrative Affairs. The GPC works with the Division of University Advancement to ensure appropriate distribution of the funds as well as accurate reporting of such funds. The specific distribution of cash gifts is determined by the intent of the donor. University Advancement is responsible for reporting and acknowledging all gifts, as well as for notifying the relevant campus program.

Non---endowed gift funds are distributed to the appropriate campus entity.

Non---cash gifts are coordinated through the Division of University Advancement. Exceptions to this policy must be approved by the University President.