Ouachita Baptist University

Policy on Gift Acceptance, Recording and Stewardship

Adopted by Board of Trustees June 8, 2017

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I. Fundraising

Private gifts allow the University to fund programs, scholarships, fellowships, professorships, campus renovations and new facilities. The Office of Development plans, coordinates and implements fund-raising programs with alumni, parents, friends, corporations and foundations.

All fund-raising activities of the University shall be approved by and coordinated with the Office of Development and subject to final review by the Board of Trustees.

The Office of Development acquires information about Ouachita constituents – alumni, corporations, foundations and friends – that may be confidential and/or highly sensitive. Development staff, staff in other departments, faculty and volunteers, who are authorized recipients of confidential and/or sensitive information are responsible for protecting the privacy of those constituents.

The Development database exists for the purpose of promoting the University, building and sustaining relationships and securing charitable support from alumni, students, parents, corporations, foundations and friends. Using or sharing information, mailing lists and/or biographic information for private, commercial or political purposes, for the purpose of creating an independent database or for a purpose other than that which is approved by the Office of Development is strictly prohibited.

Use of Tax-Exempt Status

The University's tax-exempt status, granted by the Internal Revenue Service, may only be used by organizations that are a part of and controlled by the institution. Organizations with their own Tax Identification number may not utilize the University's tax-exempt status. Tax-deductible donations must be made through the Development Office and deposited into an account managed by the Business Services office. Deposits and expenditure of organization funds through Business Services must follow University policies and procedures. Expenditure of these funds must be approved by the organization's sponsor.

II. Gift Acceptance

This policy statement is designed to ensure that all gifts to, or for the use of, Ouachita Baptist University are structured to provide maximum benefits for both the donor and OBU. All gifts to the University shall be evaluated within the following guiding principles:

- OBU does not provide legal, accounting, tax or other such advice to donors. Each donor is ultimately responsible for ensuring that their proposed gifts meet their charitable, financial and estate planning goals. As such, each donor is encouraged to meet with a professional advisor before making any gift to the University.
- Gifts shall not be accepted that violate Internal Revenue Service regulations governing the acceptance of tax-deductible donations. If questions arise as to the deductibility of a gift, it should be referred to the Gift Acceptance Committee (defined below) for review.
- In certain unique cases, a gift may be considered inappropriate due to particular restrictions imposed by the donor. By its very definition, a gift cannot be associated with a private benefit that would jeopardize the charitable contribution deduction under IRC section 170 if the donor and beneficiary of the restriction have less than an arms-length relationship. There must be a distance between the donor and recipient such that the recipient does not receive benefits that are otherwise not available to colleagues of similar status and interest. For example, in the capacity of donor, an individual cannot subsidize his/her own salary, travel funds or fringe benefits.
- A gift shall not be accepted by the University unless there is a reasonable expectation that acceptance of the gift will support the University in its mission.
- In accepting a gift, the University also accepts the responsibility to the donor to steward the gift properly. This stewardship responsibility includes administering the gift properly, providing the donor with accurate and timely financial information about the gift and, when appropriate, reporting to the donor about the use of the gift.

If there is any question as to whether a proposed restricted gift might conflict with the above guidelines, the gift proposal should be presented to and approved by the Gift Acceptance Committee prior to receiving the gift.

Types of Gifts

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

<u>Outright Gifts</u>

Cash and cash equivalents. Cash is often the easiest way to give and the most frequently received form of gift accepted by the University. These gifts can take the form of currency, check or credit card contribution. Cash gifts are reported the date the cash is received in the Development Office or the date that the money is transferred into the University’s bank account. Credit card gifts are reported on the date that the credit card charges are processed.

Publicly-traded securities. Securities (1) listed on an exchange in which quotations are published daily; (2) regularly traded in national or regional over-the-counter markets for which published quotations are available; or (3) that are shares of a mutual fund for which quotations are published on a daily basis in a newspaper of general circulation throughout the United States, will be accepted as outright gifts or toward pledges. The value of securities is determined on the recognized gift date, which is established when the donor relinquishes control of the securities. The average of the high and low trading prices on the gift date determines the value of securities for reporting purposes.

Closely held securities (non-public). The University shall examine any issue that is not publicly traded prior to its acceptance as a gift and may decline a gift of such securities if it deems them difficult to value or not easily marketable. The Gift Acceptance Committee must approve gifts of non-publicly held securities prior to acceptance.

Real property. Real property includes improved or unimproved land, personal residences, farmland, commercial property, rental property and mineral interests. If it is the intention of the donor that the University not immediately dispose of real property, an agreement must be made in writing between the University and the donor before the University may accept such property.

Personal property. The University may consider gifts of personal property, including but not limited to works of art, patents, copyrights, antiques, stamp and coin collections, jewelry, furniture, rare books, manuscripts or any other item that has a determinable value. The Gift Acceptance Committee may approve such donations only after a review indicates that the property is either readily marketable or needed by the University. It is the policy of the University to sell or otherwise dispose of all gifts of personal property, unless the items can be used by the University in a manner related to learning, discovery or engagement. The University's intention to either resell the property or to retain and use it to further its charitable activities shall be communicated to the donor in writing at the time of the gift.

Gifts-in-kind. Gifts-in-kind for which donors are eligible for a charitable gift deduction in accordance with current IRS regulations should be reported at the fair market value placed on them by an independent, expert appraiser. Only those gifts-in-kind that can be converted to cash, or items such as equipment, books, artworks, etc. that can be used in support of learning, discovery or engagement, should be reported. Receiving departments must agree to use the in-kind materials before accepting the gift. Depending on the appraised value of the donated item, IRS Form 8283 may be submitted to the University. If the donor does not supply a value, someone in the receiving department who has knowledge of the general type of item should provide a value for internal purposes only. Internal values of donated items are not to be shared with donors.

Pledges

Pledges are commitments to give a specific dollar amount according to a fixed time schedule. All pledges other than Annual Fund pledges are required to be in writing. The following minimum information must exist to substantiate a pledge:

- the amount of the pledge must be clearly specified;
- there should be a clearly defined payment schedule;

- the donor may not prescribe contingencies or conditions;
- the donor must be considered to be financially capable of making the gift;
- changes to original pledges must be documented in writing.

Planned Gifts

Charitable bequests. Donors can make charitable bequests to the University in wills or living trusts.

Charitable gift annuities. A charitable gift annuity is a contract between the University and the donor, not a trust agreement, whereby the donor makes an initial payment of cash or marketable securities and OBU agrees to pay the donor an annuity for the rest of his/her lifetime.

Charitable remainder trusts. A charitable remainder trust is established when a donor irrevocably transfers money or securities to a trustee who invests the assets to pay annual lifetime income to the donor or others chosen by the donor. At the end of the beneficiaries' lives, the remaining trust assets are distributed to the University. Annuity trusts provide the tax advantages of current contributions with the security of fixed, lifetime incomes, generally for the donors and their spouses. The agreed-upon annual payments remain unchanged regardless of how the investments perform. The unitrust differs from the annuity trust by providing a variable income. Payment is based on a fixed percentage of the net fair market value of the trust assets as valued annually.

Charitable lead trusts. This type of gift provides an income stream for a specified period of time to OBU. The University receives the income from the trust and applies it to the specific project. The principal is then returned at the end of the set period to whomever the donor designates.

Gifts of life insurance. Gifts of life insurance may name the University beneficiary of the policy or as beneficiary and owner.

Pooled income fund. This type of giving is sometimes called a charitable mutual fund, as it allows the donor to combine gifts with those from other individuals to participate in life income trusts with smaller initial gifts. The annual income is based upon the donor's investment in the fund and varies with the actual earnings of the fund.

Life estate. Donors can receive a sizable charitable income tax deduction by making a gift to Ouachita of their personal residence or farm, while retaining full use and rights to the property during their lifetime.

Revocable trust. Through a written agreement, the donor transfers assets to a trustee. Income is paid to the donor for the term of the trust.

Irrevocable planned gifts will be recorded and reported at full fair market value at the date of the gift. Revocable planned gifts will be recorded and reported at the date they become irrevocable, such as conversion to an irrevocable trust or death of the donor.

Gift Procedures

Gift Acknowledgement

To maintain good donor relations, all gifts received by the University are acknowledged in writing. Acknowledgements typically include the date of the gift receipt, a brief description of the gift and verification of the tax-deductibility of the gift. In addition, IRS gift acknowledgement regulations must be followed.

Memorandum of Understanding

Before completing major or planned gifts arrangement, the Vice President for Development and the donor will sign a memorandum of understanding which contains the following information:

- the purpose of the gift
- amount of the gift
- how funding will be made
- uses of the gift, including any amount that will be used to offset Development costs
- criteria specifying who will benefit from the gift
- responsibilities of OBU
- first academic year of use guidelines

Gift Acceptance Committee

A Gift Acceptance Committee (GAC) has been created to facilitate the gift acceptance process. The Gift Acceptance Committee shall review all gifts of significant risk. All such gifts shall be documented by a written understanding between the donor and the University, and must be approved by the Gift Acceptance Committee before the Development Office may accept the gifts.

Gifts of Significant Risk

- Non-publicly traded securities
- All gifts of real property
- Gifts of personal property if not to be used by the University
- All gifts of real or tangible personal property subject to donor restrictions regarding the disposal of such property
- Any bargain sale of property where a donative element is associated with the acquisition of property by the University below its fair market value
- Cash gifts with significant donor restrictions

- All gifts of unusual items or gifts of questionable value

The Gift Acceptance Committee (GAC) shall consist of the following:

- Vice President for Development
- Chief Financial Officer
- General Counsel

The committee shall meet as necessary to approve specific gifts. Decisions of the committee must be made by consensus. If consensus cannot be reached, gifts will be forwarded to the Office of the President for review and decision.

Gift Appraisals

Legal and ethical requirements prohibit Ouachita from appraising donor gifts. This prohibition protects both the donor and the University. Such appraisals, if required, are to be conducted by certified, independent appraisers not associated with Ouachita Baptist University and the cost shall be the donor's responsibility.

Endowment Gifts

To assure the acceptability of endowment gifts, the Vice President for Development has final approval authority. Unique, nonstandard endowment agreements may require additional review and approvals from the General Counsel or the President. All endowment gifts will also be presented to the board of trustees for review.

An endowment account will be established for participation in the endowment investment pool when a minimum of $2,000 is received. The endowment agreement must contain a commitment for future donations to bring the endowment to the minimum required (currently, $25,000) within five years.

Endowment funds will be invested and managed in accordance with the OBU Investment Policy Statement. Distributions from the endowment investment pool will be reinvested during the first fiscal year after the gift is received and until the minimum balance is met. If the minimum is not met within the stated timeframe, the agreement will cease and all funds will be expendable for the stated purpose.

Major Gifts

Naming Rights

The typical minimum gift amount for naming rights shall be one-half of the total project cost, however a lesser amount may be accepted at the discretion of the President and Vice President for Development. Projects eligible for naming rights are building construction, building renovation (subject to previous building naming), athletic facilities, rooms or suites within a building and other structures. All gifts with naming rights included shall be subject to approval by the Board of Trustees.

Endowed Chairs

The minimum gift amount to establish an endowed chair shall be $1,000,000. The purpose of the endowed chair must be consistent with the curriculum and mission of the University. The purpose of the endowed chair shall be specified in writing, as part of the endowment agreement, at the time the chair is established. Current faculty are eligible for new endowed chair positions. The endowment may provide for the basic salary and/or salary augmentation, fringe benefits, office space, clerical assistance, supplies, equipment, travel, computer use, library support or other suitable purposes as described in the endowment agreement. In addition, a $2,000 development allowance will be established for each new endowed chair.

Refunding of Gifts

In rare instances, Ouachita may deem it necessary to refund gifts, either because it is in the best interest of the University or because conditions agreed to in accepting a gift cannot or will not be met. Requests for refunds may come either from the donor or from the recipient department and must include a statement of reason.

Gifts of Real Estate

An independent appraisal is required prior to acceptance of real estate. Any appraisal costs shall be the responsibility of the donor. No real estate gifts shall be accepted if encumbered by a mortgage or lien.

It is the policy of OBU to liquidate gifts of real estate in a prudent and timely manner to maximize the benefit of the gift. The Chief Financial Officer is responsible for the sale of such property. The Gift Acceptance Committee must review all potential sales of real estate that would result in net proceeds less than 80% of the gift value.

All gifts of real estate shall be evaluated in light of the need for an environmental audit. A qualified environmental professional will be hired to conduct the audit at the cost of the donor. In the unlikely event that the gifted real estate incurs environmental clean-up expenses, the University retains the right and authority to reimburse any and all expenses associated with the environmental analysis or clean up from the gift fund.

Gifts of Publicly-traded Securities

It is the policy of OBU to liquidate gifts of publicly-traded securities in a prudent and timely manner to maximize the benefit of the gift, unless the securities meet the investment needs and requirement of the University. The Chief Financial Officer is responsible for the sale of such property.

III. Recording of Gifts

The Financial Accounting Standards Board (FASB), which governs the accounting activity of OBU, established standards which include the requirement that all financial transactions be classified into three "net asset" categories according to donor-imposed restrictions:

1. Unrestricted – Unrestricted gifts are resources received from a donor where there are no restrictions or conditions on how the resources may be used.
2. Temporarily Restricted – Restricted gifts refer to resources received from a donor where the donor has placed limitations or conditions on how or when the resources can be used.
3. Permanently Restricted – Permanently restricted gifts refer to resources received from a donor where the donor has stipulated that the gift corpus remain unspent for a specified period of time or in perpetuity.

The gift agreement determines into which asset class a contribution is recorded. Once donor restrictions are met, the net assets can be reclassified.

Gifts may be used for

- Current giving
- Operations (e.g., publish a newsletter)
- Capital (e.g., gift to build a building)
- Endowment (e.g., gift to be invested with earnings spent)

Current gifts will be recorded in the operating budget of the University. In the case of an **operating** or **capital** gift, a restricted fund will be established unless a restricted fund exists with substantially the same restrictions. In the case of an **endowment** gift, an endowment fund will be established along with an appropriate spending fund.

Undesignated estate gifts of less than $50,000 will be used for general operating expenses after a thorough review by the VP for Development and the Chief Financial Officer has determined the gift was given with no designation from the donor. Undesignated estate gifts of $50,000 or more will be placed into a fund to be used to meet the University's strategic plan or as designated by the Board of Trustees.

The University may use up to 5% of gifts received for development purposes. Major gifts which fully fund endowments or construction projects may be exempted from this provision. Donors must be notified of the amount or percentage of their gifts used for development purposes through a memorandum of understanding, gift acknowledgement or other means.

Pledges

The Financial Accounting Standards Board (FASB) requires the recording of unconditional promises to give (written or oral agreements to contribute cash or other assets) as revenue. These pledges must be recorded as revenue **in the period that the promise is made**, not when the gift is received.

Pledges are only to be recorded when full payment is expected at some point in the future. There must be written documentation outlining the pledge agreement – either written instructions from the donor to the University or written confirmation of a verbal commitment from the University to the donor.

Multi-year Pledges

Net Present Value compares the value of a dollar today versus the value of that same dollar in the future after taking inflation and return into account. The advantage of this approach is that it takes the time value of money into consideration. The University is required to record pledged contributions at their Net Present Value (NPV), unless they are expected to be collected within one year, in which case they may be recognized as revenue with no discounting.

The interest rate for discounting will be based on a risk-free rate of return in effect at the time the valuation is made. The risk-free rate of return will be calculated using rates for U.S. Treasury securities with a term equal to or approximating the expected term of the pledge. For example, a 3-year pledge would be valued using the interest rate on 3-year Treasuries in effect on the valuation date.

Writing Off Pledges

Since the University recognizes pledges in its financial statements, together with an allowance for those ultimately deemed uncollectible, it is necessary to have a procedure to write off such amounts. Written approval from the Vice President for Development is required to write off pledges of $2,500 or greater. Gift pledges of less than $2,500 may be written off at the direction of the development officer. The Development Office shall submit a listing of pledge write-offs to the Director of Business Services as of May 31 each fiscal year. Generally, pledges should be reviewed quarterly and written off based on the following guidelines:

- Phonathon pledges should be written off if not collected within 12 months of the due date.
- Pledges for which the donor has indicated an inability to fulfill the pledge should be written off or written down to the amount indicated by the donor or the payments re-schedule in accordance with the donors wishes. Any such changes should be documented in writing.
- Pledges for which pledge payments are 12 months or more past-due shall be written off at the discretion of the development officer or the Vice President for Development if the pledge exceeds $2,500. Pledges 12 months or more

past-due which are not written off must be supported by written documentation of the donor's intent to pay.

The allowance for uncollectible pledges will be determined on an annual basis by the Director of Business Services. The allowance will be calculated based on a 4-year rolling average of pledge write-offs as a percentage of outstanding pledges.

IV. Stewardship

Donor stewardship serves as the foundation for building lasting relationships between Ouachita Baptist University and those who support the University's mission. Donors entrust funds to Ouachita with the confident expectation that their gifts will be managed in a fiscally responsible and timely manner.

Acceptance of all gifts by Ouachita shall be in accordance with the Gift Acceptance Policy outlined in Section I above. Every effort will be made to ensure that the donors' confidence in our stewardship is well placed and that all monies designated for restricted purposes are expended under the guidelines and within the timeframe requested by the donors.

Acknowledgment and recognition of donor generosity is a matter of common courtesy and good stewardship. Individuals, corporations, foundations and others who provide financial support to Ouachita deserve written acknowledgments of appreciation. All gifts will be recognized in a timely manner and in a meaningful way, keeping in mind the stated wishes of the donor regarding anonymity and other levels of public disclosure.

Good stewardship also dictates that an ongoing relationship with the donors be maintained through mutually beneficial engagement activities consistent with the mission and goals of the University. As part of that ongoing relationship, donors who fund endowments will be provided with an annual report of the activities of that fund.

Budgeting Gift Funds

Budgeting is necessary for all gift funds to ensure that available funds are spent in accordance with donor wishes. The total available resources to be budgeted in gift funds consists of carryover balances from the previous fiscal year and anticipated current year income.

Restricted funds allow surplus or deficit balances to be carried forward to the next fiscal year. If a fund has a deficit balance, the full amount of expected current income cannot be budgeted, because an amount sufficient to cover the deficit must be reserved. Similarly, if a surplus balance exists, the budget can exceed the anticipated current-year income, by an amount up to the surplus balance.