

**Title:** Gift Acceptance  
**Category:** Finance  
**Change Authority:** Executive Council

**Number:** PF 02  
**Effective:** 06/29/2019  
**Last Modified:** 09/29/2019

## Purpose and Scope

This policy specifies the rules that govern acceptance of gifts made to the Tau Beta Pi Association, Inc., (the Association) for the benefit of any of its operations, programs, or services.

## Background

The Association is incorporated in Tennessee as a 501(c)(3) non-profit, educational corporation and tax-deductible gifts and bequests to the Association provide a significant portion of the Association's operating revenue. The Association solicits current and deferred gifts from individuals, corporations, and foundations to secure the future growth and mission of the Association through the annual Alumni Giving Program and the efforts of the Director of Development.

## Applies To

This policy applies to the Executive Council (EC) and the Executive Director (including designated Headquarters' staff).

## Use of Legal Counsel

The Association shall seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by legal counsel is recommended for:

- Closely held stock transfers that are subject to restrictions or buy-sell agreements;
- Documents naming the Association as trustee or other fiduciary;
- Gifts involving contracts, such as bargain sales or other documents requiring The Association to assume an obligation;
- Transactions with potential conflict of interest that may invoke I.R.S. sanctions;
- Other instances in which use of counsel is deemed appropriate.

## Conflict of Interest

To avoid any potential conflicts of interest, the Association shall urge all prospective donors to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences. The Association shall comply with the Model Standards of Practice for the Charitable Gift Planner promulgated by the National Committee on Planned Giving.

## Restrictions on Gifts

The Association shall accept both unrestricted gifts, and gifts donated for specific programs and purposes as stated by the donors, provided that such gifts are not inconsistent with the Association's stated mission and goals.

Only the donor of a gift can restrict a gift, either permanently or temporarily; however, the EC may designate unrestricted gifts for specific purposes.

The Executive Director shall make the final decisions on whether a gift is accepted or refused.

## Types of Gifts

The following types of gifts are acceptable:

- Cash
- Cash matching gifts
- Tangible personal property

**Title:** Gift Acceptance  
**Category:** Finance  
**Change Authority:** Executive Council

**Number:** PF 02  
**Effective:** 06/29/2019  
**Last Modified:** 09/29/2019

- Securities
- Real estate
- Remainder interests in property
- Oil, gas, and mineral interests
- Bargain sales
- Life insurance
- Charitable gift annuities
- Charitable remainder trusts
- Charitable lead trusts
- Retirement plan beneficiary designations
- Bequests
- Life insurance beneficiary designations

### **Criteria Governing the Acceptance of Type of Gift:**

#### **Cash**

Cash gifts shall be acceptable in any form.

#### **Cash Matching Gifts**

All matching cash gifts to the Association from companies and foundations on behalf of their employees who are also members of the Association, shall be allocated to the Fellowship Program and/or the Scholarship Program.

#### **Tangible Personal Property**

All other gifts of tangible personal property shall be examined in light of the following criteria:

- Does the property fulfill the mission of the Association?
- Is the property marketable?
- Are there any undue restrictions on the use, display, or sale of the property?
- Are there any carrying costs for the property?

#### **Securities**

The Association can accept both publicly traded securities and closely held securities.

Publicly traded marketable securities may be transferred to an account maintained at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. As a general rule, all marketable securities shall be sold upon receipt. In some cases, marketable securities may be restricted by applicable securities laws; in such instance the final determination on the acceptance of the restricted securities shall be made by the Executive Director.

Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in limited partnerships and limited liability companies, or other ownership forms, can be accepted; however, gifts must be reviewed prior to acceptance to determine whether there are no restrictions on the security that would prevent the Association from ultimately converting those assets to cash, whether the security is marketable, or whether the security will not generate any undesirable tax consequences for the Association.

If potential problems arise on initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on acceptance of the gift. The Executive Director and legal counsel shall make the final determination on the acceptance of closely held securities when necessary. Every effort will be made to sell non-marketable securities as quickly as possible.

**Title:** Gift Acceptance  
**Category:** Finance  
**Change Authority:** Executive Council

**Number:** PF 02  
**Effective:** 06/29/2019  
**Last Modified:** 09/29/2019

### Real Estate

Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, the Association shall require an initial environmental review of the property to ensure that the property has no environmental damage. In the event that the initial inspection reveals a potential problem, the Association shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be an expense of the donor. When appropriate, a title binder shall be obtained by the Association prior to the acceptance of the real property gift. The cost of this title binder shall generally be an expense of the donor. Prior to acceptance of the real property, the gift shall be approved by the Executive Director and by the Association's legal counsel.

Criteria for acceptance of the property shall include:

- Is the property useful for the purposes of the Association?
- Is the property marketable?
- 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?

### Remainder Interests in Property

The Association will accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions for acceptance of real estate stated above. The donor or other occupants may continue to occupy the real property for the duration of the stated life. At the death of the donor, the Association may use the property or reduce it to cash. When the Association receives a gift of a remainder interest, expenses for maintenance, real estate taxes, and any property indebtedness are to be paid by the donor or primary beneficiary.

### Oil, Gas, and Mineral Interests

The Association may accept oil and gas property interests, when appropriate. Prior to acceptance of an oil and gas interest the gift shall be approved by the Executive Director, and if necessary, by the Association's legal counsel. Criteria for acceptance of the property shall include:

- Gifts of surface rights must have a value of \$20,000 or greater;
- Gifts of oil, gas, and mineral interests must generate at least \$3,000 per year in royalties or other income (determined by the average of three years prior to the gift);
- The property must not have extended liabilities or other considerations that make receipt of the gift inappropriate;
- A working interest in a property may only be accepted where when there is a plan to minimize potential liability and tax consequences;
- The property must undergo an environmental review to ensure that the Association has no current or potential exposure to environmental liability.

### Bargain Sales

The Association may enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission and purposes of the Association. All bargain sales must be approved by the EC. Factors used in determining the appropriateness of the transaction include:

- The Association must obtain an independent appraisal substantiating the value of the property;
- If the Association assumes debt with the property, the debt ratio must be less than 50% of the appraised market value;

**Title:** Gift Acceptance  
**Category:** Finance  
**Change Authority:** Executive Council

**Number:** PF 02  
**Effective:** 06/29/2019  
**Last Modified:** 09/29/2019

- The Association must determine that it will use the property, or that there is a market for sale of the property, allowing sale within 12 months of receipt.
- The Association must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.

### Life Insurance

The Association must be named as both beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be recorded as a gift. The gift is valued at its interpolated terminal reserve value, or cash surrender value, upon receipt. If the donor contributes future premium payments, the Association will include the entire amount of the additional premium payment as a gift in the year that it is made. If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, The Association may:

- Continue to pay the premiums;
- Convert the policy to paid up insurance;
- Surrender the policy for its current cash value.

### Charitable Gift Annuities

The Association may offer charitable gift annuities subject to the following rules:

- The minimum gift shall be \$40,000 for the initial annuity and \$20,000 for each additional annuity;
- The minimum age for life income beneficiaries of a gift annuity shall be 60;
- When a deferred gift annuity is offered, the minimum age for life income beneficiaries shall be 60;
- No more than two life income beneficiaries will be permitted for any gift annuity;
- Annuity payments may be made quarterly on March 31, June 30, September 30, and December 31, semi-annually, or annually;
- Payments to the beneficiaries shall not exceed the prevailing rates of return recommended by the American Council on Gift Annuities;
- Administrative fees shall be paid from the income earned on the charitable gift annuity;
- The Association will not accept real estate, tangible personal property, or any other illiquid asset in exchange for current charitable gift annuities;
- The Association may accept real estate, tangible personal property, or other illiquid assets in exchange for deferred gift annuities so long as there is at least a five-year period before the commencement of the annuity payment date, the value of the property is reasonably certain, and the Executive Director approves the arrangement;
- Funds contributed in exchange for a gift annuity shall be commingled in the Trust and invested during the term of the annuity payments.
- After the annuity payments have terminated, the funds representing the remaining principal contributed in exchange for the gift annuity shall be transferred to the Association's general endowment funds or to such specific fund as designated by the donor;
- After a gift is approved, the Association shall arrange for the transfer of the property, real or personal, to the charity, compute the charitable deduction for the donor, and execute all other documents and correspondence pertaining to the gift, including:
  - Illustration of benefits;
  - Gift Annuity Agreement with Schedule A;
  - Federal Income Tax Computation;
  - I.R.S. Form 8283, when applicable;
  - Instructions for reporting charitable income and gift tax deductions;
  - The annuity obligation may, at the option of the EC, be reinsured through a commercial life insurance company.

**Title:** Gift Acceptance  
**Category:** Finance  
**Change Authority:** Executive Council

**Number:** PF 02  
**Effective:** 06/29/2019  
**Last Modified:** 09/29/2019

- For annuities that are not reinsured with a commercial life insurance company, the donor's contribution (if cash) or net proceeds from the sale of the donor's contributed property (if other than cash) shall be transferred to the Trust and maintained as a separate account;
- All earnings of each separate account shall be credited, and all payments to annuitants shall be debited to the separate accounts;
- For accounting purposes, separate accounts shall be maintained in order to determine the value of the residuum upon the death of the annuitant;
- For investment purposes, however, the assets within each separate account may be commingled with the assets of the Trust;
- For any annuity paid by the Association, it shall be the responsibility of the Association to file I.R.S. Form 1099-R (with a copy of each I.R.S. Form W-2P attached), summarizing all payments to annuitants, with the I.R.S.;
- Upon the death of an annuitant, it shall be the responsibility of the Association to record that the annuity obligation has ended as of the last quarterly payment and to close the account and the residuum shall be distributed for the purpose stated in the charitable gift annuity agreement executed by the donor;
- A disclosure statement shall be given to prospective donors that emphasizes the donative intent as the primary reason for participating in the gift annuity and explains fully and fairly the operation of the fund, using the Guidelines for Charitable Gift Annuities;
- The EC may make exceptions to these requirements after consultation with the Executive Director and outside legal counsel, as appropriate.

### **Charitable Remainder Trusts**

The Association may accept designation as remainder beneficiary of a charitable remainder trust upon the approval of the Executive Director. The Association shall not accept appointment as trustee of a charitable remainder trust.

### **Charitable Lead Trusts.**

The Association may accept a designation as income beneficiary of a charitable lead trust. The Association shall not accept an appointment as Trustee of a charitable lead trust.

### **Retirement Plan Beneficiary Designations**

Donors and supporters of the Association shall be encouraged to name the Association as beneficiary of their retirement plans. Such designations shall not be recorded as gifts to the Association until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

### **Bequests**

Donors and supporters of the Association shall be encouraged to make bequests to the Association under their wills and trusts. Such bequests will not be recorded as gifts to the Association until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of that gift shall be recorded at the time the gift becomes irrevocable.

### **Life Insurance Beneficiary Designations**

Donors and supporters shall be encouraged to name the Association as beneficiary or contingent beneficiary of their life insurance policies. Such designations shall not be recorded as gifts to the Association until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift shall be recorded at the time the gift becomes irrevocable.



**Title:** Gift Acceptance  
**Category:** Finance  
**Change Authority:** Executive Council

**Number:** PF 02  
**Effective:** 06/29/2019  
**Last Modified:** 09/29/2019

### Miscellaneous Provisions

It shall be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts made to the Association.

The Association shall record a gift at its valuation for gift purposes on the date of the gift.

The Executive Director is responsible for filing I.R.S. Form 8282 upon the sale or disposition of any asset sold within two years of receipt by the Association when the charitable deduction value of the item is more than \$5,000. The Association must file this form within 125 days of the date of sale or disposition of the asset.

Acknowledgement of all gifts made to the Association and compliance with the current I.R.S. requirements in acknowledgement of such gifts shall be the responsibility of the EC.