TO: Component University Presidents  
Vice Chancellors  
Deans  
Directors  
College/Division Administrators

FROM: Dr. Renu Khator

DATE: August 14, 2015

SUBJECT: Rescission of University of Houston System Policy SAM 03.F.01 from Fiscal Affairs Area (Asset Management)

During the recent SAM Quarter 3, FY 2015 review cycle, it was determined that the following SAM is obsolete and no longer necessary:

SAM 03.F.01 – Gift Acceptance

SAM 03.F.01 is considered obsolete documentation due to the following factors:

- SAM 08.A.03, Gift Acceptance – Gifts from Individual Donors, was written by the System Office of University Advancement and System Office of General Counsel to reflect the current UH component campus standards, policies, and procedures regarding gifts from individual donors.
- The System Office of University Advancement currently handles all management activities and procedures involved with gift acceptance and donors.
- SAM 08.A.03 was approved on July 27, 2015 as current system policy.

Due to the current redundancy in documentation on gift acceptance, the System Office of University Advancement, System Office of General Counsel, and System Office of Finance are requesting the rescission of SAM 03.F.01.

Therefore, effective today, I am rescinding SAM 03.F.01.

Renu Khator
SECTION: Fiscal Affairs

AREA: Asset Management

SUBJECT: Gift Acceptance

1. PURPOSE

1.1. This document establishes policies and procedures required for the System to fully implement the authority delegated to the Chancellor by the Board through its "Acceptance of Gifts" policy (32.03).

1.2. This document is intended to provide equitable protection for the interests of the University of Houston System and the interests of those who support its programs through charitable gifts, and to assure that the best interests of the System and its donors are served in any particular gift opportunity.

1.3. This document's goal is to encourage financial support for the System without encumbering the component universities with gifts that either generate more cost than benefit, or that may be restricted in a manner not in keeping with the mission of the System.

2. DEFINITIONS

2.1. Gifts are irrevocable (except for commitments made by will) and voluntary transfers of money or other property to the component university by a donor who has no expectation for compensation for the transaction.

2.2. Current Gifts are gifts with full use of the assets available to the component university immediately. Common types of current gifts include:


   b. Publicly Traded Securities include securities that are traded on an exchange or other publicly reported market.

   c. Closely Held Securities include securities not traded among the public.

   d. Real Property includes land and generally whatever is affixed to land as well as those rights that issue out of land (e.g., mineral rights, etc).

   e. Personal Property includes jewelry, works of art, collections, etc.
f. Other Property includes royalties, copyrights, etc., and gifts-in-kind (non-monetary donations that serve the purpose of the component university such as equipment, printed materials, food for hosting meetings, etc.).

g. Insurance Policies may be considered a gift when the component university is both the irrevocable beneficiary and owner of the policy.

h. Charitable Lead Annuity Trusts (CLATs) are established by a donor to provide income to the component university for a period of time after which the remainder is transferred back to the donor or to another non-charity entity. CLATs provide a fixed payment amount each distribution period.

i. Charitable Lead Unitrusts (CLUTs) are similar to CLATs except that the distributions can vary (i.e., a percentage of the value of trust assets).

j. Bargain Sales are sales of property to the component university in which the amount of the sales proceeds is less than the property's fair market value.

2.3. Deferred Gifts are made irrevocably and the component university receives an immediate interest in the donated property; however, use of the property is delayed until some future time specified in the gift agreement (often after the death of one or more non-charity beneficiaries). Common types of deferred gifts include:

a. Charitable Remainder Annuity Trusts (CRATs) are established by a donor to provide distributions, at least annually, to one or more entities of which at least one is not a charity, with the remainder transferring to the component university after a specified period of time often after the death of the donor and/or another entity. Distributions are a set amount determined in accordance with the value of the initial assets placed in the trust.

b. Charitable Remainder Unitrusts (CRUTs) are similar to CRATs except the distribution varies (usually it is a fixed percentage of the fair market value of the trust).

c. Pooled Income Funds are trusts offered by a support organization of the component university (e.g., UH Foundation), into which gifts of money or other property are transferred and commingled for management purposes. Income interest is received for the life of one or more beneficiaries related to each gift, with the component university receiving the remainder interest.
d. Gift Annuity gifts occur when a donor transfers cash or other property to a support organization of the component university (e.g., UH Foundation) that in return agrees to pay an annual distribution to the donor for the rest of the donor's life.

e. Remainder Interest In A Residence Or Farm (Life Estate) provides a donor or other beneficiary with the use of property with the component university receiving a remainder interest.

2.4. Following are definitions related to the disclosure of gifts and contracts by foreign sources. Further definitions and information are provided in 20 USC 1011(f)(h), section 51.571 of the Texas Education Code, and as part of the Disclosure Statement Of Conditional Gifts From Foreign Persons (form 2208) available from the Texas Secretary of State.

a. The term "contract" means any agreement for the acquisition by purchase, lease or barter of property or services by the foreign source, for the direct benefit or use of either of the parties.

b. The term "foreign source" means:

- A foreign government, including an agency of a foreign government;

- A legal entity, governmental or otherwise, created solely under the laws of a foreign state or states;

- An individual who is not a citizen or a national of the United States or a trust territory or protectorate thereof; or

- An agent, including a subsidiary or affiliate of a foreign legal entity, acting on behalf of a foreign source.

c. The term "gift" means any gift of money or property.

d. The term "restricted or conditional gift or contract" means any endowment, gift, grant, contract, award, present or property of any kind which includes provisions regarding:

- The employment, assignment or termination of faculty;

- The establishment of departments, centers, research or lecture programs, or new faculty positions;

- The selection or admission of students; or
• The award of grants, loans, scholarships, fellowships, or other forms of financial aid restricted to students of a specified country, religion, sex, ethnic origin or political opinion.

e. The term "institution" means any institution, public or private, or, if a multi-campus institution, any single campus of such institution, in any state which:

• Is legally authorized within such state to provide a program of education beyond secondary school;

• Provides a program for which it awards a bachelor's degree (or provides not less than a two-year program which is acceptable for full credit toward such a degree) or more advanced degrees; and

• Is accredited by a nationally recognized accrediting agency or association and to which institution federal financial assistance is extended (directly or indirectly through another entity or person), or which institution receives support from the extension of federal financial assistance to any of its subunits.

2.5. Quid Pro Quos are benefits, usually goods or services, received by an entity in direct exchange for payments or transfer of property made to the component university.

2.6. Realized Bequests (Gifts by Will) are treated as current gifts or deferred gifts depending on the nature of the property bequeathed to the component university.

2.7. Bequest Notifications (Unrealized Bequests) are revocable inclusions of the component university in an individuals will and are not actual gifts. However, the component university tracks this information and finds it advantageous to know about such inclusions.

2.8. Pledges are promises by an entity to make a gift to the component university at some specified time in the future. In most cases pledges are considered revocable.

2.9. Council for Advancement and Support of Education (CASE) is a nationally recognized organization that establishes and publishes reporting and valuation standards for gifts.

2.10. Response Devices are official documents that a donor returns with his/her gift. The response device should be coded with information about the donor, solicitation and purpose of the gift that enhances the speed and accuracy of gift processing. Response devices are usually used with mass solicitations and must be approved by the System Office of Development prior to being implemented.
2.11. Gift Transmittal Form (GTF) is a document that lists pertinent gift processing information about a donor and gift such as donor name, purpose of the gift, account into which the gift will be deposited, etc. Departments must complete GTFs when they receive current gifts not accompanied by an official response device. GTFs can be obtained from the Donor and Alumni Records department or online through the business staff desk manual and the Office of Development website.

3. GENERAL GUIDELINES

3.1. To earn the support and confidence from persons who are planning to make a gift, the System must be capable of responding quickly, and in the affirmative where possible, to all gifts offered by these prospective donors. Some gift situations can be complex; therefore an expeditious and careful consideration of the proposed gift must be made.

3.2. The System will not accept gifts or participate in gift planning activities if there is a question as to whether the donor has sufficient title to the assets or whether the donor is mentally competent to transfer the property legally as a gift to the System.

3.3. The System does not solicit gifts or market gift planning techniques as investments or securities. All disclosures required by state and federal regulatory agencies shall be made in a thorough and timely manner.

3.4. The System will pay no fee to any person as consideration for directing a gift by a donor to the System. Payment of this kind raises legal and ethical issues and, in the case of irrevocable deferred gifts which involve management of assets, the payment of such a fee may subject the System and its management and Board to federal and state securities regulations.

3.5. The System may pay reasonable fees for professional services rendered in connection with the completion of a gift to the System.

   a. Professional fees will be paid only with the prior consent of the Vice Chancellor for University Advancement and other necessary component university officials. For deferred gift opportunities, prior disclosure to and approval of the donor is required.

   b. Professional fees shall be reasonable and directly related to the completion of a gift. Examples include:

      - Legal fees for the preparation of documents

      - Accounting fees incident to the transaction
• Appraisal fees by independent qualified property experts
• Cost of environmental study
• Charges by fee for service financial planners.

c. The System does not pay fees incurred by the donor associated with completing the gift.

3.6. Planned Giving Services

a. Planned giving services are provided by the System through staff and volunteers in order to assist a donor with the completion of a charitable gift, which can be coordinated with personal financial and estate plans. However, the System does not give legal advice. Staff and volunteers must recommend that the donor seek the advice of the donor's own legal or tax counsel prior to making the gift.

b. The System does not endorse any professional or fiduciary services. However, during the course of gift planning, donors may ask for, and staff or volunteers of the System may provide names of, several persons and companies who provide services that assist the donor in deciding whether to make the gift.

c. All gift agreements shall follow a format approved by the System Office of General Counsel. No planned gift agreement shall be executed without advice from the Office of General Counsel or approved outside legal counsel. All prospective donors shall be urged to seek their own counsel in matters relating to their gift plans as well as matters involving financial, tax, and estate planning.

3.7. Gifts of Insurance Policies

a. The System encourages donors to name the System as a primary, secondary or last beneficiary under life insurance policies that they have previously purchased during their lives. The System does not encourage gift planning wherein the primary gift technique involves the purchase of a new policy of life insurance designating the System as a beneficiary.

b. No insurance products and no insurance companies are endorsed by the System for use in funding gifts to the System.
3.8. In general, the System does not serve as trustee of charitable lead trusts or charitable remainder trusts. All such matters should be referred to the Office of Planned Giving and the Office of General Counsel.

3.9. The System encourages donors to name the System as a beneficiary of residual amounts that remain in a retirement plan following the death of the retiree and surviving spouse. Gifts from these plans may be established by sending a new beneficiary designation to the plan administrator.

3.10. Gifts by will shall be actively encouraged by the System.

    a. Attempts may be made to discover bequest expectancies in order to recognize the donors and to find opportunities for other positive donor relations.

    b. In the event of an inquiry by a person who is making a will as to the acceptability of property proposed to be left to the System, the person shall be encouraged to make the gift in accordance with the terms and provisions of Section three of these guidelines. Such inquiries shall be referred to the Office of Planned Giving.

3.11. Gifts from foreign sources are subject to disclosure requirements in accordance with federal and state laws. See Section nine of this memorandum, Disclosure Of Gifts From Foreign Sources, for more information.

4. VALUATION OF GIFTS

4.1. The Office of Finance is responsible for valuing gifts for accounting purposes and follows IRS and Governmental Accounting Standards Board rules and guidelines in doing so.

4.2. The UH Office of Development is responsible for valuing gifts for donor recognition purposes in the System donor and alumni database and follows IRS and CASE rules and guidelines in doing so.
4.3. It is ultimately up to the donor to provide proof of the value and qualification of a gift he/she might claim as a tax deduction. Independent appraisals, when necessary for valuing a gift for tax considerations or donor credit, are the responsibility of the donor, not the component university.

5. APPROVAL OF GIFTS

5.1. In accordance with Board policy 32.02, the Board must approve the acceptance of gifts that result in the naming of a facility, college, school, program, institute or center. The Chancellor may give preliminary approval, but the Board must make final acceptance. The Board delegates to the Chancellor the final authority to accept all other gifts.

5.2. The Chancellor delegates to the Presidents of each component university, or their designees, authorization to approve gifts of cash, cash equivalents, publicly traded securities and routine gifts-in-kind (see definition of other property) to their respective component universities.

   a. Such approvals are to be completed according to guidelines established by the Vice Chancellor for University Advancement who is assigned by the Chancellor to facilitate all gift approvals.

   b. Acceptance of gifts of public securities must be done so in cooperation with the UH Office of Planned Giving.

   c. Gifts-in-kind that can be put to use by the component university may be accepted in cooperation with the System Donor & Alumni Records department.

5.3. The Vice Chancellor for University Advancement will appoint a Gift Acceptance Committee to review and make recommendations on gifts of property, closely held securities, and any other type of gift not covered elsewhere in this policy.

   a. The committee membership shall consist of the System's Chief Development Officer, Chief Advancement Services Officer and Chief Planned Giving Officer, a representative from the System Treasurer's Office, a representative from the System Office of Facilities, Planning and Construction, and other System staff and/or faculty appointed by the Vice Chancellor for University Advancement.

   b. The committee shall obtain assistance from the Office of General Counsel as needed.

   c. The committee shall meet as often as necessary to ensure timely processing of gift opportunities.
d. The committee will recommend gift acceptance to the Vice Chancellor for University Advancement after following approval procedures set forth in this policy.

5.4. Gifts of closely held securities must be reviewed by the Executive Vice Chancellor for Administration and Finance. No commitments shall be made by the System for the repurchase of such securities prior to completion of a gift of securities.

5.5. Real property may be recommended for acceptance by the Gift Acceptance Committee only after due diligence work by the System Office of Facilities, Planning and Construction and review and recommendation by the Office of General Counsel and the Executive Vice Chancellor for Administration and Finance.

   a. In general, gifts of commercial or residential real estate with a value estimated at $50,000 or greater may be considered if there is reason to believe that the property is highly marketable. The Office of University Advancement may also consider gifts with restricted marketability if the use of the property is suitable for particular System uses.

   b. Each prospective donor shall be given a real estate disclosure checklist that will seek information about the property from the donor. Given this information, the offices of General Counsel and Facilities, Planning and Construction can proceed with their due diligence work to assess the gift opportunity.

   c. Special attention shall be given to the receipt of real estate encumbered by a mortgage, the transfer of which to the ownership of the System may create unrelated business income for the System and adverse consequences for certain donors unless handled properly.

5.6. Personal property such as jewelry, works of art, collections, etc., normally shall not be accepted unless there is reason to believe the property has a value in excess of $10,000.

   a. Personal property shall be accepted by the System if there is reason to believe that it may be readily sold. A gift of perishable property or property which requires special facilities or security to properly safeguard it may be accepted after making arrangements for that protection.
b. A gift that purports to obligate the System to perpetual ownership shall not be accepted. The Office of University Advancement may represent to a donor that property may be held for a specific period of time or for purposes related to the tax treatment of the transfer. The Office of University Advancement will notify donors that the System will cooperate fully in matters related to IRS investigations of non-monetary charitable gifts.

5.7. All gifts of insurance policies, lead trusts, charitable remainder trusts, pooled income funds, gift annuities, remainder interests and other deferred and planned gifts, must be approved by the Office of Planned Giving and the Vice Chancellor for University Advancement. Such gift opportunities having unusual characteristics or under unusual circumstances may be reviewed by the Gift Acceptance Committee.

5.8. Charitable gift annuities and gifts to pooled income funds are accepted through the UH Foundation and are subject to the foundation's policies and procedures. The UH Office of Planned Giving may work closely with donors who wish to make such gifts.

5.9. Appropriate inquiry shall be made and special considerations shall be given to the nature of any gift property and whether it is in keeping with the mission of the System prior to the acceptance of any gift by the System.

5.10. Gifts of endowment must comply with appropriate System policies applying to endowment agreements and the establishment of endowment accounts.

5.11. Gifts consisting of property that are not acceptable may be declined. The System, through the Office of General Counsel or the Office of University Advancement, shall promptly and respectfully communicate the decision to decline the gift to the donor. In the event that such a gift is from the estate of a deceased donor, the decision to decline the gift will be communicated to the legal representatives of the estate.

6. GIFT PROCESSING

6.1. All solicitations of cash gifts, whether unrestricted or for endowment, will instruct donors to make their gifts payable to the appropriate System component university. Under no circumstances should checks be made payable to an employee, agent or volunteer for the credit of the System.

6.2. Annual fund solicitations, pledge reminders and similar periodic solicitations will request that donors send their gifts to each campus’s appropriate cash receiving unit for deposit. Official response devices should use the appropriate cash receiving unit’s address in the return address.
6.3. Deposit of cash gifts and cash equivalents:

a. All non-endowed gifts of currency or checks made to System Administration or to the University of Houston will be forwarded within one day of receipt to the System Donor and Alumni Records Department.

b. All non-endowed gifts of currency or checks made to the University of Houston Victoria will be forwarded within one day of receipt to the UHV Finance Office for deposit.

c. All non-endowed gifts of currency and checks made to the University of Houston Downtown will be forwarded within one day of receipt to the UHD Office of University Advancement.

d. All non-endowed gifts of currency or checks made to the University of Houston Clear Lake will be forwarded within one day of receipt to the UHCL Cashier's Office.

e. All endowment gifts received by System Administration or any System component university will be forwarded within one day of receipt to the System Office of the Treasurer for deposit.

f. All credit card gifts for non-endowment allocations received by System Administration or any System component university will be forwarded within one day of receipt to Donor and Alumni Records to be transacted.

g. All credit card gifts for endowment accounts will be forwarded within one day of receipt to the System Office of the Treasury for transaction.

h. All gifts of cash and cash equivalents must be submitted as stated above together with a gift transmittal form or official response device, along with any donor correspondence.

6.4. Gifts of Securities:

a. All gifts of publicly traded and closely held securities are to be coordinated through the System Office of the Treasurer and the UH Office of Development.

b. Publicly traded securities will ordinarily be sold by the System immediately upon receipt. Employees and volunteers of the System may not represent to a donor that a particular security will be held for investment by the System.
6.5. Gifts of real property shall be coordinated through the UH Office of Development, which shall facilitate the gift opportunity through proper approval procedures and ensure that proper gift documentation is completed.

6.6. Gifts of personal property intended for sale, wherever received, will be forwarded within one day of receipt together with a gift transmittal form and any donor correspondence to the System Office of the Treasurer.

6.7. Gifts-in-kind may be forwarded to the beneficiary department. It is the responsibility of the department business manager to ensure that appropriate inventory measures are taken. A gift transmittal form and any donor correspondence shall be forwarded within one day of receipt to the System Donor & Alumni Records department (DAR).

6.8. All gift documentation for other property (other than routine gifts-in-kind), insurance policies, expectancies such as wills, trusts, deferred gifts, or other instruments that make a future transfer of property to the System or component university, shall be forwarded to the UH Office of Planned Giving within one day of receipt. The Office of Planned Giving will be responsible for involving the System Gift Acceptance Committee and other appropriate System personnel in order to complete the gift.

7. GIFT RECEIPTS, ACKNOWLEDGMENTS AND REPORTING

7.1. The DAR maintains donor files and is responsible for preparing and distributing original gift receipts (in accordance with rules and guidelines by the IRS) to all donors with the exception of membership gifts to public broadcasting stations and private grants deposited and processed by the Division of Research and Intellectual Property Management.

a. All documentation for all gifts, including gift transmittal forms and official response devices, shall be promptly forwarded to DAR.

b. DAR shall normally issue receipts within 72 hours of receiving proper gift documentation.

c. Gift receipts shall be sent to the legal donor, which normally is the entity that last had legal possession of the assets. Following are examples:

- When a check is received from a business, it is the corporation or partnership that is the legal donor, even if it was the entity's proprietor or partner responsible for securing the gift.

- When a check is received from a family foundation, the legal donor is the foundation, not the people who formed and/or operate the foundation.
When a check is received from a community foundation, the legal donor is the community foundation, not the person or company who originally made a gift to the community foundation and/or requested payment be made to the component university.

d. The System's Chief University Advancement Services Officer or his/her designee is responsible for signing IRS Form 8283 when presented by a donor of a gift of property valued at $5,000 or more.

e. Gifts to official System support organizations and foundations (UH Foundation, etc.) are to be received by those organizations and reported to DAR. See System Administrative Memorandum, 08.A.02, Private Support Organizations and Foundations for further information about these entities.

7.2. Each System component university that receives gifts will be responsible for the prompt execution of acknowledgments and appropriate donor recognition for its own gifts. The Office of the Chancellor and the Office of Stewardship may initiate additional acknowledgments and recognition in certain appropriate situations.

7.3. The DAR will distribute a monthly report to the Office of Finance and the Office of Property Management itemizing all gifts of real, personal, and other property (non-monetary gifts) received. Ultimately it is the responsibility of the component university, or division thereof, receiving non-monetary gifts to advise the appropriate property manager for inventory control and insurance purposes, if applicable. If the property manager is not accountable for insurance, it is his/her responsibility to inform the appropriate person if insurance on a gift is needed.

7.4. The Vice Chancellor for University Advancement is responsible for reporting gift activity and fundraising results to the System Board at regular committee meetings. The System Office of Development is responsible for reporting gift activity and fundraising results to development staff and other appropriate faculty and staff on a regular basis.

7.5 See Section nine of this memorandum, Disclosure Of Gifts From Foreign Sources, for specific reporting requirements of such gifts to the U.S. Secretary of Education and the Texas Secretary of State.

8. DISPOSITION OF GIFTS

8.1. The Associate Vice Chancellor for Finance or designee shall be responsible for maintaining accurate records detailing the accounting recognition, measurement and disposition of all gifts (monetary and non-cash tangible assets such as real property, personal property, gifts-in-kind, etc.).
8.2. If the System sells, exchanges, or otherwise disposes of any non-monetary gift acknowledged on IRS Form 8283 within two years from the date of receipt of the gift, such disposition must be reported to the donor, the DAR department, and the IRS on Form 8282, Donee Information Return, within 125 days after the date of disposition. It is not necessary to file Form 8282 if an item is consumed or distributed, without consideration, in fulfilling your purpose as a tax-exempt organization. For example, no reporting is required for medical supplies consumed or distributed by a tax-relief organization in aiding disaster victims.

9. DISCLOSURE OF GIFTS FROM FOREIGN SOURCES

9.1. Federal law (section 1011f of Title 20 United States Code) requires the reporting of gifts, grants or contracts of $250,000 or more from foreign sources. That federal law and state law (section 51.572 of the Texas Education Code) require the reporting of restricted gifts of any amount from foreign sources.

9.2. Whenever a component university receives a gift or enters into a contract with a foreign source, the value of which is $250,000 or more, considered alone or in combination with all other gifts from or contracts with that foreign source within a calendar year, the institution component university shall file a disclosure report with the Secretary of Education on January 31 or July 31, whichever is sooner.

a. Reports for gifts received from or contracts entered into with a foreign source other than a foreign government shall include the aggregate amount of such gifts and contracts attributable to a particular country. The country to which a gift or contract is attributable is the country of citizenship, or if unknown, the principal residence for a foreign source who is a natural person, and the country of incorporation, or if unknown, the principal place of business, for a foreign source which is a legal entity.

b. Reports for gifts received from or contracts entered into with a foreign government shall include the aggregate amount of such gifts and contracts received from each foreign government.

9.3. Notwithstanding the provisions of section 9.2. above, whenever a component university receives a restricted, or conditional gift or contract from a foreign source, the institution shall make certain disclosures.

a. For such gifts received from or contracts entered into with a foreign source other than a foreign government, the institution shall report the amount, the date, and a description of such conditions or restrictions. The report shall also disclose the country of citizenship, or if unknown, the principal residence for a foreign source who is a natural person, and the country of incorporation, or if unknown, the principal place of business, for a foreign source which is a legal entity.
b. For such gifts received from or contracts entered into with a foreign government, the institution shall report the amount, the date, a description of such conditions or restrictions, and the name of the foreign government.

9.4. The Texas Secretary of State has provided a Disclosure Statement Of Conditional Gifts From Foreign Persons (form 2208) that may be used in accordance with sections 51.571 to 51.575 of the Texas Education Code and that may also be submitted to the U.S. Secretary of Education to satisfy federal reporting requirements. (20 U.S.C. section 1011ff(d) provides that if the state reporting requirements are substantially similar to the requirements of federal law, an institution is required to file a disclosure report with the Secretary of Education in lieu of the report required under section 1011ff, where the state provides assurances that the institution has met the requirements for public disclosure under law if the state report is filed.)

9.5. The Associate Vice Chancellor for Finance is responsible for facilitating the disclosure of gifts and contracts from foreign sources.

a. Each component university is responsible for reporting to the Associate Vice Chancellor for Finance or designee all qualifying gifts and contracts received in January through June no later than July 12, and all qualifying gifts and contracts received in July through December no later than January 12, in a format to be determined by the division. (Due dates to the U.S. Secretary of Education are July 31 and January 31 respectively.)

b. The Associate Vice Chancellor for Finance or designee will prepare disclosure reports to the U.S. Secretary of Education for approval by the Chancellor or his or her designee and submit them by the required deadlines.

c. The Associate Vice Chancellor for Finance or designee will submit copies of the disclosure reports to the Board at the Board meetings immediately following the months of July and January. The Board is responsible for filing the disclosure reports with the Texas Secretary of State in accordance with section 51.572 of the Texas Education Code.

9.6. Failure to comply with these federal and/or state laws could potentially result in lawsuits and/or penalties against the System.
10. REVIEW AND RESPONSIBILITIES

Responsible Parties: Associate Vice Chancellor for University Advancement
Associate Vice Chancellor for Finance

Review: Every three years, on or before March 1

11. APPROVAL

Approved: Michael Rierson
Vice Chancellor for University Advancement

Carl P. Carlucci
Executive Vice Chancellor for Administration and Finance

Renu Khator
Chancellor

Date: June 9, 2009
SECTION: University Advancement
NUMBER: 08.A.03

AREA: Gift Acceptance

SUBJECT: Gift Acceptance – Gifts from Individual Donors

1. PURPOSE

1.1. This document establishes policies and procedures required for the System to fully implement the authority delegated to the Chancellor by the University of Houston Board of Regents (Board policies 32.03 and 32.04).

1.2. This document is intended to articulate the types of gifts that can be accepted and the criteria for acceptance of those gifts, to manage any potential risks to the UH System in the acceptance of gifts, and to ensure that gifts contributed to the UH System by donors can be effectively used to further the UH System’s charitable purpose and mission.

1.3. This document's goal is to encourage financial support for the UH System while avoiding gifts that either generate more cost than benefit, or that are restricted in use or purpose in a way that does not advance the System’s charitable purpose and mission.

2. DEFINITIONS

2.1. Every reference in these policies to the UH System shall mean the UH System or any of its component Universities, Colleges or Non-academic Programs as designated by the Donor.

2.2. Outright gifts are a current, voluntary and irrevocable transfer of cash or an asset to the UH System. Common types of current gifts include:

a. Cash and cash equivalents, which include U.S. currency, checks, electronic fund transfers (e.g., automated clearinghouse and wire transfers), US payroll deductions and credit and debit transactions.

b. Publicly traded securities, which are stocks, bonds, options, and similar interests that are traded on an exchange or other publicly reported market.

c. Closely held securities (or privately traded securities), which include stocks, bonds, options, and similar interests sold in private or non-public markets, as well as interests in LLPs, LLCs, or other privately-owned business forms.
Real property, which includes land and generally whatever is affixed to land, as well as those rights that issue out of land. Real property may include residential property, rental property, commercial property, farmland, undeveloped land, oil and gas interests, mineral interests, timber, and similar interests.

tangible personal property, which includes furniture, jewelry, works of art, collections, vehicles, boats, aircraft and similar physical items.

Insurance Policies, where the donor names the UH System as both the owner and beneficiary of the policy.

Bargain sales which involve the UH System’s purchase of an asset at a price lower than the asset’s fair market value, where the donor has the intent to make a charitable gift of the difference between the purchase price and the asset’s fair market value. Bargain sales generally involve real property or tangible personal property but can involve any type of asset.

2.3. Irrevocable split-interest gifts are irrevocable gifts created by the donor which split the interests in the gift between the UH System and one or more named individuals. Common types of irrevocable split-interest gifts include the following:

- Charitable lead trusts which are irrevocable trusts that distribute either a fixed amount (Charitable Lead Annuity Trust) or a fixed percentage of the trust’s annual market value (Charitable Lead Unitrust) to one or more charities over the term of the trust and at termination distributes the remaining assets to the donor or one or more named individuals.

- Charitable remainder trusts which are irrevocable trusts that distribute either a fixed amount (Charitable Remainder Annuity Trust) or a fixed percentage of the trust’s annual market value (Charitable Remainder Unitrust) to one or more named individuals over the term of the trust and at termination distribute the remaining assets to one or more charitable organizations.

- Charitable gift annuities, which are transfers of assets to a charity in exchange for that charity’s promise to pay one or two named annuitants a fixed amount for life based on the annuitants’ age at the date the charitable gift annuity is created, using rates published by the American Council on Gift Annuities.

- Remainder Interest In A Residence Or Farm (Retained Life Estate) is an irrevocable transfer of the real property to the UH System and provides a donor or other beneficiary with the use of property with the component
university receiving a remainder interest.

2.4. Revocable deferred gifts are revocable gifts put in place by donors today, which do not become irrevocable and complete until a future date or event, generally the donor’s death. Common types of revocable deferred gifts include:

a. Bequests, which are gifts under a donor’s will;
b. Testamentary provisions under a revocable trust;
c. Pay on death provisions on financial accounts;
d. Retirement plan or IRA beneficiary designations; and
e. Life insurance beneficiary or contingency beneficiary designations.

3. GENERAL GUIDELINES

3.1. The UH System holds all communications with donors and information concerning donors and prospective donors in strict confidence, except as required by law. All other requests for or releases of information concerning a donor or a prospective donor will be granted only if permission is first obtained from the donor.

3.2. The UH System will not accept gifts or participate in gift planning activities if there is a question as to whether the donor has sufficient title to the assets or whether the donor is mentally competent to transfer the property legally.

3.3. The UH System does not solicit gifts or market gift planning techniques as investments or securities. All disclosures required by state and federal law (such as the requirements under the Philanthropy Protection Act of 1995) shall be made in a timely manner.

3.4. The UH System will not pay a fee to any person as consideration for directing a gift by a donor to the System. Payment of this kind raises legal and ethical issues and, in the case of irrevocable deferred gifts which involve management of assets, the payment of such a fee may subject the UH System and its management and Board to federal and state securities regulations.

3.5. The UH System does not provide personal, legal, financial or other professional advice to donors or prospective donors. Donors and prospective donors are strongly urged to seek the assistance of their own professional advisors in matters relating to their gifts and the resulting tax and estate planning consequences. The UH System endorses the Model Standards of Practice of the Charitable Gift Planner promulgated by the Partnership for Philanthropic Planning and the Donor Bill of Rights promulgated by the Association of Fundraising Professionals and
follows guidelines and rules published by the IRS and the Council for Advancement and Support of Education (CASE). CASE is a nationally-recognized organization that establishes reporting and valuation standards for gifts.

3.6. Gifts restricted for specific programs and purposes may be accepted, provided they are consistent with the UH System’s mission, purpose, and priorities. The UH System will not accept gifts that are inconsistent with its mission, purposes or priorities, are too difficult or costly to administer, or otherwise may be inadvisable.

3.7. All gifts must comply with applicable UH System policies for agreements documenting the gift and, if an endowed gift, the establishment of endowment accounts.

3.8. Gifts from foreign sources are subject to disclosure requirements in accordance with federal and state laws.

3.9. The UH System, or any representative of the System, shall not agree to act as administrator or executor of any estate, trustee or administrator of any trust, and shall not act on another’s behalf through a power of attorney or similar instrument.

4. DELEGATION OF AUTHORITY

4.1. In accordance with Board policies 32.02 and 32.03, the Board must approve the acceptance of gifts that result in the naming of a facility, college, school, program, institute or center. The Chancellor may give preliminary approval upon the recommendation for acceptance by the Vice Chancellor for University Advancement, but the Board must make final acceptance. The Board delegates to the Chancellor the final authority to accept all other gifts, including gifts of Real Estate in accordance with Board policy 32.04.

4.2. The Chancellor delegates to the Presidents of each component university, or their designees, authorization to accept gifts of cash, cash equivalents, and publicly traded securities to their respective component universities.

   a. Such acceptances are to be completed according to guidelines and procedures established by the Vice Chancellor for University Advancement, who is hereby assigned by the Chancellor to facilitate all gift approvals.

   b. Cash and cash equivalents will be accepted in cooperation with the System Office of Gift Processing and Records.
c. Acceptance of public securities is generally routine and must be coordinated through Gift Processing and Records. Gift Processing and Records will facilitate the receipt and processing of securities with the System Office of the Treasurer. Some securities may be restricted and the System Office of Gift Planning should be consulted before acceptance.

d. Revocable deferred gifts are encouraged and require the involvement of the UH System Office of Gift Planning.

e. The Vice Chancellor for University Advancement will appoint a Gift Acceptance Committee to review and make recommendations on the acceptance of all other gifts.

5. GIFT ACCEPTANCE COMMITTEE

5.1. The Gift Acceptance Committee will review and make recommendations on all non-marketable gifts, including gifts of real property, closely held securities, gifts of personal property and other gifts referred to the Committee by senior Advancement staff.

5.2. The Vice Chancellor for University Advancement will appoint the members of the Gift Acceptance Committee.

a. The members of the Gift Acceptance Committee shall include:

- The System’s Chief Development Officer or designee
- Chief Advancement Services Officer or designee
- Chief Gift Planning Officer
- General Counsel or designee
- System Treasurer or designee
- Director of the System Office of Real Estate or designee
- Other System employees appointed by the Vice Chancellor for University Advancement

b. The Gift Acceptance Committee will consult with the UH System’s internal resources in reviewing particular gifts as set out below:
<table>
<thead>
<tr>
<th>Type of Gift</th>
<th>Resource</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closely held securities</td>
<td>Vice Chancellor for Administration and Finance</td>
</tr>
<tr>
<td>Real Estate/Mineral Interests</td>
<td>System Office of Facilities, Planning and Construction, Vice Chancellor for Legal Affairs, Vice Chancellor for Administration and Finance, Representative from System Office of Risk Management, if applicable</td>
</tr>
<tr>
<td>Gifts that may have a tax impact to the University or System</td>
<td>Tax Director, Office of Finance</td>
</tr>
<tr>
<td>Various</td>
<td>External resources as needed</td>
</tr>
</tbody>
</table>

5.3. The Gift Acceptance Committee shall seek the advice and/or approval of the Vice Chancellor for Legal Affairs for the following:

a. Privately-owned stock transfers that are subject to restrictions or buy-sell agreements;

b. Documents naming the UH System as Trustee;

c. Gifts involving contracts or other documents requiring the UH System to assume a legal obligation;

d. Gifts of patents and other intellectual property;

e. Transactions with potential conflict of interest that may invoke IRS sanctions;

f. Real Estate;

g. Oil and gas; or

i. Other instances in which use of legal counsel is deemed appropriate by the Gift Acceptance Committee.

5.4. The Chief Gift Planning Officer shall serve as Chair of the Gift Acceptance Committee. The Chair shall be responsible for preparing a written memo outlining the details of the proposed gift and addressing the criteria identified for review of the gift as set out in Section 6 below, as well as a recommendation to the Committee. The Committee shall then meet as quickly as possible by telephone or in person to review the recommendation and provide a prompt response to proffered gifts. The Committee’s final recommendation will be documented.

5.5. The Chair of the Gift Acceptance Committee shall submit all recommendations to the Chancellor or its designee for approval. The Chancellor or its designee shall report its decisions on gift acceptance to the UH System Board of Regents as required or as requested by the Board. To the extent Board of Regent or further
governmental approval is required to accept a specific gift; such approval shall be sought as expeditiously as possible. See, e.g., Board of Regent Policies 32.03 and 32.04; Texas Higher Education Coordinating Board Rules 17.10 and 17.11 (19 TAC 17.10, 19 TAC 17.11).

5.6. The Gift Acceptance Committee shall maintain a record of gifts considered by the Committee, including a document outlining its review and recommendation for acceptance or decline. The records shall be maintained in the Office of Gift Planning.

5.7. Gifts that do not meet the criteria for acceptance may be declined. The UH System, through the Office of University Advancement, shall promptly communicate the decision to decline the gift to the donor. In the event that such a gift is from the estate of a deceased donor, the decision to decline the gift will be communicated to the legal representatives within applicable deadlines, if any.

6. STANDARDS GOVERNING ACCEPTANCE OF NON-CASH GIFTS

6.1. Tangible Personal Property

a. Tangible personal property such as jewelry, works of art, collections, etc., normally shall not be accepted unless there is reason to believe the property has a value in excess of $10,000 or value directly related to the UH System’s academic mission.

b. In assessing the acceptability of the gift, the following should be considered:

1) The estimated value of the tangible personal property based on insurance values, purchase values, other commercially reasonable means, or if available, the donor’s appraisal for gift purposes;
2) Ability to take good title to the property;
3) The marketability of the property, including the market for sale, the logistics of the sale, and the costs of sale (including transportation and commissions);
4) The carrying costs while holding the property, including insurance, storage, and maintenance or repair.
5) Any restrictions on the property’s use, display, or sale.

c. Whenever possible, tangible personal property should be sold as expeditiously as possible following receipt. The UH System should communicate to the donor, prior to acceptance of the tangible personal property gift, its plans to either sell the property or use it in furtherance of
its charitable mission as such plans may have tax consequences for the
donor and may affect the amount of the charitable contribution.

6.2. Publicly-Traded Securities

In some cases, publicly-traded/marketable securities may be restricted by
applicable securities laws (such as Rule 144 under the Securities Act of 1933). In
such instances, the Gift Acceptance Committee will review and recommend
whether to accept the restricted securities.

6.3. Options and Other Rights in Securities:

a. The UH System may accept options, which are financial instruments such
   as Puts and Calls in securities, with the recommendation of the Gift
   Acceptance Committee.

b. The Gift Acceptance Committee shall consider the following factors in its
   review of options and similar rights in securities:

   1) If the UH System is required to advance funds to exercise the gift,
      the funds must be available, the Gift Acceptance Committee must
      recommend it is appropriate to do so, and the Vice Chancellor for
      Administration and Finance must approve the appropriation of
      those funds;

   2) The Gift Acceptance Committee must analyze the potential risk of
      loss in exercising the option or right;

   3) If the options or rights are restricted, the Gift Acceptance
      Committee must determine how that restriction impacts the ability
      to sell the interest or the value of the gift; and

   4) If unrelated business taxable income is generated by the
      transaction, that cost must be reasonable in relation to the net
      proceeds, and UH System funds must be available to pay that tax.

6.4. Privately-Traded Securities:

a. The UH System may accept gifts of privately traded securities which
   include not only debt and equity positions in non-publicly traded
   companies but also interests in LLPs and LLCs or other ownership entities
   with the recommendation of the Gift Acceptance Committee.

b. The Gift Acceptance Committee shall consider the following criteria for
   acceptance of privately-traded securities:

   1) The form of the interest, such as C Corporation, S Corporation,
      LLC, LLP, general partnership or other business entity;
2) The likelihood the interest will generate unrelated business taxable income and if so, the extent of such unrelated business taxable income, whether the cost is reasonable in relation to the net proceeds, and whether the UH System has funds to pay the tax;

3) Whether the gift officer has advised the donor to check with his or her advisors about the tax consequences to the donor on contribution of the asset (specifically a trigger of passive income to the donor or other negative income tax consequences);

4) A review of any documents placing restrictions on the sale or ownership of the security, including rights of first refusal subject to a set sales price;

5) Restrictions on the security that prevent the UH System from selling or converting the assets to cash;

6) A review of potential liability in holding the stock related to the operation of the business interest;

7) The appropriateness of the ownership interest in relation to the UH System mission; and

8) An analysis of the market for sale and the estimated time and costs required for sale.

6.5. Real Estate

a. The UH System may accept gifts of real estate with a market value that justifies due diligence, acquisition and holding costs (generally at least $100,000) subject to the recommendation of the Gift Acceptance Committee. Real property may be recommended only after due diligence work performed in accordance with Board policy 51.01 and SAM 01.C.08. Gifts of real estate may include residential property, commercial property, rental property, farmland, or undeveloped property.

b. The Gift Acceptance Committee shall consider the following criteria in reviewing a gift of real estate:

1) Whether the property will be held and used in the UH System’s mission, or whether the property will be sold.

2) The form of and extent of ownership in the property.

3) The results of appropriate real estate surveys conducted of the property.

4) An assessment of the restrictions, reservations, easements, or other limitations imposed on the property.

5) Value of the property determined by appraisals conducted in accordance with Board of Regent Policy 51.01.
6) The information obtained by the gift officer working with the donor as indicated on the real estate disclosure checklist provided by the UH System Office of Real Estate.

7) Environmental considerations reflected by the results of a Phase I environmental review of the property, provided that in the event the initial inspection raises a potential environmental concern, the UH System may retain a qualified inspection firm to conduct a further environmental assessment. The Donor shall bear the costs of the initial and any subsequent environmental reviews.

8) Clear title to the property without any unreasonable encumbrances, and a title commitment and policy. Where appropriate, the Donor shall bear the costs of the title commitment and policy.

9) To the extent any structures exist on the property, appropriate inspections to determine the presence of any issues and extent of any repairs or remediation to be made.

10) If the property will be used by the UH System, an assessment of how the property will be used.

11) If the property is to be sold, the expected time required for the sale of the property. Board of Regent approval will be required for the sale of real estate under Board of Regent Policy 55.01.

12) The carrying costs for holding the property for the time prior to sale including insurance, property taxes, mortgages, or notes associated with the property. The UH System will not generally assume debt on contributed property, and further consultation with University officials, including the UH System’s tax director, is required before accepting such property.

6.6. Oil, Gas, and Mineral Interests

a. The UH System may accept oil, gas, or mineral interests after consideration by the Gift Acceptance Committee and requisite approval.

b. In reviewing the acceptance of oil, gas, or mineral interests, the Gift Acceptance Committee will consider the following criteria:

1) The types of mineral interest being conveyed, \textit{i.e.} royalty or working interest. The UH System will not accept a mineral working interest.

2) The potential for generating sufficient income to justify acquisition and holding costs, as documented by leases in place, leasing or drilling activity in the area, or the findings of an appropriate professional or expert. Outright gifts of mineral ownership through deed are preferred, but gifts of royalty and override interests will be considered in individual circumstances.
3) The presence of any restrictions or conditions.
4) The potential for extended liabilities or other considerations that make receipt of the gift inappropriate.

6.7. Life Insurance

a. The UH System may accept gifts of life insurance policies, including whole life, variable life, and universal life policies that name the UH System as both owner and beneficiary, with the recommendation of the Gift Acceptance Committee. The System, however, does not encourage gift planning wherein the primary gift technique involves the purchase of a new policy of life insurance designating the System as a beneficiary.

b. Criteria for acceptance of life insurance policies include the following:

1) The policy must have a minimum face value of $100,000;
2) The company must have an investment grade rating;
3) If the policy has outstanding premiums, the donor must be willing to make a commitment to cover the premiums payments until the policy is paid up; and
4) The donor understands that the UH System has sole discretion whether to cash in the policy, convert the policy to a paid up policy, or otherwise act in the best interests of the UH System to secure the value of the policy to the UH System.

c. No insurance products and no insurance companies are endorsed by the System for use in funding gifts to the UH System.

d. In no event shall the UH System or component university staff become involved in the furnishing of donors’ names to other persons for the purpose of marketing life insurance to those donors. This practice represents a potential conflict of interest, raises issues concerning donor relations and donor privacy, and may subject the UH System to regulation under state insurance law if the activity is construed as involvement in the marketing of life insurance. Any external request for donor information will be referred to the Office of General Counsel in accordance with the System Administrative Memorandum 03.H.02, Open Records.

7. STANDARDS GOVERNING ACCEPTANCE OF IRREVOCABLE SPLIT-INTEREST GIFTS

7.1 Remainder Interest in Real Property

a. The UH System may accept a remainder interest in a personal residence or farm subject to the provisions and procedures set forth below and in paragraph 6.5 pertaining to gifts of real estate.
b. All gifts of remainder interests in a personal residence or farm shall require an operating agreement between the life tenants and the UH System setting out the obligations and responsibilities of the life tenant(s) and the UH System over the term of the life tenancy. This agreement shall address the responsibility for maintenance of the property as well as the costs for maintenance, real estate taxes, insurance, and capital repairs on the property over the term of the life interest.

c. The UH System will have sole discretion, at the recommendation of the Gift Acceptance Committee, as to whether, at the conclusion of the life tenancy, the UH System will continue to utilize or sell the property.

7.2. Charitable Gift Annuities

The UH System does not issue charitable gift annuities. However, donors interested in creating charitable gift annuities for the benefit of the UH System may be referred to a UH Support Organization or third party charity authorized to issue charitable gift annuities in the state of Texas and the state of the annuitant(s) residence outside of Texas.

7.3. Charitable Remainder Trusts

a. The UH System does not serve as Trustee of charitable remainder trusts.

b. The UH System encourages its donors to name the UH System as a remainder beneficiary of a charitable remainder trust and to use a professional fiduciary to serve as trustee.

7.4. Charitable Lead Trusts

a. The UH System does not serve as Trustee of a charitable lead trust.

b. The UH System may accept a designation as income beneficiary of a charitable lead trust.

8. COSTS ASSOCIATED WITH THE GIFT ACCEPTANCE PROCESS

8.1. Costs of appraisals for donor tax compliance. The donor is responsible for the appraisal required to support the charitable deduction for the gift.

8.2. Costs of additional appraisals requested or required by the UH System to analyze gift acceptance shall be the responsibility of the UH System.

8.3 Costs of documents to transfer ownership from the donor to the UH System are the responsibility of the donor.

8.4 The responsibility for other costs may be addressed elsewhere in this policy.
9. REVIEW AND RESPONSIBILITIES

Responsible Party: Vice Chancellor for University Advancement

Review: Every three years on or before March 1

10. APPROVAL

Approved:

Eloise Stuhr
Vice Chancellor for University Advancement

Jim McShan
Interim Vice Chancellor for Administration and Finance

Renu Khator
Chancellor

Date: July 27, 2015

REVISION LOG

<table>
<thead>
<tr>
<th>Revision Number</th>
<th>Approval Date</th>
<th>Description of Changes</th>
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<tbody>
<tr>
<td>1</td>
<td>05/15/1992</td>
<td>Initial version</td>
</tr>
<tr>
<td>2</td>
<td>09/01/1995</td>
<td>Changed name from Gift Acceptance Policies to Acceptance and Disposition of Donated Monetary Assets. Added documentation to policy to reflect current operating practices. Added Vice Chancellor, Institutional Advancement to responsible parties. Changed Index Terms in Section 13</td>
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<tr>
<td>3</td>
<td>02/01/2002</td>
<td>Applied SAM revised template. Changed name from Gift Acceptance Policies to Gift Acceptance. Added content to reflect all changes in UH System structure for accepting and monitoring gifts, including creation of University Advancement. Changed the responsible party from Vice Chancellor for Administration and Finance to Associate Vice Chancellor for Finance and Vice Chancellor for University Advancement. Changed review date from every numbered years on or before September 1 to every three years on or before July 1. Added Vice Chancellor for Administration and Finance to approval cycle</td>
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<td>4</td>
<td>01/31/2009</td>
<td>Applied SAM revised template. Changed information throughout to reference Policy 32.03. Removed underlines for Section 2 definitions. Changed information on Gift Transmittal Form in Section 2.11 to reflect current operating requirements. Changed Section 6.3 to reflect current deposit procedures for cash gifts and cash equivalents. Changed Office of Development to Office of Planned Giving throughout document. Changed review period from every three years on or before July 1 to every three years on or before March 1. Added Vice Chancellor for University Advancement to approval cycle. Removed Index Terms</td>
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<tr>
<td>5</td>
<td>07/27/2015</td>
<td>Applied SAM revised template and added new Revision Log. Changed SAM 03.F.01 to SAM 08.A.03, and changed all content and title to reflect current University Advancement gift acceptance procedures for individual donors</td>
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