



6.1 GIFT ACCEPTANCE POLICY

6.1.1 INTRODUCTION

The University of Tennessee Foundation (UTFI), in light of its mission and responsibilities to maximize private giving to the University of Tennessee (UT), to qualify at all times as an organization to which deductible contributions may be made pursuant to Sections 170, 642, 2055, and 2522 of the Internal Revenue Code, and to operate in an open and transparent manner, establishes the following Gift Acceptance Policy.

The purpose of this policy is to define the policies governing the acceptance of gifts by UTFI and to provide guidance to prospective donors and their advisors when making gifts to UTFI, so as to facilitate the gift-giving process. *See also* [6.3 Gift Management](#).

The scope of this Policy is limited to acceptance or rejection of proposed gifts; it is not intended to cover disposition of property owned by UTFI. *See* [5.9 Disposition of Gifted Personal Property](#) and [5.20 Real Estate Disposition](#) in the Fiscal Policies section of this manual.

6.1.2 DEFINITION

A gift is a voluntary transfer of assets from an individual or non-governmental organization¹ made without consideration (that is, the donor does not expect to and does not in fact receive any goods or services from UTFI or UT in consideration of the gift). The following criteria generally identify a gift:

1. A gift is motivated by charitable intent.
2. Except in the case of Charitable Lead Trusts, a gift is an irrevocable transfer of assets.
3. Except in the case of life income payments made to donors or other life income beneficiaries of Charitable Trusts or Annuities, a gift is not subject to an exchange of consideration or other contractual duties between UTFI/UT and the donor.

6.1.3 GENERAL POLICY

UTFI will accept unrestricted gifts and gifts restricted for specific UT programs and purposes, provided that:

1. Such gifts are consistent with UTFI's and UT's stated missions,
2. Such gifts do not violate the terms of the UTFI corporate charter or this policy, and
3. Any restrictions or conditions imposed on the use of such gifts are approved by UT.

6.1.4 COMPLIANCE WITH AFFILIATION AND SERVICES AGREEMENT

Pursuant to the terms of the Affiliation and Services Agreement between UT and UTFI, UTFI will not:

¹ The Affiliation and Services Agreement between UTFI and UT provides that UTFI may receive and manage grants from state or federal agencies as the University President and the UTFI Board of Directors may agree to accept even though these funds are not considered gifts. Such grants are not covered by this policy.

1. Accept gifts that create a direct or indirect financial liability for UT (e.g., a gift that would require UT to assume another entity's debt) without prior written approval of the UT President.
2. Accept gifts of encumbered real property, a going business, leveraged endowments or partnerships without first discussing the proposed gift with the UT President and Chancellor of the involved campus.

6.1.5 TYPES OF GIFTS

The following types of gifts may be accepted:

1. **CASH** or cash equivalents including currency, money orders, checks, credit cards, and electronic transfer (wire transfer, ACH, or other electronic form of transfer).
2. **SECURITIES:**
 - a. **PUBLICLY TRADED:** Securities traded on a public stock exchange, which may be physically delivered to UTFI's office or electronically transferred to UTFI's brokerage account.
 - b. **CLOSELY HELD:** Closely held securities, including debt or equity positions in non-publicly traded companies, interests in limited partnerships and interests in limited liability corporations or other ownership funds.
 - i. Gifts of closely held securities must be approved in advance by UTFI's Executive Committee. When considering gifts of closely held securities the committee shall consider any restrictions that might prevent converting the security to cash, marketability and potential for undesirable consequences to UTFI.
3. **REAL ESTATE:** Real property, whether developed or undeveloped
 - a. **GIFT ANNUITY:** If a gift of real property is offered to fund a gift annuity the gift must be approved in advance by UTFI's Real Estate Committee in accordance with that committee's charter, policies and procedures. See [Real Estate Gift Acceptance](#) policy.
 - b. **CARRYING COSTS ≥\$10,000:** If the projected carrying cost of a gift of real property or real property subject to a life interest equals \$10,000 or more per year, then the gift must be approved in advance by UTFI's Real Estate Gift Acceptance Committee in accordance with that committee's charter, policies and procedures. See [Real Estate Gift Acceptance](#) policy.
 - c. All other gifts of real property or real property subject to a life interest must be approved in advance by the UTFI President.
4. **BARGAIN SALES:** The sale of property to UTFI for less than the property's fair market value.
 - a. Bargain sales must be approved in advance by UTFI's Real Estate Gift Acceptance Committee in accordance with that committee's charter, policies and procedures (See [Real Estate Gift Acceptance](#) policy), and by the UTFI Board of Directors.
5. **OIL, GAS, MINERAL & WATER RIGHTS:**
 - a. Gifts of oil, gas, mineral & water rights must be approved in advance by UTFI's Real Estate Committee in accordance with that committee's charter, policies and procedures (See [Real Estate Gift Acceptance policy](#)), and by the UTFI Board of Directors.
6. **TANGIBLE PERSONAL PROPERTY** (Gifts in kind):

- a. **RELATED USE:** If the tangible personal property will be retained by UT or UTFI for use in UT's or UTFI's programs then a gift of tangible personal property may be accepted subject to these terms and conditions:
 - i. The gift must not be subject to any conditions on the use, display or possible sale of the property
 - ii. If the value of the donated property is \$5,000 or more, the donor must provide a copy of an appraisal, obtained at the donor's expense, qualified under the terms of the Internal Revenue Code and Regulations governing gifts of this type
 - iii. The Chancellor, Dean or department head of the campus, college, department or other unit that will receive and use the property must agree to be responsible for any carrying costs associated with the gift (e.g., the cost of insuring a gift of art for a museum)
 - b. **UNRELATED USE:** If the tangible personal property will not be retained by UT or UTFI for use in UT's or UTFI's programs then the gift will not be accepted unless:
 - i. The property is readily marketable at a price that provides UTFI with a return in excess of the costs incurred to accept and dispose of the property. This determination shall be made by the Executive Vice President and Chief Operating Officer (COO).
 - ii. UTFI advises the donor that
 - 1. UTFI intends to sell the property,
 - 2. Such sale could limit the amount of any charitable deduction to the donor's cost basis, and
 - 3. The donor should seek professional advice concerning the tax consequences of the proposed gift.
7. **INTELLECTUAL PROPERTY:** Patents, copyrights, royalties, performing rights or other similar intangible property.
- a. Gifts of intellectual property must be approved in advance by UTFI's Executive Committee.
 - b. Proposed gifts of intellectual property shall be routed through the COO who, in consultation with the UTFI President, shall conduct due diligence appropriate to the type of gift offered and make a report to the UTFI Executive Committee before that committee acts on the proposed gift.
8. **OTHER PROPERTY:**
- a. Gifts of property not otherwise covered above must be approved in advance by UTFI's Executive Committee
 - b. Proposed gifts of property not otherwise covered above shall be routed through the COO who, in consultation with the UTFI President, shall conduct due diligence appropriate to the type of gift offered and make a report to the UTFI Executive Committee before that committee acts on the proposed gift.
9. **LIFE INSURANCE:**
- a. UTFI only accepts gifts of life insurance if approved in advance by the COO.
10. **CHARITABLE REMAINDER TRUST:** An irrevocable trust created during the life of the donor or through the donor's will; the trust makes periodic payments to the donor or other named income beneficiaries for a term of years or life and then transfers all or part of the trust principal to UTFI.

- a. CHARITABLE REMAINDER UNITRUSTS:
 - i. The trust must pay a fixed percentage of the fair market value of the trust assets, determined annually, to the income beneficiaries
 - ii. The donor may make additional contributions to the trust during the donor's lifetime or by bequest.
 - b. CHARITABLE REMAINDER ANNUITY TRUSTS
 - i. The trust must pay an amount (usually a fixed percentage of the fair market value of the trust assets at the time the trust is created) to the income beneficiaries
 - ii. The donor may not make additional contributions to the trust once created
 - iii. If the income beneficiaries are to receive payments for a term of years, that term may not exceed 20 years
11. **CHARITABLE LEAD TRUST:** An irrevocable trust; the trust makes periodic payments to UTFI for a term of years after which the principal is transferred back to the donor or other designated beneficiary.
12. **CHARITABLE GIFT ANNUITY:** A contractual agreement pursuant to which UTFI accepts cash or publicly traded securities from a donor in return for periodic payments to the donor and/or one other named beneficiary for life; upon the death of the income beneficiaries the balance of principal is retained by UTFI.
- a. Gift annuity contracts must comply with the board's January 18, 2008, [Resolution Establishing a Gift Annuity Program](#) and the following parameters:
 - i. The minimum dollar contribution required to set up a gift annuity is \$25,000.
 - ii. UTFI will follow the rates (payout percentages) suggested by the American Council on Gift Annuities; however, donors may chose a lower payout.
 - iii. The minimum age for annuitants at the time annuity payments commence is 60.
 - iv. UTFI offers four types of gift annuities: Immediate, Deferred, College Annuity and Flexible Deferred.
 - v. Payout frequency will be quarterly.
 - vi. Quarterly payments will follow the calendar year with payouts made on the last day of March, June, September and December.
 - vii. If a donor makes a gift after, the 10th of the payment month (March, June, September, December), then he or she will receive the partial payment with the first regular payment for the next quarter.
 - viii. Once the gift annuity program reaches the level of \$10 million, the UTFI board will determine if UTFI wishes to continue to offer gift annuities. To assist the board in making this decision a risk analysis should be performed to determine the likely future adequacy of the gift annuity reserve fund.
 - ix. At the termination of a gift annuity, and after all income payment obligations have been met, UTFI will receive 25% of the residuum for its general support of UT's charitable mission. 75% of the residuum will be used as directed by the donor.
 - x. Donors may designate a gift annuity to create a named endowment but original funding of the gift annuity should be three times the amount currently required to create a named endowment. For example, a current \$25,000 naming opportunity would require the gift annuity be funded with \$75,000. The American Council on Gift Annuity rates has an underlying assumption that the

residuum at the termination of a contract will be 50% of the original contribution. This assumption is based on life expectancies, projected expenses for administering the gift annuity and annual total returns. It is important to note that historically many gift annuity programs have a residuum more in the 70-90% range because of above average investment returns.

- xi. Donors who chose to make a gift annuity under \$75,000 will be advised that if, at the termination of the contract, there is sufficient residuum because of favorable investment returns then a named endowment will be created. If not, then the monies will be given to the Campus, College, Institute, Department or Program designated by the donor. The donor may designate the monies be added to an existing endowment or used at the discretion of the administrator in charge of the designated area.
- b. If the gift annuity is funded, in full or in part, by a gift of real property, then the gift must be approved in advance by UTFI's Real Estate Gift Acceptance Committee in accordance with that committee's charter, policies and procedures.
- c. The gift annuity contract must be approved and signed by the UTFI President or, in his absence, the COO.
- d. Any deviation from the requirements of this section on Gift Annuities must be approved in advance by the UTFI Board's Finance & Audit Committee.

6.1.6 MINIMUM GIFT LEVELS

Depending on the purpose of the gift, there may be minimum gift levels required, as follows:

1. **HONORARY NAMING:** Gift minimums and requisite approvals for naming a UT college, school, department, institute, center, bureau, building, classroom, laboratory or other physical space are established by the UT Board of Trustees and shall be followed by UTFI.
 - a. See the UT Board of Trustees Policy BT0008, [Policy on the Naming of Facilities and Other Assets of the University of Tennessee](#).
2. **ENDOWMENTS:** The minimum gift required to establish an endowment depends on the type and purpose of the endowment created.
 - a. The current [UTFI Schedule of Minimum Endowment](#) Levels is available on the UTFI web site.
 - b. Minimum endowment levels are subject to change by action of the UTFI Board.
3. **CURRENT FUNDS:** The minimum initial gift required to create a current (expendable) fund that is separately identified on the UTFI books is \$10,000.
 - a. The minimum gift may be given in installments so long as the \$10,000 minimum is reached within one year of the date the fund is established.
 - b. Gift Agreements (*see below*) are not required for creating current funds; however, Gift Agreements can be a useful tool to provide guidance on the proper use and stewardship of the funds (e.g., to provide scholarships for students enrolled in a particular program).
 - c. Gifts of less than \$10,000 shall be posted to an existing current fund whose purpose is most consistent with the donor's wishes.
 - d. At the discretion of UTFI, and in consultation with the appropriate UT administrator, current fund accounts with low balances for an extended period of time may be eliminated and the remaining funds combined with another existing current fund account with a similar purpose.

4. **PLANT FUNDS:** The minimum initial gift required to create a plant fund that is separately identified on the UTFI books depends on the nature and estimated cost of the construction project to be supported and will be determined jointly by the appropriate UT official and the COO.
 - a. At the discretion of UTFI, and in consultation with the appropriate UT administrator, plant fund accounts with low balances for an extended period of time may be eliminated and the remaining funds combined with another existing current or plant fund account with a similar purpose.

6.1.7 MEMORIAL AND HONORARY FUNDS

Memorial and Honorary funds are created by a gift (or gifts) given in memory of (or in honor of) an individual.

1. A memorial or honorary fund may be established as an endowment or as a current fund, as determined by the family or the donor.
2. Endowed memorial and endowed honorary funds must comply with established endowment minimums.

6.1.8 GIFT AGREEMENTS

All gifts and pledges of \$25,000 or more must be documented in a written Gift Agreement signed by the donor(s) and the UTFI President.

1. Exceptions:
 - a. CHARITABLE REMAINDER & LEAD TRUSTS: If UTFI is provided with the original or a legible copy of the legal instrument creating charitable remainder and lead trusts then no additional written gift agreement is needed.
 - b. CHARITABLE ANNUITIES: The contract creating a charitable gift annuity suffices in lieu of a written gift agreement.
2. In the absence of the UTFI President, the COO is authorized to sign gift agreements.
3. Pre-approved gift agreement templates are available on the UTFI web site [here](#).

ESTATE PLANNING

UTFI encourages alumni, donors and other supporters of UT and UTFI to make UTFI a beneficiary of their estate plans. As a general rule, gifts will be recorded when UTFI receives the actual funds; however, UTFI will record estate plans and recognize those who make UTFI a beneficiary of their estate plans under the following provisions.

1. **BEQUEST:** Donors who list UTFI as a beneficiary in their will or living trust will be recognized if:
 - a. The donor provides UTFI with a copy of the will or living trust (or the portion of the will or living trust that pertains to UTFI).
 - b. The bequest is for a specific amount or, if the bequest is for a percentage or residual amount, the donor provides documentation of the estimated amount UTFI will realize signed by the donor or donor's legal representative.
 - c. Payment of the bequest is not subject to any conditions precedent.

2. **RETIREMENT PLAN:** Donors who make UTFI a beneficiary of their IRA, qualified pension or profit sharing plans, or other retirement plans will be recognized if:
 - a. The donor provides UTFI with a copy of the beneficiary designation (or the portion of the beneficiary designation that pertains to UTFI) or other documentation showing UTFI's interest.
 - b. Current statement of value from the account or a statement of value signed by the donor or the donor's legal representative.

3. **LIFE INSURANCE:** Donors who make UTFI a beneficiary of their life insurance policies will be recognized if:
 - a. The donor provides UTFI with a copy of the beneficiary designation (or the portion of the beneficiary designation that pertains to UTFI) or other documentation showing UTFI's interest.
 - b. Current statement of value from the insurance carrier or a statement of value signed by the donor or the donor's legal representative.

6.1.9 IRS FORMS 8282, 8283

The COO is authorized to execute the Donee Acknowledgment on IRS Form 8283 (Noncash Charitable Contributions) and IRS Form 8282 (Donee Information Return) on behalf of UTFI.

6.1.10 GIFT ACCEPTANCE COMMITTEE

The Gift Acceptance Committee shall be comprised of the UTFI President, who shall serve as committee chair, the COO, who shall serve as committee secretary, and four staff appointed by the UTFI President from among the following: one Vice Chancellor for Development, one senior development officer (Associate or Assistant Vice Chancellor, Executive or Senior Director), one development officer (Director, Associate or Assistant Director, Major Gift Officer), and one Advancement Services staff.

1. The Gift Acceptance Committee shall review proposed gifts that are not covered by this policy and any questions or issues relating to gifts that are not covered by this policy. After review the committee shall recommend a course of action to the UTFI Executive Committee, which shall have final authority to accept or refuse the gift in question.
2. The Gift Acceptance Committee shall review this Gift Acceptance Policy at least once every other year and make recommendation for revisions to the UTFI Executive Committee.