



VILLANOVA

VILLANOVA UNIVERSITY MEMORANDUM

To: Offices of University Advancement and Financial Affairs

From: Michael O'Neill, Vice President for University Advancement
Kenneth Valosky, Vice President for Administration and Finance

Date: July 13, 2009

Subject: Updated Gift Acceptance and Recognition Guidelines

CC: Father Peter Donohue, O.S.A., President
Dorothy Malloy, Vice President and General Counsel
Debra Fickler, Deputy General Counsel
Neil Horgan, Associate Vice President, Finance and Controller

We have made changes to our Guidelines since our May 26, 2009 memo to you. Enclosed is our amended version, dated July 10, 2009, after consultation with the General Counsel's Office.

Please see the first paragraph on page 3 for the modifications.

If you have any questions about these guidelines or procedures, please contact Cathleen Parsons-Nikolic, Associate Vice President of Development Operations, University Advancement at cnikolic@villanova.edu or at 610 519 7973.

enclosure

Villanova University
Gift Acceptance and Recognition Guidelines

Gifts to Villanova University (“University”) will be accepted for purposes consistent with the University’s mission, in support of the priorities endorsed by the University Administration and the Board of Trustees. The following policies seek to assure that all gifts will provide maximum benefit to the University, to the donor, and to the donor’s heirs. Except where stated otherwise, these policies are intended as guidelines. The University will seek the advice of qualified legal and financial counsel whenever appropriate. Donors are always encouraged to consult with their own legal and financial advisors when considering special gifts.

General Guidelines

- Donors are encouraged to make outright gifts of cash or marketable securities. Programs have also been developed to accommodate a variety of planned giving objectives.
- Commitments to the University may be made through outright gifts or pledges over a five-year period and may include:
 - Cash or cash equivalents
 - Securities or other types of appreciated assets
 - All forms of charitable remainder and lead trusts, gift annuities, and pooled life income trusts.
 - Insurance (cash values for fully assigned policies)
 - Certain bequest provisions subject to the age of the donor (70) and the execution of a contractual gift agreement
 - Real and personal property, equipment, art work, and other gifts-in-kind
 - Corporate, federal, state, and private matching funds
- All “non-standard contributions”,* such as works of art, rare books and manuscripts or closely-held stock, must be reviewed and approved by the Office of Financial Affairs, in consultation with the Office of the Vice President and General Counsel
- Pledges documented in writing and scheduled for payment in full no later than five years from the date of the pledge will be counted in full at the time of the pledge.
- Investment earnings on gifts are excluded from gift counting and credit.

Gift Documentation

* Non-standard contributions, as defined by the IRS, include items that are not reasonably expected to be used by the University to further its mission, are not readily marketable and the value of which are highly speculative or difficult to ascertain.

| July 10, 2009

- All gifts, pledges, and planned gifts to the University require written documentation in the form of a gift agreement letter (for outright gifts), pledge form or contract, or copies of trust/estate/gift documents (for planned gifts). Pledges will not be counted or entered without proper documentation. All gifts and pledges will be recorded in compliance with IRS regulations and FASB accounting standards.

Standards of Conduct

- The primary role of University employees involved in fundraising for the University is to inform, serve, guide and assist individuals, families, and organizations in realizing their philanthropic objectives. Employees, including consultants and advisors, shall be paid a salary, wage, or fee by the University and shall not be compensated with a commission on such gifts.
- The University will not knowingly accept gifts that result in an unethical or illegal advantage to the donor or to a third party. In situations where staff members, advisors or consultants retained by the University prepare documents or render advice in any form to a potential donor, it shall be disclosed to the donor that the professional involved is employed by the University and is not acting on behalf of the donor.
- All information obtained from or about donors and potential donors will be held in strict confidence by the University. Neither the name, the amount, nor the conditions of any gift will be made public without prior approval of the donor, unless required to do so by law.

Gift Recognition

- Naming gift opportunities will not be implemented until the fully funded commitment is in place, unless cash flow is provided to fund annually.
- The University reserves the right to set the required gift levels for each naming gift opportunity.

Gift Crediting Policies

- **Cash/Credit Card**

Cash and credit card payments will be credited to the donor at full current value on the date of the gift.

- **Publicly-Traded Securities**

Gifts of readily marketable securities will be credited at the full fair market value based on the average of the high and low quoted selling price on the day the university assumes control of the asset, as follows: (a) for stock gifts that are sent electronically, via DTC, the day they are received into the University's account at our broker; (b) for original stock certificates, the date the donor relinquishes control, using the postmark date on the envelope, if mailed, or the date received, if hand-delivered to the university. Shares of mutual funds will be credited at the net asset value of the shares on the day the university assumes control of the shares.

The University's general policy is for securities to be sold immediately by the University through its agent or representative. No employee or volunteer may make a commitment to a donor that a particular security will be held by the University, unless otherwise directed by an authorized University officer.

- **Closely-Held Securities**

Gifts of securities that are not publicly traded will be accepted at the discretion of the University on a case-by-case evaluation of the conditions affecting the eventual sale of the securities by the University. Such gifts will be credited at fair market value as determined by a qualified, independent appraiser secured and compensated by the donor. If restrictions are placed on the securities by the donor or by the terms of the securities themselves, acceptance of the gift shall be subject to prior approval by the University.

- **Matching Gifts**

Matching gifts received from organizations and corporations will be credited to the organization or company that makes the matching gift. The individual recommending the matching gift will also receive credit and the individual's giving record will reflect inclusion of the matching gift. Payments from matching gift organizations may be applied as payment toward an individual's pledge only if allowed by the matching organization. The matching gift will be used for the same purpose as the recommending donor's original gift, unless that use is prohibited by the matching gift organization's guidelines.

- **Charitable Lead Trusts**

A lead trust is the only planned gift that provides an immediate income stream to the University. The lead trust makes an annual payment to the University for the donor's lifetime or a term of years, then terminates and pays the remaining principal to the donor's beneficiaries, usually his children. The lead trust is an excellent tool for high net-worth donors to

shelter appreciating assets - like a family business - from estate taxes and thus preserve their assets for their heirs. Establishing a lead trust allows the donor named gift opportunities which are available for capital and endowment purposes.

- **Gifts-in-Kind/Tangible Personal Property**

The University welcomes gifts of tangible personal property and gifts-in-kind, which can include works of art, books, or equipment. So long as the items donated are relevant to the University's mission, gift credit will be provided for their full fair market value, as determined by a qualified independent appraisal secured and paid for by the donor, according to IRS guidelines.

The University has the discretion to accept or decline gifts of tangible personal property or gifts-in-kind, based on their relevance to the University's mission, restrictions on retention or sale, anticipated difficulties in displaying, storing, or archiving the items, or other factors.

If the donor gives a piece of tangible property, not intending that it be used or displayed by the University but rather intending that it be sold immediately to generate cash, the IRS will limit the donor's charitable deduction to cost basis, based on its regulations.

- **Gifts of Real Estate**

Donors can make an outright gift of a piece of real estate, giving the University either their entire ownership or a portion of it. Alternately, they can transfer the property in a part-sale/part-donation format called a *charitable bargain sale* or donate their home or farm, reserving the right to continue to live there for the balance of their lives (a *retained life estate*).

Donors of real estate will receive gift credit for the full fair market value of the property, as determined by a qualified independent appraisal, secured and paid for by the donor, according to IRS regulations. Donors who transfer real estate through a charitable bargain sale will receive gift credit in the amount of the discount they took between market value and the sale price to the University. Donors of a retained life estate will receive gift credit for the fair market value of their house, reduced by the value of their life tenancy.

The University's Real Estate Committee will review all proposed gifts of real estate, and the University has the discretion to accept or decline them based on the condition and marketability of the property and its relevance to the University's mission and long-term investment and financial

objectives. Retained life estates will be accepted subject to additional discussions with the donor about responsibility for maintenance of the house and contingencies should the donor/tenant become unable or unwilling to continue to live there.

General Policies for Planned Gifts

- All prospective donors are urged to seek advice of their own professional counsel in matters relating to gift and estate tax planning. No employee or agent of the University will provide legal or financial advice to donors or prospective donors.
- In general, planned gifts are most likely solicited and received in support of endowment.

Planned Gift Crediting Policies

- **Estate Distributions**

Distributions from estates and trusts that are received by the University will be counted and credited at full value on the date that funds are received by the University.

Undesignated bequests and trust distributions will be allocated in accordance with the University's general operating policy as established by the University Board of Trustees.

- **Charitable Gift Annuities/Deferred Gift Annuities**

Charitable Gift Annuities are contracts between the donor and the University in which the University agrees to make fixed lifetime payments to the donor and/or another beneficiary in exchange for the donor's gift. In order to establish a Gift Annuity, gifts must be less than \$100,000 but a minimum of \$10,000. When a gift annuity is established, the value is half the amount of the gift; therefore no Named Gift Opportunities are available. For gift counting purposes, Gift Annuities will be counted at face value. Maximum payment rates for gift annuities are governed by a voluntary schedule set by the American Council on Gift Annuities, although the University reserves the right to offer a donor a lower rate than that suggested by the maximum-rate schedule. The University asks that beneficiaries of charitable gift annuities should be at least 60 years of age and the maximum number of beneficiaries shall be two.

Deferred Gift Annuities delay the commencement of income payments until a future date, often coinciding with the beneficiary's retirement. The

deferral allows the University to offer a higher income rate, and generates a larger charitable deduction, than would be available from an annuity whose payments begin immediately. This is the planned gift with special appeal to prospects aged 45 to 60, who have high current income, need deductions, and want to secure future sources of retirement income. The University asks that donors of deferred gift annuities be aged 45 or older and that income payments commence when the donor/beneficiaries are aged 60 or older.

Charitable Remainder Trusts

Individually managed trusts; these are the most flexible life-income gifts that the University offers. They hold a gift of cash, securities, or, in some instances, real estate; pay the donor/beneficiaries income for lifetime or a term of years (up to 20), then distribute the remaining balance to the University. The most popular is the charitable remainder unitrust, which pays its beneficiaries income as a fixed percentage of the value of the principal. The principal is revalued annually; income in excess of that distributed is reinvested, allowing for future growth in income payments to the beneficiaries. A minimum contribution of \$100,000 is required to establish a CRT. Named Gift Opportunities are available for capital and endowment purposes.

The University asks that beneficiaries of CRT's be at least 60 years of age and limits the maximum number of beneficiaries to two. A CRT may not be spent by the University until after the beneficiaries have died or until the trust term has expired. Payout rates for CRT's are calculated on a percentage basis in consultation with the donor and the University. For gift counting purposes, CRT's will be counted and credited at face value if the payout rate is 5%. If the payout rate exceeds 5%, gift credit will be limited to the donor's tax deduction which is the same as the present value of the CRT.

The IRS requires that the present value of Villanova's remainder interest in a CRT, be at least 10 percent of the total value of the gift. The University will work with donors and their advisors to ensure that proposed CRTs meet this requirement and other tax and investment standards.

- **Revocable Charitable Trust Agreements**

Some donors may choose to establish CRTs or other charitable trusts in which they reserve the right to change the designation of the University as the beneficiary of the trust. Because of this revocability, the University will not serve as trustee of such a trust, and donors will receive gift credit in accordance with the policies for bequest intentions.

- **Life Insurance**

To be credited, any gift of life insurance must name Villanova as the irrevocable owner and beneficiary of the policy. Donors must be at least 70 years of age.

- A gift of a *paid-up policy* will receive gift credit in the amount of its cash-surrender value; the University reserves the right to surrender the policy before the death of the insured.
- A gift of an *existing policy* that is not yet paid up will be accepted only at the discretion of the University; if accepted, it will receive gift credit in the amount of its cash-surrender value. The University may surrender the policy, or the donor may make additional cash gifts to the University to offset our premium payments, and will receive gift credit for those cash gifts.
- A gift of a *new policy* will be accepted only at the discretion of the University; if accepted, the donor will receive gift credit for the gifts he or she makes to the University to offset the University's premium payments on the policy. Villanova reserves the right to exercise prudent judgment in determining whether to retain the policy to maturity or to surrender it for its cash value.

- **Bequest Intentions**

These provisions are revocable by the donor. The University is grateful to donors who choose to include the University in their estate, but donors will not typically receive gift credit for this intention. The University may grant an exception for donors aged 70 or older whose bequest intentions are supplemented by a separate legal agreement stating that they will include a gift to the University in any version of their estate plan, and allowing the University to proceed against their estate should the gift not have been included.