The University of North Carolina at Chapel Hill
Gift Acceptance Policy

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I. Purpose of Policy

This policy governs the acceptance of gifts to the University of North Carolina at Chapel Hill (the "University") and Associated Entities of the University.

A. This Policy has been adopted by the Chancellor to describe and guide the outright and planned giving programs of the University and that of the various Associated Entities of the University and applies to funds raised on behalf of the University and by such Associated Entities. When adopted this policy applies to Associated Entities, in which case references to the "University" as the recipient of the gift and as the entity taking certain action with respect to the gift, should be interpreted to mean the respective Associated Entity. The fundraising and development activities of the Associated Entities shall be conducted subject to this Policy and coordinated with the University's Development Office.

B. It is the policy of the University to encourage donors to direct gifts to the UNC-CH Foundation and other Associated Entities, rather than directly to the University, except for gifts of real property or gifts of tangible personal property that will be used by the University in a manner related to carrying out its purposes. If a donor fails to direct a gift to the UNC-CH Foundation or another Associated Entity, North Carolina statutory law [GS 116-36(j)] provides that any gift or devise of real or personal property to the University shall be presumed, nothing to the contrary appearing, a gift or devise, as the case may be, to the endowment fund of the University and will be managed by the Board of Trustees of the Endowment Fund of the University.

C. Subject to authority of the Chancellor, the Office of University Development, led by Vice Chancellor for Development of the University, coordinates the fundraising efforts at the University and gifts to the University are received and processed by this department.

D. A gift made to the University is irrevocable. The donor is not entitled to have such a gift returned. Several sections of this Policy may apply to the same gift. For example, an endowment gift may be of closely-held company stock and for a restricted purpose proposed by the donor; therefore, the sections of this Policy which apply to categories of gifts (closely-held stock), classification of gifts by expendability (endowment) and to donor-imposed restrictions on gifts will have to be complied with before the gift can be accepted. The University will not accept a life-time gift subject to a contingency that if met would require the University to distribute the gift to a third party.

II. Authority to Accept Gifts

A. The Vice Chancellor for Development and the Vice Chancellor of Finance and Administration have authority to accept all gifts on behalf of the University.

B. Associated Entities shall designate representatives authorized to accept gifts on behalf of the respective Associated Entities.

C. The Ackland Art Museum and the University Libraries and Special Collections have their own policies for accepting gifts of Tangible Personal Property (TPP) and any proposed gift of TPP to those units must meet their requirements.

D. The acceptance of a gift of TPP that will be used by the University in a way related to carrying out the purpose of the University may be authorized by Deans and others authorized by the Chancellor.

E. *Authority to Accept Trusteeship of Split Interest Trusts*. The Executive Director of the UNC-CH Foundation is authorized to accept trusteeship of charitable remainder trusts. Distributions from charitable remainder trusts not trusteed by the UNC-CH Foundation and distributions from charitable lead trusts will be accepted and processed based on the type of assets distributed and restrictions, if any, applicable to the gift. For example, if the distribution is cash and the purpose of the gift is not restricted, then the distribution will be processed as any other gift of cash (see III below).

III. Gift Types

A. **Cash**
Gifts of cash include currency, bank drafts, credit cards, checks, payroll deductions, wire transfers and matching gifts. Cash gifts should be accepted and processed in the normal course provided that any donor restrictions imposed on the gift are otherwise in compliance with this Policy.

B. **Marketable Securities** (commonly referred to as Publicly Traded Securities)
Marketable securities, including primarily stocks, bonds, exchange-traded funds (ETFs), and mutual funds deemed to be readily transferable, should be accepted and processed in the normal course provided that any donor restrictions imposed on the gift are otherwise in compliance with this Policy. Proposed gifts of stock options, stock appreciation rights and restricted shares must be reviewed on a case-by-case basis prior to acceptance in order to ensure that there are no limitations on subsequent sale by the University.

All gifts of marketable securities are to be delivered as soon as received (on the same business day) to Gifts Services. Marketable securities received as gifts will be sold as soon as reasonably possible after acceptance.

C. **Closely-Held Businesses**

1. *Closely-held Corporation Stock.* Closely-held corporation stock is stock of a corporation that is privately held and not publicly traded.
   (a) Proposed gifts of closely-held stock will be evaluated on a case-by-case basis by the Gift Planning staff, in conjunction with University Counsel, before acceptance. Such stock includes stock in corporations taxed for income tax purposes as S or C corporations. The University will not accept a gift of closely-

held stock under the terms of which gift the University is legally bound to sell the shares at a predetermined price to the corporation that issued the shares.

(b) Analyzing Gifts of Closely-Held Corporation Stock: In order to consider such acceptance, the donor will be required to provide certain financial information to Gift Planning.

2. *Partnership and Limited Liability Company Interests*. As a general rule, proposed gifts of limited partnership interests and ownership interests in limited liability companies which interests are not publicly traded will be considered for acceptance. On the other hand, general partnership interests and interests in joint ventures will not likely be accepted because of liability concerns. Proposed gifts of these assets will be evaluated on a case-by-case basis by Gift Planning, in conjunction with University Counsel, before acceptance. In order to consider such acceptance, the donor will be required to provide certain financial information to Gift Planning.

D. **<u>Cultural and other Tangible Personal Property</u> ("TPP")**

Gifts of TPP include art collections, antiques, jewelry, timber, airplanes, medical equipment, boats and similar property.

1. *Criteria for Acceptance.*

(a) ***Gifts of TPP will not be accepted unless all of the following conditions apply***:

i) The gift does not require the University to commit additional expense for the present or future use, display, maintenance, or administration of the property.

ii) The gift does not commit the University to any financial or other burdensome obligation, either directly or indirectly.

iii) There is no expectation, understanding or condition that such gifts will be loaned back to the donor or the donor's designee for life or for extended periods of time determined by the donor.

(b) ***Consideration for Specific Items of TPP***:

i) *Automobiles*. Gifts of automobiles will not be accepted. Donors may be able to make a more effective charitable gift by giving an automobile to one of the organizations that advertises established programs to accept gifts of automobiles for resale.

ii) *Historic property*. Any gifts in kind deemed to be historic in nature must be brought to the attention of the Office of Historic Property. The Director will determine whether the property meets the criteria for historic property.

2. *Note on Related Use of Gift*. A donor generally receives an income tax charitable deduction for the full fair market value only if the tangible personal property will be used by the University in a way related to carrying out its purposes.

E. **<u>Life Insurance</u>**

There are three ways in which life insurance can be utilized as a charitable gift to the University. Those are by the donor (a) transferring an existing policy to University as owner/beneficiary (in whole or part), (b) purchasing a new policy with the University as owner and beneficiary (in such instance, care must be taken to make certain the University has an insurable interest under applicable state law), and (c) retaining ownership of a policy and designating the University as a beneficiary or contingent beneficiary of the policy.

1. *Criteria for Acceptance of Gifts of Life Insurance Policies*.
   (a) ***Whole Life Policies:*** Partially paid-up or fully paid-up policies will be accepted.
      i) If not fully paid-up, the premium payments to maintain a whole life policy must be provided by cash donations by the donor to the University, which in turn will make the premium payments to the insurance company. The donor must make a written pledge to make regular gifts to cover the premium payments. Cash or marketable securities may be accepted for premium payments.
      ii) There should be no loans, collateral pledges or other encumbrances on the policy at the time of gift.
      iii) Gift Planning will be responsible for coordinating transfer of ownership and administration.
   (b) ***Term Policies*** are *<u>not accepted by University</u>*.
   (c) ***Universal Life and Variable Universal Life Policies:*** The University will *<u>not accept</u>* either Universal Life or Variable Life policies.

2. *Reservation of Right to Surrender Life Insurance Policies:* The University reserves the right to surrender any life insurance policy owned by it prior to the death of the insured without notice to the insured.

F. <u>Qualified Plan and Deferred Compensation Benefits (Retirement Accounts)</u>

1. A charitable IRA rollover, or qualified charitable distribution (QCD), has in recent years been permitted by amendments to the Internal Revenue Code allowing certain donors (those over 70 1/2) to exclude from taxable income (and count toward their required minimum distribution) certain transfers of Individual Retirement Account (IRA) assets that are made directly to public charities.

2. *Criteria for Acceptance:* Gift Planning shall coordinate any such gifts. The law governing the taxation of such distributions in this area has been extended from year to year in the recent past but may not permit such a tax-free rollover at the time of the proposed gift.

3. *To Occur at Death of Donor:* Death benefits by virtue of Retirement Plan Beneficiary Designations (401(k), IRA, qualified pension plans, profit-sharing plans, etc.)
   (a) ***Documentation***
      i) It is possible for the University to be designated as a beneficiary of death benefits from a retirement account without being notified by the donor.
      ii) A prospective donor must submit a new beneficiary designation form to the donor's plan administrator in order to make the University beneficiary of such death benefits.

iii) See provisions herein under “Acceptance of Gifts at Death of Donor” relating to process to be followed upon learning of the death of a donor which apply to death benefits of a retirement plan.

G. **Other Types of Gifts**

From time to time, gifts of assets not described above may be offered to the University. Such proposed gifts will be evaluated on a case-by-case basis by the Gift Planning staff, in conjunction with University Counsel, and Gift Planning, in conjunction with University Counsel, shall make recommendations as to whether such a proposed gift be accepted.

H. **Bequest Documentation**

1. *Documentation:*
   (a) University representatives should ask the donor for a copy of the portion of the will or revocable trust that contains the terms of the gift in order to ensure that the terms are acceptable and consistent with this Policy.
   (b) It is in everyone’s best interest for Gift Planning to review the language affecting the bequest prior to the donor’s death to determine the University’s ability to accept the commitment.

I. **Acceptance of Gifts at Death of Donor**

1. *University Officers and Employees Prohibited from Serving as Personal Representative:* No employee or officer of the University may serve as personal representative or successor trustee when the University or any Associated Entity has an interest in the estate or trust unless the decedent or settler of the trust was an immediate family member (meaning a parent, spouse or child of the employee/officer).

2. *Process to be Followed upon Learning of Death of Donor:*
   (a) In many cases the University is not aware of a gift that takes place at the death of the donor under the donor’s will or revocable trust until notice is received from the personal representative or trustee. When the University becomes aware of such a gift, the benefiting school, unit or Associated Entity will be alerted when the notice is received.
   (b) During the probate of estates and administration of revocable trusts following the death of donors, Gift Planning, in consultation with University Counsel, shall represent the University in all dealings with the attorney for and fiduciaries involved with the administration of the estate and/or revocable trust.
   (c) The distributions from the estate or trust may involve various categories of assets (for example, securities, real estate, or personal property) and may involve restrictions on the gifts; the appropriate portions of this Policy should be consulted to determine the acceptability of the gifts and how they should be processed.

(d) When it is unclear whether the donor wished the contribution to be held in either an expendable or endowed fund and the donor's intentions in that regard cannot be inferred from other facts and circumstances, Gift Planning will follow the Unstipulated Gift Policy

(e) *Renunciation:* The University may renounce or disclaim gifts that flow through a will or trust upon the death of a donor. Reasons for a renunciation of a gift might include concerns with regard to illiquidity, lack of marketability, holding costs, liability exposure (for example, environmental contamination), and unacceptable restrictions on the gift. It is extremely important that Gift Planning be notified as soon as possible of a death which may result in any bequest, devise or distribution from a revocable trust after the death of a donor because there are time deadlines for effectively renouncing certain interests.

3. *Associated Entities Are Required To Involve Gift Planning In Processing Gifts Upon Death of Grantor:* It is extremely important that all Associated Entities notify Gift Planning as soon as possible after becoming aware of a death that may result in a gift to the Associated Entity or the University after the death of a donor. This is necessary in order to ascertain the correct identity of the beneficiary. If there is a delay in becoming aware of the death, the beneficiary may be barred from taking certain actions with respect to the gift that would otherwise have been desirable. In addition, dealing with gifts that are precipitated by the death of donor often involves complex administrative issues, including possible interaction with the court system. Gift Planning is experienced and staffed to effectively deal with such matters on behalf of the University and can assist the Associated Entity if so desired by the Associated Entity.

J. <u>**Other Transactions Policy: Non-deductible Gifts of Goods and Services**</u>

Donors may provide goods or services to the University that do not qualify for an income tax charitable deduction. Often these goods or services are received in conjunction with auctions that benefit the University. Examples:

(a) Use of Property or Facilities (for example, hotel rooms, time shares, beach houses, rounds of golf)

(b) Services (for example, massages, facials, dinners at restaurants, lessons of any type, photography services, legal services)

(c) Advertising (for example, newspapers ads, radio or magazines)

K. <u>**Trusteeship of Split Interest Trusts**</u>

1. *Charitable Remainder Trusts:* UNC-CH Foundation may serve as Trustee of charitable remainder trusts, but neither the University nor any other Associated Entity will serve in that capacity. Contact the Office of Gift Planning for guidelines and restrictions regarding the UNC-CH Foundation's ability to serve as trustee.

2. *Authority to Accept Trusteeship of Split Interest Trusts:* The Executive Director of the UNC-CH Foundation is authorized to accept trusteeship of charitable remainder trusts. Distributions from charitable remainder trusts not trusteed by the UNC-CH Foundation and distributions from charitable lead trusts will be accepted and processed based on the type of assets distributed and restrictions, if any, applicable to the gift.

3. *Charitable Lead Trusts:* Neither the University nor any Associated Entity shall serve as a trustee of a charitable lead trust.

L. **<u>Charitable Gift Annuities ("CGA")</u>**

A charitable gift annuity is established by contract between a donor and a charitable institution. The Office of Gift Planning is responsible for preparation of the charitable gift annuity agreement. The minimum amount for a gift annuity is $20,000. The minimum age for the beneficiary is 50. The executive director of the UNC-CH Foundation and a representative of the particular unit benefiting from the residuum usually sign gift agreements; the charitable gift annuity agreement is signed by the Treasurer of the UNC-CH Foundation.

M. **<u>Gifts Involving Reservation of or Granting Life Estates to Individuals</u>**

A donor may by deed or will reserve a right to use designated real property for the donor's life or for the life another designated by the donor, but at the end of such life estate, provide that the University or an Associated Entity will own the real property.

1. *Criteria for Acceptance*—The same due diligence process should be followed in determining whether to accept an interest as a remainderman in real property as would be followed for any other gift of real estate—see Section P below. In addition, because the obligations of a life tenant (paying ad valorem taxes, keeping property in good repair, etc.) are substantial and if not met can create significant problems for the remainderman, before accepting a remainder interest in real property, the financial capacity of the life tenant to meet the obligations imposed on the life tenant and the mental/physical capacity of the life tenant to effectively meet these obligations (does the life tenant have a power of attorney in place?) should be considered.

2. *Agreement Setting Forth Responsibilities Desirable*- Since the law applicable to life estates varies from state to state and in some cases is less than clear as to the financial responsibility of the life tenant and the remainderman (the "University"), an agreement setting forth the responsibilities of each party must be entered into in which the duties and responsibilities of the life tenant and the remainderman in the state in which the property is located are set forth in detail.

N. **<u>Pledges</u>**

Unless otherwise agreed in writing, a pledge evidences a good faith intention to make a gift to the University and may be legally binding on the donor.

O. **Bargain Sale**
Gift Planning, in conjunction with University Counsel, should be involved in any consideration of any transaction in which the University or any Associated Entity either purchases an asset from a donor for less than fair market value or accepts a gift of property subject to debt such transactions sometimes being referred to as a bargain sale.

P. **Real Estate**
Real estate includes detached single-family residences, condominiums, apartment buildings, office buildings, other commercial property, farms, raw land , etc. Title to gifts of real estate may be taken in different entities depending upon the circumstances of the gift and/or the potential use of the property. It is important to note the presumption referred to in I.B above that gifts to the University, nothing else appearing, are to the endowment fund of the University. In some cases, however, the University will determine that gifts or devises of real property will be used in accomplishing its mission and that the property is best owned by the State of North Carolina, in which case Council of State will become involved in the acceptance of such gifts and devises and the gift acceptance policy of the Council of State will be applied rather than this policy. A thorough evaluation of the condition and characteristics of any proposed gift of real property to the University shall be conducted before the gift may be accepted. Gift Planning will coordinate any proposed gift of real estate and no assumptions should be made with regard to whether a proposed gift will be accepted until due diligence is completed.

1. *Criteria for Acceptance* - Gift Planning must be consulted to discuss any proposed gift of real estate and no assumptions should be made with regard to whether a proposed gift will be accepted until the proposed gift is processed as set forth below. Such gifts may be outright gifts, bargain sales, installment sales, or part of a charitable life-income plan. Since real property can be costly to maintain pending a sale proposed gifts or devises of real estate will be carefully scrutinized before acceptance. Unless the real property which is subject of a proposed gift will be used by the University in a way related to carrying out its purposes, the property will be sold as soon as advantageous. A primary determining factor as to whether to accept a proposed gift of real estate is whether the net proceeds from the ownership and sale of the property will net $100,000 or more ("Minimum Gift"). If carrying costs are anticipated with respect to proposed gifts of real property prior to sale, the donor will be expected to bear those costs. Exceptions to the Minimum Gift policy and the policy requiring donors to bear carrying costs will be considered on a case-by-case basis. Information gathered by Gift Planning on the property shall be provided to the Property Review Committee which committee will make recommendations regarding acceptance or denial of proposed gifts of real property as set forth in 3 below. (The Property Review Committee is not always involved in reviewing proposed gifts of real property to all Associated Entities.)
2. *Procedures for Processing Gifts of Real Estate* - A thorough evaluation of the condition and characteristics of any proposed gift of real property before the gift may be accepted. Gift Planning shall coordinate the process. Typically, the donor must provide a copy of the deed evidencing the donor's ownership and copies of all

documents evidencing any debt secured by the property, copies of all relevant and available information about the property including evidence of clear title, property tax records for the three years immediately prior to the year in which the gift is proposed, any existing title insurance policy and evidence of zoning restrictions; a copy of the most recent appraisal and survey of the property, if available, and information concerning any environmental problems on the property including, if available, the most recent environmental assessment. The following are detailed considerations:

(a) **Site Evaluation**. Before acceptance, the site must be thoroughly inspected by Gift Planning, the University Property Office or by a consultant hired for this purpose. A market assessment may be obtained from a real estate agent familiar with the market in which the property is located.

(b) **Environmental Assessment**. At a minimum, an outside technical consultant shall be engaged to complete a Phase I Environmental Site Assessment report for each property donated to the University.

(c) **Home Inspection**. If the potential real property gift includes a residence (owner occupied and rental), a home inspection may be required to determine the condition of the residence.

(d) **Indebtedness**. Accepting and holding properties subject to a mortgage could result in unrelated business income tax liability for the University among other issues. On a case by case basis the Property Review Committee will consider, in conjunction with University Counsel, any proposed gift of real property that is subject to debt of any kind including liens and mortgages.

(e) **Costs.** The marketability of a property must be considered before a gift is accepted. The cost to hold the property for sale is important in deciding whether or not to accept a gift. Carrying costs may include property taxes, mortgage payments, maintenance, insurance, and association or membership fees. The donor might be asked to carry all direct expenses related to outright gifts of real estate. Any alternatives shall be discussed with Gift Planning. Once the property has been accepted, but prior to a sale, any taxes, insurance, and maintenance fees will either paid out of the income earned by the real estate, or the donor will be asked to make a donation to the University to cover such costs. In order to isolate liability associated with ownership of a proposed gift of property, the donor may be encouraged to transfer the property to a limited liability company solely owned by the University and formed for the purpose of owning that property.

(f) **Maintenance**. No financial or other burdensome obligation or expenses shall be incurred directly or indirectly with respect to a gift of real property without the approval, in advance, of the Vice Chancellor for Finance and Administration of the University.

(g) **Appraisal**. The donor should provide a qualified appraisal of the property in compliance with Internal Revenue Service requirements for such appraisals. In some cases the University may elect to procure an additional appraisal.

(h) **Title Search**. In order to document clear title to the property a title search will be required, but it may take the form of a limited search in certain circumstances, for example to bring the title forward from the date of a title insurance policy that the donor held on the property.

(i) **Disposition of property**. All gifts of real property will be sold as soon as advantageous unless the real property will be used by the University in a way related to carrying out its purposes. Authorized representatives and staff of the Property Office are responsible for the sale or disposal of such property. The donor may assist in locating a buyer for the property, but property should not be accepted if the University would be bound by any marketing or sales agreement with any agent or principal, nor should the buyer have a signed a binding contract to sell the property prior to the transfer to the University. The University will seek to obtain a fair and reasonable price for the property. The donor should provide a qualified appraisal of the property in compliance with Internal Revenue Service requirements for such appraisals. The deed from the University will be by way of a special warranty deed, bargain sale deed or quitclaim deed rather than a general warranty deed.

3. *Authority to Accept Gifts of Real Estate.* Upon recommendation of the Property Review Committee, the following persons have authority to accept gifts of real property on behalf of the University: the Vice Chancellor of Development or Vice Chancellor of Finance and Administration on behalf of the University; provided, however, if the real property will be kept to carry out the purposes of the University then the Council of State must accept the gift.

IV. Policies Related to Donor-Imposed Restrictions

A. Limitations on Purposes for Which Gifts May be Restricted by a Donor

If a gift is restricted as to the purposes for which it may be used, then it may not have:

1. Any unlawful restriction as to use as defined in the *University's Nondiscrimination Policy* https://policies.unc.edu/policies/nondiscrim/.
2. Restrictions that permit the donor to designate an individual recipient of a scholarship, award or other gift.
3. Restrictions related to future employment of the recipient.
4. Restrictions by the donor concerning terms of repayment or loans to students from the donated funds or their proceeds.
5. Restrictions that allow the donor to derive personal benefit from the gift.

V. Unique Issues Related to Certain Types of Donors

A. Private Foundations and Donor Advised Funds

The University will accept gifts from private foundations and donor advised funds, but such gifts cannot be used to satisfy a pledge from a donor.

B. Gifts from Donors Residing in Countries Outside US

1. All gifts from donors residing in the United Kingdom may be accepted after review by the Office of Gift Planning and the UNC Global Development Office.
2. All gifts from donors residing outside of the US and United Kingdom may be accepted after review by the Office of Gift Planning.

VI. Policies Related to Avoidance of Giving Legal and/or Tax Advice to Donors

University representatives shall not provide legal and/or tax advice and will advise all prospective donors in writing to seek such advice from their own counsel and professional consultants. Each University representative, to the extent he or she is aware, should disclose to a prospective donor advantages and disadvantages that could reasonably be expected to influence the decision of the donor to make a gift. Specifically, to the extent a representative is aware of adverse tax implications to a prospective donor, such implications should be disclosed to the donor.