

**UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM**

SECTION: University Advancement

NUMBER: 08.A.03

AREA: General

SUBJECT: Gift Acceptance

1. PURPOSE

- 1.1. This document establishes policies and procedures required for the UH 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 UH 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 universities, colleges or non-academic programs.
- 2.2. Outright gifts are a current, voluntary and irrevocable transfer of cash or an asset to the UH System. Common types of outright gifts include:
 - a. Cash and cash equivalents, which include U.S. currency, checks, electronic fund transfers (e.g., automated clearinghouse and wire transfers), payroll deductions, and credit and debit transactions.
 - b. Gift-in-Kind is a non-cash gift of materials or long-lived assets, real property, or tangible property, in which ownership is transferred to the UH System through delivery of the property or clear title to the property. Common types of Gifts-in-Kind include the following:
 1. Tangible property which includes furniture, jewelry, works of art, collections, vehicles, boats, aircraft, and similar physical items.

2. Intellectual (intangible) property including patents, specific copyrights, trademarks, and specific software.
 3. Publicly traded securities including stocks, bonds, options, and similar interests that are traded on an exchange or other publicly-reported market.
 4. 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.
 5. Insurance Policies where the donor names the UH System as both the owner and beneficiary of the policy.
 6. Real property 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, commercial property, farmland, undeveloped land, oil and gas interests, mineral interests, timber, and similar interests.
 7. Bargain sales which involve the UH System's purchase of an asset at a lower price 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 property, but can involve any type of asset.
- 2.3. Quid pro quos are benefits, usually of goods or services, received by an entity in direct exchange for payments or transfer of property made to the UH System.
- 2.4. Irrevocable split-interest gifts are gifts that may not be revoked or canceled, 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:
- a. 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.
 - b. 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.

- c. 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 an organization such as the American Council on Gift Annuities.
- d. Remainder Interests in a Residence or Farm (Retained Life Estate) are an irrevocable transfers of the real property to the UH System and provide a donor or other beneficiary with the use of property with the UH System receiving a remainder interest.

2.5. Revocable deferred gifts are gifts that may be revoked or canceled, 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. ~~No gifts can be accepted or received by UH System, as defined in Section 2.1, except in accordance with this Policy. For gifts requiring Gift Acceptance Committee review, gifts cannot be transferred or delivered to UH System until the entire Gift Acceptance Process described in Section 5 is completed and acceptance has been approved. The Office of Finance is responsible for valuing gifts for accounting purposes and follows Internal Revenue Service (IRS) and Governmental Accounting Standards Board (GASB) rules and guidelines in doing so.~~

3.2. The UHS Office of Advancement is responsible for valuing gifts for donor recognition purposes in the UH System donor and alumni database and follows IRS and the [Council for Advancement and Support of Education \(CASE\)](#) rules and guidelines in doing so. ~~This includes the disclosure of the Fair-Market-Value of any Quid-Pro-Quos promised to, or expected by, the donor. Such disclosure is required at the time of solicitation of the gift.~~

- 3.3. 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.
- 3.4. 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.
- 3.5. 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.
- 3.6. The UH System will not pay a fee to any person as consideration for directing a gift from a donor to the UH System. Payments of this kind raises legal and ethical issues. For instance, the payment of a fee to a person to direct an irrevocable deferred gift may subject the UH System, its management and Board to penalties under federal and state securities regulations.
- 3.7. 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 subscribes to the Donor Bill of Rights promulgated by the Association of Fundraising Professionals and generally follows guidelines and rules published by the IRS and the [Council for Advancement and Support of Education \(CASE\)](#), a nationally-recognized organization that establishes reporting and valuation standards for gifts.
- 3.8. 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.
- 3.9. The Office of Real Estate must be consulted at the initiation of gifts of real estate. The Office of General Counsel must be consulted at the initiation of other gifts of a complex nature.
- 3.10. All gifts must comply with applicable UH System policies for agreements documenting the gift and, if an endowed gift, the establishment of endowment accounts.

- 3.11. Gifts from foreign sources are subject to disclosure requirements in accordance with federal and state laws.
 - 3.12. The UH System, or any representative of the UH 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.
 - 3.13. The donor's appraisal and the conditions upon which it is based must be carefully reviewed to determine whether or not it provides a credible assessment of the value of the gift-in-kind.
 - 3.14. The UH System unit that plans to accept the gift should communicate to the donor, prior to acceptance of non-cash gifts, if it plans to use the gift for related use in the furtherance of the mission of the UH System for a minimum of three years or to sell, or otherwise dispose of, the property within three years making it an unrelated use gift. Unrelated use gifts should be sold as expeditiously as possible following receipt of the gift.
 - 3.15. All gifts in kind, other than those received for auctions, shall be held by the University in accordance with the Physical Inventory and Property Management policies set forth in [SAM 03.E.01](#) and [SAM 03.E.02](#).
 - 3.16. If gifts are sold, or otherwise disposed of, within three years of acceptance, the UH System unit must confirm with the Senior Associate Vice Chancellor for Finance or designee to determine if IRS Form 8282 is required. [IRS Form 8282](#) is used to notify the donor of the change in the use of the gift, so the donor can determine if any tax consequences arise.
 - 3.17. The Senior Associate Vice Chancellor for Finance or designee is responsible for signing [IRS Form 8283](#) when presented by donor or IRS Form 8282 when required. The Senior Associate Vice Chancellor For Finance or designee may refuse to sign the Form 8283 if the University believes the form is incomplete, does not conform to tax laws, or if there are questions about the donor's appraisal used to complete the Form 8283.
 - 3.18. Advancement shall not record the gift or submit a Form 8283 for signature until ownership of the gift has been transferred to the UH System.
 - 3.19. Any UH System unit that accepts gifts is responsible for reviewing the Advancement weekly gift report to ensure gifts to their unit have been properly recorded and to take the steps necessary to report and/or correct any variances.
4. DELEGATION OF AUTHORITY

- 4.1. In accordance with Board policies [32.02](#) and [32.03](#), and [SAM 08.A.04](#), the Board must approve the acceptance of gifts that result in the naming of a facility, college, school, program, institute, center, or department. 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 university, or their designees, authorization to accept gifts of cash, cash equivalents, and publicly-traded securities to their respective university.
 - a. Such acceptances are to be completed according to this policy's 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 the System Office of Gift Processing and Records. The System Office of 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. When any university, college, or non-academic program that comprises the UH System is notified of the death of a person who has named the UH System as a beneficiary, the UH System Office of Gift Planning must be notified immediately and forwarded copies of all available documentation and correspondence. If the UH System Office of Gift Planning is notified of the death of a person who has named the UH System as a beneficiary, they shall promptly notify the department or division designated as the beneficiary of the bequest. The UH System Office of Gift Planning has exclusive authority to handle matters related to estates benefiting any unit within the UH System. All documents related to estates and/or requiring signatures must be immediately forwarded to the UH System Office of Gift Planning. The UH System Office of Gift Planning will keep the UH System unit informed of progress in the matter. The UH System Office of Gift Planning will provide instructions to estate executors and administrators regarding the disposition of estate assets bequeathed to the UH System. All estate distributions will be transmitted as directed by the

UH System Office of Gift Planning. If accepted, any tangible personal property not liquidated by the executor should be shipped directly to the UH System unit that was named beneficiary, rather than being shipped to the UH System Office of Gift Planning.

- f. The Vice Chancellor for University Advancement appoints a Gift Acceptance Committee (“the Committee”) to review and make recommendations on the acceptance of all other gifts.

f.

5. GIFT ACCEPTANCE COMMITTEE

- 5.1. The Gift Acceptance Committee will review and make recommendations on all non-marketable gifts at \$5,000 and above (with the exception of donations to be used in an auction or other special events), and all gifts of real property, closely held securities, intangible property, unique gifts of tangible property, and other gifts referred to the Committee by Senior Advancement staff due to their complex or unusual nature or circumstances. These types of gifts may not be transferred or delivered to the University until the process described in this Section 5 is completed and acceptance has been approved by the Vice Chancellor for Advancement and the University Chancellor, if applicable. Any gifts received by UH System without appropriate approval can negatively impact the University’s reputation as well as the Donor’s charitable contribution.
- 5.2. The Vice Chancellor for University Advancement will appoint the members of the Gift Acceptance Committee. The members of the Gift Acceptance Committee shall include the UH System:
- a. Chief Development Officer or designee
 - b. Chief Advancement Services Officer or designee
 - c. Chief Gift Planning Officer or designee
 - d. General Counsel or designee
 - e. System Treasurer or designee
 - f. Director of the System Office of Real Estate or designee
 - g. Division of Research designee, and
 - h. Other System employees appointed by the Vice Chancellor for University Advancement
- 5.3. The Vice Chancellor for University Advancement will appoint the 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 well as a recommendation to the Committee. The Committee shall then meet as quickly as possible by telephone, electronically, or in person to review the recommendation and provide a prompt response to proffered gifts. The Committee’s final recommendation for acceptance on a majority quorum vote of the committee will be documented.

- 5.4. The Chair of the Gift Acceptance Committee shall submit all recommendations in writing to the Vice Chancellor, University Advancement, who shall notify the Chancellor as required. 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 Regents’ or further governmental approval is required to accept a specific gift; such approval shall be sought as expediently as possible. *See, e.g., Board of Regents’ 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)~~.*
- 5.5. The Vice Chancellor for University Advancement will notify the committee on the final approval or denial of the proposed gift with the Committee’s recommendation in consideration. If the gift is approved and upon formal acceptance and transfer of ownership, the designated Gift Acceptance Coordinator sends the completed GTF and supporting documentation to the System Office of Gift Processing and Records for entry into the donor database if applicable.
- 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 by the Chair of the Gift Acceptance Committee.
- 5.7. The Gift Acceptance Committee will consult with the UH System’s internal resources in reviewing particular gifts as set out below:

Type of Gift	Resources for University Advancement
Closely held securities	Senior Vice Chancellor for Administration and Finance
Real Estate/Mineral Interests	System Office of Facilities, Planning and Construction, Vice Chancellor for Legal Affairs, Senior Vice Chancellor for Administration and Finance, Representative from System Office of Risk Management, if applicable
Intellectual Property	Vice Chancellor/Vice President for Research and Technology Transfer, Vice Chancellor for Legal Affairs, Senior Vice Chancellor for Administration and Finance

Type of Gift	Resources for University Advancement
Donated Services	System Office of Facilities, Planning and Construction, Senior Vice Chancellor for Administration and Finance, Representative from System Office of Risk Management, if applicable
Research Services	Vice Chancellor/Vice President for Research and Technology Transfer, Senior Vice Chancellor for Administration and Finance
Shares of Limited Partnerships/ Entities	Senior Vice Chancellor for Administration and Finance, Vice Chancellor for Legal Affairs, Tax Director, Office of Finance
Gifts that may have a tax impact to the UH System	Tax Director, Office of Finance
Various	Other UHS resources as needed

- 5.8. 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
 - hi. Other instances in which use of legal counsel is deemed appropriate by the Gift Acceptance Committee.

5.9. The Gift Acceptance Committee and UH System reserves the right to decline gifts that do not meet the criteria for acceptance or that have been received or transferred to UH system in violation of this Policy. 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 made and communicated to the legal representatives within applicable legal deadlines, if any.

6. STANDARDS GOVERNING ACCEPTANCE OF NON-CASH GIFTS (GIFTS-IN-KIND)

6.1. 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 Regents [Policy 51.01](#).
 - 6. Information obtained by the development officer working with the donor as requested or indicated 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, the extent of any repairs or remediation to be made, and/or the cost of the

demolition of the existing structures, and/or any issues resulting therefrom.

10. If the property will be used by the UH System, an assessment of how the property will be used and/or whether ad valorem taxes will be imposed for the intended use.
11. If the property is to be sold, the expected time required for the sale of the property. Board of Regents' approval will be required for the sale of real estate under Board of Regents [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 UH System officials, including the UH System's tax director, is required before accepting such property.
13. Advancement shall not record the gift or submit an IRS Form 8283 for signature until ownership of the gift has been transferred to the UH System.

6.2. Bargain Sales

- a. A bargain sale occurs when an individual or entity transfers an asset to the UH System and receives less than the fair market value in return. Bargain sales can involve real estate as well as other assets. Typically, a bargain sale involves appreciated property. The difference between the sale price and the fair market value determines the gift amount, if any.
- b. Because bargain sales can have serious implications both for the donor and the UH System, the steps noted below must be taken when a bargain sale is contemplated:
 1. Immediately contact Senior Vice Chancellor for Administration and Finance, Vice Chancellor for Legal Affairs, the Chair of the Gift Acceptance Committee, and if the bargain sale involves real estate, the UH System Office of Real Estate.
 2. All backup information regarding the donative intent must be provided to the offices noted above. These offices, together with the Gift Acceptance Committee, shall analyze a proposed bargain sale to confirm it is in the best interest of the UH System.
 3. The seller's donative intent must be stated in the Letter of Intent and purchase sale agreement for real estate (or other gift agreement as may be utilized for other gifts) signed by both the seller and the UH System. The gift amount shall be determined in accordance with UH System policies and as set forth below. In accordance

with UH System policies, a gift agreement may be utilized to record the amount of the gift.

4. The UH System must determine the fair market value of the property in accordance with Board of Regents and UH System policies. For real estate, the fair market value will be determined by at least two independent, qualified appraisals obtained by the UH System in compliance with BOR [Policy 51.01](#). The fair market value will be determined by averaging the two appraisals. In the case of property other than real estate, the UH System shall obtain an independent qualified appraisal and conduct due diligence as set forth in the Board of Regents and UH System policies. If the UH System agrees to a bargain sale, the UH System typically will not pay more than 75% of fair market value.
 5. The Gift Acceptance Committee shall proceed in conjunction with other assessments and due diligence process conducted on the property relative to the sale. The Gift Acceptance Committee must make its determination whether to accept or disapprove of the gift before a separate gift agreement is finalized. The gift agreement, or other gift documentation, will use the UH System's fair market value and be utilized to record the amount of the gift.
- c. Because the tax rules regarding bargain sales are complicated, all donors shall be strongly encouraged to obtain independent tax and legal advice. Donor is responsible for obtaining an independent qualified appraisal for their own tax purposes.

6.3. 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, *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.
 3. Outright gifts of mineral ownership through deed are preferred, but gifts of royalty and override interests will be considered in individual circumstances.

4. The presence of any restrictions or conditions.
5. The potential for extended liabilities or other considerations that make receipt of the gift inappropriate.

6.4. Publicly-Traded Securities

- a. 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.
- b. Options and Other Rights in Securities:
 1. 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.
 2. The Gift Acceptance Committee shall consider the following factors in its review of options and similar rights in securities:
 - i. 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 Senior Vice Chancellor for Administration and Finance must approve the appropriation of those funds;
 - ii. The Gift Acceptance Committee must analyze the potential risk of loss in exercising the option or right;
 - iii. 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
 - iv. 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.

6.5. Closely-Held (or Privately-Traded) Securities

- a. The UH System may accept gifts of closely-held 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 development officer has advised the donor to check with ~~their~~ ~~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;
8. An analysis of the market for sale and the estimated time and costs required for sale;
9. Potential to be subject to a call for additional finances;
10. Possible exposure for the UH System to any kind of future liability; and
11. Cost associated with the gift acceptance process.

6.6. Equipment and Hardware, Supplies, and Tangible Property

- a. Equipment or computer hardware such as new, used or surplus mechanical tools, laboratory or scientific devices, or computer hardware may be accepted, provided there is reason to believe it has a value directly related to the UH System's academic mission.
- b. Donated supplies may include scientific or laboratory supplies, expendable equipment, classroom or office supplies or other consumable materials that are utilized in facilitating the UH System's academic mission.
- c. Tangible 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 mission.

- d. In assessing the acceptability of the gift, the following should be considered:
1. Usefulness to the UH System and its mission;
 2. Ability to take good title to the property;
 3. Any restrictions on the property's use, display, or sale;
 4. The estimated value of the property based on insurance values, purchase values, other commercially reasonable means, or if available, the donor's appraisal for gift purposes;
 5. Condition of the property, including durability, operability, and range of function;
 6. The carrying costs while holding the property, including insurance, storage, and maintenance or repair;
 7. The marketability of the property, including the market for sale, the logistics of the sale, and the costs of sale (including transportation and commissions);
 8. Safety of the equipment, including the potential for environmental, biological, chemical, or other safety hazards that may result in loss or injury to personnel or damage to UH System property;
 9. Risk associated with transporting or storing the supplies, including safety implications and appropriate storage availability;
 10. Lifecycle of the supplies, including projected expirations as appropriate;
 11. Existing warranties or guarantees for the functionality of the equipment; and
 12. Whether the gift entails constructing improvements on or renovating real property or buildings.

6.7. Software

- a. The UH System may accept contributions of software and software licenses that further the institution's academic mission, including commercial software products, industry software unique to specific professional fields, or productivity software.
- b. Donations of software licenses are not recognized by the IRS as tax deductible donations, nor are they reported in gift reporting. They can,

however, be included in extramural reporting. A donor must transfer ownership of the product, irrevocably, to the UH System in order to be considered a gift. Software licenses (*i.e.*, right to use) are only a partial interest in property, as defined by the IRS, and therefore no transfer of ownership takes place.

- c. In assessing the acceptability of contributions of software, the following should be considered:
 - 1. Usefulness to the UH System and its academic mission;
 - 2. Educational discount value, as available. If no educational discount value is available, the donor must state so in writing, and the established retail value will be used. If no retail value is available, no amount can be recorded until such a value is determined, such as by a qualified, independent appraiser;
 - 3. Availability of hardware to operate the donated software; and
 - 4. Maintenance or other support provided by the vendor to ensure updates are made to the software as appropriate.

6.8. Services

- a. The UH System shall not accept the value of a person's or organization's time or service as a charitable contribution, regardless of whether the individual assists as a volunteer or as a professional.
- b. The UH System does not encourage gifts-in-kind of construction/maintenance services, materials, or supplies, or of fixed equipment where such gifts entail construction of improvements or renovations on or to real property or buildings. Any proposals for such gifts must be carefully reviewed and approved in writing by Facilities, UH Purchasing, General Counsel, Risk Management, and Advancement before such gifts are accepted, and before the commencement of any construction or renovations involving such services or materials. Such review shall include assessment of costs, potential risks, and insurance obligations relating to the gift as part of those departments' initial due diligence. All such services or materials must be the subject of an appropriate agreement approved by University Advancement, Plant Operations, and General Counsel. Donors of such gifts-in-kind should be encouraged to seek advice from their tax advisor regarding the tax deductibility of such gifts.

6.9. 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 UH System, however, does not

encourage gift planning wherein the primary gift technique involves the purchase of a new policy of life insurance designating the UH System as a beneficiary.

- b. Criteria for acceptance of life insurance policies include the following:
 - 1. The company must have an investment grade rating;
 - 2. 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
 - 3. 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 UH System for use in funding gifts to the UH System.
- d. In no event shall any UH System staff member 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-SAM 03.H.02, Open Records.](#)

6.10. Intellectual Property

- a. The UH System may accept donations of intellectual property, including, patents, specific copyrights, trademarks, specific software.
- b. Donors of intellectual property must notify the UH System in writing that they intend to treat the donation as a qualified intellectual property donation.
- c. The Gift Acceptance Committee shall consider the following factors in its review of gifts of intellectual property:
 - 1. Usefulness to the UH System and its academic mission;
 - 2. Ability to take good title to the property;
 - 3. Potential for UH System faculty to conduct further research utilizing the intellectual property;

4. Relevance to the UH System's existing intellectual property portfolio;
5. Opportunity for licensing or technology transfer; and
6. Revenue potential.

7. STANDARDS GOVERNING REPORTING THE VALUE OF NON-CASH GIFTS

- 7.1. Tangible items with fair market values of more than \$5,000 are counted at the values placed on them by qualified independent appraisers, as required by the IRS for valuing non-cash charitable contributions.
- 7.2. Tangible items with the fair market value of \$5,000 and less are reported at the value declared by the donor or a qualified expert on the faculty or staff of the institution. A value could also be determined by a third party.
- 7.3. Gifts of materials or long-lived assets that serve the purpose of the UH System are reported at the fair market value.
- 7.4. The educational discount value is used in place of the fair market value when the UH System could have purchased tangible items such as equipment or hardware directly from the vendor at an education discount rate.

8. STANDARDS GOVERNING ACCEPTANCE OF IRREVOCABLE SPLIT-INTEREST GIFTS

- 8.1. 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 the previous section 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.
- 8.2. 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 authorized to issue charitable gift annuities in the state of Texas and the state of the annuitant(s) residence outside of Texas.

8.3. 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.

8.4. 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.

9. COSTS ASSOCIATED WITH THE GIFT ACCEPTANCE PROCESS

- 9.1. Costs of appraisals required to support the donor’s charitable gift deduction for tax purposes shall be the responsibility of the donor.
- 9.2. Costs of additional appraisals requested or required by the UH System to analyze gift acceptance shall be the responsibility of the UH System.
- 9.3. Costs of documents to transfer ownership from the donor to the UH System are the responsibility of the donor.
- 9.4. The responsibility for other costs may be addressed elsewhere in this policy.

10. REVIEW AND RESPONSIBILITIES

Responsible Party: Vice Chancellor for University Advancement

Review: Every three years ~~on or before March 1~~

11. APPROVAL

Approved: Eloise D. Brice
Vice Chancellor for University Advancement

Jim McShan

Senior Vice Chancellor for Administration and Finance

Renu Khator

Chancellor

Date:

April 12, 2018

REVISION LOG

Revision Number	Approval Date	Description of Changes
1	05/15/1992	Initial version
2	09/01/1995	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
3	02/01/2002	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 even 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
4	01/31/2009	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
5	07/27/2015	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

Revision Number	Approval Date	Description of Changes
6	04/12/2018	<p>Changed title from “Gift Acceptance—Gifts from Individual Donors” to “Gift Acceptance.” This revision combines information from Revision 5 of SAM 08.A.03 and SAM 08.A.06; SAM 08.A.06 will be rescinded after approval of SAM 08.A.03. Redefined Section 2.2.b on Gift in Kind and reworked all examples of Gift in Kind. Added Section 2.3 on quid pro quos. Revised irrevocable split-interest gifts in Section 2.4. Redefined revocable deferred gifts in Section 2.5. Added Section 3.1 on Office of Finance’s responsibility for valuing gifts for accounting purposes through IRS and GASB rules and guidelines. Added Section 3.2 on the UHS Office of University Advancement handling donor recognition responsibilities. Added Section 3.9 on Office of Real Estate being consulted on gifts of real estate. Added Sections 3.13 to 3.19 on processes and policies for gifts in kind submissions handling. Added Section 4.2.e regarding the beneficiary gift process. Updated Section 5.1 on the Gift Acceptance Committee’s responsibility for non-marketable gifts at \$5,000 or above. Added Sections 5.3 through 5.6 on Gift Acceptance Committee processes. Added Intellectual Property, Donated Services, Research Services, and Shares of Limited Partnerships/Entities to chart after Section 5.7. Updated Section 6 for standards governing acceptance of non-cash gifts, which are gifts in kind. Added Section 7 on standards governing reporting the value of non-cash gifts. Revised Section 9.1 on cost of appraisals for a donor’s charitable gift donation for tax purposes is the responsibility of the donor. Updated titles and links as indicated</p>