

GIFT ACCEPTANCE POLICY

Policy Statement

The American University in Cairo is dedicated to seeking and accepting gifts that support our mission as the premier liberal arts institution in Egypt and the region. Gifts allow the University to continue to provide world-class education in state-of-the-art facilities, conduct ground-breaking research and provide financial aid to students. AUC will only accept gifts that support and further our mission. This policy ensures both the welfare of the University and the best interests of our donors.

Reason for Policy/Purpose

The following policy and guidelines have been developed for the purpose of providing:

1. complete and accurate reporting of gifts and pledges
2. compliance with IRS regulations, Egyptian law and acceptable business practices
3. guidance for persons involved in gift solicitation, recording and management for the American University in Cairo

The purpose of this policy is to ensure that gifts are:

1. appropriate to the mission and needs of the University
2. impose no undue financial burdens on the University
3. provide appropriate recognition to our donors
4. if restricted, are written in reasonably broad and flexible terms to maximize their usefulness to the University
5. if restricted, include language that permits the University to apply the gift to a related purpose, in the event that the designated purpose is no longer practical, necessary or feasible.

Who Approved This Policy

Approved by Institutional Advancement Committee of Board of Trustees, October 2015

Who Needs to Know This Policy

This policy applies to all parts of the American University in Cairo (AUC), including all entities or associations under the university's 501(c)(3) designation such as schools, departments, interdisciplinary programs, research programs, centers, institutes, and libraries. This policy will be reviewed annually to ensure that it reflects changes in IRS regulations, Egyptian law, accounting standards, or other issues as needed and appropriate. (Note: Separate sponsored research protocols apply to faculty seeking research contracts and grants)

Web Address for this Policy

Contacts

Office of Advancement and Communications:

Definitions

A gift	A consideration given for which the donor receives no direct benefit and requires nothing in exchange beyond an assurance that the intent of the contribution will be honored. AUC also receives funding through grants and awards. Grants and awards generally require specific deliverables within a specified time frame.
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Policy/Procedures

Preamble

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Introduction

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Counsel

Donors are encouraged to seek their own advisors (lawyers, financial planners, investment brokers, etc) prior to making any gift.

AUC will also seek counsel in the following circumstances:

- to review transactions in which the gift acceptance committee, legal office or members of the Board of Trustees believe that the use of counsel is appropriate
- to review gifts of real estate or art

Definition of a Gift

A gift is a consideration given for which the donor receives no direct benefit and requires nothing in exchange beyond an assurance that the intent of the contribution will be honored. AUC also receives funding through grants and awards. Grants and awards generally require specific deliverables within a specified time frame. The Office of Sponsored Programs is responsible for all grants and awards from public entities, such as governmental sources and public foundation grants, which are not covered under this policy.

Restrictions on Gifts

The American University in Cairo will accept unrestricted gifts and gifts for specific programs and purposes, provided that such gifts are consistent with the University's mission, purposes, and identified funding priorities. AUC will not accept gifts that contravene the University's Advertising and Sponsorship Policy. AUC will not accept gifts that are too restrictive in purpose. Gifts that are too restrictive are those that violate the terms of the University's charter, gifts that are too difficult to administer, or gifts that are for purposes outside the University's mission. With gifts, donors do not have specific control over University expenditures or work performed, and there should be no donor expectation of anything of significant value in return. The Gift Acceptance Committee shall make all final decisions on gift acceptance.

While welcoming and indeed encouraging free expression of opinion on campus, the American University in Cairo does not accept any form of material support, including donations or sponsorships in cash, goods or services, from political parties or religious organizations. The University also reserves the right to refuse donations and sponsorships from other private, business or social entities as deemed appropriate by the University Cabinet. This policy applies to all recognized University constituent or affiliate groups, including student organizations, alumni clubs, research centers and the like.

Authorization

No solicitation for funds may be undertaken by any school, department, center, or individual without the approval of the vice president for advancement and communications or his or her designee.

No approach outside of approved funding priorities may be made to a donor — including individuals, foundations, corporations, or other entities (excluding grant-making entities) — without the approval of the president and provost.

Students or faculty seeking sponsorship of activities must submit a list of prospective sponsors to the Office of Advancement and Communications for approval prior to any solicitation. Qualified sponsorships will be receipted as gifts and must comply with the University's regulations on sponsorships.

No fundraising consultants, individuals, or firms will be hired to work on behalf of AUC or any University school, department, center, institute, program, or other University entity without the prior approval of the vice president of advancement and communications or his or her designee.

Gift records at AUC are confidential. Information regarding donor gift histories, lists of donors, and all related materials are disclosed only with the authorization of the vice president of advancement and communications or his/her designee.

A Gift Acceptance Committee serves to evaluate specific major gifts (\$25,000 or more) and interpret the University's gift acceptance policy. The committee shall consist of the following officers of the American University in Cairo:

- President
- Provost
- Executive Vice President for Finance and Administration
- Vice President of Advancement and Communications

Representatives from schools, centers, institutes or other AUC entities will be included as appropriate for discussion of gifts for the school, center, program, etc. in question. It is the responsibility of all development officers to bring any gift about which there may be questions to the attention of the vice president of advancement and communications. Examples of such questionable gifts are offers to endow programs or to create new centers that are not academic priorities, or to endow scholarships that are overly restrictive. Questionable gift proposals may be referred, as needed, to the Gift Acceptance Committee.

Gift Documentation Policies

All gifts to AUC require written documentation before being "counted" toward University fundraising goals. For outright gifts or multi-year pledges, documentation will usually be a signed and dated pledge agreement. Other acceptable documentation includes deeds or other

forms of conveyance or assignment; insurance policies with conveyance or assignment; completed wills or a bequest intention form; and irrevocable trust agreements in which AUC is named as beneficiary. Email approval of gifts may also be used as official documentation.

Gift Recording

All gifts, pledges, and bequests to AUC will be recorded in compliance with IRS regulations, Egyptian law and acceptable accounting practices.

All donors to AUC are thanked. Thank you letters are prepared for signature by the president, vice president of advancement and communications, Annual Fund director or other individual primarily as determined by the gift amount. For example, gifts of \$1,000 or more to the Annual Fund are acknowledged by the president. Gifts below that level will receive a receipt and a thank-you letter from the Annual Fund.

Receipts will not be issued for gifts of service, as service is not recognized by the IRS as constituting a gift. Recognition for service is determined at the discretion of the Vice President of Advancement and Communications who may recommend individuals for particular recognition by the president.

Endowed Funds

The minimum to establish an endowed fund is \$50,000. A gift agreement should be completed with the University in which the donor pledges to fund the endowed project over an agreed upon time frame. Donors to an endowed fund will receive annual reports of the financial status of the fund as well as on the activities that the fund has supported. The amounts needed for named professorships, scholarships and fellowships are determined by the president with final approval from the Board of Trustees.

Before the income from an endowed fund for a restricted purpose can be used, 51 percent of the agreed funding level must have been received and invested for one fiscal year. Income from endowed funds that are intended to offset current University expenses maybe expended as earned.

AUC will invest endowed funds, co-mingled with other endowment funds, to produce income as well as capital appreciation. AUC's current spending policy allows up to 5 percent of the rolling three-year average market value of endowment funds calculated as of December 31 of each year to be expended annually from current income and capital appreciation. This is referred to as the Annual Spend Formula. Should the market value of the fund drop below the original amount contributed, spending from the fund will be limited to the current interest and dividends income until the contributed value has been restored, in which case the Donor may elect to cover the shortfall.

Gift agreements for endowed funds should provide that if funds are not received according to the timetable designated by the gift agreement the University shall have the right to determine whether the fund will continue, be designated as current use, or be incorporated

into another endowed fund that has a purpose most similar to the donor's intent. The University shall, if practical, consult with the donor when making these determinations.

Endowed Fund Minimum Gift Levels

Endowment amounts are determined by the Board of Trustees and may be amended by the action of the board. Below are the minimum amounts required to establish a specific type of endowed fund at AUC:

- Deanship \$5 million
- Professorship \$2 million
- Distinguished Visiting Lecturer \$1 million
- Full Tuition Scholarship \$500,000
- Full Tuition Fellowship \$500,000
- General Endowed Fund (research, student support, etc) \$50,000

The University Funding Opportunities document provides a full listing of approved funding options.

Gift Recognition

The advancement and communication office seeks a variety of ways to recognize the importance of a gift. These include reports of giving, testimonials and naming opportunities. The advancement and communication office maintains a list of opportunities for donors to have their name associated with the University by naming a building, space, scholarship, fellowship or program.

In naming a building, space, center or program, the gift agreement should use the following language: "In recognition for his/her gift, AUC and donor agree to ...

A name will not be used on any physical space or any endowment until 51 percent of the agreed contribution has been received.

Naming Opportunities

Naming opportunities at the American University in Cairo may include any new or previously unnamed academic program, center, institute, department, physical structure, or part thereof, on the New Cairo and Tahrir Square campuses. The list of available naming opportunities appears on the University Funding Priorities document, which is approved by the Gift Acceptance Committee and the Board of Trustees. This also includes portions of buildings (such as classrooms, auditoriums, foyers, wings), collections of buildings, fields, open-air courtyards, fountains, terraces, passages, and other outdoor areas and spaces.

Whenever a name is to be given to a space, as described above, either (1) a discussion of a proposed name shall take place among the appropriate persons, as designated by the vice president of advancement and communications or the Gift Acceptance Committee, or (2) the advancement and communications office shall suggest a suitable name.

Names for new or existing buildings and structures, academic programs, centers, and institutes or departments shall be forwarded to the Board of Trustees for approval.

Once a building or a program has been named, the name shall not be changed unless there are unusual or compelling reasons for changing the name and such change is approved by the Board of Trustees. The University, in the sole and absolute discretion of its Board of Trustees, may exercise this option if a designated name, in its judgment, should bring discredit upon the University. Gift agreements should make clear that in the event of such re-naming, the University will have no financial responsibility, despite anything that may be stated or implied to the contrary.

Strictly honorific naming of spaces or facilities without fundraising will normally not be approved.

Exceptions to this naming policy may be made only by the president with approval of the Board of Trustees.

The Office of Advancement and Communications is responsible for compiling brief biographies of persons after whom buildings have been named and compiling a list of unnamed buildings, spaces, centers and programs.

Valuation of Gifts

The value of any gift toward University fundraising goals will be determined by the Council for Advancement and Support of Education (CASE) reporting standards. The valuation of a gift for tax purposes of the donor is the responsibility of the donor. AUC's receipts for gifts of cash or publicly traded securities are provided to donors to establish the value of a gift for tax purposes. In all other cases, it is the responsibility of the donor to secure independent expert appraisals to establish tax-deductible values. For recordkeeping purposes, AUC will acknowledge receipt of a gift received by the University at its value on the date of the gift.

Pledges

All pledges, with the exception of pledges under \$1,000 and those resulting from the AUC Annual Fund phonathons, are required to be in writing. The written pledge statement must include at minimum the following information:

The amount of the pledge, clearly specified in language indicating the determination to make the gift (e.g. should use words like "intend," "will" and "shall" rather than "may" or "hope")

There must be a clearly defined payment schedule

The donor must be considered to be financially capable of making the gift

The pledge statement should not include unacceptable restrictions

In most cases, pledges from AUC Annual Fund phonathons and from other AUC Annual Fund solicitations are to be fulfilled within one year. AUC Annual Fund pledges that are not fulfilled

within the fiscal year in which they are due will be written off. AUC accepts multi-year AUC Annual Fund pledges.

Restricted pledges of up to \$9,999 must be paid within the same fiscal year. Restricted pledges between \$10,000 and \$24,999 may be paid over two fiscal years.

Pledges for gifts of \$25,000 or more may be made over a period of not more than five years. In cases of very large or unusual gifts, the president may make an exception. Major gift pledges (\$25,000 or more) for which there has been no payment (or the payment has stopped) for three consecutive years must be reviewed by the vice president of advancement and communications to determine the use of any funds given and how to recognize the gift. Pledges to establish endowed funds that are not fulfilled within the agreed upon time period must be reviewed by the vice president of advancement and communication in consideration of any applicable fund agreements signed by the donor and the University. In the absence of such agreement, if the gift total does not reach the specified level and the gift in question does not meet the minimum level to endow a fund within five years from the date of commitment, the gift may be placed in a fund whose purpose is as close to the donor's intent as possible. In the case of named spaces, if the donor fails to complete the payment within the specified time in the gift agreement, the University may at its discretion remove the name.

Types of Gifts

The following gifts are acceptable:

1. Cash
2. Gifts-in Kind
 - a. Tangible personal property (gifts-in-kind including supplies, materials and equipment)
 - b. Real estate
 - c. Remainder interests in property
 - d. Oil, gas, and mineral interests
3. Securities
4. Corporate matching gifts
5. Bargain sales
6. Life insurance
7. Charitable gift annuities
8. Charitable remainder trusts and pooled income funds
9. Charitable lead trusts
10. Retirement plan beneficiary designations
11. Bequests
12. Life insurance beneficiary designations

The following criteria govern the acceptance of each gift form:

1.Cash Payment methods include cash, credit card, check, payroll deduction, bank draft, electronic funds transfer, and gifts made online through AUC's website. Checks must be made payable to the American University in Cairo. Gifts of cash will be credited at their full face value. Cash gifts are reported the date the cash is received by the Office of Advancement and

Communication in Cairo or New York. Credit card gifts are reported on the date that the credit card charges are processed. All gifts of cash shall be forwarded directly to the Office of Advancement and Communications with a completed Gift Transmittal Form, available in this office. This should also include all original documentation, including envelopes.

2. Gift-in-Kind

a. **Tangible personal property:** The University accepts gifts of tangible property (gifts-in-kind including supplies, materials and equipment) as long as they are needed by the University and their acquisition and use do not incur unreasonable cost. Obtaining an appraisal and related expenses is the responsibility of the donor. All gifts of tangible personal property must be examined in light of the following criteria:

Does the property help to fulfill the mission of the American University in Cairo?

Is the property marketable?

Are there any undue restrictions on the use, display or sale of the property?

Are there any carrying costs for the property?

Any restrictions sought by the donor on the sale, maintenance, administration, or display of items contributed is subject to review by the Gift Acceptance Committee and the appropriate department heads, including the executive vice president for finance administration for any items requiring the use of University facilities or space on campus. The Gift Acceptance Committee shall make the final determination on the acceptance of tangible property gifts. The University reserves the right to dispose of tangible assets at any time unless otherwise agreed to with the donor.

Valuation Guidelines

o University personnel with particular expertise in the personal property may provide informal assistance (including suggesting an appraisal) to the donor in valuing an individual gift or group of gifts with an apparent value of **less than \$5,000** but, again, the donor is ultimately responsible for substantiating the actual valuation.

o Personal property gifts with a value of **\$5,000 or more** will require an appraisal from a qualified third party appraiser for gift recording valuation purposes.

o The IRS requires donors to obtain an appraisal to substantiate their charitable tax deduction for gifts valued at **\$5,000 or more**. The cost of the appraisal will be the responsibility of the donor.

o In cases where the donor is not claiming a tax deduction and thus isn't required to obtain an appraisal, documentation should be submitted with the gift form to support the valuation placed on the gift.

b. **Real estate:** Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. The fair market value of the property must be determined by independent appraisal obtained by the donor and may be appraised separately by the University. In addition, the gift must be approved by the Gift Acceptance Committee and by AUC's legal counsel. Criteria for acceptance of the property shall include:

o Is the property useful for the purposes of the University?

- o Does the property have a clear and marketable title?
- o Are there any restrictions, reservations, easements, or other limitations associated with the property?
- o Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, etc. associated with the property?
- o Does the initial inspection reflect that the property suffers no environmental damage?

The due diligence procedures for accepting gifts of real property are the responsibility of the Gift Acceptance Committee. The executive vice president for finance administration is responsible for recommending acceptance of gifts of real property to the president. Donors will be requested to complete a due diligence form.

c. **Remainder interests in property:** AUC may accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions of paragraph (b), above. The donor or other occupants may continue to occupy the real property for the duration of the stated life. At the death of the donor, AUC may use the property or reduce it to cash. Where AUC receives a gift of a remainder interest, expenses for maintenance, real estate taxes, and any property indebtedness are to be paid by the donor or primary beneficiary.

d. **Oil, gas, and mineral interests:** AUC may accept oil and gas property interests, when appropriate. These gifts must be approved by the Gift Acceptance Committee prior to acceptance. Criteria for acceptance of the property shall include:

- o Gifts of surface rights should have a value of \$20,000 or greater.
- o Gifts of oil, gas, and mineral interests should generate at least \$3,000 per year in royalties or other income (as determined by the average of the three years prior to the gift).
- o The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate.
- o A working interest is rarely accepted. A working interest may only be accepted when there is a plan to minimize potential liability and tax consequences.
- o The property should undergo an environmental review to ensure that AUC has no current or potential exposure to environmental liability.

3. **Securities:** AUC may accept both publicly traded securities and closely held securities.

Publicly traded securities: AUC will accept marketable securities as outright gifts or payments toward pledges. Marketable securities may be transferred to an AUC account maintained at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. As a general rule, all marketable securities shall be sold upon receipt unless otherwise directed by the University's investment counselor.. These gifts will be valued at the mean market value on the date of the gift, in accordance with IRS regulations.

Closely held securities: 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 forms, may be accepted subject to the approval of the Gift Acceptance Committee. However, gifts must be reviewed prior to acceptance to determine that:

There are no restrictions on the security that would prevent AUC from ultimately converting those assets to cash, and there is a reasonable prospect that the securities will be saleable within a reasonable timeframe.

The security does not create any obligation on the University for capital calls or other liabilities, contingent or otherwise.

The security will not generate any undesirable tax consequences for the University.

If potential problems arise on initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on acceptance of the gift. The final determination on the acceptance of closely held securities shall be made by the Gift Acceptance Committee and legal counsel when necessary.

Decisions regarding the selling of non-marketable securities will be made in consultation in writing with the executive vice president for finance administration and the chairman of the Investment Committee of the Board of Trustees.

4. Corporate matching gifts: Gifts received in cash from organizations or corporations to match a gift of cash or securities by individuals associated with that organization will be credited to the individual's gift record (soft credit) and allocated to the same purpose as the donor's gift.

5. Bargain sales: AUC may enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission and purposes of the University. All bargain sales must be reviewed and recommended by the Gift Acceptance Committee and approved by the Board of Trustees. Factors used in determining the appropriateness of the transaction include:

- The University must obtain an independent appraisal substantiating the value of the property. If the University assumes debt with the property, the debt ratio must be less than 50% of the appraised market value.
- The University must determine that it will use the property, or that there is a market for sale of the property, allowing sale within 12 months of receipt.
- The University must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.

6. Life insurance: Before an insurance policy can be recorded as a gift, the policy must be gifted to the University and AUC must be named as both beneficiary and irrevocable owner of the policy. The gift is valued at its interpolated terminal reserve value, or cash surrender value, upon receipt. If the donor contributes future premium payments, AUC will include the entire amount of the additional premium payment as a gift in the year that it is made.

Donor must provide documentation in the will.

Donor MUST pay the premiums for the policy to the University who will then pay the vendor, which provides extra tax benefit to the donor.

Term policies are not accepted as gifts.

If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, AUC may,
Continue to pay the premiums

Convert the policy to paid up insurance
Surrender the policy for its current cash value

7. Charitable gift annuities: AUC may offer charitable gift annuities. The minimum gift for funding is \$10,000. The minimum age for life income beneficiaries of a gift annuity shall be 55. Where a deferred gift annuity is offered, the minimum age for life income beneficiaries shall be 45. No more than two life income beneficiaries will be permitted for any gift annuity. Annuity payments may be made on a quarterly, semi-annual, or annual schedule.

Donor must provide documentation in his or her will. AUC will not accept real estate, tangible personal property, or any illiquid asset in exchange for current charitable gift annuities. AUC may accept real estate, tangible personal property, or other illiquid assets for deferred gift annuities so long as there is at least a five year period before the commencement of the annuity payment date, the value of the property is reasonably certain, and the Gift Acceptance Committee approves the arrangement.

Funds contributed in exchange for a gift annuity shall be set aside and invested during the term of the annuity payments. Once those payments have terminated, the funds representing the remaining principal contributed in exchange for the gift annuity shall be transferred to AUC's general endowment, or to such specific fund as designated by the donor.

8. Charitable remainder trusts and pooled income funds: AUC may accept designation as a remainder beneficiary of a charitable remainder trust with the approval of the Gift Acceptance Committee. Gifts made to establish charitable remainder trusts where the remainder is not subject to change or revocation and gifts made to pooled income funds should be credited as deferred gifts at both the discounted present value of the remainder interest allowable as a deduction by the IRS and at fair market value. AUC will not accept appointment as the trustee of a charitable remainder trust.

9. Charitable lead trusts: AUC may accept designation as income beneficiary of a charitable lead trust. AUC will not accept appointment as trustee of a charitable lead trust. For lead trusts that extend beyond five years, amounts beyond the first five years may be valued at both the remaining face value (for donor recognition) and at the discounted present value of the remaining income stream (to permit cash flow projections). For lead trusts that extend five years or less, the face value may be reported.

10. Retirement plan beneficiary designations: Such designations will not be recorded as gifts to AUC until such time as the gift is irrevocable. When the gift is irrevocable but is not due until a future date, the present value of that gift may be recorded at the time the gift is irrevocable.

11. Bequests: Bequests will not be recorded as gifts to AUC until such time as the gift is irrevocable. When the gift is irrevocable but is not due until a future date, the present value of that gift may be recorded at the time the gift is irrevocable. Wherever possible, unrestricted gifts through estates and trusts will be invested with the University's endowment. For donors of age 80 or more, intended bequests will be valued and recognized at full value. Donors of less than 80 years of age will be recognized for the full amount of the gift; however, these will be valued according to the donor's actuarial life expectancy. Donor must provide documentation in the will.

12. Life insurance beneficiary designations: These designations will not be recorded as gifts to the University until such time as the gift is irrevocable. When the gift is irrevocable but is not

due until a future date, the present value of that gift may be recorded at the time the gift is irrevocable. In the case of all gift agreements, the donor may include clauses concerning:

- Giving appropriate publicity to a gift, in publications, news releases, etc
- Informing the donor of the outcome of a selection or appointment process
- Providing a periodic report of activity to the donor
- Stipulating that a gift not replace current university support for a program, position, or other purpose.

Annual Review

The Gift Acceptance Committee should review this policy annually to determine if any amendments are necessary to address changes or new situations. The committee will bring new amendments before the Board of Trustees for their approval.

Forms/Instructions

Related Information

Appendices *(optional)*

History/Revision Dates
