

GIFT ACCEPTANCE POLICIES AND GUIDELINES

Northwest Foundation, Inc., a not for profit organization organized under the laws of the State of Missouri, encourages the solicitation and acceptance of gifts to Northwest Foundation and Northwest Missouri State University (hereinafter referred to as the Foundation) for purposes that will help the Foundation to further and fulfill its mission. The following policies and guidelines govern acceptance of gifts made to the Foundation or for the benefit of any of its programs.

The mission of the Northwest Foundation is to encourage, receive, invest, manage, steward and disburse private support on behalf of the donors of Northwest Missouri State University, for the benefit of the University, its students, faculty, staff and alumni. Established in 1971, the Foundation operates independently of the state institution as a separate 501(c)3 not-for-profit corporation governed by its own Board of Directors.

I. Purpose of Policies and Guidelines

The board of directors of Northwest Foundation and its staff solicit current and deferred gifts from individuals, corporations, and foundations to secure the future growth and missions of the Foundation and the University. These policies and guidelines govern the acceptance of gifts by the Foundation and provide guidance to prospective donors and their advisors when making gifts to the Foundation. The provisions of these policies shall apply to all gifts received by the Foundation for any of its programs or services.

II. Use of Legal Counsel

Northwest Foundation shall seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by counsel is recommended for:

- 1) Closely held stock transfers that are subject to restrictions or buy-sell agreements.
- 2) Documents naming Northwest Foundation, Inc. as Trustee.
- 3) Gifts involving contracts, such as bargain sales or other documents requiring the Northwest Foundation to assume an obligation.
- 4) Transactions with potential conflict of interest that may invoke IRS sanctions.
- 5) Other instances in which use of counsel is deemed appropriate by the gift acceptance committee.

III. Conflict of Interest

Northwest Foundation will urge all prospective donors to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences.

IV. Restrictions on Gifts

The Foundation will accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are not inconsistent with its stated mission, purposes, and priorities. The Foundation will not accept gifts that are too restrictive in purpose. Gifts that are too restrictive are those that violate the terms of the corporate charter, gifts

that are too difficult to administer, or gifts that are for purposes outside the mission of the Foundation. All final decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the gift acceptance committee of the Foundation.

V. The Gift Acceptance Committee

The gift acceptance committee shall consist of:

- 1) Executive Director of Northwest Foundation;
- 2) Foundation Finance Officer of Northwest Foundation;
- 3) A member of the Board Finance Committee.

The gift acceptance committee is charged with the responsibility of reviewing gifts * made to Northwest Foundation, properly screening and accepting those gifts, and making recommendations to the board or executive committee on gift acceptance issues when appropriate.

VI. Types of Gifts

The following gifts are acceptable:

- Cash.
- Tangible Personal Property.*
- Public Traded Securities.
- Closely Held Securities.*
- Real Estate*
- Remainder Interests in Property*
- Oil, Gas, and Mineral Interests*
- Bargain Sales*
- Life Insurance.
- Charitable Gift Annuities.
- Charitable Remainder Trusts*
- Charitable Lead Trusts*
- Retirement Plan Beneficiary Designations.
- Bequests.

* Gifts which gift acceptance committee should be consulted.

It is recommended that all gifts except cash and publically traded securities should be valued by a qualified appraisal at the donor's expense.

The following criteria govern the acceptance of each gift form:

1) Cash. Cash is acceptable in any form. Checks shall be made payable to The Northwest Foundation and shall be delivered to the Foundation Finance Officer in the Foundation's administrative offices.

2) Tangible Personal Property. All other gifts of tangible personal property shall be examined in light of the following criteria:

- Does the property fulfill the mission of the Foundation?
- 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?

The gift acceptance committee of the Northwest Foundation shall make the final determination on the acceptance of other tangible property gifts.

3) Publicly Traded Securities. Marketable securities may be transferred to an 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 investment committee. In some cases marketable securities may be restricted by applicable securities laws; in such instance the final determination on the acceptance of the restricted securities shall be made by the gift acceptance committee of the Northwest Foundation.

4) Closely Held Securities. Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in limited partnerships and limited liability companies, or other ownership forms, can be accepted subject to the approval of the gift acceptance committee of the Foundation. However, gifts must be reviewed prior to acceptance to determine:

- there are no restrictions on the security that would prevent Northwest Foundation from ultimately converting those assets to cash;
- the security is marketable; and
- the security will not generate any undesirable tax consequences for the Foundation.

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 gift acceptance committee of the Northwest Foundation and legal counsel shall make the final determination on the acceptance of closely held securities when necessary. Every effort will be made to sell non-marketable securities as quickly as possible.

5) Real Estate. Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, the Foundation shall require an initial environmental review of the property to ensure that the property has no environmental damage. In the event that the initial inspection reveals a potential problem, the Foundation shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be an expense of the donor.

When appropriate, a title binder shall be obtained by the Foundation prior to the acceptance of the real property gift. The cost of this title binder shall generally be an expense of the donor.

Prior to acceptance of the real property, the gift shall be approved by the gift acceptance committee of the Foundation and by the Foundation's legal counsel. Criteria for acceptance of the property shall include:

- Is the property useful for the purposes of the Foundation?
- Is the property marketable?
- Are there any restrictions, reservations, easements, or other limitations associated with the property?
- Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, etc., associated with the property?
- Does the environmental audit reflect that the property is not damaged?

6) Remainder Interests in Property. The Foundation will accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions of paragraph 5 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, the Foundation may use the property or convert it to cash. Where the Foundation 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.

7) Oil, Gas, and Mineral Interests. The Foundation may accept oil and gas property interests, when appropriate. Prior to acceptance of an oil and gas interest the gift shall be approved by the gift acceptance committee, and if necessary, by the Foundation's legal counsel. Criteria for acceptance of the property shall include:

- Gifts of surface rights should have a value of \$10,000 or greater.
- Gifts of oil, gas, and mineral interests should generate at least \$1,000 per year in royalties or other income (as determined by the average of the three years prior to the gift).
- The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate
- A working interest is rarely accepted. A working interest may only be accepted where there is a plan to minimize potential liability and tax consequences.
- The property should undergo an environmental review to ensure that the Foundation has no current or potential exposure to environmental liability.

8) Bargain Sales. Northwest Foundation will enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission and purposes of the Foundation. All bargain sales must be reviewed and recommended by the gift acceptance committee and approved by the board of directors. Factors used in determining the appropriateness of the transaction include:

- The Foundation must obtain an independent appraisal substantiating the value of the property.
- If the Foundation assumes debt with the property, the debt ratio must be less than 50% of the appraised market value.
- The Foundation 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 Foundation must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.

9) Life Insurance. Northwest Foundation must be named as both beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be recorded as a gift. The gift is valued at its interpolated terminal reserve value, or cash surrender value, upon receipt. If the donor contributes future premium payments, the Foundation will include the entire amount of the additional premium payment as a gift in the year that it is made.

If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, the Foundation may:

- continue to pay the premiums;
- convert the policy to paid up insurance; or
- surrender the policy for its current cash value.

10) Charitable Gift Annuities. Northwest Foundation may offer charitable gift annuities. The minimum gift for funding is \$5,000. Northwest Foundation Executive Director may make exceptions to this minimum. 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.

Northwest Foundation will not accept real estate, tangible personal property, or any other illiquid asset in exchange for current charitable gift annuities. Northwest Foundation may accept real estate, tangible personal property, or other illiquid assets in exchange for deferred gift annuities so long as there is at least a 5-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 Northwest Foundation's general endowment funds, or to such specific fund as designated by the donor.

11) Charitable Remainder Trusts. The Foundation may accept designation as remainder beneficiary of a charitable remainder trust with the approval of the gift acceptance committee of the Foundation. The Foundation will not accept appointment as trustee of a charitable remainder trust.

12) Charitable Lead Trusts. The Foundation may accept a designation as income beneficiary of a charitable lead trust. The ~~board of Northwest~~ Foundation will not accept an appointment as Trustee of a charitable lead trust.

13) Retirement Plan Beneficiary Designations. Donors and supporters of Northwest Foundation will be encouraged to name the Foundation as beneficiary of their retirement plans.

14) Bequests. Donors and supporters of Northwest Foundation will be encouraged to make bequests to the Foundation under their wills and trusts.

VII. Gifts from Donor Advised Funds

A donor advised fund (DAF) is a giving vehicle offered by (a) many investment and mutual fund companies, such as the Fidelity Charitable Gift fund, (b) a number of community foundations, and (c) others such some larger colleges and universities. Individuals may use a DAF in lieu of a personal foundation. The individual determines the timing and size of contributions to a DAF based on tax benefits, and then leaves philanthropic priorities to be considered as a separate question at a future date. While the individual may be allowed to make investment suggestions from an approved list of options, any investment gains to the DAF will be attributed to the DAF rather than the donor.

For tax purposes, a DAF is treated like a public charity, so an individual who uses a DAF as a giving vehicle receives a charitable tax deduction at the time that personal assets are transferred to the DAF. The funds are then controlled by the DAF, not by the individual. This means that an individual who gives through a DAF cannot make a legally binding commitment on behalf of the DAF. However, an individual donor who gives to a DAF may recommend that a DAF make a specific contribution to a specific qualified charity, and DAFs will almost always comply with the donor's recommendation. That said, many DAFs will not make multi-year pledges, and DAFs are careful not to make payments on the individual's personal pledges. It is important for all members of the development community to understand and follow appropriate procedures in order to protect the tax status of the Foundation's individual supporters and DAF donors.

When closing a gift, a development officer should ask the donor how he expects to make the payments. If the donor does not plan to use a DAF as a giving vehicle, then the gift should be processed as a personal pledge. If the donor knows he will ask a DAF to contribute the funds, then the donor is not actually making a personal pledge to the Foundation; rather, he is expressing his intention to ask for funds from a DAF. The DAF will ultimately decide whether or not to make the gift. Pledges will not be recorded when

payment is to be received from a DAF as any linkage between a personal pledge and a payment satisfying that pledge exposes the donor to unintended tax consequences.

Since the DAF is the legal donor, a gift from a DAF is recorded as a hard credit to the DAF and a tax receipt/thank you letter is sent to the DAF. The recommending donor receives soft credit and a personal thank you letter (not tax receipt) from the appropriate development officer. Recommended language in the thank you letter includes:

- “Thanks for your recommendation that the XYX Donor Advised Fund make a gift to Northwest Foundation for the Venture Fund.”
- “Northwest Foundation just received a gift to the Venture fund from the XYZ Donor Advised Fund. Thanks so much for helping make this happen.”
- DO NOT USE: “Thanks for your gift through the XYZ Donor Advised Fund.”
- DO NOT USE: “Thanks for your gift. We just received a payment from the XYZ Donor Advised Fund.”

VIII. Miscellaneous Provisions

Securing appraisals and legal fees for gifts to the Foundation. It will be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts made to the Foundation.

Valuation of gifts for development purposes. The Foundation will record a gift received by the Foundation at its valuation for gift purposes on the date of gift.

Responsibility for IRS Filings upon sale of gift items. The gift acceptance committee of the Foundation is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within three years of receipt by the Foundation when the charitable deduction value of the item is more than \$5,000. The Foundation must file this form within 125 days of the date of sale or disposition of the asset. At no time shall the Foundation accept a gift with a three year holding period stipulation.

Acknowledgement of all gifts made to the Foundation and compliance with the current IRS requirements in acknowledgement of such gifts shall be the responsibility of the Finance Officer of the Foundation.

IX. Changes to Gift Acceptance Policies

These policies and guidelines have been reviewed and accepted by the executive committee of the Northwest Foundation. The gift acceptance committee of the Northwest Foundation must approve any changes to, or deviations from, these policies.

The Directors of the Northwest Foundation, Inc. adopt this statement of gift acceptance policies and guidelines



President, Northwest Foundation, Inc.

9/11/08

Dated