

# **GIFT POLICIES MANUAL**

**GIFT ACCEPTANCE AND CREDITING POLICIES**

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**GIFT MINIMUMS AND NAMING GUIDELINES**

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**RELATED POLICIES AND DOCUMENTS**

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# **I. GIFT ACCEPTANCE AND CREDITING POLICIES**

## **A. INTRODUCTION: PURPOSE OF THIS MANUAL**

The purpose of this manual is to answer the following questions for gift officers and other University officers who deal with donors and gift-related issues:

- What types of gifts can Columbia accept?
- What documentation is required to transfer each type of asset to Columbia?
- What documentation is required to document the terms of restricted gifts?
- What are the minimum prices to set up endowment funds or to establish certain kinds of scholarships or professorships?
- How do we determine the value of each gift for the purpose of recording it in the University's gift records?
- How will the gift be recorded in the University's financial statements?
- What credit will each gift receive toward the upcoming Campaign?

This manual does not anticipate all possible gift situations and it will be amended from time to time. Fundraisers should discuss any potential gift not described in this document with appropriate University officers, including the Executive Vice President for University Development and Alumni Relations, the Vice President for University Development, and the Executive Director of Gift Planning.

## **B. INFORMATION ABOUT COLUMBIA UNIVERSITY**

The legal name of Columbia is THE TRUSTEES OF COLUMBIA UNIVERSITY IN THE CITY OF NEW YORK. It is a nonprofit corporation formed by an act of the New York State Legislature.

Columbia can accept gifts under its full legal name, TRUSTEES OF COLUMBIA UNIVERSITY IN THE CITY OF NEW YORK, or variations like "Columbia University" or "Columbia". Donors should be instructed to make checks to all divisions payable in this manner. Any further direction or restriction should be entered on the memo line of the check and/or described in donor correspondence (e.g., a gift agreement). [Note: In some limited instances, if the proper procedure is not followed, a check made payable to a Columbia program, department or specific named fund might be able to be deposited by double endorsing it. At the same time, it is equally possible that the fund raiser may have to return the check for re-issuing which can be awkward. For this reason, please give donors clear instructions to make checks payable in the name of Columbia.]

Columbia is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, classified as a public charity and eligible for charitable tax deductions under Section 170(b)(1)(A)(ii) as an educational organization. The University's Employer Identification Number is 13-5598093. This number includes all of the University's colleges, schools, departments, centers, and institutes. It is not to be used for affiliates such as Teachers College, Barnard, Union Theological Seminary or other organizations that have their own tax identification number.

### **C. ADVANCE**

Advance is an official subsystem of the University's Financial Accounting System (FAS) that keeps detailed historical records of gifts and donative grants to the University as well as biographical data on donors and prospects. Advance is also the essential tool for planning and managing fundraising activities. Financial data is transferred from Advance to FAS at least weekly. Columbia records in Advance only those gifts that are considered tax-deductible by the Internal Revenue Service.

### **D. GIFT REVIEW COMMITTEE**

The Provost, the Senior Executive Vice President, and the Executive Vice President for University Development and Alumni Relations serve as the members of the Gift Review Committee. This committee will:

- Approve all amendments to the Gift Acceptance and Crediting Policies
- Review and consent to any exceptions to these policies
- Determine, on a case-by-case basis, whether Columbia may accept specific gifts

Fundraisers should present all issues to be presented to the Gift Review Committee to the Vice President for University Development.

### **E. WHAT IS A GIFT?**

A gift is a voluntary, irrevocable, gratuitous transfer to, and acceptance by, Columbia of cash or cash equivalent, securities, or property of value, or execution of an instrument that legally vests an interest of value in the University.

- Gifts can come from individuals, corporations, partnerships, private liability companies, private foundations, community or corporate foundations, donor-advised funds, public charities, estates, and trusts.
- A gift may be made either *outright* (i.e. the donor retains no use of, or ownership in, the assets donated) or *in trust*, in which case the donor contributes to the University either a "future interest" in a trust's principal value or the right to a trust's income for a certain term.

- The donor may designate a gift for *unrestricted* use by the University or a particular school, department, or unit. A donor may also make a *restricted use* gift by designating a specific purpose for the gift.
- The donor may limit the expenditure of a gift by adding the gift to an existing (or establishing a new) endowed fund. There are two types of endowed funds: *true* and *quasi-*, described in more detail in Section H, below.

The purpose and use of a gift as specified by the donor must be appropriate to the functions and character of Columbia, as determined by the University's policies and procedures, and not require Columbia to act contrary to the law or public policy in any manner.

IRS regulations and the Trustees' protocol for scholarly appointments provide that there can be no donor influence on appointments to named endowed (or any other) professorships. A promise that a specific faculty member will be appointed to a named chair may not be part of a gift agreement. Only the Trustees are authorized to establish a professorship and appoint its incumbent.

Gifts should be in amounts appropriate to the specified uses and consistent with the University's published program and planning priorities. Gifts should not be directed to purposes that are so narrowly restricted that effective use or administration—either immediately or over time—will be problematic.

Columbia will accept no gift with restrictions that, in the University's judgment, unlawfully discriminate on the basis of race, creed, color, citizenship, national origin, sexual orientation, gender, age, veteran status, or disability.

Gifts requiring a commitment by the University to spend Columbia funds, either upon receipt or in the future, in addition to amounts donated or pledged, must receive prior approval from the Gift Review Committee and the University Trustees. Examples of such gifts include:

- Matching funds by the University
- A commitment to continue a project after termination or exhaustion of the gift
- Financing of construction projects
- A commitment to finance and/or administer an undertaking outside the routine functioning of the University or any part thereof (e.g., accruing of income to apply to the gift objective)

Certain philanthropic "grants" consist of payments by a foundation or corporation in response to a proposal requesting unrestricted or restricted monies for a school or specified project over a set period of time. Although the Office of Projects and Grants (Morningside Campus) and the Office of Grants and Contracts (CUMC) approve and monitor these grants, Columbia will count them in development and Campaign totals and record them in Advance.

The following transfers do *not* constitute gifts. Columbia will *not* record the value of these transfers in Advance:

- Any “grant” that involves contractual obligations of the University to perform services or deliver products to the grantor. These are often “contracts” administered by the Office of Projects and Grants (Morningside Campus) and the Office of Grants and Contracts (CUMC). (A transaction that involves a grant or contract may also include a separate gift which should be treated accordingly)
- Federal, state, and city governments, and gifts or grants from foreign governments
- A transfer for the benefit of a specific individual (e.g., money to pay the tuition of a specific individual)
- Investment income on previous gifts to Columbia (e.g. dividends, royalties, rents)
- Interest income earned on gift funds
- Transfer payments from departmental funds, medical practice plans, or other Columbia accounts
- Contract revenues
- Appraisal fees paid by donors in relation to their gifts
- Professional services
- Payment for goods and services (Note: The only exception to this rule involves payments that are part gift and part non-gift.) See more details about this in Section Q (1) (Quid Pro Quo Gifts)
- A contribution to an entity that is not legally part of Columbia
- The right to use an individual’s property, such as a vacation home, rent-free office space, or equipment

Direct donor involvement in the administration of a gift is prohibited, although some advisory, consultative involvement may be acceptable. The convening of oversight committees should be discouraged in accepting a gift. If advisory boards are required as a condition of a gift, Columbia and not the donor should appoint the majority of members.

## **F. GIFTS FROM INDIVIDUALS**

Individuals may make gifts in the following ways:

### **1. OUTRIGHT**



An outright gift is the irrevocable transfer of money or property with no rights reserved by the donor. Columbia records in Advance the fair market value of the gift as of the date the transfer is complete.

## **2. IN TRUST**

Columbia can accept gifts in which the University accepts title to a remainder interest in trust of property in return for an obligation to pay income to the donor and/or other beneficiaries for their lives or a certain term, and the University's ability to use the gift is deferred until the income beneficiaries die or the trust otherwise terminates. These gifts may be in the form of (a) charitable remainder unitrusts, (b) charitable remainder annuity trusts, (c) charitable gift annuities, or (d) contributions to a pooled income fund.

Columbia records these gifts in Advance at both their face value and the value of the remainder interest as determined under regulations to the Internal Revenue Code. These different values are used in appropriate circumstances. For example, the remainder value is included in the University's fundraising totals reported on the Council for Aid to Education Report, but the face value is included in the daily gift report circulated within UDAR and all other fundraising reports. Donors receive recognition credit for their gifts in trust at the face value of the gifts.

Columbia also can be the beneficiary of a charitable lead trust where Columbia's interest is in the form of a guaranteed annuity interest or a unitrust interest and the remainder is given to noncharitable beneficiaries. If the trust is properly structured, the donor may receive a deduction for the income interest.

## **3. BY BEQUEST**

Columbia can accept gifts transferred pursuant to decedents' wills, revocable living trusts, life insurance policies not owned by Columbia, retirement funds, or other estate planning documents.

A "bequest intention" is documented by evidence that Columbia will receive a bequest upon a donor's death. Columbia generally does not record bequest intentions as gifts in Advance. The Gift Review Committee may make an exception to this rule in certain circumstances, such as when Columbia receives a legally binding pledge to be paid in part from an estate.

## **4. VIA THIRD PARTY ENTITIES**

Columbia receives gifts from private foundations or donor-advised funds at community foundations or private companies at the advice or direction of third-party friends. Although these gifts would not come to Columbia without that direction or advice, Columbia books these gifts on the record of and issues a receipt to the legal entity issuing the check. Columbia enters soft credit in Advance to the party who advocated for the gift on Columbia's behalf.

## **5. MATCHING GIFTS**

Columbia receives gifts from companies that match the contributions of their employees. Columbia allocates these matching funds to the same purpose as the donor/employee's original gift, unless the donor requests otherwise or the policies of the company prohibit matching gifts to particular funds. Columbia books these gifts on the records of the company (hard credit) and issues a receipt to the company. Columbia gives soft credit to the donor in Advance.

As of July 1, 2005, matching gifts will not be credited toward a donor's pledge.

## **G. PROMISES TO GIVE OVER A PERIOD OF TIME (PLEDGES)**

Columbia will accept a donor's written promise to make gifts over a period of time. Such a promise is often called a "pledge." Pledges are recorded using the following guidelines:

- Columbia will record the face value of an *unconditional pledge* of \$25,000 or more in Advance if it has appropriate documentation from the donor and can reasonably expect the donor to fulfill the commitment within five years.
- Columbia will record certain *conditional pledges* of \$25,000 or more, those for which payment depends on a specific future and uncertain event. An example of a conditional pledge is a matching challenge.
- Gift Systems will enter a pledge of less than \$25,000 in Advance upon the written request of a school or department and receipt of a gift agreement. Pledge input should be requested prior to or concurrent with transmission of the first pledge payment.
- Columbia will not book a *verbal pledge* for \$25,000 or more.
- In most cases a *bequest intention* will not be recorded as a pledge.

Columbia requires the use of a gift agreement document to formalize and record a pledge greater than \$25,000. This written document must include:

- The amount the donor promises to give to Columbia
- The period in which the donor intends to make gifts in satisfaction of the promise and/or a schedule of payments (generally not to exceed 5 years)
- The purpose for which the gift will be used

All promises to make gifts to Columbia of \$25,000 or more must be accepted on behalf of the University by the Executive Vice President for University Development and Alumni Relations or the Vice President for University Development in the form of a gift agreement. The dean of a school or other University representative may additionally sign documentation relating to promises to give when appropriate.

Columbia credits any gift later made by a donor toward a recorded pledge using the fair market value of the gift as of the date of the gift.

Prospect managers are responsible for working with donors to ensure that they make gifts in accordance with the promises they have made. Gift Systems annually provides a list of outstanding pledges to prospect managers for review and appropriate action.

Documentation of pledges of \$25,000 or more is kept by Gift Systems and audited by the University's Office of the Treasurer and Controller and the University's independent auditor.

For more information about promises to give and the required documentation, see the materials regarding Standardized Gift Agreements on UDARnet.

## H. GIFT FUNDS

All gifts must be directed to a specific gift fund and recorded as such in Advance. Except in unusual circumstances, the choice of fund will be consistent with the written directions of the donor. All gifts requiring the creation of a *new* endowed fund must be documented in writing from the donor. All new endowed funds with gifts valued at more than \$50,000 must be approved by the Executive Vice President for University Development and Alumni Relations or the Vice President for University Development. If a donor provides verbal instructions to add a gift to a currently existing fund, the prospect manager must document these instructions with a memo, copied to the donor, providing details of these instructions.

A donor may designate both a *recipient* (a specific school, department, or program) as the beneficiary of a gift and a *purpose* for which the gift is to be used.

- If the donor does not designate a specific recipient or purpose of a gift, the gift will be designated “unrestricted” and added to the President’s Discretionary Fund.
- If the donor designates a recipient but not a specific purpose, the gift will be added to the recipient’s general gift fund, or such other fund as directed by the dean, chair, or other person responsible for spending gifts to the recipient.
- If the donor designates a specific purpose for a gift, Columbia will either add this restricted gift to a currently existing fund with the same purpose or create a new fund for the specified purpose.

A gift fund can either be *unrestricted*, either for the University or an identified school, department, or program, or *restricted* to a particular use.

A gift fund can be one of the following types:

***Current Use:*** Columbia may spend the entire gift held in a current use fund. Most current use funds do not earn interest.

***Interest-Bearing Gift Accounts:*** Certain current use funds can earn interest if created with a dean’s approval. Columbia may spend the entire amount held in these accounts, as well as the interest that comes from the school’s budget.

**True Endowment:** These funds are invested in Columbia’s merged endowment pool. Columbia may never spend the amount of the original gift. Instead, each year the Trustees determine a “payout” that is equal to all or part of the cumulative income and appreciation earned on the endowment investments. For more information, see “Explanation of Endowed Fund Management” and “Endowment Spending Policies/Practices and Investment Objectives” on UDARnet, and Section Q(14) of this document, “Use of Payout from Restricted Endowed Funds.”

**Quasi-Endowment:** These funds are also invested in Columbia’s merged endowment pool. Along with the endowment payout, Columbia *may* spend all or any part of the excess endowment earnings as well as the original gift. The Office of Management and Budget will establish procedures to determine who may direct principal expenditure from quasi-endowment funds, at what intervals, and in what amounts. Establishment of a quasi-endowment fund requires the department’s pledge to avoid invasion of the principal for at least three years from the date of the gift.

**Plant:** These funds hold gifts that Columbia will use for the construction and maintenance of facilities.

These accounts are created in the following manner:

**Current Use Accounts:** After the business officer in a school or department creates a Current Use Gift Account in FAS, Gift Systems will open a corresponding fund in Advance, linked by the Advance fund number.

**Endowment Accounts:** Only the Office of Management and Budget may approve the creation of an endowment account in FAS. Gift Systems will open a corresponding fund in Advance for each endowment account opened in FAS, and the Advance fund number will always map to the endowment principal account.

**Plant Accounts:** All gifts designated for construction, renovation, or a project managed by the facilities department are plant accounts. Gifts for plant may not be credited to current use gift accounts. Only the Office of Management and Budget may create a plant account in FAS. Gift Systems will open a corresponding fund in Advance for each plant account opened in FAS, and the Advance fund number will always map to the general ledger of the FAS plant fund.

**Note on Sponsored Projects and Research Grants:** Only the Office of Projects and Grants (Morningside Campus) and the Office of Grants and Contracts (CUMC) may open accounts for sponsored projects and research grants. If this contribution is to be included in Advance, Gift Systems will open a corresponding fund in Advance for each grant account opened in FAS and maintain documentation related to the creation of the account.

A donor who is not ready to decide the purpose of a gift may create a gift fund pending designation. This fund will be created as a true endowment only if the donor certifies that the ultimate purpose will be a true endowment fund. In other cases, the gift fund will be a current use fund (with directions that the gift cannot be spent until a designation is determined). The

terms of any gift agreement creating a pending fund will identify a default purpose if the donor does not designate a purpose by a specified time. If it is an endowed fund, the donor must direct what will happen to the annual endowment payout during the period in which the designation is pending. Without specific directions from the donor, the endowment payout will remain in the income account and will not be able to be spent.

From time to time, the senior leadership of UDAR, in consultation with colleagues across the University, will set minimum funding requirements for certain funds that will support specific purposes, such as endowed scholarship and fellowship funds, professorship funds, or building funds. Unless Columbia has received gifts to meet the minimum funding requirement when the fund is established, the terms of the fund should include alternate uses in the event the full funding is not accomplished within five (5) years or such other term as accepted by the Executive Vice President for University Development and Alumni Relations or the Vice President for University Development.

For a more detailed discussion of these issues and to review sample documents, see “Endowment and Planned Giving Minimums,” Professorship Minimums,” “Naming Guidelines,” and “Standardized Gift Agreements” on UDARnet.

Columbia will create a new endowment fund with the following documentation:

1. A Gift Agreement signed by the donor and the University, setting forth the terms of the fund. This is often a letter of agreement that will accompany the gift that establishes the fund, and/or it will include the terms of the donor’s promise to make gifts to go into the fund
2. A memo from the Executive Vice President for University Development and Alumni Relations, often on behalf of a dean or program director, when there are multiple donors or no living donor (as in the case of a bequest or receipt of trust distribution)
3. A copy of the appropriate estate planning documents when the fund is established by bequest

The following elements should be a part of the terms of every gift fund:

- The type of fund (endowment, quasi-endowment, current use, or plant)
- Appropriate language relating to the investment and administration of the assets held in the fund
- The purpose of the fund, stated in terms that are broad enough that Columbia can always meet the purpose
- Other details set forth in the University’s Endowment Create Form

## **I. VALUATION AND APPRAISAL ISSUES**

Columbia will record in Advance the “fair market value” of each gift: what a willing buyer would pay to a willing seller, both having reasonable knowledge of the asset and neither being under a compulsion to act. See Section K for more information about the determination of the fair market value of each type of gift asset.

For all gifts other than cash or publicly traded securities, Columbia must receive an appraisal of the gift asset in order to record the value of the gift in Advance.

This appraisal may come from either:

(1) A Form 8283 Appraisal Summary, the Internal Revenue Service form that a donor must provide in order to take an income tax deduction for any gift (other than cash or publicly traded securities) valued at more than \$5,000 (or closely held securities valued at more than \$10,000). This appraisal will be prepared by a qualified appraiser; or

(2) Other information that supports the fair market value provided by the donor and acceptable to Columbia.

Columbia will use this information to record the gift in Advance, unless Columbia has reason to disagree with the valuation. If Columbia does not receive this information from the donor and Columbia cannot determine the valuation without unreasonable efforts, Columbia will record the gift in Advance with a \$1 value until such time as a valuation which meets the standards described above is provided or the asset is sold.

Columbia will sign a donor’s Form 8283 to certify receipt of a gift only if the form includes the donor’s Social Security Number (or the entity’s tax id number). Only the Executive Vice President for University Development and Alumni Relations or the Vice President for University Development may sign a Form 8283 on behalf of Columbia.

If Columbia sells or disposes of the asset within two years of the date of the gift, the University must report the transaction to the Internal Revenue Service on a Form 8282. The Controller’s Office will have the responsibility to file the Form 8282 upon the sale or disposition of the gift property.

## **J. RECEIPTS**

Federal law requires Columbia to issue a written receipt to every donor who makes a gift valued at \$250 or more. Without this receipt, the donor may not take an income tax charitable deduction for the gift.

Except for gifts made by bequest and through life income trust arrangements, Gift Systems in the Office of University Development and Alumni Relations issues official University gift receipts for gifts received by the University. The Office of Gift Planning issues receipts for gifts made by bequests, when requested, and all gifts made through life income arrangements.

In order to receive a receipt, a donor must make a gift that qualifies as a tax-deductible charitable gift by Internal Revenue Service rules. Only gifts recorded in Advance will be receipted. Gifts incorrectly deposited with the Office of Student Financial Services (or Bursar) with a Cash Receipt Voucher will not be officially receipted, but upon notification Gift Systems will help correct the error and then issue a receipt.

Gift Systems must have the following information to issue a receipt:

- Name of the donor(s)
- Address of the donor(s)
- Date of the gift
- Description of the gift property
- Fair market value of the gift property

Receipts for non-cash gifts will not include information about the *value* of the gift.

All receipts issued by Gift Systems will state either:

(1) “Federal income tax law requires us to inform you that no goods or services were provided to you in return for your gift. Therefore, within the limits prescribed by law, the full amount of your gift is deductible for income tax purposes;” or

(2) “Federal income tax law requires us to inform you that the estimated fair market value you received from Columbia University is \$\_\_\_\_. Therefore, within the limits prescribed by law, the deductible amount of your contribution for Federal income tax purposes is the amount by which your contribution exceeds the value of the goods and services you received.”

The Office of Gift Planning issues receipts for life income gifts and distributions from estates.

## **K. SPECIFIC TYPES OF GIFTS TO BE ACCEPTED BY COLUMBIA**

This section answers the following questions for several types of gift assets:

- What type of special documentation is required to effectuate the transfer?
- Who can accept the gift on behalf of Columbia?
- What is the date of the gift?
- What value will be included on Columbia’s gift records?
- What value will be reported on Columbia’s financial statements?
- Is any special handling required before the gift is made?

- How is the gift handled after Columbia receives it?

## **1. CASH IN THE FORM OF A CHECK, CURRENCY, OR WIRE TRANSFER**

*Special documentation:* None

*Who can accept:* No special acceptance signature is required for the gift to be complete.

*Date of gift:* The date a gift of cash is made is determined as follows:

- When a donor sends a cash gift through the US mail, the date of the gift is the day the donor puts the envelope in the mailbox, usually evidenced by postmark unless there is some evidence that a different date is to be used.
- When a donor sends a cash gift through a mail service (UPS, Federal Express, etc.), the date of the gift is the day Columbia receives the envelope.
- When a donor sends a cash gift to Columbia's bank account by wire transfer, the date of the gift is the day the gift reaches Columbia's bank account.
- When a donor delivers a cash gift in person to a University representative, the date of the gift is the day of the delivery.

Note: Except for year-end gifts, for convenience Columbia uses the date the check is deposited as the date of the gift.

*Value recorded in Advance:* The face value of the check or cash or wire.

*Value recorded in FAS:* The same value that is recorded in Advance.

*Amount transferred into the gift fund by the University:* The amount recorded in Advance.

*Special handling:* Fundraisers should provide complete information about expected wire transfers to Gift Systems, including the name of the donor, the bank that will transfer the money, and instructions relating to the use of the gift.

## **2. GIFTS BY CREDIT CARD**

Donors may make gifts or partial gifts to the University using credit cards. University Development accepts Visa, MasterCard, Discover, and American Express. There is no minimum or maximum amount. Gift Systems will not process non-gift transactions made by credit card.



*Special Documentation:* Direction from the donor, either (a) a signed written request, (b) oral directions, or (c) directions through the University's web page to make a charge against a specific credit card, either once or on a regular basis. Gift Systems needs the following information:

- The type of credit card
- The account number
- The card's expiration date
- The name of the account holder (not always the same as the donor's name)
- The name of the person taking the information

The donor should provide Columbia with instructions relating to the purpose of the gift.

*Date of gift:* The date the gift is charged against the credit card. The date of the gift is *not* the date that the donor provides instructions to charge a credit card.

Note: This can be an important issue for donors who want to make gifts within a specific calendar year for tax purposes, and solicitations must make it clear that Columbia must receive instructions in time to process the gift before the end of the year.

*Value recorded in Advance:* The amount of the gift.

*Value recorded in FAS:* The same value that is recorded in Advance.

*Amount transferred into the gift fund by the University:* The amount recorded in Advance. Columbia does not deduct any fee paid to the credit card company.

*Who can accept:* No special acceptance signature is required for the gift to be complete.

### **3. PUBLICLY TRADED SECURITIES WITHOUT TRADING OR SALE RESTRICTIONS**

*Special documentation:* A donor may transfer securities to Columbia in the following ways:

- By delivering a stock certificate, registered in the donor's name, to Columbia, along with a properly completed stock power and a letter of intent that directs the use of the gift
- By directing a broker to transfer shares electronically from a donor's brokerage account into one of Columbia's accounts. For purposes of tracking and designating gifts accurately, donors should notify both the fundraiser and the Office of the Treasurer before executing the transaction
- By sending a stock certificate, registered in the donor's name, to the corporation or to its transfer agent and directing it be reissued in Columbia's name

A donor should provide Columbia with separate instructions relating to the purpose of the gift.

*Who can accept:* The gift can be accepted by any University employee, but the Office of the Treasurer is responsible for selling all gifts of securities.

*Date of gift:*

- If the donor personally delivers a stock certificate with an Assignment form, the date of the gift is the day of the delivery.
- If the donor mails a stock certificate with an Assignment form using the US mail, the date of the gift is the day the donor puts the envelope in the mailbox, usually evidenced by postmark unless there is some evidence that a different date is to be used. If the donor mails the certificate and Assignment in separate envelopes, the date of the gift is the latter postmark.
- When a donor mails a stock certificate with an Assignment form through a private mail service (UPS, Federal Express, etc), the date of the gift is the day Columbia receives the envelope.
- When a donor transfers shares electronically through a broker, the date of the gift is the date the shares reach Columbia's stock account and the University has the power to sell them.
- When a donor directs a corporation to reissue a stock certificate in Columbia's name, the day of the gift is the day the corporation issues the new certificate, evidenced by the date on the certificate.

**Note:** The date of a gift of securities can be very important in circumstances where the donor wants to complete a gift by a certain date, such as at the end of a tax year or when the value of the stock is volatile.

*Value recorded in Advance:* The average of the high and low quoted trading values on the date of the gift. The only exception is stock that is delivered in-kind from estates, in which case the net proceeds are recorded.

*Value recorded in FAS:* The same value that is recorded in Advance.

*Amount transferred into the gift fund by the University:* The amount recorded in Advance, without being reduced by the costs of sale or realized gain or loss.

*Special handling:*

- Because of the cost of processing security transactions, Columbia discourages gifts of securities valued at less than \$1,000.

- Fundraisers shall be responsible for obtaining information from the donor about expected transfers of securities through brokers and communicating it to the Treasurer's Office and UDAR so that Columbia can identify and efficiently process the gift when it arrives.
- Columbia generally will not agree to refrain from selling gift securities. If this is an expectation of the donor, the Gift Review Committee must approve the gift before the transfer occurs.
- If unusual market or other conditions exist in relation to the gift of securities and it is in Columbia's interest to pay special attention to the sale of the securities, the donor and the fundraiser must make such information known to the Treasurer's Office and other relevant parties at the University.
- There are significant costs associated with the sale of shares in a mutual fund when the University does not have a pre-existing account with the company. In those cases, the Treasurer's Office and UDAR strongly recommend that Columbia accept no gift in any such mutual fund valued at less than \$5,000.

#### **4. SECURITIES IN NON-PUBLICLY TRADED CORPORATIONS**

Columbia can accept gifts of securities that are not traded on a public stock market. Such gifts can range from stock in closely held corporations that have been in existence for many years and have a significant value to stock in newly formed companies that have virtually no current value. In many cases, the stock will not be sold for some time.

Before accepting a gift of this type, Columbia must determine:

- How will the value of the securities be determined?
- Is there a market for the sale of the securities?
- How will we determine when to sell the securities and at what price?

Columbia must make no representations to the donor about how the University will use the proceeds of sale of the securities until after the sale is complete and the amount of net proceeds is known.

For more details on other issues relating to this type of gift, see "Special Issues Relating to Gifts of Non-Publicly Traded or Restricted Stock" on UDARnet.

*Special documentation:* All gifts of non-publicly traded securities should be accompanied by an Agreement between the donor and Columbia that sets forth the expectations of the donor and Columbia. See the sample agreement on UDARnet. It will usually be the responsibility of the Executive Director of Gift Planning, along with the fundraiser who best knows the donor, to prepare this agreement.

*Who can accept:* The Executive Vice President for University Development and Alumni Relations or the Vice President for University Development.

*Date of gift:* See the rules described in Section K(3) (Publicly Traded Securities).

*Value recorded in Advance, in the following order of preference:* (a) the appraised value of the securities as secured by the donor (often submitted in connection with a Form 8283), unless Columbia has reason to believe that it is inaccurate; (b) the appraised value as secured by Columbia; or (c) \$1.

*Value recorded in FAS:* The value of these gifts is not fed to FAS by Advance. The Controller's Office will initially record centrally the value recorded in Advance. This will then be adjusted upon the sale, to transfer the net proceeds to the gift fund.

*Amount transferred into the gift fund by the University:* The net proceeds of sale.

*Special handling:*

- These gifts must be reviewed by the Executive Vice President for Finance before being accepted by Columbia.
- Only the net proceeds of the gift (and not the fair market value of the stock on the date of the gift) will be applied against a pledge.
- At the time Columbia accepts a gift of non-publicly traded securities, someone must be identified as the party responsible for monitoring and selling the asset. This will usually be a fundraiser at the School or unit that will benefit from the gift. That person must notify the Treasurer's Office when stock should be sold. The Office of Gift Planning will contact this person once a year to determine the status of the gift.
- The Treasurer's Office will hold the stock certificate, but it will not be responsible for monitoring its sale. When told by the benefiting School to sell the stock, the Treasurer's Office should take such action within a reasonable time. The Treasurer's Office shall inform the Controller's Office of the sale so that it can file Form 8282, if required.

## **5. RESTRICTED SECURITIES IN PUBLICLY TRADED COMPANIES**

Columbia may accept gifts of stock in publicly-traded companies that bear some restrictions evidenced by a "legend." This often occurs when the donor is a member of the board of directors of the corporation or some other insider who cannot sell or give away stock without limitations. Whenever possible, a donor should arrange to have the restrictions removed before making the gift. Otherwise, Columbia may be limited by the same restrictions.

These restrictions raise several important issues:

- The restrictions may affect the value of the gift and require the donor to obtain a qualified appraisal and file a Form 8283 in order to take an income tax deduction.

- It can take several months to work with the corporate legal counsel to remove the restrictions. This delays the sale of the stock and may result in Columbia's receiving significantly less than the donor and the University expected.

For more details, see "Special Issues Relating to Gifts of Non-Publicly Traded or Restricted Stock" on UDARnet.

*Special documentation:* If the stock certificate bears a restriction legend, the legal department of the corporation must remove it before Columbia can sell the shares.

*Who can accept:* The Executive Vice President for University Development and Alumni Relations or the Vice President for University Development.

*Date of gift:* See the rules described in Section K(3) (Publicly Traded Securities)

*Value recorded in Advance:* If the stock is truly restricted, Columbia cannot use the average of the high and low trading price for the securities on a public market. Instead, Columbia must use one of the following in this order of preference: (a) an appraisal of the securities secured by the donor (often submitted in connection with a Form 8283), unless Columbia has reason to believe that it is inaccurate; (b) an appraisal secured by Columbia; or (c) \$1.

*Value recorded in FAS:* The value of these gifts is not fed to FAS by Advance. The Controller's Office will initially record centrally the value recorded in Advance. This will then be adjusted upon the sale, to transfer the net proceeds to the gift fund.

*Amount transferred into the gift fund by the University:* The net proceeds of sale.

*Special handling:*

- It is important for donors to understand the complications relating to this type of gift.
- The Treasurer's Office, with the help of UDAR fundraisers and their connection to the donor, must work diligently to remove the restrictions as soon as possible so that the stock can be sold.

## **6. REAL ESTATE**

Before Columbia can accept a real estate gift, the University must inspect the property and determine that there are no environmental hazards that could expose Columbia to future liability or remediation expenses. The donor must bear the expense of any environmental investigation and remediation activities. Columbia must also look at a number of other issues, including the existence of special zoning or use restrictions, mortgages or liens against the property, and other circumstances that could affect the future sale of the property.

The University must have a plan for the marketing and sale or use of the property before it accepts title. If there will be expenses during the period that Columbia holds the property,

Columbia must identify a source of funds to meet those expenses. The University must receive an appraisal (often from the donor) which provides reliable information that can be used for booking the gift and listing the property for sale.

Trustee approval may be necessary to accept, and is almost always required for the disposal of, real estate gifts.

All or some of the following offices need to be involved with a gift of real estate:

- Office of Gift Planning
- Office of the General Counsel
- Office of the Deputy Vice President, Real Estate
- Office of the Vice President for Facilities Management
- The Gift Review Committee, if necessary
- The dean of the school or chair of the department that will benefit from the gift
- All fundraisers associated with this gift
- The Trustees, if necessary
- The Controller's Office
- The Office of Risk Management
- Gift Systems

It will usually be the responsibility of the Office of Gift Planning to coordinate these entities, but the responsibility may fall on another fundraiser who is more closely connected to the donor.

*Special documentation:* A donor generally signs a deed to transfer most gifts of real property. A major exception is an interest in a co-op apartment, the title of which passes by issuing shares of the co-op corporation into Columbia's name.

*Who can accept:* Documents accepting gifts of real property must be signed by (a) the Deputy Vice President, Real Estate *and* (b) either the Executive Vice President for Development and Alumni Relations or the Vice President for University Development.

*Date of gift:* Once the University has agreed to accept the gift of real estate, the date of the completed gift is determined as follows:

- If the donor hand delivers a deed to a University representative, the date of the gift is the day of the delivery.
- If the donor mails the deed, the date of the gift is determined by the mail rules described in Section K(1) (Gifts of Cash).
- If the donor sends the deed to a Recorder's Office to have Columbia recorded as the official owner of the property, the date of gift is the day the deed is recorded.
- If the donor transfers shares of a co-op corporation's stock, the date of gift is the day the corporation issues the new stock certificate.

*Value recorded in Advance, in the following order of preference:* (a) the appraised value of the real property as secured by the donor (often submitted in connection with a Form 8283), unless Columbia has reason to believe that it is inaccurate; (b) the appraised value as secured by Columbia; (c) the net proceeds of sale; or (d) \$1.

If real estate is used to pay off a pledge, the donor will get credit only for the net proceeds received by the University, unless otherwise negotiated by Columbia and approved by the Executive Vice President for University Development and Alumni Relations.

*Value recorded in FAS:* The value of these gifts is not fed to FAS by Advance. The Controller's Office will initially record centrally the value recorded in Advance. This will then be adjusted upon the sale, to transfer the net proceeds to the gift fund.

*Amount transferred into the gift fund by the University:* The net proceeds received upon sale, after reimbursement for costs of maintaining and selling the property.

*Special handling:*

- It is critical that Columbia representatives work closely with the donor to create reasonable expectations about the timing and the amount of the sale. Columbia needs to understand how much the donor wants to be involved in the process.
- Fundraisers should make no representation as to the purpose of the gift until the amount of the net proceeds of sale is known.
- The Deputy Vice President, Real Estate, is responsible for monitoring and selling the gift of real estate. That person must notify the Controller's Office of any sale so that it can file a Form 8282 if required and make an adjustment in FAS.

## **7. TANGIBLE PERSONAL PROPERTY (EXCLUDING EQUIPMENT)**

This section applies to gifts of:

- Artwork
- Books, manuscripts and other library material
- Other tangible personal property

*Special documentation:* A form of Assignment, transferring ownership of the property to Columbia. If the donor expects Columbia to use the property in a particular way, or if the donor intends for Columbia to sell the asset and use the proceeds in a particular way, which may include the establishment of a fund, the donor and Columbia must enter into a written agreement setting forth the terms.

Who can accept:

*Artwork:* The Committee on Art Properties, through the Curator of Art Properties.

*Books, manuscripts and other library materials:* Library directors, who can be reached through the Columbia University Libraries Development Office at (212) 854-0025.

*Other tangible personal property:* The Executive Vice President for University Development and Alumni Relations or the Vice President for University Development. Before Columbia accepts such a gift, someone must be identified as the party responsible for monitoring and selling the asset. This will usually be a fundraiser at the School or unit that will benefit from the gift. That person must notify the Controller's Office when property is to be sold. The Office of Gift Planning will contact this person once a year to determine the status of the gift.

*Date of gift:* The date the property is delivered to Columbia with a completed form of Assignment.

*Value recorded in Advance, in the following order of preference:* (a) An appraisal of the asset secured by the donor (often submitted in connection with a Form 8283), unless Columbia has reason to believe that it is inaccurate; (b) an appraisal secured by Columbia; or (c) \$1.

*Value recorded in FAS:* The value of these gifts is not fed by FAS to Advance. Artwork and books, manuscripts and other library materials are considered collections, which Columbia does not capitalize. For tangible personal property greater than \$50,000, the Controller's Office should be consulted for the appropriate accounting treatment. If these items are accepted with the intent to sell, the net proceeds would be recorded.

*Amount transferred into the gift fund by the University:* If the asset is sold, the net proceeds of sale.

*Special handling:*

- Fundraisers should consult the Office of Gift Planning to review the rules relating to the tax deductibility of such gifts. There are issues about "related use" and appraisals.
- Donors who give self-created art can deduct only the value of the materials used.
- No work of fine or decorative art is to be sold, transferred, or otherwise disposed of without the approval of the Committee on Art Properties.
- If Columbia is going to keep the property, the librarian, curator, or fundraiser should consult the Office of Risk Management.
- It is the responsibility of the Curator of Art Properties to provide relevant information about the sale of art to the Controller's Office which will prepare and file the Form 8282.
- See 'Rules Governing Gifts of Works of Art' for more details.



- Columbia will not accept gifts of cars or trucks for resale.

## **8. INTANGIBLE PERSONAL PROPERTY (SOFTWARE, ROYALTIES, COPYRIGHTS, PATENTS)**

Fundraisers should work with the Office of Gift Planning and Gift Systems to identify the relevant issues associated with gifts of intangible personal property like software rights, royalties, copyrights, and patents. Donors may be subject to specific notification procedures that apply to contributions of intellectual property, which may require both the donor and Columbia to provide certain information to each other or to the Internal Revenue Service. In most cases, the Office of the General Counsel will be consulted as well.

Valuation of these items can be particularly complicated. These gifts are recorded at either the fair market value secured by the donor, unless Columbia has reason to believe it is inaccurate, or \$1.

For intangible personal property valued at more than \$50,000, the Controller's Office should be consulted for the appropriate accounting treatment.

## **9. EQUIPMENT**

All gifts of equipment must be approved by the appropriate dean, upon the recommendation of a faculty member or a principal investigator. The dean will be responsible for the cost of maintaining the equipment in accordance with the Equipment Acceptance Policy (see UDARnet).

Thereafter, the Office of Gift Planning must receive all information about the donor and the gift, including any agreement the donor expects Columbia to sign and all information about the value of the equipment, including any appraisals. The Office of Gift Planning will coordinate the efforts of any University office that must be involved before accepting the gift, including the Office of the General Counsel, Gift Properties, UDAR Gift Systems, and the Controller's Office.

The Office of Gift Planning will make a recommendation about whether or not to accept the gift to the Vice President for University Development, who will sign appropriate documentation, including the Form 8283.

The Controller's Office will be responsible for monitoring whether or not the property is sold during the two years following the gift. If the property is sold, the Controller's Office will be responsible for filing the Federal Form 8282.

Columbia records a gift of equipment in Advance as a gift-in-kind. Equipment gifts are also recorded in the Office of the Treasurer and Controller's Equipment Inventory System if they meet the University's capitalization threshold of \$2,000 or more with a useful life of two or more years.

The title to donated equipment will vest with The Trustees of Columbia University in the City of New York and be recorded as accountable equipment under the custodian responsibility of a particular school/department.

See IRS Publication 561, *Determining the Value of Donated Property*, for more details.

*Special documentation:* A document transferring title into the name of Columbia.

*Who can accept:* The Executive Vice President for University Development and Alumni Relations or the Vice President for University Development.

*Date of gift:* The date Columbia receives both title and possession of the asset.

*Value recorded in Advance, in the following order of preference:* (a) the appraised value of the equipment as secured by the donor (often submitted in connection with a Form 8283), unless Columbia has reason to believe that it is inaccurate; (b) the appraised value as secured by Columbia; or (c) \$1.

*Value recorded in FAS:* The value of these gifts is not fed to FAS by Advance. If the value of equipment meets the capitalization threshold of the University, the value is recorded in the Equipment Inventory System and will be recorded in FAS.

## **10. LIMITED PARTNERSHIPS**

Before Columbia can accept an interest in a limited partnership, the University must evaluate the proposed gift to determine whether: (a) Columbia might be responsible for additional contributions to the partnership; (b) the University will receive unrelated business taxable income that will be subject to income tax, and whether there will be a source of cash to pay that liability; (c) the partnership holds real property that would expose Columbia to liability for environmental issues. Columbia must also receive an appraisal of the interest, usually from the donor, and have an understanding about whether and how the interest can be sold.

The following offices need to be involved with a gift of an interest in a limited partnership:

- Office of Gift Planning
- Office of the General Counsel
- The Columbia Investment Management Company
- The Gift Review Committee
- The dean of the school or chair of the department that will benefit from the gift
- All fundraisers associated with this gift from the donor
- The Controller's Office
- Gift Systems

*Special documentation:* A form of Assignment, usually provided by the partnership. In some cases the consent of the partnership is required before the transfer can be complete.

*Who can accept:* The Executive Vice President for University Development and Alumni Relations or the Vice President for University Development.

*Date of gift:* The date the Assignment is delivered to Columbia. See the rules described in Section K(3) (Publicly Traded Securities)

*Value recorded in Advance:* (a) An appraisal of the property secured by the donor (often submitted in connection with a Form 8283), unless Columbia has reason to believe that it is inaccurate; (b) an appraisal secured by Columbia; or (c) \$1.

*Value recorded in FAS:* The value of these gifts is not fed to FAS from Advance. If Columbia is guaranteed annual updates of the partnership value, the Controller's Office will record the fair market value of our interest as provided by an appraisal. If not, the Controller's Office will record the gift as \$1 in FAS and adjust the value upon the sale to transfer the net proceeds to the gift fund. If the appraised value of the partnership is recorded in FAS, partnership distributions are treated as income; if the partnership is valued in FAS at \$1, then the partnership distributions are recorded as individual gifts from the donor of the partnership interest.

*Amount transferred into the gift fund by the University:* If the property is sold, the net proceeds of sale.

*Special handling:*

- Before Columbia can accept a gift of a limited partnership interest, someone must be identified as the person to be responsible for monitoring and selling the limited partnership interest. This will likely be a fundraiser or someone else at the school that will benefit from the gift. That person must notify the Treasurer's Office when the partnership interest should be sold.
- The Treasurer's Office will hold the documentation relating to the ownership of the limited partnership interest, but it will not be responsible for monitoring its sale. When told by the benefiting school or unit to sell the interest, the Treasurer's Office should take such action immediately. The Controller's Office will file the Form 8282, if required.
- The Office of Gift Planning will make special provisions when Columbia is required to accept illiquid limited partnerships from estates.

## **11. HONORARIA, AWARDS, AND SALARY**

A Columbia faculty member may receive an honorarium for a speaking engagement or a cash award. These payments are taxable income to the faculty member, and the faculty member should receive a 1099 from the organization that makes the payment. The faculty member may make a gift to Columbia of the honorarium or award by endorsing the check to Columbia or writing a separate check to Columbia in the same amount, and Columbia will issue a gift receipt to the donor. In most cases, this gift will allow the donor to deduct an amount equal to the

taxable income, thus essentially eliminating or reducing the faculty member's liability for personal income taxes on the honorarium or award.

In certain circumstances, a faculty member may work with the sponsoring organization to waive the honorarium. The organization will write a check to Columbia. The organization will receive credit for the gift, and the faculty member can receive recognition credit.

The rules relating to honoraria apply equally to awards received by faculty members.

Columbia employees may make a gift of their salary to the University, but they must first accept the salary as personal income. Gift Systems will not record or receipt inter-office transfers as gifts to the University.

## **12. UNREIMBURSED EXPENSES**

A donor may deduct as a charitable contribution reasonable unreimbursed expenses incurred while performing some service previously authorized as a gift by the Executive Vice President for University Development and Alumni Relations or the Vice President for University Development. These expenses may include the costs of transportation, meals and lodging, or out-of-pocket expenses incurred when donors use their homes for fundraising purposes. They are recorded as gifts-in-kind.

Donors may not deduct (and Columbia will not record as a gift) professional services rendered by a donor. Examples of such services are lawyers providing legal advice or chefs catering a dinner. (The chef may deduct the cost of the food only.)

## **13. LIFE INSURANCE POLICIES**

If Columbia receives the death benefits from a life insurance policy, having been named as the beneficiary of the policy, this is treated as a bequest. See Section N.

Columbia may receive a gift of a life insurance policy while the donor is still living.

- This policy may be fully paid, and the University will choose whether to sell the policy for its current cash value or hold it until the insured dies and the company pays the death benefit.
- The University may also be asked to accept as a gift a policy that is not fully paid, and which requires future payments of premiums. The University will require the donor to enter into a written agreement indicating an understanding that Columbia will pay these premiums only if it receives unrestricted gifts from the donor that can be used for this purpose.
- It is the responsibility of the Executive Director of Gift Planning to determine whether Columbia should accept this gift, considering (a) the value of the policy, (b) the number

and frequency of required premium payments, (c) the commitment of the donor to make future unrestricted gifts.

*Note:* Many insurance products are complicated, especially those that require investment of Columbia resources. They require careful legal analysis to make certain IRS requirements are met and whether Columbia should accept them. The Office of Gift Planning and the Office of the General Counsel should review all such potential gifts before Columbia accepts them.

*Special documentation:* A form of Assignment provided by the Insurance Company, and a letter or Gift Agreement from the donor directing the use of the proceeds from the policy.

*Who can accept:* The Executive Vice President for University Development and Alumni Relations or the Vice President for University Development.

*Date of gift:* The day the insurance company records Columbia as the owner of the policy.

*Value recorded in Advance:* For a fully paid policy, the “replacement value” as determined by the insurance company or an appraisal received by the donor. (This gift requires a qualified appraisal and Form 8283 if it worth more than \$5,000, and the donor’s deduction is limited to the lesser of this value or the donor’s basis in the policy.)

For a policy that requires future payments, the “interpolated terminal reserve value” of the policy, plus any portion of the donor’s last payment toward the policy that covers the time period after the gift. This should be determined by the insurance company or an appraisal received by the donor. (This gift requires a qualified appraisal and Form 8283 if it worth more than \$5,000.) Future unrestricted gifts that can be used for premium payments are recorded as gifts of cash.

*Value recorded in FAS:* The value of these gifts is not fed to FAS by Advance. The Controller’s Office initially will record the cash surrender value centrally. This value should be updated annually and adjusted upon the sale or maturity of the policy to transfer the net proceeds to the gift fund.

*Special handling:* The Office of Gift Planning is responsible for monitoring life insurance policies owned by Columbia. The University will not use its own funds to make insurance premium payments; if a donor does not make gifts required to make the payments, the University will sell the policy before it lapses.

## **L. BARGAIN SALES**

In limited circumstances, Columbia may purchase an asset for less than its fair market value. This “bargain sale” results in a gift from the owner of the property in an amount equal to the difference between the fair market value and the purchase price paid by Columbia.

Columbia will record this gift in Advance, supported by proper documentation of the fair market value of the asset.

Columbia will generally not pay more than 50% of the fair market value of an asset when participating in a bargain sale.

All of the issues relating to outright gifts of particular assets set forth in Section K apply equally to bargain sale transactions. In addition, Columbia must identify a source of funds to be used for the purchase, and determine whether that amount will be repaid with or without interest.

The Office of Gift Planning will generally be responsible for coordinating the efforts of appropriate University offices in the consideration of a bargain sale transaction, and many of the following offices are likely to be involved:

- Office of the General Counsel
- Office of the Deputy Vice President, Real Estate
- Office of the Vice President for Facilities Management
- The Gift Review Committee, if necessary
- The dean of the school or chair of the department that will benefit from the gift
- All fundraisers associated with this gift
- The Trustees, if necessary
- The Controller's Office
- The Office of Risk Management
- Gift Systems

## **M. DEFERRED GIFTS FROM LIVING DONORS**

### **1. CHARITABLE REMAINDER TRUSTS TRUSTEED BY COLUMBIA, POOLED INCOME FUNDS, AND CHARITABLE GIFT ANNUITIES**

Columbia serves as trustee of the following gift arrangements:

- Charitable remainder unitrusts
- Charitable remainder annuity trusts
- The Seth Low Pooled Income Fund
- The Gouverneur Morris Pooled Income Fund
- A charitable gift annuity pool

Through these arrangements, donors have transferred title to Columbia, reserving for themselves and/or other beneficiaries the right to receive income for their lives or a specified period. Upon the death of the beneficiaries or other termination of the trust, Columbia receives the remaining value of the trust assets for use as the donor directed.

The Executive Director of Gift Planning is responsible for determining whether Columbia should accept a gift through a life income trust and must consider the age of the donors, the expected payout rate, the proposed gift asset, and more.

Columbia has established minimum gift amounts for each of the life income gift arrangements. See “Endowment and Planned Giving Minimums” on UDARnet.

*Special documentation:* Each life income gift is documented by a gift or trust agreement prepared by the Office of Gift Planning.

*Who can accept:* The Executive Vice President for University Development and Alumni Relations or the Vice President for University Development.

*Date of gift:* In general, it is the day on which Columbia has received both the trust or gift agreement and the gift property. The Executive Director of Gift Planning will document any variance from this rule.

*Value recorded in Advance:* Columbia will record both the face value of the assets funding the trust and the remainder value as determined by Internal Revenue Service rules.

*Value recorded in FAS:* FAS includes both the fair market value of each trust, updated annually, and the value of the income liability.

## **2. IRREVOCABLE OUTSIDE TRUSTS**

An Outside Trust is an irrevocable trust in which the University has a vested and irrevocable remainder interest and the principal cannot be invaded, but the assets of which are held by a trustee outside the University. Columbia will record these trusts as follows:

- While the trust is still active, if Columbia learns about this trust within the fiscal year in which it is funded, the date of the gift will be the date the trust was created. Columbia will record both the current value and the remainder value based on the value of corpus of the trust on the day it was funded. Columbia will record these trusts only if the trustee guarantees that it will provide annual valuations of trust assets.
- While the trust is still active, if Columbia receives notice of the trust after the end of the fiscal year in which it was funded, the date of the gift will be the day the trust became known to Columbia. The University will record both the current value and remainder value based on the value of the corpus on that date. Columbia will record these trusts only if the trustee guarantees that it will provide annual valuations of trust assets.
- If Columbia learns about the trust only after it terminates and the University receives the proceeds, Columbia will record the proceeds in the same manner as a bequest.

## **3. PERPETUAL TRUSTS HELD BY A THIRD PARTY**

Some donors have established trusts with outside trustees that provide irrevocably for Columbia to receive the income in perpetuity. In most cases, these trusts have their own independent tax-

exempt status as a private foundation. Columbia can record the value of such a trust at the face value, as of the date the University is informed about the trust. The Treasurer's Office will monitor these trusts and record the distributions received as income and not as gifts. The Controller's Office will update the market value of these trusts annually in FAS.

Columbia may be the beneficiary of a trust held by an outside trustee, often at a community foundation, where the University's interest is not completely vested. In that case, Columbia will record distributions as gifts.

#### **4. REVOCABLE OUTSIDE TRUSTS**

Columbia may be the beneficiary of an outside charitable remainder trust over which the trustee has no discretion over income payments, but the donor has retained the right to change the designation of the remainder beneficiary. Columbia will not record this trust until the donor has made Columbia's interest irrevocable or until Columbia receives the trust assets upon termination.

Columbia may be the remainder beneficiary of a trust over which an outside trustee has discretionary authority to invade the principal for the benefit of one or more other beneficiaries for a specified period of time. Columbia's remainder interest may be revocable or irrevocable. An example is a trust established under the will of a Columbia alumnus which holds the residue of his estate, makes payments to his surviving wife for her life at the discretion of the trustee, and pays the balance, if any, to Columbia. Columbia will not book any part of this trust until it terminates. At that time, Columbia will book the value of the assets received.

#### **5. CHARITABLE LEAD TRUSTS**

A donor may establish a charitable lead trust that pays income to Columbia for a specified period time. When the trust terminates, the remaining assets pass to other named beneficiaries. Columbia may serve as the trustee of this type of trust, but lead trusts are often managed by outside trustees.

Columbia will record each distribution from a lead trust as a gift.

#### **6. REMAINDER INTERESTS IN PERSONAL RESIDENCES OR FARMS**

A donor may give to Columbia the remainder interest in a personal residence or farm, reserving a life estate for him/herself. The Executive Director of Gift Planning should be involved in every such gift because it will involve complicated issues.

Columbia will record as the value of the gift an amount equal to the present value of the remainder as determined by Internal Revenue Service regulations, based on an independent appraised value of the property.

With all gifts of remainder interests, the University must consider all issues relating to other gifts of real property set forth above in Section K(6) (Real Estate).



## N. BEQUESTS

The Office of Gift Planning is responsible for monitoring and processing all bequests that come to the University after the death of a donor. Such bequests include:

- Gifts from estates under probate
- Distributions from formerly revocable living trusts under administration
- Distributions from irrevocable Outside Trusts
- Proceeds of life insurance
- Distributions from IRAs, other retirement funds, and other contracts which name Columbia as the beneficiary of death benefits

For all of these gifts, Columbia will create an entity in Advance called "Estate of X." This will be separate from the donor's individual entity record that applied when the donor was alive, but will be cross-referenced. Gift Systems will credit all bequests to the Estate's entity.

The Office of Gift Planning will:

- Be responsible for all communications with the attorneys for estates and trusts, insurance companies, or retirement fund managers
- Review all legal documents relating to bequests (if necessary, issues and problems will be referred to the General Counsel's Office)
- Provide receipts for bequests, when appropriate, to be signed by the Executive Vice President for University Development and Alumni Relations or the Vice President for University Development

**Note:** The Office of the General Counsel will be primarily responsible for monitoring the administration of any estate involved in litigation or that has a significant problem requiring University involvement.

Any school or department that receives a bequest should send that gift and all relevant information to the Office of Gift Planning.

All issues described in Section K relating to gifts of particular assets apply to bequests as well.

Bequests for specific purposes that do not meet current endowment minimums may be accepted at the lower level with the approval of the Executive Vice President for University Development and Alumni Relations.

Columbia is under no obligation to accept gifts from deceased individuals, but once a bequest is accepted, the University is legally obligated to use the funds in accordance with the donor's

stated wishes, even if the amount received does not meet University minimum funding requirements.

The Executive Director of Gift Planning will consult the Office of the General Counsel in circumstances where the donor's intent for the purpose of the gift is either unclear or problematic.

## **O. NAMING**

Columbia has established policies and procedures for major naming opportunities. See "Naming Guidelines" on UDARnet.

## **P. CREDIT FOR GIVING TO COLUMBIA'S CAMPAIGN 2004-2011**

Columbia is undertaking a significant university fundraising campaign which will include all gifts and promises to give (pledges) received by the University from July 1, 2004 until June 30, 2011. The University will assign campaign credit as follows:

### **1. OUTRIGHT GIFTS OF CASH AND OTHER ASSETS THAT ARE EASILY SOLD**

These gifts will receive credit equal to the fair market value of the gift as recorded on the donor's record in Advance. Examples are:

- Cash (checks, currency, wire transfers, credit card transactions, salaries, awards, unreimbursed expenses)
- Publicly traded securities
- Life insurance policies
- Tangible personal property that is to be retained by Columbia, including art, books, manuscripts and other library materials.
- Equipment that is to be retained by Columbia.

### **2. OUTRIGHT GIFTS OF ASSETS THAT ARE NOT EASILY SOLD**

These gifts receive credit equal to the net proceeds of sale if the property is sold within the campaign period. Examples are:

- Stock in non-publicly traded corporations
- Restricted securities
- Real estate

- Tangible personal property that is to be sold by Columbia, including art, books, manuscripts and other library materials
- Equipment that is to be sold by Columbia
- Limited partnership interests

### **3. PLEDGES**

Promises to make gifts to Columbia within five (5) years will receive campaign credit equal to the amount of the promise.

### **4. BEQUESTS AND OTHER SIMILAR GIFTS RECEIVED DURING THE CAMPAIGN**

Bequests from decedent's wills, distributions from formerly revocable living trusts, life insurance proceeds and retirement funds will receive campaign credit equal to the fair market value of the gift as recorded on the Estate's record in Advance.

### **5. LIFE INCOME GIFT ARRANGEMENTS**

Gifts made through life income gift arrangements will receive campaign credit at the IRS remainder value of the gift. Donors will receive recognition credit at the face value of the gift.

### **6. BEQUEST INTENTIONS**

We will continue to encourage donors to inform us, and provide us with documentation, about their intentions to include Columbia in their estate plans. The Office of Gift Planning will track both the number and value of new bequest intentions identified during the campaign period, and we will publicize this information in appropriate ways. In most cases, however, bequest intentions will not receive campaign credit. On a case by case review, the Gift Review Committee can make exceptions to this rule if the bequest intention is documented appropriately and the donor has executed a pledge that will be paid by his or her estate.

### **7. GRANDFATHERED GIFTS**

The following types of gifts and pledges from the fiscal years 2002-03 and 2003-04 will be considered for "grandfathered credit":

- Gifts and pledges of \$1,000,000 or more
- Gifts and pledges related to core University and unit priorities, including financial aid and faculty support
- Gifts and pledges given in response to an early campaign nucleus fund solicitation
- Not to include those counted in Columbia's previous campaign

## **8. EXCEPTIONS**

Any exceptions to these counting guidelines must be directed to the Vice President for University Development for consideration and approval by the Gift Review Committee.

## **Q. OTHER ISSUES**

### **1. QUID PRO QUO GIFTS/PREMIUMS**

Premiums are goods or services received by donors in return for their gifts to the University. The donors must reduce the value of their contributions for income tax purposes by the value of the premium received. It is Columbia's legal obligation to provide information about this adjustment to the donors on the receipts issued by Columbia. A receipt will either state, "The donor received no goods or services in return for this gift" or "The donor received goods or services valued at \$ \_\_\_\_ .... (See Section J for precise language).

Fundraisers involved with gifts that involve premiums must work with Gift Systems as early as possible in the process to assure that gifts are properly recorded and proper receipts are issued.

When a donor receives a premium, Columbia credits only the amount of the actual (deductible) contribution to the donor's giving record (the amount of the check minus the value of the premium).

For more information on low cost gifts you may give to donors without deducting a premium, see the Premiums page under Gift Systems Policies on UDARnet.

### **2. PRIVACY**

Columbia University respects the privacy of the generous donors who financially support its objectives and mission. Safeguarding donor privacy is good stewardship as well as a matter of professional ethics. The "Donor Bill of Rights" (endorsed by CASE, the Association of Healthcare Philanthropy, the Association of Fund-Raising professionals and the American Association of Fund-Raising Counsel) states that donors are: "To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law." Columbia will make every effort to ascertain a donor's wishes in this regard and to abide by them when practicable.

It is the policy of the University to hold the names of our donors in confidence unless one or more of the following conditions apply:

1. it is common and established practice to list such gifts in a newsletter, annual report, etc.;

2. the gift qualifies for a naming opportunity elected by the donor;
3. the donor gives express permission to Columbia to make his/her gift public as part of a written document (such as a gift agreement) or other direct communication;
4. Columbia is obliged by legal requirements to provide information regarding the gift.

Consistent with our Standard University Gift Agreement, fundraisers are urged to ask donors at the time the gift is made about the kinds of recognition they prefer, or alternatively, if they would prefer that their names not be made public.

### **3. REQUIREMENT TO REPORT GIFTS FROM FOREIGN DONORS**

Both the state and federal governments require reporting of certain gifts from foreign sources, defined as individuals (non-citizen, non-national), corporations, foundations, or other non-government entities. The particulars, however, are different in each case:

**Federal:** The University is required to report to the Secretary of Education each July 31 and January 31 on gifts, grants, and contracts received from foreign sources aggregating on an annual basis in excess of \$250,000 (no matter if that amount is exceeded in one gift or the aggregated total of gifts from that source within the calendar year).

**State:** The University is required to report to the New York Department of Education on an annual basis no later than thirty days after the end of our fiscal year on gifts, grants, and contracts received from foreign sources aggregating on an annual basis in excess of \$100,000 (no matter if that amount is exceeded in one gift or the aggregated total of gifts from that source within the calendar year).

In both reports the University is required to include the country of origin of the donor; amount, purpose, and date of the gift; and specific information about any conditions or restrictions placed on the gift by the donor, but not the name of the actual donor. UDAR's Office of Stewardship prepares these reports.

### **4. ANONYMITY**

Columbia requires that the donor be identified for all substantial gifts. This information may be kept confidential with the consent of the Vice President for University Development. (No discretion may be exercised in certain instances, e.g., foreign gifts for which regulations require disclosure of specific information.)

When a donor asks that he or she remain anonymous in relation to a gift, the fundraiser must determine the appropriate level of anonymity.

For some donors, it is acceptable for University officials and internal entities to know about a gift. Their primary request is that their names and their gift not be discussed in any public setting or included in any published honor roll of donors. In this case, the gift will be recorded to

the donor's individual entity record in Advance but will not be published in any University materials, nor recognized in any public fashion.

Other donors want *complete anonymity*, meaning that only the fundraiser(s) involved and a select number of University officers may know the source of this gift. The Vice President for University Development must approve all such gifts and requests for complete anonymity.

Gift Systems will create a numbered anonymous record in Advance for each anonymous donor (e.g. Anonymous #555.) and record all anonymous gifts for that donor there. The donor may also have a regular record that reveals his or her name, but no cross-reference between the anonymous record and the regular record will exist.

Gift Systems will maintain a separate limited access record of all anonymous donors. Such records should be used in only limited circumstances because it will thereafter be difficult to obtain a complete history of the donor giving.

## **5. RECOGNITION ("SOFT") CREDIT**

Donors may arrange for gifts to come to Columbia through third-party entities such as a private family foundation, community foundation, or donor advised fund (whether administered by public or private entities). Columbia records legal ("hard") credit for such gifts to the entity record in Advance of the legal donor (the third party entity) and gives recognition ("soft") credit to one or more individual donors who were responsible for the gift. These gifts recorded as recognition credit will be included in the donor's cumulative gift totals.

## **6. MEMORIAL GIFTS**

Donors may make memorial gifts to honor the memory of a deceased person. Such gifts should be deposited in an appropriate gift account as soon as possible. Please remember to indicate the gift is "In Memory of John Doe" on the gift transmittal so that this information can be added to the database and printed on the gift receipt.

The recipient Columbia school or department should provide surviving family members with a list of memorial donations received so they may acknowledge such donations in a timely fashion. The list may be prepared from department records, or the department may request a list by sending an email to [advreports@columbia.edu](mailto:advreports@columbia.edu).

Gifts made in memory of Columbia Trustees, Trustees emeriti, or dignitaries designated by the Executive Vice President of Development and Alumni Relations or the Vice President for University Development, may be managed by the Office of Stewardship.

## **7. FOREIGN CURRENCY**

Columbia may not deposit cash from foreign countries and checks drawn on foreign banks directly into Columbia's bank account. Gift Systems will arrange for the Columbia bank to buy

or exchange the foreign currency or check. Upon receipt of US dollars from the bank, Gift Systems will record and receipt the net value of the gift.

Note however that if the cost of negotiating the foreign check (bank fees and exchange rates) will exceed the value of the check, Columbia will return the check to the donor.

It may be difficult for the Columbia bank to exchange the foreign funds. To avoid this problem, we strongly suggest that donors in foreign locales be instructed to send their gifts by wire, by a bank draft payable in U.S. dollars through a bank in the United States, or by credit card.

See also the Treasury Services Policy on Foreign Currency on UDARnet.

## **8. WHEN GIFTS ARE TO BE RAISED FROM MULTIPLE DONORS**

A group of donors may decide to coordinate efforts to raise gifts for a specific purpose that requires a minimum funding amount, such as an endowed scholarship fund to be named after a deceased classmate. Columbia may create a fund that will hold contributions for such purpose, and the terms of the fund will include a date by which the fundraising goal must be met. Each donor who makes a gift to the fund will understand that the gift will be used only for the stated purpose if the goal is met by the deadline, and will provide an alternate use of the gift if the goal is not met. (For a fuller discussion and sample documents for use in this situation, see UDARnet.)

## **9. RAFFLES**

Because of the complicated laws relating to raffles, the Office of the General Counsel discourages the use of this form of fundraising at Columbia. In general, a donor may not deduct the cost of a raffle ticket as a charitable contribution because the value of a chance to win is considered to be the price of the raffle ticket.

## **10. RECORD RETENTION**

Gift Systems maintains hard copy records of gift transactions for at least seven years. This includes copies of gift transmittals, correspondence, copies of checks, gift receipts, deposit slips, and journals.

Gift Systems maintains all Gift Agreements.

## **11. RETURN OF GIFTS TO DONORS AT THEIR REQUEST**

While such cases are exceedingly rare, a donor may request that a gift voluntarily made to Columbia be returned. Such a request should immediately be communicated to the Vice

President of University Development for referral to and review by the Gift Review Committee and the Office of General Counsel. The Gift Review Committee will make a final recommendation on the disposition of the request to the President. Any request that is pursued in this formal fashion will be reported to the Alumni Relations and Development Committee of the Trustees contemporaneously with the ongoing deliberations.

## **12. GIFTS FROM FACULTY MEMBERS TO SUPPORT THEIR OWN RESEARCH**

A faculty member who makes a gift to support his/her own research makes a gift to Columbia. If the money has not been fully spent when the donor leaves the faculty, the remaining money will stay at Columbia and not revert to the donor. These gifts cannot

be used to pay the salary of the donor/faculty member. They may be subject to additional oversight and limitations on a case-by-case basis.

## **13. SEPARATELY INVESTED ENDOWMENT FUNDS**

In general, all gifts to Columbia's endowment are invested in the University's merged endowment pool of investments. Only in rare circumstances, and after approval by the Gift Review Committee, will Columbia accept a gift to be retained in another form of investment.

## **14. USE OF PAYOUT FROM RESTRICTED ENDOWED FUNDS**

The expenditure of monies generated by endowment funds – the “payout” – is guided by well-defined legal and accounting principles and procedures, as well as the University's obligation to fulfill the letter and spirit of the intent of the donor.

- When the University accepts the terms of a restricted gift establishing an endowment fund, we are bound by those terms (as is the donor). We will abide by the restrictions placed on the gift by the donor, and the payout will be used exclusively in support of those restricted purposes and limited expenses related to the administration of the endowment fund.
- The terms of an executed gift agreement govern how the payout may be spent. When those terms are ambiguous or unclear, it is the policy of the University to apply the payout according to the most conservative (narrowest) interpretation, until such time that additional direction can be provided by the donor, the office of University Development and Alumni Relations, or the General Counsel's office.
- In the event that the donor's intent cannot be determined or is in dispute, the question should be referred to the Vice President of University Development for determination or referral.

## **15. SERVICE AS EXECUTOR OR SUCCESSOR TRUSTEE OF LIVING TRUSTS**



As a general policy, Columbia will not agree to be the executor of an estate or the trustee of a living trust that has named the University as a beneficiary.

## **16. OTHER GIFTS**

This manual does not provide details about the issues related to several other kinds of gifts, including stock in S corporations or limited liability corporations, or interests in a general partnership. Any fundraiser dealing with complicated assets should contact the Office of Gift Planning and, when necessary, the Office of the General Counsel, which will determine whether the University can accept these gifts.

## **II. GIFT MINIMUMS AND NAMING GUIDELINES**

### **Professorship and Other Named Position Minimums**

This University-wide guideline was based on a review of peer institutions, and is intended to govern the pricing of named position endowments at Columbia University. Professorships refer to faculty chairs awarded to current faculty members ("substitutional") and those that create new faculty lines ("incremental"). We will review these pricing guidelines on occasion to ensure that minimums are consistent with market standards and true costs.

#### **Endowment Minimums**

A new chair or named position endowment may not be established for a lower amount. Schools may choose to set higher minimums as they deem appropriate.

- University Professorships: \$5,000,000
- Deanships: \$5,000,000
- University Librarian: \$5,000,000
- Director of Intercollegiate Athletics and Physical Education: \$5,000,000
- Incremental Professorships: \$3,000,000 or amount needed to endow full compensation (and perhaps further funding) of anticipated incumbent
- Director of Endowed Library: \$3,000,000
- Head Coach of *New* Sports Program: \$3,000,000
- Professorship: \$2,000,000
- Head Coach: \$2,000,000
- Visiting Professorship: \$2,000,000 (academic year)/\$1,000,000 (one semester)
- Associate/Assistant Professorship: \$1,500,000
- Library Curator/Conservator: \$1,500,000

#### **Promise to Give/Pledge Payment Schedule**

In order to put endowments to work quickly and preserve their present value, promises to give/pledges should be paid within at least five years of commitment. Exceptions must be approved in advance by the appropriate Dean, and the Gift Review Committee.

#### **Appointment of First Incumbent**

The ideal practice is to fill an endowed chair at the time at which its endowment is fully funded or has reached the minimum required through a combination of gifts and capital appreciation. Because of the importance of establishing new professorships in the current climate for recruitment, the appropriate Dean may request formal establishment of a substitutional chair and appointment of a first incumbent when at least 50% of the endowment minimum has been established. Donors might also wish to provide additional spendable support to accelerate the process.

#### **Naming for Faculty**

In an effort to avoid any potential conflicts, the University policy is that only non-active faculty members may be honored through naming opportunities of any kind (facilities, endowed

programs, professorships, etc.). Professorships will be named only for retired and/or emeritus faculty. However, it is not the intention of this policy to discourage the laudable impulse of a donor (or group of donors) to honor outstanding faculty in this manner. In such instances, the following options are available to accommodate the donor's wishes: a) the chair may be established under an alternative name and then re-named for the faculty member upon his/her retirement; b) the professorship may be established in the active faculty member's name but it may not be filled until his/her retirement; or c) proceeds from an endowed fund created for this purpose may be used to support the faculty member's work or research while s/he is active, and then converted to professorship upon his/her retirement.

### **Term Professorships**

Term chairs may be created for spendable gifts of \$1,000,000 paid over five years. Such professorships would not be perpetually endowed, but would rather be awarded to a faculty member (i.e. Professor Smith would be the Adams Professor of Philosophy) over the course of ten years at which point the term fund would be spent down and cease to be awarded. This kind of fund can serve to engage donors not yet ready to make full endowment gifts. In some cases donors may arrange an irrevocable planned gift to endow the chair at the end of the stated term or at the donor's death, with the understanding that the endowment required at the later date must be met.

### **Exceptions**

These policies are not intended to cover every possible situation that may arise in the future with regard to gifts towards professorships. It is understood that exceptional circumstances will be discussed and addressed by the appropriate Dean and the Gift Review Committee.

## **Scholarship Gift Naming Opportunities for the Campaign for College Scholarships**

The Campaign for College Scholarships is a critical priority at Columbia University. The following naming opportunities are available for scholarship gifts to Columbia College.

### **A. CURRENT USE FUNDS**

Annual gifts of \$10,000 or more are spent each year with an annual scholar designated.

### **B. SCHOLARSHIP ENDOWMENTS**

Endowed scholarship funds may be established for gifts of \$100,000 or more. The gift becomes part of the University's endowment, with the expendable earnings used each year for financial aid. University policy as set by the Trustees allows spending from endowment income of around 5% annually, with any additional earnings returned to the endowment to ensure ongoing growth.

Support is provided to one or more students each year. Students are named once the first payment of at least \$10,000 is received. In 2005, the average scholarship grant awarded was \$22,000 per student.

### **C. RECOGNITION**

Donors of \$10,000 or more for current use funds, and donors of \$100,000 or more for endowed funds are listed in an annual scholarship publication.

Donors also receive an invitation to an annual scholarship event to meet the students awarded financial aid.

Endowed funds may be named in perpetuity at the following gift levels, with all benefits accruing:

**Gift Level**

**Financial Aid Available  
To Award**

(May vary annually per Trustee policy)

**\$100,000**

**\$5,000**

- Provides approximately one fifth of an average scholarship award to a student.
- Gifts are endowed in perpetuity in a fund named by the donor.
- A named scholar is designated.

**Gift Level**

**Financial Aid Available  
To Award**

(May vary annually per Trustee policy)

**\$250,000**

**\$12,500**

- Provides approximately half of an average scholarship award to a student.
- Listing in campaign publication.
- Luncheon with named scholar.
- Special event with Dean.

**\$500,000**

**\$25,000**

- Provides the full average scholarship award for one student.
- Donor names inscribed in prominent College location.
- Invitation to a special reception with faculty and President.

**\$1,000,000**

**\$50,000**

- Provides complete financial aid award for tuition to two students; or tuition, room and board for one student.
- University Benefactor status conferred.
- Donor names inscribed in Low Library rotunda.
- Donor offered participation in Financial Aid Council.

**\$2,000,000**

**\$100,000**

- Provides complete financial aid award for tuition to four students.
- A student scholar named in every class.

**\$5,000,000**

**\$250,000**

- Provides complete financial aid award for tuition for up to ten students.
- Scholarship is awarded at time of admission and follows students for four years (Depending upon eligibility).

**University Scholars**

**\$10,000,000+**

**\$500,000**

- Provides complete financial aid award for tuition for up to twenty students.
- Option to create a program and designate scholars for a key area of greatest need, i.e. – science, global, HEOP, etc.

## Endowment and Planned Giving Minimums

### Minimum Gift Requirement to Establish an Endowment: \$50,000

### Minimum Gift Requirements to Establish Planned Gifts

**A note on pricing:** These minimums take into account the donor's life expectancy, projected investment returns, and the inflation rate used for planning purposes. They also consider the costs of administering the trusts until maturation.

### Charitable Gift Annuities: \$25,000

The present value of a gift annuity is approximately half of its original face value.

### Pooled Income Funds: \$25,000

**Charitable Remainder Unitrusts and Charitable Remainder Annuity Trusts: between \$150,000 and \$300,000**, depending on the ages of the beneficiaries and the payout rate they will receive. These guidelines provide gifts with a present value of at least \$100,000.

Life Expectancy	5% payout	6% payout	7% payout
1-10 years	\$150,000	\$150,000	\$150,000
11-20 years	\$150,000	\$200,000	\$200,000
21-25 years	\$150,000	\$250,000	\$300,000
More than 25 years	\$200,000	\$300,000	\$350,000

Executive Director of Planned Giving Fred Hartwick can be reached at 212-870-3559 and [fh2114@columbia.edu](mailto:fh2114@columbia.edu) to answer your planned giving questions.

*This document is also available in [PDF format](#).*

*Minimum giving levels for Graduate Fellowships are forthcoming.*

## **Columbia University Naming Opportunity Guidelines**

The following policy recommendations, effective November 1, 2004, are intended to guide future naming actions which recognize significant donors to Columbia. Because all naming opportunities have University-wide impact, even those attached to a specific school or program, the Trustees requested the development of these policy guidelines. They are not intended to alter existing naming commitments. They apply to gifts from all sources: individuals, foundations, corporations, and other charitable entities.

Guidelines to establish minimum gift levels are subject to periodic adjustment, and schools have discretion to establish their own higher minimums. Prior to any discussion with a prospective donor regarding specific and unique naming gift amounts (other than miscellaneous, smaller items described in paragraph 10), prospect managers or others working directly with the donor should consult with the Vice President for University Development to ensure use of current guidelines. The Senior Executive Vice President and the Chief Financial Officer should also be consulted in advance regarding specific gift amounts for the naming of any facility. These officers can refer notable requests for exceptions to the Gift Review Committee (Provost, Senior Executive Vice President, and Executive Vice President for University Development and Alumni Relations). Final approval of naming opportunities rests with the Trustees of the University.

1. Purpose of Naming Opportunities. Naming opportunities are a means to raise funds for Columbia's educational mission and support its faculty and students, and also to express and recognize on a long-term basis the unique story of significant donors and their ties to the University. Non-donor naming opportunities, particularly those naming schools or major facilities, may be made in extraordinary circumstances to honor individuals for exceptional contributions to the University community, as recommended by University senior leadership and approved by the Trustees.

A proactive program of strategic communication, marketing, and education is strongly encouraged around major naming changes. The melding of an institution's identity with the name of a donor is a major organizational and cultural event, and for the sake of seamless transition and consistent usage, presenting a clear and direct message to all constituencies involved is advised. Such changes should follow University branding guidelines.

2. School Naming Policies and Procedures. Naming a school links it in perpetuity to an individual or a family. A school or college may be named only once; therefore, the decision to name must be undertaken with great care. Careful attention should be paid to both the nature of the gift and the profile of the potential donor.

A naming gift should be a transforming gift. It should ideally be totally or primarily allocated for endowment support of core operating purposes. The present value of the gift should be large enough to provide sufficient additional income to take the school to a new level of excellence.

The definition of a transforming gift will differ by school, and its anticipated use may vary according to the priorities of the school's academic leadership. In all circumstances, however, it must be expected to provide, in perpetuity, an income distribution to the school that is

sufficiently large, either in absolute dollar terms or as a percentage of the school's total expenditure budget, such that it may appropriately be said to permit the school to operate at a fundamentally different level. [For the purpose of illustration, if a school has an annual operating budget of \$50 million, one would expect a truly *transforming* gift to increase the budget by a minimum of 10% (or \$5 million); applying our current endowment spending rule, this would suggest a gift of \$100 million.] It is recommended that schools determine, with Gift Review Committee input, basic naming minimums. Early consultation is essential to this process.

A naming gift should also give the school an appropriate name. Because naming forges a permanent link in the public mind between the unit and the donor, the leadership of the University must determine whether a particular link is appropriate and desirable. It is expected that this judgment will be a matter of discretion, based upon all the facts and circumstances associated with a particular proposed gift. The Trustees expect a donor's background and potential legacy to have been thoroughly reviewed with regard to integrity and public standing. In the end, judgments must be made by the decision-makers which balance the long-range financial benefit to the University, the donor's best interest, and the obligation to protect Columbia's reputation.

The process for accepting a naming gift should be careful and deliberate. Deans should not initiate naming-gift discussions before having serious preliminary conversations with the President and the Executive Vice President for University Development and Alumni Relations. The possibility of a naming gift may emerge unexpectedly at the initiative of a prospective donor. To the extent that it is reasonable and possible, conversation with the prospective donor should make clear that a naming gift requires the participation and approval of several different University officers and culminates with review and approval by the Trustees. In particular, the President and Dean, in consultation with the Gift Review Committee (Provost, Senior Executive Vice President, and Executive Vice President for University Development and Alumni Relations), must be involved. Representatives of the Trustees of the University should be engaged at the earliest appropriate juncture. In consultation, these officers will determine the process to be followed in any particular circumstance. It will result in a formal resolution being placed before the Trustees for their approval. To the extent possible and desirable, the process may include key volunteers, faculty of the school, and the General Counsel.

The President and/or Provost should represent the University in final stage discussions with the donor, along with the dean of the school and other appropriate colleagues. Such conversations should consider the size of gift that would be appropriately considered transforming, the appropriateness of possible names, and how the prospective gift would fit within overall University priorities. Moreover, to the extent it is reasonable and desirable, and at their discretion, deans should consult with appropriate faculty colleagues in their schools before discussions reach such a stage of seriousness that it would cause significant embarrassment to the donor and/or the University if a proffered gift were refused. Before a naming gift is accepted by Columbia, a binding gift agreement must be drafted and approved by the President, the Gift Review Committee, and the Trustees.



3. Naming Policies and Procedures for Academic Departments. To date, two academic departments have been named, one each at the College of Physicians and Surgeons and the Mailman School of Public Health. Endowments for Arts and Sciences departments should be established in the form of endowed centers which would undergird their work. Because the naming of academic departments is still rather uncommon, early consultation with the appropriate dean and Gift Review Committee to determine appropriateness and price is especially important.

4. Naming Institutes. Gift funding for naming an institute should be accomplished by the creation of an endowment. Institutes are interdisciplinary in character and bring together faculty and officers of research from multiple departments and/or schools to promote multidisciplinary teaching and research that revolve around a common theme. Institutes may house centers. The policies and procedures for school naming opportunities (see item two in this document) should be followed when naming institutes. Again, a naming gift for an institute should be a transforming gift—recognizing that institutes are often funded on soft monies. [For the purpose of illustration, if an existing institute has an annual operating budget of \$10 million, one would expect a truly *transforming* gift to increase the budget by a minimum of 10% (or \$1 million); applying our current endowment spending rule, this would suggest a gift of \$20 million. When a naming gift is being used to create a new institute, income generated from the endowment to the institute should be sufficient to support its faculty and staff, programs, and activities at an appropriate level. (Recommendations to establish an institute must have the endorsement of the appropriate dean or vice president, the Provost, the University Senate and the President. Approval for creation of an institute resides with the Trustees which, upon nomination by the President, also appoints the institute's director and administrative committee for three-year, renewable terms.) It is recommended that no institute, irrespective of its budget, should be named for less than \$10 million, and the larger number should always apply.]

5. Naming Centers. Gift funding for naming a center (or other academic program or like entity) may be accomplished either by endowment or expendable gifts. Centers are established within the University to promote the conduct of research in a particular area of activity. A center may focus on the research interests of an individual faculty member or group of faculty members within a single department or school, or may involve faculty from multiple departments or schools. Centers may have a time-limited existence which makes current use gifts appropriate as naming gifts. If funding is accomplished through a current use gift, the name of the center shall be limited to the term during which the expendable gift provides funding. In addition, the policies and procedures for school naming opportunities (see item two in this document) should also be followed when naming centers.

A naming gift for a center should be a transforming gift. [For the purpose of illustration, if an existing center has an annual operating budget of \$5 million, one would expect a truly *transforming* gift to increase the budget by a minimum of 10% (or \$500,000); applying our current endowment spending rule, this would suggest an endowment gift of \$10 million or a minimum annual current use gift of \$500,000. When a naming gift is being used to create a new center, income provided to the center should be sufficient to support its faculty and staff, programs, and activities at an appropriate level. (Recommendations to establish a center must have the endorsement of the appropriate dean or vice president and be approved by the Provost.)

Even for smaller centers, it is further recommended that no center, irrespective of its budget, should be named for an endowment gift of less than \$5 million, or an annual current use gift of \$250,000 and the larger number should always apply.]

6. Naming Buildings to be Constructed. Because the anticipated costs of most new Columbia buildings will range from \$100 million upward, they will be funded by a combination of sources: bonds, traditional borrowing, fundraising, etc. The level of projected philanthropic support will be determined during a project's planning phase through careful analysis and fundraising feasibility studies. Major newly-constructed facilities may be named for donor contributions which equal or exceed 50% of the fundraising goal associated with the project (with the recommendation that a facility should not be named for less than 33% of the estimated project cost). No Columbia building should be named for less than \$10 million. Also, while it is not intended to be a condition for accepting a facility naming gift, it is strongly encouraged that discussions be held with the donor concerning the establishment of a supporting endowment fund to subsidize building operations and maintenance, either in whole or in part. Since the construction/renovation of a building involves financial commitments by the University, the construction/renovation must be an approved University priority and the Provost, Senior Executive Vice President, and the Chief Financial Officer must approve the program and financial plans for the project submitted by the appropriate dean. A building may be named only when the donor provides a legally binding gift agreement. This gift agreement should outline specifics of the agreement between the University and the donor, including:

- at what point in the pledge payment cycle the donor name is affixed;
- that if the named building is razed, substantially renovated, or the school moves at some future date, the University will provide appropriate alternative recognition to the donor;
- notification that any impropriety on the part of the donor will subject the gift and naming opportunity to reconsideration by the Gift Review Committee and the Trustees of the University.

7. Naming Buildings to be Renovated. Donor naming opportunities may be made on the recommendation of school-based management and senior administrative leadership, and with the approval of the Trustees. The required gift level will be determined by the professional leadership involved, in a manner that is consistent with required gift levels for newly constructed facilities. Since the renovation of a facility involves financial commitments by the University, the renovation must be a University priority and the Senior Executive Vice President and the Chief Financial Officer must approve the financial plan for the project. A facility may be named only if the donor provides a legally binding gift agreement. Renovated facilities may be named with a gift equal to no less than 50% of the fundraising goal associated with the renovation project (with the recommendation that no existing renovated facility be named for less than 33% of the estimated project cost); also, while it is not intended to be a condition for accepting a facility naming gift, it is strongly encouraged that discussions be held with the donor concerning the establishment of a supporting endowment fund to subsidize building operations and maintenance, either in whole or in part.

8. Naming Existing but Previously Unnamed Buildings. It is Columbia's policy not to rename campus buildings named in honor of either generosity or service except under extraordinary circumstances. This policy does not apply to more generic names (e.g., Mathematics, Philosophy, Health [CUMC]). Given how building specific this determination would be, the Gift Review Committee should be consulted at the earliest possible moment.

9. Naming Other Spaces. Spaces within a new or existing building (classrooms, offices, lobbies, laboratories, auditoria) may be named on the recommendation of the Dean after consultation with senior administrative leadership and Trustee approval. This is the case either in a donor or non-donor context. The required gift level will be established on the principles discussed above (not less than 50% of fundraising goal, or not less than a third of the project cost), with an awareness of recent naming gifts of similar spaces, and in proportion to any gift which may have named the building in which the space is located.

[A Word about Project Costs: A "capital project document" is created by our colleagues in Facilities Management detailing a project's scope and costs for each project whose total cost is \$100,000 or more. Total project cost can include, but is not limited to, the following budget categories: construction and fit-out, architectural and engineering services, project management and legal fees, and land acquisition. At least 80% of the total project cost must be "in hand" before the project will be considered for approval. If the financing involves fundraising, 80% of the fundraising goal must be either "in hand" or pledged. Projects that are funded in part or in whole through fundraising must include a contingency plan to address potential fundraising shortfalls.]

10. Our Obligation to Preserving Naming Recognition. The University affirms its commitment to donors to honor their philanthropic legacy and historical connection to Columbia. Should a school change location, substantially renovate or raze a building, the University will provide appropriate alternative recognition to the donor (with an effort made to include a brief donor profile and history). The University may offer the donor an opportunity to make the naming gift of the new facility but is under no obligation to do so. Because donor faith and confidence in the University is so highly prized, and because such events as described above could occur in a donor's lifetime, this policy should be made clear in communications with the donor.

11. Prizes. Because of the potential prominence of named prizes, the same due diligence related to issues of reputation for other naming opportunities should be exercised.

12. Miscellaneous, Smaller Items. Bricks, plaques, benches, and similar miscellaneous items consuming little, if any, square footage may carry donor or honorary names with the approval of the Dean. All external designs and naming need to be reviewed and approved by the Office of Facilities Management to assure compliance with the University's master plan. Approval by the University's senior leadership shall not be required for such namings, although school-based management should confer with the Vice President for University Development early in the process and Trustee approval is required.

13. Process for Gaining Trustee Approval of Naming Opportunities. While the approval process for naming non-facility entities may vary as described in these guidelines, the naming

of all facilities (and the affixing of plaques and other signage) is subject to the approval of the Trustees of Columbia University. The protocol for seeking this approval is as follows:

-A formal memorandum of request from the Dean or director should be addressed to the President, the Provost, and the Executive Vice President for University Development and Alumni Relations (with a cc: to the Secretary of the University) requesting that the Trustees approve the proposed naming (and plaque placement).

-Included in the memo should be:

- the donor's name and information regarding the gift being recognized;
- a brief profile of the donor, his/her connection to Columbia, and overview of significant past giving history;
- a description of the plaque (dimensions and materials);
- the inscription on the plaque; and
- the intended location for mounting the plaque.

Once received, the request is forwarded by the University Secretary's office to both the Trustees' Buildings and Grounds and Executive committees for review and recommendation for action, then to the Trustees for formal approval. The Office of the University Secretary prepares the formal resolution for adoption. The Trustees meet on the first weekends of October, December, March, and June; materials must be submitted at least four weeks in advance of the Trustee meeting at which you wish the request to be considered. Questions regarding this procedure or information required should be directed either to UDAR's Director of Stewardship (870-2406) or to the assistant secretaries of the University at 854-5017.

14. Naming for Faculty. In an effort to avoid any potential conflicts, the University policy is that only non-active faculty members may be honored through naming opportunities of any kind (facilities, endowed programs, professorships, etc.). Professorships will be named only for retired and/or emeritus faculty. However, it is not the intention of this policy to discourage the laudable impulse of a donor (or group of donors) to honor outstanding faculty in this manner. In such instances, the following options are available to accommodate the donor's wishes: a) the chair may be established under an alternative name and then re-named for the faculty member upon his/her retirement; b) the professorship may be *established* in the active faculty member's name but *it may not be filled* until his/her retirement; or c) proceeds from an endowed fund created for this purpose may be used to support the faculty member's work or research while s/he is active, and then converted to professorship upon his/her retirement.

15. Exceptions. Exceptions to these guidelines may be made in circumstances deemed appropriate by the Gift Review Committee (Provost, Senior Executive Vice President, and Executive Vice President for University Development and Alumni Relations), subject to internal review and Trustee approval. Initial requests for exceptions should be directed to the Vice President for University Development.

### **III. RELATED POLICIES AND DOCUMENTS**

#### **Gift Agreement Templates Available on UDARnet**

To make the use of gift agreements as easy for fundraisers as possible, we have made them available electronically through UDARnet. These documents will be updated as necessary, and so we encourage you to use UDARnet as your source for the most current version of documents and agreements available.

To view and download gift agreement templates for individual use, it's easy as 1-2-3-4:

- 1- go to UDAR net (<http://wwwb.ais.columbia.edu/udarnet/index2.jsp>)
- 2- click on "Policies, Procedures, and Best Practices"
- 3- click on "Stewardship"
- 4- click on "Standardized Gift Agreements"

# Your Endowment Fund at Columbia

## Endowment Management

The goal of Columbia's endowment management strategy is to develop a well-defined investment plan that adheres to prudent investment principles while providing the flexibility to add value. In this regard, the dual investment objectives of the University's endowment are: to maintain the real purchasing power of the endowment over the long-term, while providing a reasonable and predictable level of funding for current University programs. Individual Columbia endowment funds (except those required by law or donor restriction to be maintained separately) are invested by unit share in one aggregated pool of funds. This large pool of funds enables the University to take advantage of different investment styles and vehicles that provide a higher total return over time while maintaining an acceptable level of risk.

Columbia manages almost 100% of its endowment assets in a single, co-mingled pool, subject to investment policies approved by the Board of the Columbia Investment Management Company (see section on "The Columbia Investment Management Company" below). The pooling spreads the benefits of asset diversification among all endowment assets. The income distributed for programmatic spending from an individual endowment is determined by multiplying the beginning market value by the annual Trustee-established spending rate, which, in 2004-2005, was 4.6%.

To fund this spending rate, the Trustees first use income that has been allocated to the shares in a fund. If the income is not enough to meet the full payout, the Trustees make up the difference by using capital gains earned over time.

## Endowment Performance

For the one year period ending June 30, 2005, the total net (after manager fees) return on the managed assets component of the endowment was 17.7%. This compares to a 10.0% return for the MSCI World Equity Index and 6.8% for the Lehman Aggregate Bond Index during the same period. At June 30, 2005, the value of the managed assets component of the endowment stood at \$4.929 billion, while the value of the entire endowment stood at \$5.191 billion. The value of the endowment is impacted by returns, spending and donations.

The asset allocation as of June 30, 2005, was: Global Equities 26%; Private Assets 18%; Hedge Funds 35%; Real Assets 5%; Fixed Income 12%; and Cash 4%. In fiscal 2005, budgeted spending from the endowment pursuant to the Columbia University Trustees' spending rule, a target rate established annually by the Trustees, was \$217.4 million.

## The Columbia Investment Management Company (IMC)

The Columbia Investment Management Company (the "IMC") was formed in October, 2002 as a wholly-owned subsidiary of Columbia University. The IMC is charged with management of the bulk of the University's endowment, known as Managed Assets. Managed Assets do not include

the University's real estate holdings, certain charitable giving vehicles, or a variety of other gifts which have investment restrictions.

The IMC was formed for two reasons. First, its formation demonstrated the University's dedication and commitment to the long-term investment management of the endowment with the highest professional standards. Second, the formation of the IMC allowed for a more fluid and engaged governance process. More specifically, the IMC is governed by a Board consisting of University Trustees, the President of the University, the Executive Vice President for Finance, non-trustee members, and the President of the IMC.

The IMC Board is kept small deliberately to allow for a more active dialogue during and between formal quarterly meetings. The trustee and non-trustee members are highly distinguished professionals from a variety of financial backgrounds including various investment management arenas, Wall Street, and the corporate sector. On a day-to-day basis, the IMC is run by its management team, headed by the IMC President and CEO, who joined in July of 2002.

The goal of the IMC is to generate attractive long term risk adjusted returns, subject to the risk and return objectives of the University. The IMC's approach is a long-term one and not based upon quarterly or even annual market movements. Therefore, while the IMC actively manages and evaluates investment strategy and performance on an ongoing basis, meaningful evaluation of its performance and efforts can only be made on a multi-year basis.

The IMC adheres to a long-term asset allocation philosophy that mandates a broadly diversified portfolio with exposures to a wide range of public and private markets. The IMC believes that such an approach is the most reliable manner of generating strong long-term risk adjusted returns. Specific target allocations are reviewed periodically by the IMC and the IMC Board.

### Administrative Expenses

The direct costs of the University's academic missions: instruction, research, community service, medical practice and more are funded with a combination of tuition, gifts, endowment income, grants and other revenues that are closely tied to each activity. But these endeavors also require support services that are best provided from the center of the University or, in some cases, by an individual school's administrative staff.

Most, if not all of Columbia's peer institutions use a portion of available income from restricted-use funds for these types of costs. These indirect costs are often also funded by a particular source (for example, federal grants provide an indirect cost recovery payment equal to as much as 61% of the direct cost of the project, a percentage that is calculated every three years according to specific federal guidelines).

The largest (and most expensive) component of indirect support is the maintenance of physical space and the financing of its construction and acquisition. Space costs and most of the day-to-day business functions (such as accounting, human resources management, and oversight functions) are provided by the central administration, which funds these activities with overhead charges to the individual schools and departments.

The overhead charges that are levied on the schools are funded entirely from tuition and other unrestricted revenue. Therefore, activities that are funded with non-federal income (gifts and endowments) and that are restricted to the support of a specific activity, such as a professorship, a scholarship or a research center, are not directly charged for the cost of indirect support.

However, beginning in 1994, schools have been authorized by the Trustees to charge restricted activities (other than those grants already contributing to overhead through specific formulae) a fee to help schools recover a portion of these support costs. Schools have chosen rates that currently range from 3% to 7%, and the proceeds from these assessments totaled \$10 million in 2004-05, contributing a small but significant portion of the \$285 million in central University support costs. By comparison, \$149 million in overhead contributions was provided by grants and contracts in 2004-05.

Before 1994, the central University administration collected a 5% overhead tax on gifts upon receipt, even before spending began. This applied to both current use gifts and gifts to endowment principal. The University administration converted this assessment to the present approach so that charges would accrue only as spending (and presumably the consumption of support services) occurred. The proceeds of the restricted funds tax flow to the schools' budgets, not to the central University budget (as the old 5% tax did), so that schools can selectively remove the tax when it is deemed inappropriate, without asking the central administration for permission.

*endowperform05.10/14/05*



## Endowment Spending Policies/Practices and Investment Objectives

At June 30, 2005, the value of the Managed Assets component of Columbia's endowment stood at \$4.929 billion, while the value of the entire endowment stood at \$5.191 billion. Managed Assets are managed by the Columbia Investment Management Company (the "IMC"), a wholly-owned subsidiary of the University, governed by a Board comprised primarily of Trustees.

The goal of the IMC is to generate attractive long term risk adjusted returns, subject to the risk and return objectives of the University. The IMC's approach is a long term one and not based upon quarterly or even annual market movements. Therefore, while the IMC actively manages and evaluates investment strategy and performance on an ongoing basis, meaningful evaluation of its performance and efforts can only be made on a multi—year basis.

The IMC adheres to a long term asset allocation philosophy that mandates a broadly diversified portfolio with exposures to a wide range of public and private markets. The IMC believes that such an approach is the most reliable manner of generating strong long term risk adjusted returns. Specific target allocations are reviewed periodically by the IMC and the IMC Board.

The \$4.929 billion in managed assets is subject to the University's spending rule, and is accounted for in a manner similar to mutual fund accounts. Individual funds (e.g. the John Doe Scholarship Fund) hold "shares" in the pool. Additions to a fund (i.e., new gifts) "buy" new shares at the then-present price per share, which is calculated on a monthly basis according to the total market value of the managed assets divided by the total number of shares in all endowment funds. Thus, the market value of an individual fund is determined by multiplying the number of shares it holds by the latest price per share (Market Value = Shares \* Price/Share).

Just as the shares of an individual fund are used to determine its market value, they also form the basis on which income is distributed for spending. Each year, a certain number of cents per share is distributed for spending. In 2005-06, the income distribution is about 38.32¢ per share; that is, a fund with 1,000 shares receives approximately \$383.20 in income to support its program. The market value of a share was \$8.93 as of June 30, 2005. Therefore, the 2005-06 base spending per share is equal to 4.3% of the beginning market value. As described below, the Endowment Spending Rule uses a 5.0% spending rate target, but this rate is defined as current-year spending divided by the prior year's beginning market value because the budget parameters need to be distributed to operating units before the year begins. With this lag, the 2005-06 base spending rate is 4.9% (using the June 30, 2004 market value of \$7.88 per share).

In October 1998, the Trustees approved a new endowment spending rule to replace the rule that had been in effect since 1984. The new spending rule, which took effect beginning in 1999-00, is designed to be more directly responsive to both investment returns and the current level of price inflation. The long-term objectives of the new rule are:

- To protect the corpus of the endowment by spending no more than the real investment return;
- to cushion spending against market volatility;

- to provide specific spending instructions and multi-year spending projections based upon explicit future investment return assumptions; and
- to respond to annual investment results as soon as they become available.

The new rule bases spending upon two factors: first, the market value multiplied by a 5.0% target spending rate, which provides a response to investment market conditions; and secondly, the prior year's spending plus inflation, which ties spending increases to operating needs, and cushions spending against market volatility. The weighting of these two factors — market value (40%) and inflation (60%) — determines the tradeoff between responsiveness to market conditions and stable resource growth for program support.

Thus, any given fiscal year's distribution is calculated by adding together the following:

- a) The market value of the endowment at a point twelve months prior to the beginning of the given fiscal year (mv), multiplied by the 5% target spending rate, multiplied by the 40% weighting that is given to market value; and
- b) endowment spending in the year immediately preceding the given year (s), grown or reduced by an inflation factor (i) that is defined as the Higher Education Price Index (HEPI), multiplied by the 60% weighting that is given to inflation.

Or:

Annual endowment spending =

$$[(mv * 0.05) * 0.4] + [(s * [1 + i]) * 0.6]$$

Because the new rule produces more volatility than the 1984 rule, the Trustees will conduct a special review in any year in which either projected endowment distributions are more than 0.5 percentage points higher or lower than the 5% target rate, or the increase in endowment distributions over the previous year is more than 3.0 percentage points higher or lower than HEPI.

Since its first application in 1999-00, the Rule has been used each year to project five years of spending distributions for long-range budget planning. Spending for only the first of these five years is final because the formula requires the prior year's actual beginning market value as an input, and only one such value exists at the time budget parameters need to be distributed. Initial estimates of spending for the following four years are based upon assumed levels of investment return and inflation. In recent years, the investment return assumed for these forecasts was set at 7.5% per year, and inflation is assumed to equal 3.5% per year.

The amount per share to be distributed during 2005-06 has been set by this formula at 38.32¢, 5.5% higher than the 2004-05 spending. The spending rate in 2006-07 will be 41.66¢ per share, an increase of 8.7% over the 2005-06 amount. The current spending rate as determined by the Rule (which is approved annually by the Trustees along with the rest of the budget) will be 4.5% in 2006-07 (as a percentage of the 2005-06 beginning share value), compared to the rate of 4.3% in 2005-06.

*O5/06/05 rev. 12/08/05*

## **Special Issues Relating to Gifts of Non-Publicly Traded or Restricted Stock**

Columbia University has been fortunate to receive many gifts of appreciated securities to support the mission of the University. These often can be extremely beneficial gifts for the donor, who can deduct the full fair market value of the stock and avoid paying tax on the capital gain. When the stock is not publicly traded or bears some kind of transfer restriction, however, special rules apply. The purpose of this document is to explain those special rules.

### **Non-Publicly Traded Stock**

Many friends of Columbia have contributed stock in non-publicly traded companies to the University. These companies may be closely-held corporations that have been in existence for many years, have a limited number of shareholders, and have no plans to go public. The companies also may be fairly new, but growing, and might eventually be subject to an initial public offering.

### **The Income Tax Deduction and Appraisal Requirements**

As with all other gifts of stock valued at \$500 or greater, donors of non-publicly traded stock must file a Form 8283 (Report of Noncash Charitable Contributions) with their income tax returns. If they have owned the stock for more than one year, they may deduct the fair market value of the stock on the day of the gift, but determining this value is not as easy as using the usual method of taking the average of the high and the low trading values as reported in the newspapers or on the internet.

*If the value of the gift is greater than \$10,000*, the donor must receive a qualified appraisal by someone who is unrelated to the donor, who performs appraisals on a regular basis and who is qualified to appraise non-publicly traded stock. The appraiser must certify the value by signing the donor's Form 8283, and Columbia must sign the Form to indicate acceptance of the gift. Thereafter, if Columbia sells the stock within two years, it must inform the IRS of the sales price on Form 8282.

*If the value of the gift is greater than \$5,000 but not greater than \$10,000*, the donor may provide an appraisal summary, which must contain the information regarding the property, the donor, the basis, the claimed value, etc. required for a qualified appraisal but does not require certification and signature of the appraiser. Columbia must sign the Form to indicate acceptance of the gift. Thereafter, if Columbia sells the stock within two years, it must inform the IRS of the sales price on Form 8282.

*If the value of the gift is greater than \$500 but not greater than \$5,000*, the donor can provide a valuation without either a qualified appraisal or an appraisal summary, but the donor should be ready to substantiate that value in case of an audit. Columbia does not need to sign the Form 8283 or inform the IRS of a subsequent sale occurring within two years.

Generally, the values of gifts of similar items given to more than one donee will be totaled together in determining the reporting and appraisal requirements. For example, if a donor gives nonpublicly traded stock valued at \$3,000 to Columbia and also gives nonpublicly traded stock valued at \$3,000 to another charity, the donor would need to provide a separate appraisal summary for each donee since the total value of the donated nonpublicly traded stock is greater than \$5,000.

### **Timing of the Sale**

Columbia will do its best to monitor the status of the companies in which it owns shares of stock to determine when there is a market for the stock. It is hoped that donors will provide any useful information they are able to share with Columbia relating to opportunities for selling the shares.

### **Further Transfer Restrictions**

Non-publicly traded stock might also be subject to transfer restrictions that may affect the valuation of the gift or the timing of the sale. These restrictions are discussed in more detail below.

### **Restricted Stock**

There are several types of transfer restrictions that could apply to gifts of either non-publicly or publicly traded stock. These restrictions might be imposed by the Securities Exchange Commission to keep company insiders from improperly benefiting from special information, or they may be imposed by special agreements created by the shareholders of a company themselves. In cases where Columbia will be subject to transfer restrictions provided in an agreement, a copy of the agreement will be requested for review. These restrictions might provide that:

- the stock cannot be sold until a certain time period expires (such as six months from the date of the initial public offering).
- the stock can only be sold within certain window periods (sometimes related to the issuance of the company's quarterly reports).
- the stock may be sold only to "qualified purchasers" or in transactions meeting certain requirements.
- within a certain period, only a limited number of shares can be sold that are currently held (or were previously held) by an individual shareholder.
- if the shareholder finds a buyer, the shareholder must first offer to sell the stock to the other shareholders in the company and/or to the company.

A “legend” printed directly on the stock certificate should explain the restrictions, and a transfer agent will not complete the sale of stock by transferring the shares to a new owner except in compliance with the legend or until the legend is removed. See the discussion below.

### **The Income Tax Deduction and Appraisal Requirements**

Although trading values of publicly traded stock are readily available, if the shares are subject to transfer restrictions the newspaper/internet values will not apply. If a gift of restricted publicly traded stock is valued at more than \$5,000, an independent appraiser must take the restrictions into account in determining the value on the date of the gift. This can be a fairly difficult process, especially if the restriction cannot be lifted for a long period of time. The donor will have to base the income tax deduction on this appraisal.

Again, donors must file a Form 8283 with their income tax return, and Columbia must inform the IRS if it sells the stock within two years of the date of gift if the original gift value was \$5,000 or more.

### **Removing the Restrictions**

In some cases, Columbia will be subject to the transfer restrictions that had applied to the donor. In other cases, Columbia can sell the stock as soon as the restrictive legends are removed.

Columbia will try to have transfer restrictions removed in a timely fashion. This requires the assistance of brokers, transfer agents and attorneys for the companies. Columbia cannot be responsible for any decrease in value due to delays in removal of transfer restrictions. These delays can be minimized if donors arrange for the removal of any restrictions before giving the stock to Columbia.

### **S Corporations and Similar Equity Interests**

Special tax considerations apply to gifts of stock in S corporations. As a pass-through tax entity, the business and investment income of an S corporation is taxable to Columbia as unrelated business income in proportion to Columbia's relative stockholdings in the corporation. Columbia would also be taxed on any gains from the sale of S corporation stock. Because of these rules, gifts of S corporation stock, as well as gifts of limited liability company (LLC) and partnership interests, must be carefully reviewed before they are accepted. Options, warrants and other derivative equity interests should also be similarly reviewed.

### **Designation of Gift Purpose**

Gifts of non-publicly traded stock or stock bearing transfer restrictions can be excellent gifts for the University. The department or program identified by the donor will not benefit from the gift until it receives the net proceeds of sale, however. Depending on how long it takes for Columbia to sell the stock, this amount may be significantly more or less than the value of the

stock on the date of the gift. Therefore, Columbia cannot commit at the time it accepts a particular gift of stock to use it to support a purpose for which there is a minimum funding requirement, such as an endowed professorship or scholarship. Instead, Columbia must wait until it sells the stock to work with the donor to determine how it should use the proceeds of sale.

### **Agreements Relating to Non-Publicly Traded or Restricted Stock**

Columbia would like to document all gifts of non-publicly traded or restricted stock with a written agreement that sets forth many of the issues discussed in the memorandum. For more information, donors should contact either the school or program that they intend to support, or Columbia's Planned Giving Office at 510-642-6300, to discuss these matters in more detail.

## **Rules Governing Gifts of Art Property**

The following procedures concern the acceptance of works of art for the University and the role of the Committee on Art Properties.

The Committee on Art Properties, whose members are appointed by the Provost, serves to advise the President on matters pertaining to the art holdings of the University and to the display of works of art on campus. Art properties include paintings, sculpture, drawings, original prints and photographs, ceramics, and other decorative arts such as furniture and rugs.

The Director of the Architectural and Fine Arts Library, Gerald Beasley, chairs the Committee; its other members are:

Chair of the Department of Art History and Archaeology – Barry Bergdoll

Dean of the School of the Arts – Dan Kleinman (acting dean)

Director of the Rare Book and Manuscript Library – to be appointed

Representative from University Development and Alumni Relations– Frederick M. Van Sickle

Campus architect – Irwin Lefkowitz

Curator of Art Properties – Sarah Elliston Weiner

The Committee is charged with the responsibility for reviewing all art objects offered as gifts to the University and is authorized, on behalf of the Trustees, to recommend either acceptance of such gifts or their declination. The Committee is also charged with reviewing outdoor sculpture lent for temporary exhibition and with advising on its placement on campus.

Donors should be advised that all negotiations are contingent on the Committee's approval of the proposed gift of art. In order to expedite the process, deans, directors, chairmen, and development officers should submit information concerning such art gifts to Sarah Weiner as soon as available. She will, in turn, present such information to the Committee at its next meeting. If the Committee recommends against accepting a proposed gift, it will notify the initiating officer of the reasons for the decision. The most common reasons for declining a gift are the lack of suitable space to display or house it and/or the lack of funds for its upkeep. The University can in good faith accept works of art only when safe and appropriate locations are determined in advance and, in the case of large-scale works, when funds are provided for their maintenance.

Gifts are made to and become the property of The Trustees of Columbia University in the City of New York. Once a gift has been accepted and the donor's wishes approved, these wishes will be scrupulously observed. We prefer, of course, that gifts of art objects be made without restriction so that the University may use them to the best advantage of faculty, students, and staff. No work of fine or decorative art is to be sold, transferred, or otherwise disposed of without the approval of the Committee. The University cannot accept works of art in which a condition of the gift is that it be sold after a certain holding period has expired.

Federal law imposes certain restrictions on the amount of the charitable deduction a donor may claim for a contribution of art to the University. If the University uses the property in a way that

is related to its exempt purpose, the gift is deductible to the extent of its full fair market value.<sup>1</sup> However, if the University will not use the gift of art for educational purposes (for example, if the University sells such art shortly after its receipt), the allowable charitable deduction is limited to the donor's tax basis in the property. As a general principle, all gifts of art accepted by the University will be considered acquisitions for the permanent collection to be used for the University's educational purposes.

Appraisals for income tax purposes must be made by an independent qualified expert. Staff and faculty of the University are not permitted to appraise art objects being donated to Columbia. To do so runs counter to regulations of the Internal Revenue Service. Should a donor need help in obtaining an appraisal, the Curator of Art Properties is prepared to furnish relevant information and possible sources of appraisal services. The cost of the appraisal must be borne by the donor; however, the donor can include the cost as a miscellaneous itemized (not charitable) deduction.

The Office of Art Properties maintains a catalogue of the works of art belonging to the University and is responsible for the preservation and proper display of those works. If an object needs to be moved for any reason, or if an object is damaged or is otherwise in need of repair, the Office of Art Properties must be informed as soon as possible. The cooperation of all faculty and staff is essential in helping to safeguard the artistic assets of the University.

16 December 2005

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<sup>1</sup> Note that special rules apply where the donor sells such works of art in the ordinary course of business, where the donor is the creator of the work of art, or where the donor has received the work of art as a gift (but not an inheritance) from the artist.



## **Gifts of Equipment**

Gifts of equipment are recorded in the Columbia University Alumni and Development System (ADVANCE, formerly known as CUADS) as a gift in kind. Equipment gifts are also recorded in the Office of the Controller's Equipment Inventory System if they meet the University's capitalization threshold of \$2,000 or more with a useful life of two or more years.

The Vice President of University Development and Alumni Relations will acknowledge receipt of equipment gifts on IRS Form 8283. The IRS places responsibility on the donor for substantiating the value of property donated to the University. The title to donated equipment will vest with the Trustees of Columbia University and be recorded as accountable equipment under the custodian responsibility of a particular school/ department.

Contact Valerie Benjamin at 870-2547 to assist with the documentation and recording of equipment gifts.

## **Gifts of Foreign Currency/Checks**

Cash and checks from foreign countries drawn on foreign banks may not be directly deposited into Columbia's bank account. Please prepare a separate gift transmittal for such items. Gift Systems will arrange with the Office of Treasury Services for the bank to buy or exchange the foreign currency or check. Note however, that the cost of negotiating the foreign check (bank fees and exchange rates) may exceed the value of the check, or greatly reduce the amount received.

The Office of Treasury Services recommends that schools and departments discourage remittance of foreign checks by donors. Foreign checks not equivalent to at least \$150.00 US will be rejected and returned to the school or department. Check the value of your foreign currency at:

<http://www.xe.com/>

Upon receipt of US dollars from the bank, Gift Systems will record and receipt the *net* value of the gift.

It may take months for the bank to exchange the foreign funds. To avoid this problem, we strongly suggest that donors in foreign locales be instructed to send their gifts by wire, by a bank draft payable in U.S. dollars through a bank in the United States, or by credit card.

## **When Donors Receive Goods or Services in Return for their Gifts** (Quid Pro Quo Gifts/Premiums)

- Are you planning a fundraising event such as a theater party or dinner?
- Do you plan to give your donors a gift if they make a contribution?
- Will part of each contribution be a payment for goods or services and part a gift to Columbia?

If you answered yes to any of the three questions above, your donor expects to receive something in return for his gift. According to the IRS, your donor will be making a *quid pro quo contribution*. Part or all of the contribution may not be deductible. The goods or services your donor receives are called *premiums*. This type of fundraising is subject to special Internal Revenue Service regulations under section 170(f) (8) and section 6115 which require the tax-exempt organization to do certain things:

- 1) Columbia's Gift Systems must provide an acknowledgment (receipt) to the donor of a quid pro quo contribution in excess of \$83.00 that includes a description of the goods or services given in return for the gift.
- 2) Your office must provide a *good faith estimate* of the value of the goods or services which Gift Systems will print on the receipt.
- 3) The acknowledgment must be contemporaneous (the donor should receive a receipt shortly after making the gift or at a minimum, prior to filing his taxes).

### **Best fundraising practices recommend that you:**

- 1) Call Gift Systems at 870-2590 or 870-2603 to inform us of an event in advance. We will set up coding for your event in ADVANCE and review your premiums.
- 2) Inform the donor of the tax deductible and non-deductible portions of their payment in your solicitation (rather than wait notice on the receipt).
- 3) Give the donor an opportunity to refuse the premium (thus allowing the entire amount to be tax deductible). Make it a choice on your reply piece.
- 4) Use insubstantial benefits if you can. It allows maximum deductibility for the donor and minimum overhead for your budget.
- 5) Send premiums to the donors promptly. It promotes good donor relations.

The following applies to goods and services having insubstantial value:

The Internal Revenue Service allows charitable organizations to disregard goods and services having **insubstantial value** when determining the amount of the contribution. Each year, the IRS adjusts the amount considered insubstantial for inflation. The three categories of insubstantial benefits allowed by the IRS are:

- 1) goods or services valued at the lesser of 2 percent of the contribution or \$83 in 2005
- 2) for contributions of \$41.50 or more in 2005, token items such as mugs, calendars, or t-shirts that bear the organization's name or logo and *cost* the organization \$8.30 or less
- 3) free, unordered goods having a value of \$8.30 or less in 2005

The following are also considered to have insubstantial value:

**Membership Benefits:** Charitable organizations which offer certain membership benefits in return for an annual payment of \$83 or less may treat such benefits as having insubstantial value as well. Examples are free or discounted admission to members-only events with a per person charge limited to the cost of a low-cost article (\$8.30 in 2005), free or discounted parking, preferred access to goods or services such as discounts offered by retailers to members only.

**Newsletters:** Newsletters or other publications that *are not of commercial quality* are treated as though they do not have measurable value as long as their primary purpose is to inform members about the activities of the charity and are not available to the public through subscriptions or newsstands. Generally, publications that contain articles written for compensation and that accept advertising are considered commercial quality publications and have measurable fair market value. Professional journals, whether or not their articles are written for compensation, or whether or not advertising is accepted, are considered commercial quality publications.

## Frequently Asked Questions Regarding Quid Pro Quo Gifts

### 1) How do we determine the full market value?

*If your event is held in a commercial establishment, ask the manager how much tickets or dinners normally cost. If you are giving each donor something, ask your vendor the retail price of the goods.*

### 2) Do we calculate the Full Market Value (FMV) by dividing the budget for the event by the number of attendees?

*No. FMV is defined by the IRS as either the stated price of an item (e.g. the established price for a theater ticket) or the amount someone would typically pay to receive a similar benefit. In other words, what would this cost if you bought it on the open market?*

### 3) If a donor underwrites the cost of food and drink for my school's event so that it does not cost my school anything to hold the event, can we give all contributors the full deduction for their gift?

*No. Your school must disclose the actual fair market value of the dinner including all food, drinks, and entertainment regardless of whether it was donated. The premium amount is based on the price someone would ordinarily pay for similar goods or services. It is not based on your cost.*

### 4) The donor did not attend the event. May he receive tax credit for the entire amount?

*The charitable deduction can be allowed in full only if the donor informs the department prior to the event and in time for the ticket to be sold to someone else. If the donor does not inform the department until after the event has occurred or does not provide sufficient time for the department to resell the ticket, the premium amount may not be converted to a tax-deductible gift.*

### 5) If the donor gives his premium to someone else, may he receive tax credit for the entire amount?

*No. As long as the donor accepts the premium, he must have its value deducted from his tax-deductible gift.*

### 6) If donor refuses the benefit, may he claim the full amount of his payment as a tax-deductible gift?

*Yes. In fact, the opportunity to reject the premium, but still make a gift should be included as an option on the reply device for your solicitation. This is the best way to document the fact that the donor did not accept the premium.*

**7) May I ask my donors to pay for the dinner of a student or faculty member seated at their table?**

*Wording is important here. Asking the donor to pay for the dinner of a student or athlete creates a quid pro quo situation. What matters is that your donor is paying for something to be used by another individual. It is not a gift to the school. The IRS would consider that something of value was exchanged for the funds remitted. Our General Counsel's office has suggested wording such as this, "At the discretion of the school, a student or faculty member may be placed at your table at university expense." Using your own wording of course, the key is to make it clear that any money paid over and above the cost of the donor's ticket is a gift to the university and not a payment for the benefit of someone else.*

**8) Is the amount paid for a raffle ticket considered a tax-deductible gift?**

*No. The IRS does not consider the chance to win a prize to be a tax-deductible gift.*

**9) If my department conducts a fundraising event for an endowed fund, may we deposit all gifts to a current use account until the event is over and we have deducted our expenses?**

*No. If you solicit gifts for an endowment, you must credit those gifts to an endowment account. You may however, credit the non-gift portion to a non-endowment account.*

**10) Is there a penalty if we fail to report our quid pro quo fundraising according to IRS rules?**

*IRC 6714(a) provides that a penalty is imposed on organizations that do not meet the disclosure requirement of IRC 6115. A penalty of \$10 per contribution, not to exceed \$5,000 per fundraising event or mailing, may be imposed on organizations that fail to make the required disclosure in connection with a quid pro quo contribution of \$83 or more.*

**11) My school is planning an auction. Are there special rules and procedures for this kind of event?**

*Yes. Contact Yvonne Boothe at [yb4@columbia.edu](mailto:yb4@columbia.edu) or 870-2590 if you are planning an auction.*