

California Institute of Technology

Gift Policies

Gift Acceptance Policy
Gift Counting and Reporting Policy
Donor Agreement Policy
Naming Policy

October 2021

Caltech

TABLE OF CONTENTS

A. Gift Acceptance Policy

I.	Introduction.....	Page 1-1
II.	Acceptance of Gifts and Authorizations.....	1-1
III.	Gift Definition.....	1-3
IV.	Restricted Gifts.....	1-4
V.	Establishing Fundraising Priorities.....	1-4
VI.	Conditions for Declining or Rejecting a Gift.....	1-5
VII.	Conditions for Returning a Gift.....	1-6
VIII.	Appraisals.....	1-6
IX.	Use of Legal Counsel.....	1-6
X.	Gifts from Foreign Sources.....	1-7
XI.	Gift Acknowledgement.....	1-8
XII.	Types of Gifts.....	1-8
XIII.	Donor Agreements.....	1-15
XIV.	Counting and Reporting.....	1-16
XV.	Donor Recognition and Stewardship.....	1-16
XVI.	Exceptions.....	1-17

B. Gift Counting and Reporting Policy

I.	Introduction.....	Page 2-1
II.	Statement of Policy.....	2-1
III.	Principles of Campaign Counting.....	2-2
IV.	Campaign Information.....	2-2
V.	Reporting Gift Counting Totals.....	2-3
VI.	Gift Counting.....	2-5
VII.	Gift Counting Exclusions.....	2-18
VIII.	Exceptions.....	2-19

C. Donor Agreement Policy

I.	Introduction.....	Page 3-1
II.	Applicability: When Is a Donor Agreement Needed?	3-1
III.	Types of Donor Agreements.....	3-2
IV.	Use of Legal Counsel.....	3-3
V.	Gift Acceptance and Signatures on Donor Agreements.....	3-4
VI.	Restrictions and Preferences.....	3-4
VII.	Confidentiality and Anonymity.....	3-4
VIII.	Unallowable Terms Regarding Donor Agreements.....	3-5
IX.	Making Changes to Existing Donor Agreements.....	3-6
X.	Conflicts of Interest.....	3-6
XI.	Exceptions.....	3-6

D. Naming Policy

I.	Introduction.....	Page 4-1
II.	Applicability.....	4-1
III.	Policy Details.....	4-1
IV.	Principles.....	4-2
V.	Naming Guidelines.....	4-3
VI.	Criteria for Selection of a Naming.....	4-6
VII.	Naming Opportunities, Gift Minimums, and Necessary Approvals.....	4-7
VIII.	Exceptions.....	4-9

California Institute of Technology

Gift Acceptance Policy

October 2021

Caltech

I. Introduction

Caltech encourages the solicitation and acceptance of gifts that will help fulfill and further its mission. The purpose of this policy is to give guidance and counsel to those individuals within the Institute community who are associated with soliciting and accepting gifts. These guidelines should be viewed as flexible and realistic in order to accommodate unpredictable fundraising situations and donor expectations. When exceptions are made to these guidelines, the considerations that led to the exceptions should be consistent with the Institute's mission and the principles that underpin this policy. The scope of this policy is limited to the acceptance or rejection of proposed gifts.

II. Acceptance of Gifts and Authorizations

As chief executive officer of the Institute, the president presides over and administers the affairs of the Institute under authority given by the Board of Trustees. The Board has delegated to the president the authority to solicit, raise, and accept gifts ("fundraising activities") on behalf of Caltech and to exercise and discharge fundraising activities consistent with the gift policies in place at the time. Such authority is to be exercised by the president in consultation with the provost and the vice president for advancement and alumni relations ("AAR") as well as any other officers and trustees deemed appropriate by the president considering the specific circumstances of the gift:

- However, when the president determines that the potential gift is of such a character that it would have strategic implications for the Institute, the president shall inform the Board chair about the gift, and the president and Board chair shall determine whether the proposed gift should be discussed with the Board of Trustees or the Executive Committee (acting for the Board of Trustees) prior to acceptance.

The delegated authority includes the power to approve and modify such policies and procedures that the president deems necessary to the proper administration and management of the fundraising activities, provided that the vice president for AAR reports any such changes in policy to the Development Committee no later than at its next meeting that follows the president's approval. At the

direction of the president, the vice president for AAR is authorized to conduct and oversee the Institute's fundraising activities.

This policy applies to all charitable gifts and pledges received by Caltech for any of its academic divisions, programs, and administrative units. Such groups should consult with AAR prior to engaging in any fundraising effort or event (including fundraising efforts through mechanisms such as crowdfunding, and any other new fundraising activities that emerge in the future) in order to ensure compliance with local, state, and federal laws and with Caltech policies, and to support a coordinated Institute-wide fundraising effort and strategy.

The Institute has responsibility for ensuring that gifts are properly accepted, processed, acknowledged, and used according to their terms and restrictions and in accordance with this policy and all applicable local, state, and federal laws. In addition, the Institute reports all gifts from foreign entities, and AAR works in concert with the Office of Research Policy and the Committee on International Collaboration to ensure compliance with federal guidelines pertaining to the receipt of foreign gifts and support of research.

The vice president for AAR is responsible for participating in the development and implementation of strategic initiatives, recommending policy, and administering procedures related to fundraising and outreach to internal and external constituencies.

All entities acting on behalf of the Institute should endeavor to follow the guidelines set forth in this policy, particularly when negotiating or, when authorized, entering into endowment agreements, trust agreements, and other restricted or deferred gift agreements.

Occasionally, some proposed gifts may pose risk to the Institute. On these occasions, the vice president for AAR will confer with the Gift Liaison Committee prior to acceptance and clear with the president if risk is substantial.

The Gift Liaison Committee consists of the following members or their duly appointed designees:

- provost
- vice president for advancement and alumni relations
- vice president of administration and chief financial officer
- general counsel
- chief investment officer

III. Gift Definition

AAR is the primary office charged with determining what constitutes a philanthropic gift to Caltech. A gift is defined as a complete voluntary transfer of assets from a person or an organization to the Institute where no goods or services are expected, implied, or forthcoming in return to the donor. Gifts usually take the form of cash, securities, real property, or personal property. The following criteria generally identify a gift:

- Gifts are motivated by philanthropic intent.
- Gifts are irrevocable transfers of assets. The Institute is not obliged to return unexpended funds. If for some reason the Institute is unable to comply with a donor's intent, or if a gift has been misdirected to the Institute, the gift may be returned to the donor, at the Institute's discretion, less any out-of-pocket expenses. The vice president of administration and chief financial officer, in consultation with the president, provost, and vice president for AAR, is authorized to approve the return of a gift.
- Gifts are not generally subject to an exchange of consideration or other contractual duties between the Institute and the donors, except for certain deferred gifts as set out in the policy, although objectives may be stated, and funds may be restricted to a specific purpose.
- A period of performance is not usually specified.
- Generally, funds received from individuals, closely held corporations, and family foundations will be classified as gifts. Funds received from corporations, corporate foundations, and major foundations are classified as gifts unless they require performance or other consideration(s) that may result in their being designated as sponsored research.

AAR aims to comply with the *CASE Global Reporting Standards* and to follow those industry guidelines concerning gifts. The Institute is committed to ethical engagement, and all solicitations on behalf of Caltech for any unit or program will follow the standards in the *Donor Bill of Rights* developed by CASE and other organizations (<https://afpglobal.org/donor-bill-rights>). Additionally, all fundraising staff should adhere to the *Model Standards of Practice for the Charitable Gift Planner* <https://charitablegiftplanners.org/standards/model-standards-practice-charitable-gift-planner>) as adopted by the National Association of Charitable Gift Planners when soliciting planned gifts.

IV. Restricted Gifts

Gifts may be either unrestricted or restricted to an area of use that contributes to the benefit of the Institute. If the restriction(s) placed on the use of funds contributed to the Institute have been rendered illegal, unreasonable, or unable to be fulfilled, and if the donor(s) are unavailable to alter the gift restriction(s), the Institute may consult with its Office of the General Counsel and other appropriate Institute personnel and may, if necessary, seek approval from a court with jurisdiction to remove or modify such restriction(s). If termination of the restriction(s) is sought, the Institute will seek to use such funds for a purpose that reflects, as near as possible, the original restriction(s). Restrictions should be deemed unreasonable or unable to be fulfilled due to circumstances including, but not limited to, any of the following:

- the termination of an Institute program
- a surplus of funds available from other sources to fulfill the designated purpose(s) of the donation
- insufficiency of the restricted funds to fulfill the designated purpose in cases where no funds from other sources are available to supplement the restricted gift funds
- situations where the designated purpose is no longer legal or consistent with the mission of the Institute and its individual programs

V. Establishing Fundraising Priorities

All gifts solicited on behalf of Caltech should be in alignment with current

Institute priorities as established by the president and provost in coordination with AAR.

- A. *Support that Relieves the Institute's General Budget:* Any gifts that fully offset costs considered part of the Institute's general budget, such as unrestricted gifts, scholarships, or endowed professorships, do not need to be assigned a fundraising priority.

- B. *Facilities:* Requests for approval of facilities projects are handled as part of the Institute's Facilities Planning process that involves the president, provost, and the Buildings and Grounds Committee of the Board of Trustees. Approved facilities projects that contain a fundraising element, including new construction and renovation projects, will be assigned a fundraising priority and approved by the president, who will decide in consultation with the provost, the vice president for AAR, and the vice president of administration and chief financial officer.

VI. Conditions for Declining or Rejecting a Gift

Caltech reserves the right to refuse any gift, or conditions surrounding a gift, that is not consistent with the Institute's mission. In addition to and without limiting the generality of the foregoing, the Institute will not accept the following:

- gift restrictions that necessitate illegal (i.e., in violation of any federal, state, or local law, statute, or ordinance) use of funds, inappropriately discriminatory use of funds, or administration of the gift that the Institute would deem to be contrary to public policy
- gift restrictions that present a strong likelihood that changed circumstances may render use of the gift extremely difficult or impossible (in such cases, donors should be encouraged to include language in the gift agreement that will permit an alternative use)
- gifts of scholarships, fellowships, professorships, or lecture series with restrictive clauses that could cause embarrassment to the Institute, or that reserve to the donors or their representatives the right to designate the recipients
- restrictions on the use or administration of a gift linked to the incumbency of any individual in an Institute post

- gifts whose administration and use are to be directed by donors or other third parties
- gifts that obligate the Institute to name a faculty, program, or endowment fund that is revocable by the donor in any way
- gifts that contain unreasonable conditions (e.g., a lien or other encumbrance) on gifts of partial interest and property
- gifts that are financially unsound, fail to provide a positive net present financial value, or which, in the Institute's sole judgment, could reasonably expose the Institute to unacceptable liability (including gifts of real estate that may expose the Institute to environmental liability)
- gifts where the costs or time involved with the liquidation of the gift make it financially undesirable

VII. Conditions for Returning a Gift

In most cases, returning a gift to a donor is prohibited. A charitable contribution is a gift to a nonprofit organization and an irrevocable transfer of a donor's interest in the gift used to further the public interest. Any circumstances that trigger discussions about returning a donor's gift should be referred to the Gift Liaison Committee, which will make a final recommendation to the president based on Institute and public interest as well as any legal, tax, or other relevant implications.

VIII. Appraisals

All appraisals of real and personal property contributed to the Institute should be performed in accordance with *IRS Publication 561: Determining the Value of Donated Property* (www.irs.gov/pub/irs-pdf/p561.pdf). A real or personal property valuation should be performed by a qualified appraiser acceptable to the Institute. Expenses incurred to obtain an appraisal should be the responsibility of the donor(s).

IX. Use of Legal Counsel

Caltech does not provide legal or tax advice to donors. The Institute will urge all prospective donors to seek the assistance of personal legal and financial advisers

in matters relating to their gifts and the resulting tax and estate planning consequences. The Institute will comply with the *Model Standards of Practice for the Charitable Gift Planner* promulgated by the National Association of Charitable Gift Planners.

AAR may seek the advice of the Office of the General Counsel in certain matters relating to the acceptance of gifts including, but not limited to, the following:

- gifts of \$5,000,000 or more
- closely held stock transfers that are subject to restrictions or buy-sell agreements
- gifts, such as bargain sales, requiring the Institute to assume an obligation
- transactions that could potentially result in reputational risk to the Institute
- transactions with potential conflict of interest that may invoke IRS sanctions
- other instances in which use of counsel is deemed appropriate

X. Gifts from Foreign Sources

Section 117 of the Higher Education Act of 1965 requires that Caltech report contracts with or gifts from a foreign source that, alone or combined, have a value of \$250,000 or more for a calendar year. As a result of increased scrutiny and reporting requirements by the National Science Foundation (NSF) and National Institutes of Health (NIH) the Faculty Committee on International Collaboration has recommended that the Institute adopt a tiered-step procedure to identify and assess “elevated-risk” proposals submitted through the Office of Sponsored Research or AAR

(www.researchcompliance.caltech.edu/documents/17970/CIC_Report-2020-11-03_final_2020-11-23.pdf pp.22-23).

With special attention to issues of export control, national security, data security, reputational security, and alignment with core values, those proposals identified as having elevated risk will be referred to the Gift Liaison Committee and the Office of the General Counsel for additional review.

XI. Gift Acknowledgement

The Institute has assigned AAR to be the sole party responsible for formal acknowledgment of the receipt of all gifts to the Institute. This acknowledgment will be in writing and in a manner that satisfies the substantiation requirements of the IRS (as set forth in Internal Revenue Code Section 170(f) for the deduction of charitable gifts by individual donors) or other tax revenue agencies with authority.

XII. Types of Gifts

Gifts are either outright or deferred. The most common gifts to the Institute are outright gifts. In addition to cash gifts, the Institute accepts gifts of securities, real property, and tangible personal property. Deferred gifts, also called planned gifts, are typically (though not always) arranged with the Institute during the donor's lifetime, but the benefits do not accrue until a later time, usually after the death of the donor or his/her beneficiaries. Bequests are the most common type of deferred gift.

The following types of gifts are acceptable, within the terms of the law, and subject to review where noted below:

- Outright Gifts
 - cash
 - publicly traded securities (marketable securities)
 - closely held and/or private securities
 - real property (real estate)
 - tangible and other personal property (gifts-in-kind)
 - unreimbursed expenses (see definition below)
 - *quid pro quo* contributions (see definition below)
 - virtual currency (see definition below)

- Deferred Gifts
 - estate gifts (bequests, bequest intentions, and bequest expectancies)
 - gifts of retirement plan assets
 - charitable gift annuities

- charitable lead trusts
- charitable remainder trusts
- life insurance policies
- pooled income funds
- retained life estates

A. Outright Gifts

1. *Cash*: Cash is often the easiest way to give and is the form of gift most frequently received and accepted by the Institute. Cash gifts can take the form of currency, money orders, checks, or electronic transfers (either through wire transfers to the Institute's bank account or by verified credit card transactions). Cash gifts are reported on the date the cash is received by the Gifts and Records team in AAR. If a gift is transferred by electronic fund transfer or wire, the date of the gift is the date that the money is transferred into the Institute's bank account. Credit card gifts are reported on the date that the credit card charges are processed.

2. *Marketable Securities*: The Institute will accept liquid U.S.-listed securities or securities traded over-the-counter that can be sold over a reasonable amount of time without materially impacting the market price as outright gifts or as payments toward pledges. Illiquid securities (e.g., situations where the number of shares donated exceeds 10 percent of the average daily trading volume) and/or securities traded on foreign exchanges should be reviewed by the Investment Office prior to acceptance, as Caltech may not have the ability to trade on certain exchanges or liquidity may be very limited relative to the size of the gift. Under most circumstances, the gift value of the securities is determined on the recognized gift date, which, per *IRS Publication 561*, is the date that the transfer of the property is deemed to take place. Securities may be received in the form of a broker-to-broker electronic transfer or stock certificates. The Institute prefers electronic transfers and at the time of writing this document has a brokerage account at Charles Schwab & Co. set up specifically to receive and liquidate marketable securities. Unless

an illiquidity discount must be applied, the average of the high and low trading prices on the gift date determines the value of securities for reporting purposes.

3. *Closely Held Securities*: Closely held or non-publicly traded securities may be accepted only after prior review and approval by the Gift Liaison Committee. Valuation of closely held securities may be difficult due to infrequent trading, which makes it difficult to establish fair market value. If a donation of closely held stock is being considered, *IRS Publication 561* should be followed in valuing this type of security.
4. *Real Property (Real Estate)*: Real property includes improved or unimproved land, personal residences, farmland, commercial properties, rental properties, and mineral interests. It is the policy of the Institute to sell or otherwise dispose of all gifts of real property (real estate), unless the items are included in the campus master plan or can be used by the Institute in a manner related to learning, discovery, or engagement. If it is the intention of the donor(s) that the Institute not immediately dispose of real property, an agreement must be made in writing between the Institute and the donor(s) (usually prepared in consultation with the Gift Liaison Committee) before the Institute may accept such property. Gifts of real estate must be reviewed in advance of acceptance to conform to state and federal laws, including environmental regulations. Upon request, the donor(s) must provide satisfactory evidence of environmental compliance as needed. The standard procedures are that each gift of real property is reviewed by Caltech's director of real estate in the Investment Office, who then provides the Gift Liaison Committee with a recommendation for or against the acceptance of the property.
5. *Tangible and Other Personal Property (Gifts-in-Kind)*: The Institute may consider gifts of tangible and other personal property, including but not limited to, art, equipment, antiques, stamp and coin collections, jewelry, furniture, rare books, manuscripts, artifacts, specimens, historical items, patents, copyrights, or any other tangible

items. These gifts are also referred to as gifts-in-kind. It is the policy of the Institute to sell or otherwise dispose of all gifts of personal property, unless the items can be used by the Institute in a manner related to learning, discovery, or engagement. Such gifts are facilitated by advancement information services in accordance with the *Gift Acceptance Policy* and will be counted at the appraised or documented fair market value.

Gifts of art where the donor stipulates that the artwork must be held and displayed publicly by Caltech will typically be reviewed by the Caltech Art Committee, which will provide the vice president for AAR with a recommendation for or against including the art in the Institute's collection.

6. *Unreimbursed Expenses:* Donor contributions of \$250 or more made in the form of unreimbursed expenses (e.g., underwriting/hosting a donor event) will be accepted as gifts by the Institute.
7. *Quid Pro Quo Contributions:* A *quid pro quo* ("one thing in return for another") contribution is a payment a donor makes to the Institute partly as a contribution and partly for goods or services. In determining the actual value of such a gift, the value of the benefits or "premiums" that the donor receives will be excluded. See *IRS Publication 526: Charitable Contributions* (www.irs.gov/pub/irs-pdf/p526.pdf) for guidelines.
8. *Virtual Currency:* Cryptocurrency is a type of virtual currency that utilizes cryptography to secure transactions that are digitally recorded on a distributed ledger, such as a blockchain. In order to provide donors with a viable and secure way to facilitate transfers of gifts of cryptocurrency, Caltech will use a third-party cryptocurrency service provider for both custody and exchange to safeguard such transactions and eliminate the need to maintain a hot wallet or local storage. Conditions for acceptance may vary by type of virtual currency and may require a gift minimum.

Consistent with *IRS Notice 2014-21* (www.irs.gov/irb/2014-16_IRB#NOT-2014-21), and *IRS Publication 561*, the gift value of virtual currency gifts is determined based upon the date that the transfer of the virtual currency is deemed to take place, in a similar fashion to marketable securities (q.v. above).

B. Deferred Gifts

All planned gifts to Caltech should be facilitated by the Office of Gift Planning. It is recommended that prospective donors considering gifts to the Institute that will take effect at the time of their death or some other date in the future consult with the Office of Gift Planning regarding how to designate the gifts and to discuss any potential trust or bequest restriction under consideration.

1. *Estate Gifts*: The Institute should accept estate gifts subject to the following considerations:
 - The Institute reserves the right to decline gifts from the estates of deceased donors that are not in keeping with the terms of this policy.
 - For gifts of property from the estates of deceased donors, the acceptability of such gifts may be determined by the vice president for AAR, in consultation with the senior director of gift planning. The Gift Liaison Committee also may be consulted when applicable. The Office of Gift Planning should expeditiously communicate the Institute's decision to the legal representatives of the estate.
 - The president or his/her designee will have the discretion to designate for capital, endowment, or other purposes any unrestricted estate gifts. In accordance with Institute policy, unrestricted gifts shall be designated as funds functioning as endowment (i.e., quasi-endowment).
 - As appropriate, the Office of the General Counsel will be responsible to retain counsel to appear on the Institute's behalf at court or other probate proceedings in which the

Institute's interests either (1) consist of a gift in excess of \$50,000 or (2) consist of the residue of an estate.

- The Institute does not serve as trustee or successor trustee for living trusts or as executor of any will. In any case where Caltech has been named as successor trustee or executor without notification, the senior director of gift planning should consult with the Office of the General Counsel and the Gift Liaison Committee, as needed.
2. *Charitable Bequests:* Donors can make charitable bequests to the Institute in wills, living trusts, or other estate documents.
 3. *Charitable Gift Annuities:* A charitable gift annuity is an irrevocable contract between the Institute and the donor(s), not a trust agreement, whereby the donor(s) make an initial contribution of cash or marketable securities to Caltech and the Institute agrees to pay one or two annuitants for the rest of their lifetimes. Any gift annuity funded with real property is considered an exception to policy and should be approved by the Gift Liaison Committee. A charitable gift annuity may be funded with a minimum contribution of \$25,000, and the annuitant must be at least 60 years of age at the time payments commence. Payments to annuitants may not exceed those rates currently recommended by the American Council on Gift Annuities ("ACGA").
 4. *Charitable Lead Trusts:* A charitable lead trust provides an income stream to the Institute for a specified period of time. The Institute receives the income from the trust that is allocated according to the terms of the trust. The remainder value of the trust, which may include principal and income, is then returned at the end of the set period to whomever the donor designates.
 5. *Charitable Remainder Trusts:* A charitable remainder trust is established when a donor irrevocably transfers money, securities, or other assets to a trustee who manages the assets. Such trusts are

designed to pay income to one or more designated beneficiaries for a specific period of time. At the end of the specified period of time, the remaining trust assets are distributed to the charitable beneficiaries. Caltech should serve as trustee for a charitable trust providing the Institute will receive at least 51 percent of the remainder interest. A charitable remainder unitrust may be funded with a minimum contribution of \$100,000 and must meet the 10 percent remainder interest requirement. The beneficiary must be at least age 60 when payments commence.

6. *Pooled Income Funds*: Pooled income funds allow donors to combine their gifts with those from other individuals in order to participate in life income trusts with smaller initial gifts. The annual income is based upon the donor's investment in the fund and varies with the actual earnings of the fund. The donor must be at least age 60.
7. *Life Estates*: Donors can receive sizable charitable income tax deductions by making gifts to Caltech of their personal residences or farms, while retaining full use and rights to the properties during their lifetimes. The donors retain responsibility for all taxes, insurance, and maintenance associated with the properties.
8. *Life Insurance Policies*: Donors may make life insurance gifts to the Institute in the following ways:
 - naming the Institute as a beneficiary of the policy
 - naming the Institute as a beneficiary and owner of the policy
 - transferring ownership of a paid-up policy to the Institute
 - transferring ownership of a policy to the Institute and making periodic gifts to the Institute to cover payment of the policy premiums
9. *Corporate Match Gifts*: The Institute accepts matching gifts from companies that match the contributions of donors to the institute.

10. *Donor-Advised Funds*: Gifts from donor-advised funds are typically accepted in the form of checks or electronic fund transfers and processed accordingly. Gifts from such funds may be used to make pledge payments on behalf of a donor as long as the pledge is not mentioned in the letter of transmittal, the donor/advisor accrues no benefits (i.e., no *quid pro quo*), and the donor/advisor does not attempt to claim a charitable deduction for the contribution from the donor-advised fund (www.irs.gov/pub/irs-drop/n-17-73.pdf). The Institute does not administer its own donor-advised fund.

11. *Gifts of Retirement Plan Assets*: The designation of Caltech as the beneficiary of retirement plan assets (e.g., assets from IRAs or 403 (b), 401 (k), or 457 plans) is an alternative to a charitable bequest, but similar to a bequest. This type of gift is simple because the donor can control the transfer of these assets at death without changing his or her will or living trust. The assets are transferred by means of a completed beneficiary designation form that names Caltech and any specific designated use and is filed with the plan administrator, and do not pass under a will or living trust.

Other outright and deferred gifts not included in the aforementioned list (charitable bargain sales, testamentary pledges, etc.) also may be accepted by the Institute. Charitable bargain sales, gifts of real estate, closely held stock, life insurance, and all planned gifts should be facilitated through the Office of Gift Planning. Gifts of real estate and closely held stock liquidated are also facilitated in coordination with the Investment Office.

XIII. Donor Agreements

To properly document donor intent for most restricted and deferred gifts, the Institute will ask that donors, in all practical instances, enter into a written donor agreement with the Institute. Please refer to the *Donor Agreement Policy*.

XIV. Counting and Reporting

“Counting” and “reporting” are terms used by AAR to track all outright gifts, pledges, and deferred gifts received during a specified period toward a specific fundraising goal. The intent of counting and reporting is to reflect the total impact of fundraising efforts by representing all outright gifts, pledges, and deferred gifts at their face value, but it should not be misconstrued as being based on the generally accepted accounting procedures (GAAP) for gift revenue reflected in the Institute’s audited financial statements. The two standard forms of reporting disclose (1) cash receipts, and (2) new gifts and commitments for a given fiscal year. Please refer to the *Gift Counting and Recording Policy*.

XV. Donor Recognition and Stewardship

Donors entrust funds to the Institute with the expectation that their gifts will be recognized and managed in a timely and fiscally responsible manner. Acceptance of all gifts to the Institute should be in accordance with this policy, and every effort will be made to ensure that donors’ confidence in the Institute’s stewardship is well placed and that all monies contributed are expended for their designated purposes under the guidelines and within the time frames specified in the donor agreements.

Donor stewardship is an Institute-wide responsibility and provides a foundation for establishing lasting relationships between the Institute and its donors. In order to fulfill this responsibility, AAR has been designated as the lead authority responsible for monitoring campus-wide efforts to comply with the terms outlined in each gift agreement.

AAR treats all correspondence, gift records, and other data related to gifts, donors, and prospective donors confidentially, in accordance with the *Donor Bill of Rights*. Caltech is also committed to honoring donors’ wishes for anonymity.

The Institute may provide naming recognition to donors for gifts to support capital projects, named endowed or current-use funds, or memorial or in-honor-of gifts. Please refer to the *Naming Policy*.

XVI. Exceptions

Exceptions to this policy are allowable only with permission of the president or his/her designees.

California Institute of Technology

Gift Counting and Reporting Policy

October 2021

Caltech

I. Introduction

Advancement and Alumni Relations (“AAR”) has been delegated the authority to raise and solicit philanthropic support for Caltech, in concert with the Institute’s leadership. AAR is also responsible for counting and reporting all philanthropic activity at the Institute.

In order to fulfill the highest standards of conduct for fair, accurate, and ethical fundraising, the guidelines outlined in this policy apply to counting and reporting for all gifts and pledges, including those raised as part of an Institute fundraising campaign. Additional guidelines are included by reference.

II. Statement of Policy

It is important to clarify the distinction between financial accounting, which underlies the financial reporting of gifts following the principles established by the Financial Accounting Standard Board (“FASB”), and development reporting, which is a measure of fundraising activity.

AAR tracks all outright gifts, pledges, and deferred gifts received. The intent of development reporting is to reflect the total impact of fundraising efforts by representing all gifts, including the value of pledges and deferred gifts, at both face and present values.

Gift revenue presented in the Institute’s financial statements may be recognized in different periods than in development reports. Additionally, financial accounting may discount the face value of certain gifts and pledges based on various methodologies utilized in determining the present value of future receipts. The important point is that financial accounting is not a measure of fundraising effort, but rather a measure of the expected future value of a gift.

All gifts to the Institute during a fundraising campaign or campaign period will be counted toward the achievement of that campaign’s goal, in accordance with the principles outlined below.

III. Principles of Campaign Counting

The principles for counting gifts during a campaign include the following:

- Gifts and pledges received or committed during the specific period of time identified for a campaign are counted in the campaign totals.
- A gift or pledge received prior to the start of the campaign period may be grandfathered in only (1) if the gift or pledge was not counted in a previous campaign and (2) if it meets one of the following criteria:
 - The gift or pledge was made with the explicit understanding that it would be counted in campaign totals.
 - A pledge payment was made on an earlier, non-campaign, pledge.
 - The gift or pledge was a challenge grant that will be met during the campaign period.
 - The gift or pledge was made in support of a capital project that will be a fundraising priority during the campaign period.
- The value of any canceled or unfulfilled pledges must be subtracted from campaign totals when it is determined they will not be realized.

IV. Campaign Information

- A. *Campaign Period*: For the purposes of this policy, the campaign period refers to the total time encompassed by the active solicitation period for a campaign, including the leadership gifts phase (also referred to as the “quiet” or “silent” phase), as approved by the Board of Trustees.
- B. *Campaign Goal*: For the purpose of this policy, the campaign goal refers to the total fundraising goal for a campaign as approved by the Board of Trustees.
- C. *Campaign Totals*: The Institute will report campaign totals as described below:
 - 1. The total of outright gifts and pledges received, reported at face value and payable within the campaign period and post-campaign accounting period, which is up to five years after the close of the campaign.

2. The total of irrevocable and revocable deferred commitments, reported at face value, which will be received at an undetermined time in the future.

The grand total of 1 and 2 above will comprise the public campaign total.

In addition, the Institute will report separately the net present value of the total of deferred commitments to be received at an undetermined time in the future.

- D. *Types of Gifts*: If the campaign is a comprehensive campaign, it will include, but not be limited to, outright and deferred gifts made via a variety of methods as detailed under “Gift Counting,” below. Certain types of gifts may require a review by the Gift Liaison Committee before the Institute can accept them (see *Gift Acceptance Policy*).

V. Reporting Gift Counting Totals

AAR prepares reports in multiple formats. These formats include three primary types: fiscal year reporting, campaign reporting, and recognition reporting. Generally, reporting at Caltech will follow and adhere to the first edition of the *CASE Global Reporting Standards (2021)*.

A. Fiscal Year Reporting

1. *Fiscal Year Cash and Commitment Year-to-Date Reports*: These reports present the current cash and/or commitments for a specific fiscal year only (October 1 to September 30).
2. *Fiscal Year Cash Reports*: These reports present only hard credit, cash, or other asset transactions, including outright gifts, realized bequests, and pledge payments. These reports also may include payments made on pledges from prior years; however, to avoid double counting, this number should not be added to the new commitment total. Fiscal year cash is the method by which institutions are measured and compared by the Council for Aid to Education (“CAE”).

3. *Fiscal Year New Commitment Reports*: These reports present the total of hard credit transactions of outright gifts, pledges, life income gifts, bequest expectancies and intentions, and matching gifts.

B. Campaign Reporting

1. *Campaign Reports*: These reports present the cumulative value of commitments received by the Institute during the campaign period and measured against a certain goal. In general, campaign numbers include all hard credits of outright gifts, any pledges, life income gifts, bequest intentions, and expectancies raised during span of the campaign. These reports exclude pledge payments.¹

Campaign reports over the campaign period include:

- outright gifts
- pledges at original pledge amount (minus any write-offs)
- bequest intentions at original pledge amount (minus any write-offs)
- realized bequests that are not payments on intentions
- life income gifts
- bequest expectancies that are not payments on intentions, and
- realized gifts from matching pledges

C. Recognition Reporting

These reports present the number of donors at specific giving levels for purposes of donor recognition. The reports include all cash transactions for which a donor received hard credit (i.e., legal credit) and, in most instances, pledges and soft credit (e.g., gifts from spouses, donor-advised funds, matching gift companies, etc.).

¹ Pledge payments for pledges made before the start of the campaign but not counted in prior campaigns are included in campaign reporting.

Recognition reports include:

- outright gifts (including gifts-in-kind)
- pledges
- realized bequests
- outstanding balances on bequest intentions
- life income gifts
- bequest expectancies
- matching gift pledges or payments
- credit transactions from non-spousal sources (making sure not to double count), and
- foundation and corporation credits

To avoid double counting gift dollars, recognition dollar totals are never added together.

D. Other Reporting Formats

Other reporting formats may include, but are not limited to, calendar-year or other time-bound reporting formats, purpose-bound formats, and other formats as requested or specified by Institute leadership.

VI. Gift Counting

Gifts and pledges will be counted as described below. Note that any gift type not listed below will be considered only if it is in compliance with IRS regulations and best practices in the industry. Note also that gift counting may differ from financial statement and tax reporting.

All gifts and pledge payments of cash and non-cash assets from individuals, corporations, foundations, or other organizations subject to the exclusions stated below will be counted. Outright gifts will be reported only when assets are transferred irrevocably to the Institute.

A. Outright Gifts

Cash Payments: All outright gifts by cash, credit card, check, virtual

currency, stock, or other personal property made during a period will be credited at face value on the effective date of the gift, in accordance with the Institute's gift processing procedures.

The effective date of a gift is determined by gift processing procedures. This date is not necessarily the date of the gift the donor uses for tax purposes. It is the responsibility of each donor to maintain accurate records of the date of his/her gift. Donors should consult with their tax advisers to determine how this is handled.

B. Pledges

A pledge is a written, signed, and dated promise to fulfill a commitment at some future time—specifically, a financial promise payable according to terms set by the donor. Pledges are legally enforceable, subject to state law. All pledges of five years or less will be counted toward a campaign goal, provided that they are initiated during the campaign period and documented in writing, with documentation to include the pledge amount, designation, payment schedule, donor signature, and date.

Exceptions to the five-year time frame are discouraged but may be considered, with the approval of the vice president for AAR, on a case-by-case basis.

Changes to Existing Pledges or Unfulfilled Pledges: Unfulfilled pledge balances should be subtracted from campaign counts and reports when it is determined the pledges will not be realized. The preferred pledge payment period, regardless of when a pledge is made during a campaign period, is five years or less. AAR should make every effort to ensure that donor pledges are fulfilled. If a donor's circumstances change (e.g., a change in the donor's ability or willingness to fulfill the pledge, a change in the timing of pledge payments, a change in the means of fulfilling the pledge, etc.), it is the obligation of the donor to inform Caltech so that the terms of the pledge and the level of recognition can be adjusted accordingly. Such changes are handled on a case-by-case basis and should be approved by the vice president for AAR or his/her delegate. Please

refer to the gift processing procedures for further information about write-offs. The following guidelines apply:

- *Verbal Pledges:* The only verbal pledges counted by Caltech are pledges made through a phonathon or peer solicitation. Otherwise, verbal pledges are not recognized until a written donor agreement has been accepted or an outright gift has been received.
- *Fulfillment of Pledges by Third Parties:* Donors' pledges can be paid by third parties (e.g., business affiliates, family members, etc.) unless prohibited by law (e.g., private foundation grants on behalf of disqualified persons, etc.). See "Statement of Intent," below.
- *Challenge/Conditional Pledges:* These pledges may be included in totals if there is appropriate documentation with dollar amounts, designations, and payment schedules. Conditional pledges are not carried on Institute financial statements. Conditional pledges should be approved by the vice president for AAR.

C. Donor Agreements

Donor agreements are contracts that document outright gifts as well as unconditional and conditional pledges of support. For public reporting purposes, such pledges are counted at the face value of the five-year pledge payment income stream.

1. *Gift Agreement:* A gift agreement is a written document, signed by the donor(s) and Institute representative(s), that outlines the amount and purpose of the gift—including any restrictions and preferences—and specifies the timing of the contribution made by the donor. Although a matching gift may be referenced in a gift agreement, the total gift amount recorded should not include the matching gift.
2. *Statement of Intent:* A statement of intent is a written agreement between the donor and the Institute that outlines the purpose of the gift—including any restrictions or preferences—to be made on behalf of the donor. A statement of intent does not necessarily contain

pledge payment schedule and is not considered legally binding. Statements of intent are not legally enforceable and therefore are not carried on the Institute's financial statements; however, a statement of intent may be counted in advancement reporting totals. A statement of intent is *not* to be used for any gift that includes a matching gift component.

3. *Other Types of Gift Documentation:* Planned gifts (e.g., trusts, annuities, testamentary pledges, bequest intentions, etc.), gifts of real property (real estate), and gifts of tangible and other personal property (gifts-in-kind) require written documentation in order to be accepted and booked by the Institute. In such cases, a life income agreement, trust agreement, gift/pledge agreement, statement of intent, or other type of written documentation will be required to document donor intent. For planned gifts, where an agreement or statement of intent will not be used, the appropriate form of documentation will be determined by the Office of Gift Planning, in consultation with the Institute's Office of the General Counsel, on a case-by-case basis.

D. Securities

The following types of securities can be accepted and counted:

- *Marketable Securities:* The Institute will accept liquid U.S.-listed securities or securities traded over-the-counter that can be sold over a reasonable amount of time without materially impacting the market price as outright gifts or as payments toward pledges. Illiquid securities (e.g., situations where the number of shares donated exceeds 10 percent of the average daily trading volume) and/or securities traded on foreign exchanges should be reviewed by the Investment Office prior to acceptance, as liquidity may be very limited relative to the size of the gift, or Caltech may not have the ability to trade on certain exchanges. Under most circumstances, the gift value of the securities is determined on the recognized gift date, which, per *IRS Publication 561*, is the date that the transfer of the property is deemed to take place. Securities may be received in the form of broker-to-broker

electronic transfers or stock certificates. The Institute prefers electronic transfers and at the time of writing this document has a brokerage account at Charles Schwab & Co. set up specifically to receive and liquidate marketable securities. Unless an illiquidity discount must be applied, the average of the high- and low-trading prices on the gift date determines the value of securities for reporting purposes.

- *Closely Held Securities:* Closely held or non-publicly traded securities should be accepted only after prior review and approval by the Gift Liaison Committee. Valuation of closely held securities may be difficult due to infrequent trading, which makes it difficult to establish fair market value. If a donation of closely held stock is being considered, *IRS Publication 561* (www.irs.gov/pub/irs-pdf/p561.pdf) should be followed in valuing this type of security.
- *S Corporation Stock, Membership Interests in a Limited Liability Company (LLC), and Private Debt Instruments:* Because of significant tax and legal implications for the Institute, proposed gifts of these types should be authorized in advance by the Institute's Gift Liaison Committee. For income tax purposes (including substantiation), donors will need to follow the guidelines for valuation of closely held stock outlined in the paragraph above.

E. Virtual Currency

Gifts of virtual currency should be reviewed and accepted or rejected in accordance with Institute's *Gift Acceptance Policy*. For federal income tax purposes, the IRS considers gifts of virtual currency to be gifts of property. Donors who wish to take a tax deduction should consult with their own legal and tax advisers for professional advice regarding any tax and legal implications. For more detailed information, refer to the IRS guidance regarding virtual currencies (www.irs.gov/businesses/small-businesses-self-employed/virtual-currencies) and/or *IRS Notice 2014-21* (www.irs.gov/irb/2014-16_IRB#NOT-2014-21).

F. *Property*

Gifts of property should be reviewed and accepted or rejected in accordance with the Institute's *Gift Acceptance Policy*. Gifts of real estate, tangible personal property (e.g., artworks, books, cars, boats, animals, jewelry, etc.), and intellectual property valued in excess of \$5,000 require an independent appraisal of fair market value before being credited. In the event a donor declines to get an appraisal for the property, the gift will be recorded in the database at \$1; however, Caltech may choose to get an independent appraisal and record the gift, for gift counting purposes, at the appraised value.

1. *Real Property (Real Estate)*: Real property includes improved or unimproved land, personal residences, farmland, commercial properties, rental properties, and mineral interests. Gifts of real estate typically should be valued at a minimum of \$25,000. If it is the intention of the donor that the Institute not immediately dispose of real property, an agreement must be made in writing between the Institute and the donor, in consultation with the chief investment officer, before the Institute may accept such property. Gifts of real estate must be tested to be in conformity with state and federal laws, including environmental regulations, and the donor must provide satisfactory evidence of environmental compliance as needed. It is the policy of the Institute to sell or otherwise dispose of all gifts of real property (real estate), unless the items are included in the campus master plan or can be used by the Institute in a manner related to learning, discovery, or engagement.
2. *Tangible and Other Personal Property*: The Institute may consider gifts of tangible and other personal property, including but not limited to art, equipment, antiques, stamp and coin collections, jewelry, furniture, rare books, manuscripts, artifacts, specimens, historical items, patents, copyrights, or any other tangible items. These gifts are also referred to as gifts-in-kind. It is the policy of the Institute to sell or otherwise dispose of all gifts of personal property, unless the items can be used by the Institute in a manner related to learning, discovery, or engagement. Such gifts are facilitated by

advancement information services in accordance with the *Gift Acceptance Policy* and will be counted at the appraised or documented fair market value.

Gifts of art where the donor stipulates that the artwork must be held and be publicly displayed by Caltech typically will be reviewed by the Caltech Art Committee, which will provide the vice president for AAR with a recommendation for or against including the art in the Institute's collection.

Gifts-in-kind will be valued in accordance with current IRS regulations and the Institute's gifts-in-kind procedures. Gifts of tangible personal property whose value is not substantiated by appraisal will be valued at \$1 for counting and recording purposes. Only those gifts-in-kind that can be converted to cash, or items such as equipment, books, artworks, etc., that can be used in support of learning, discovery, or engagement, should be accepted. Receiving units within Caltech (e.g., divisions, administrative offices, etc.) must agree to use the in-kind materials that are not being converted to cash before accepting the gift. Advancement Information Services should be consulted prior to accepting in-kind gifts to ensure that donors have been apprised of tax deductibility and IRS substantiation requirements and to assist in the preparation of any agreements required to facilitate the gifts. Caltech cannot provide or pay for appraisals for donors' tax purposes, nor will the Institute attempt to estimate the fair market value of any real or personal property gift.

Depending on the appraised value of the donated item, *IRS Form 8283* may be submitted to the Institute. Gifts-in-kind where the donor provides qualified appraisals (i.e., most gifts valued at more than \$5,000) will be counted at the appraised value. Examples of gifts-in-kind other than those referenced above may include:

- *Patents and Copyrights*: Caltech will consult with the Office of Technology Transfer before accepting and recording gifts of patents and copyrights.
- *Deep Discounts or Bargain Sales*: The discounted amount of a product bought at a non-routine "deep discount" or "bargain

sale” will be counted at the face or appraised value of the discounted amount.

- *Royalties*: Payments received as royalties from patents or other property not owned by the Institute are counted at the face value of each payment received. Royalties from vendor affinity agreements, such as alumni credit card programs, are exchange transactions and are not countable.
- *Unreimbursed Expenses*: If a donor contributes \$250 or more in the form of unreimbursed expenses (e.g., underwriting/hosting a donor event), the donor needs to provide proper documentation of payment in order for the Institute to recognize this gift-in-kind at the value of the unreimbursed expense.

3. *Software, Hardware, and Maintenance Agreements*: Gifts of software or hardware that qualify as charitable donations under the laws of the appropriate tax authority, and with an established retail value, should be counted at the educational discount value (if one exists) or the fair market value, whichever is lower. Maintenance agreements are contributed services and not goods and therefore are not counted.

G. Non-Government Grants and Contracts

Funds from grants from private, non-government sources should be reported; *contract revenue should be excluded*. The difference between a private grant and a contract should be judged on the basis of the intention of the awarding agency and the legal obligation incurred by the Institute in accepting the award. A grant, like a gift, is bestowed voluntarily and without expectation of any tangible return. It is donative in nature. A contract carries an explicit *quid pro quo* relationship between the source and the institution. Grants from foreign governments are not counted. In making the determination between a grant and a contract, the Institute will follow CASE guidelines.

H. Credit

Cash gifts from organizations or corporations to match gifts of cash or

securities from individuals associated with the organizations or corporations should be credited to the corporate donors' gift records. An individual donor whose gift is matched will receive associated and recognition credit for the matching amount. Thus, the matching gift entity receives the legal (i.e., "hard") credit, and the donor receives recognition (i.e., "soft") credit. A matching gift always follows the designation of the outright gift unless otherwise specified by the matching gift company.

I. *Deferred (or Planned) Gifts*

All planned gifts, subject to any exclusion stated below, will be counted as follows:

- *Irrevocable Planned Gifts*: Irrevocable planned gifts (e.g., documentation accompanying wills/trusts, bequests, immediate or deferred charitable gift annuities, charitable remainder trusts, remainder interests in real estate, pooled income funds, life insurance policy ownership, etc.) should be counted at face value for donors of any age, except for donations of the ownership of life insurance policies that are not paid up by donors (insured) under the age of 60.
 - *Revocable Planned Gifts*: Revocable planned gifts (e.g., will/trust bequests, retirement plan or commercial annuity beneficiary designations, life insurance beneficiary designations, payment on death designations, etc.) are considered conditional and are not carried on Institute financial statements until the gifts are realized; however, revocable planned gifts should be counted at face value for donors aged 60 and over or who will reach age 60 during a campaign period. In the case of married couples, both spouses have to qualify.
1. *Charitable Remainder Trusts and Pooled Income Funds*: Gifts made to establish charitable remainder trusts (including charitable remainder trusts administered outside the Institute) where the remainder is not subject to change or revocation as well as contributions to pooled income funds should be included in gift totals at face value. A charitable remainder trust may be funded with a minimum

contribution of \$100,000 and must meet the 10 percent remainder interest requirement. The life income beneficiaries must be at least age 60.

2. *Charitable Gift Annuities:* Gift annuities will be credited at the face amount transferred. A charitable gift annuity may be funded with a minimum contribution of \$25,000, and the annuitant(s) must be at least age 60 when payments commence.
3. *Remainder Life Estates:* A gift of a remainder interest in a personal residence or farm (retained life estate) should be credited at the face amount based on the appraised value of the underlying property.
4. *Charitable Lead Trusts:* Charitable lead trusts are counted at face value and are recorded as pledges. Each trust distribution is recorded against the original pledge amount upon receipt. For charitable lead trusts that extend beyond a campaign, the Institute should report amounts beyond the first five-year period past the end of the campaign both at remaining face value of the income stream and the present value of the remaining income stream, calculated in accordance with Institute guidelines.
5. *Outside Managed Trusts:* Outside managed trusts may include wholly charitable trusts administered by others or irrevocable living trusts for which the Institute is a beneficiary. A wholly charitable trust is held for the benefit of charity, where the principal is invested, and the income is distributed to charitable organizations. All interests in income and principal are irrevocably dedicated to charitable purposes (as opposed to a charitable remainder or lead trust). While similar in that sense to an endowment fund, a wholly charitable trust is created as a freestanding entity.

The fair market value of the assets, or a portion of the assets, of such a trust administered by an outside fiduciary should be counted in gift totals for the year in which the trust is established or in which the Institute is notified and receives the appropriate documentation and

valuation, *provided* that the Institute has an irrevocable right to all or a predetermined portion of the income of the trust.

6. *Trust and Estate Distributions*: All distributions from estates or trusts received during a campaign period should be counted at face value to the extent that no gift amount has already been counted in the current or a previous campaign.

7. *Bequest Intentions*: Bequest intentions accompanied by appropriate documentation (e.g., estate documents, term provisions or beneficiary designation forms, documentation of valuation – bequest intention forms or donor/attorney letters, etc.) should be counted at face value during a campaign, providing under normal circumstances that the following criteria are met:
 - The donor is age 60 or older or will turn age 60 during the campaign.
 - The commitment is for a single life only, or all other beneficiaries are also over 60 or will reach age 60 during the campaign.
 - There is an amount or percentage specified in the estate documentation based on a credible estimate of the future value of the estate at the time the commitment is made.
 - The discounted present value is calculated and documented for purposes of reporting.
 - Verification has been provided in *one* of the following forms:
 - *Charitable/Deferred-Pledge Agreement*: A deferred pledge agreement is a legally binding document that places an obligation on the estate of the issuer to transfer a certain amount to the Institute. Under such agreements, the executor of the donor's estate is held legally responsible for payment of the specified amount from the estate.
 - *Contract to Make a Will*: A contract to make a will is a legally binding document, also tested in the courts of several states, that places an obligation on the donor to make a will that transfers certain assets or a certain

percentage of his/her estate to the institution. This instrument is used when the donor cannot (or does not wish to) specify the precise dollar amount he/she will contribute. Instead, the donor promises to execute a valid will wherein he/she designates a certain item of property or a portion of his/her estate to the Institute.

- Often, this portion is stated as a percentage of the residue of the estate. After the contract is signed, no changes may be made in the donor's will that would decrease the Institute's originally specified share, except as agreed upon in advance by the donor and the Institute.
- Exceptions to the foregoing may be made for good cause on a case-by-case basis. Such exceptions should be reviewed and approved by the vice president for AAR in consultation with the senior director of gift planning.

The Institute may count an increased bequest intention due to the growth of a donor's estate (e.g., an increase in the value of stock, real estate, etc.) and not because a donor has increased the portion coming to the Institute through his/her estate plan, if **all** of the following conditions are met:

- The donor has initiated the request to allow the Institute to count the increased bequest intention.
- The donor has signed a new or amended donor agreement.
- The donor has provided the Institute with the updated bequest intention amount in writing.
- The increased value of the donor's bequest intention is at least 25 percent greater than the previous value.
- At least five years have passed since the Institute counted the previous value of the donor's bequest intention.
- The president or his/her designees have approved counting the bequest intention at the new value.

8. *Bequest Expectancies*: Pending estate distributions that can be deemed estimable and probable are recorded at face value based on estate documentation received from the trustee(s) or executor(s). Such documentation may include, but is not limited to, a copy of the will or trust agreement and verbal or written documentation of the estimated distribution to the Institute.
9. *Life Insurance*: Life insurance policies will be counted only if the Institute is the owner and irrevocable beneficiary of the policy and the policy is fully paid or the donor agrees to make premium payments.

Under normal circumstances, life insurance policies will be counted in one of two ways:

- If the donor is under 60 years of age, the policy will be counted at the interpolated terminal reserve (approximately the cash surrender value), as a current outright gift.
 - If the donor is 60 years of age or older, the policy will be counted at the face value of the death benefit. The discounted present value should be calculated and documented for purposes of financial reporting.
10. *Realized Death Benefits*: The insurance company's settlement amount for an insurance policy whose death benefit is realized during a campaign period, whether the policy is owned by the Institute or not, should be counted in campaign totals, to the extent that no gift amount was already counted in the current or a previous campaign.
 11. *Limited Partnerships, Mortgages and Notes, Patents and Copyrights*: Acceptance of these types of gifts requires prior review by the Gift Liaison Committee and approval by the president. Acceptance is determined on a case-by-case basis. Those that are accepted, and can be assigned a fair market value, will be counted at fair market value.
 12. *Other Non-Deductible Charitable Gifts*: In addition to counting charitable gifts such as pledges and revocable planned gifts that are not income tax deductible for the donor as a charitable contribution,

the following gifts that are not income tax deductible for the donor will be counted so long as the dollar value of the counted gift is readily ascertainable or verified by an independent qualified expert such as a qualified appraiser:

- IRA charitable rollovers (qualified charitable distributions), pursuant to the Pension Protection Act of 2006
- grants from donor-advised fund(s) designated by the donor(s)
Note: A gift receipt is sent to the tax-exempt organization that holds the donor-advised fund as the official donor of record, and a gift acknowledgement is sent to the donor(s).
- grants from private foundation(s) designated by the donor(s)
Note: A gift receipt is sent to the private foundation as official donor of record, and a gift acknowledgment is sent to the donor(s).
- charitable lead trust income designated by the donor(s)
Note: A gift acknowledgement is sent to the trustee(s) of the charitable lead trust for trust tax reporting.

VII. Gift Counting Exclusions

The following types of funds should be excluded from report totals:

- gift or pledges, outright and deferred, that already have been counted in the current or previous campaigns, even if realized during the campaign reporting period
- investment earnings on gifts, even if accrued during the campaign reporting period and even if required within the terms specified by a donor (the only exception permitted to this exclusion would be interest accumulations counted in guaranteed investment instruments that mature within the time frame of a campaign, such as zero-coupon bonds)
- earned income, including transfer payments from medical or analogous practice plans
- surplus income transfers from ticket-based operations, except for any amount equal to that permitted as a charitable deduction by the Internal Revenue Service (“IRS”)
- contract revenues
- contributed services, except for those permitted as a charitable

deduction by the IRS

- tuition payments
- governmental funds

VIII. Exceptions

Exceptions to this policy are allowable only with permission of the president or his/her designees.

California Institute of Technology

Donor Agreement Policy

October 2021

Caltech

I. Introduction

Caltech has a fiduciary responsibility to ensure that each donor's wishes are observed, that each gift is used only for the purpose(s) stated by the donor(s), and that all gifts are subject to relevant Institute policies. The Institute must ensure that it merits the respect and trust of the general public, and that donors and prospective donors can have full confidence that it has spent their funds in a prudent and efficient manner consistent with their intentions.

The determination of donor intent must be supported by a signed donor agreement or other pertinent documentation stating the donor's intent. The Institute prefers to work with donors to develop written agreements with respect to the name, nature, and use of their gifts at the time the gift is made. Because difficulties can arise when the terms of a gift are expressed unilaterally—such as a gift made by a will—donors are encouraged to discuss their wishes with the Institute in advance of making a gift to ensure feasibility and appropriate planning. In so doing, both the donor and the Institute can be sure that the gift will be used in accordance with the donor's intentions.

II. Applicability: When Is a Donor Agreement Needed?

The Institute prefers to utilize a donor agreement whenever feasible to ensure that funds will be used in the manner the donor intended at the time of making the gift, thereby protecting both the donor and the Institute.

In general, a written donor agreement should be obtained for any gift or pledge that meets any or all of the following criteria:

- is for \$100,000 or more
- establishes a new named fund (endowed or current use)
- is for a project or program that requires a commitment of funds by the Institute or requires the Institute to satisfy donor-stipulated terms or conditions
- is for a naming opportunity, with the exception of one-time naming opportunities of less than \$25,000 (e.g., seats, bricks, trees, benches, etc.)

A written donor agreement is desirable but not typically needed for a gift or pledge of less than \$100,000 that:

- is unrestricted (e.g., Caltech Fund, Caltech Associates) and/or
- is being deposited into an existing fund and is intended to follow the restrictions (if any) of that fund

Even in cases where a donor agreement is not necessary, documentation may still be desirable in order to record the gift (e.g., a pledge card would be necessary in order to accept an annual fund gift to be paid at a future date). The pledge section of the *Gift Counting and Reporting Policy* provides further details.

III. Types of Donor Agreements

A. *Gift Agreement*: A gift agreement is a written document signed by the donor and the Institute that outlines the purpose of the gift—including any restrictions and preferences—and, in the case of a pledge, documents the schedule of contributions to be made by the donor. The amount specified in a gift agreement should reflect only the funds directly controlled by the donor. Therefore, the amount of any matching gift should not be included in a gift agreement total.

B. *Statement of Intent*:

1. A statement of intent is a written agreement between the donor and the Institute that outlines the purpose of a gift—including any restrictions and preferences—to be made on behalf of the donor when that donor intends to make some or all pledge payments through an entity over which the donor has direct or indirect financial control (e.g., a donor-advised fund, a community fund, or a charitable family foundation). A statement of intent does not need to contain a pledge payment schedule and is not considered legally binding, nor is the pledge balance counted in the Institute's financial statements. Moreover, a statement of intent is *not* used for gifts that include a matching gift component.
2. A statement of intent also may be used for cases in which a group of like-minded alumni, parents, and/or friends pool resources in order to establish a new named fund or space. The statement of intent should include language that indicates that the group's fundraising goal must

be reached during a specific time frame, usually not to exceed five years. Typically, a statement of intent also should include a statement that, if the group does not raise enough funds to meet the minimum threshold to establish the new named fund during this time frame, an alternative use for the money raised, as predefined in the statement of intent, will be found.

- C. *Other Types of Donor Agreements:* Planned gifts (e.g., trusts, annuities, testamentary pledges, etc.), gifts of real property (real estate), and gifts of tangible and other personal property (gifts-in-kind) require written documentation in order to be accepted and booked by the Institute. For these types of gifts, a gift agreement, statement of intent, or other form of acceptable written documentation may be used to document donor intent. When an agreement or statement of intent will not be used, the appropriate form of documentation will be determined by the Office of Gift Planning, in consultation with the Institute's Office of the General Counsel, on a case-by-case basis.

IV. Use of Legal Counsel

All non-standard gift agreements, as defined in the gift agreement procedures, shall be reviewed by the Office of General Counsel.

The Institute urges all prospective donors to seek the assistance of personal legal and financial advisers in matters related to their gifts and the resulting tax and estate-planning implications. The Institute will comply with the *Model Standards of Practice for the Charitable Gift Planner* promulgated by the Partnership for Philanthropic Planning www.pppnet.org/#!/m-s-p-c/c1jud. It is the donor's responsibility to directly employ and compensate independent legal and tax counsel in these transactions. Prior to signing documents related to gifts such as gifts of partial interests, charitable remainder trusts, and charitable lead trusts, it is also the donors' responsibility to ensure that their counsel reviews and approves the documentation. Independent legal representation of donors limits the likelihood of challenges by heirs who claim the Institute exerted undue influence in order to procure the gift.

V. Gift Acceptance and Signatures on Donor Agreements

All donor agreements must comply with the Institute's *Gift Acceptance Policy*. Signatures on each donor agreement are to be obtained only after the document has been thoroughly reviewed by appropriate internal parties (e.g., vice president for advancement and alumni relations ("AAR"), Office of the Provost, Office of General Counsel, division chair, etc.) and by the donor(s) in draft form. After a document is agreed upon, the final donor agreement should be signed first by the donor(s) and then by the authorized Institute representative(s). Signatures may be wet signatures or e-signatures.

As stated in the bylaws of the Institute, only designated officers authorized to sign donor agreements may do so on behalf of the Institute. No person purporting to act for the Institute may commit the organization to any gift agreement, term, or condition without proper authorization.

VI. Restrictions and Preferences

The donor agreement must spell out all restrictions and/or preferences on the use of a gift. The terms of any gift should be as flexible as possible in order to permit the most productive use of the funds, while also clearly stating the intent of the donor. In the case of endowed funds, gifts that contain fewer restrictions and/or preferences are more likely to be used effectively in the future.

Restricting the use of a gift for a particular purpose means that the gift will be used only for that directed purpose. Specifying a preference for the use of a gift for a particular purpose means that the Institute will make its best effort to ensure that the gift will be used for that directed purpose; however, in the event that the specified preference cannot be met, the Institute will use the gift for a purpose that best resembles the donor's intent.

VII. Confidentiality and Anonymity

AAR treats all correspondence, gift records, and other data related to gifts, donors, and prospective donors confidentially, in accordance with the *Donor Bill of Rights* (www.afpnet.org/files/ContentDocuments/Donor_Bill_of_Rights.pdf). The Institute is also committed to honoring donor requests for anonymity.

VIII. Unallowable Terms Regarding Donor Agreements

The following restrictions are prohibited from being included in any donor agreement or associated gift documentation:

- clauses in proposals, solicitations, or donor agreements that inappropriately discriminate in favor of or against anyone's age, citizenship, color, disability, family responsibilities, gender identity or expression, genetic information, marital status, matriculation, national origin, personal appearance, political affiliation, race, religion, sex, sexual orientation, veteran status, or any other factor prohibited by state or federal law, with the only exceptions being when such a restrictive clause is consistent with the Institute's Nondiscrimination and Equal Employment Opportunity policies
- gifts that restrict or impede the work or scholarly activity of a faculty member, fellowship holder, or student
- fellowship or scholarship gifts that in any way include a commitment from the Institute for the future acceptance, employment, or provision of funds to or for any specific student recipient
- gifts with a condition that the donor may select, or serve on a committee involved in the final selection or evaluation of, students or faculty members who will receive funds related to the gift
- gifts that indicate preferences for relatives or descendants in the awarding of scholarships or in the use of donated funds
- gifts from any donor for a fellowship or scholarship given on the condition or with the understanding that the award will be made to a student of the donor's choice. (Money received subject to such restrictions may be credited to a depository account within the Institute's Financial Aid Office but will not be recorded as a gift to Caltech.)
- gifts that require the inappropriate administration and/or direction for use by the donor or a third party
- additional unallowable terms and conditions not listed here, which should be evaluated by the Gift Liaison Committee

The Gift Liaison Committee should review and approve any potential exceptions to these clauses.

IX. Making Changes to Existing Donor Agreements

Amendments and re-designations of purpose for an existing donor agreement can be initiated by either the donor or the Institute. In either case, there should be mutual agreement between both parties, and any changes must be documented in writing and signed by both the donor and the Institute.

In the event that the Institute receives gifts from a matching gift company, in lieu of an appropriate pledge payment, the Institute may, at its discretion, enter the gift from the matching gift company as a new gift and reduce the original pledge by the corresponding amount.

X. Conflicts of Interest

In compliance with the Institute's policy on financial conflicts of interest, gift terms may not be negotiated by anyone on behalf of the Institute if that person (or anyone in his or her immediate family) has any existing or foreseeable financial dealing or personal business with the prospective donor. Such circumstances, or any other situation that may reasonably be perceived as a conflict of interest, must be promptly reported to appropriate supervisors/managers responsible for overseeing the integrity of negotiations and transactions. Under no circumstances may any donor agreement provide any employee of the Institute with any personal benefit unless this is approved in writing by the appropriate Institute representatives (e.g., president, provost, division chair, and/or vice president in charge of the affected department or activity).

XI. Exceptions

Exceptions to this policy are allowable only with permission of the president or his/her designees.

California Institute of Technology

Naming Policy

October 2021

Caltech

I. Introduction

Naming opportunities exist to recognize the dedication, accomplishments, and/or generosity of extraordinary individuals and organizations whose support is valuable to the mission of Caltech. This policy establishes minimum standards and general guidelines to use when discussing naming opportunities with donors and prospective donors.

II. Applicability

This policy applies to the naming of elements of the physical campus and/or the academic enterprise. The physical campus includes (but is not limited to) buildings and other major facilities, areas within buildings (e.g., foyers, specific rooms, lecture halls, laboratories, auditoriums, etc.), grounds, outdoor renovations, gardens, trees, benches, streets, and real property.

The academic enterprise includes divisions, programs, institutes, centers, academic positions, discretionary funds, scholarships, fellowships, and other funds or naming opportunities.

III. Policy Details

Caltech welcomes the opportunity to honor those who have rendered service or support to the Institute. Elements of the physical campus or the academic enterprise may be named for individuals or organizations whose accomplishments or generosity have advanced the mission of the Institute; furthered the capacity of Caltech to meet its research, teaching, and scholarly objectives or to serve its community; and/or enhanced the Institute in other important ways. Naming will be strictly independent of all decisions about appointments, admissions, and/or curricular matters. To evaluate the appropriateness of a naming opportunity, Caltech will refer to the guidelines provided in this policy in making decisions.

Any gift that results in the naming of an element of the physical campus or the academic enterprise must be documented with a written donor agreement. The *Donor Agreement Policy* provides information about donor agreements.

IV. Principles

The Institute follows a set of principles for naming and name removal that is consistent with this policy and attentive to the Institute's mission, values, Honor Code, and aspirations.

A. *Naming*

- *Relevance*: The Institute should honor exemplary individuals, and concepts, relevant to its history, present mission, values, Honor Code, and future aspirations.
- *Inclusivity*: Naming should strive to reflect the Institute's aim to forge a diverse and inclusive community of excellence.
- *Revisability*: While names are meant to be durable, the Institute should always reserve the right to review their appropriateness in the future.

B. *Name Removal*

- *Exceptionality of Circumstance*: A presumption against the removal of a name exists, especially if the individual is central to Institute history. To consider removal of a name, the circumstances must be exceptional.
- *Evidence of Significant Breach of Caltech's Core Commitments*: A name should be considered for removal when, even alongside great contributions, evidence comes forth of attributes and behavior within or outside the Institute that are contrary to Caltech's mission, values, Honor Code, and aspirations. The totality of the person matters: outstanding success in a part of one's life does not outweigh significant ethical breaches.
- *Consideration of Caltech's Future*: If removing a name is deemed to help Caltech's future substantially, and not removing a name is

deemed to endanger Caltech's future substantially, the name should be removed. Aspects of the past encoded in a name that threaten the Institute's present and future should be recognized, cited, and addressed to avert damage to Caltech's community and to its reputation.

- *Historical Transparency:* The removal of a name is not intended to erase history; it should simultaneously create opportunities for education and advancement for the Caltech community and the public. The Institute should document and communicate both the reasons an individual warranted memorialization and the reasons the memorial was revoked. Respect for an individual's work, disappointment with his/her beliefs or actions, and recognition of the harm imparted can all exist simultaneously in collective memory.

V. Naming Guidelines

- Fundraising, Development Campaigns, and Marketing of Naming Opportunities:* All fundraising and development campaign efforts related to naming opportunities and the marketing of naming opportunities should be coordinated with Caltech's president, provost, and vice president for advancement and alumni relations ("AAR"), or their designees. AAR will be responsible for obtaining required approvals related to naming opportunities. The president has delegated responsibilities for coordinating fundraising efforts that secure gifts—including those involving naming opportunities—to the vice president for AAR.
- Relevance:* A gift-related naming opportunity requires that the size of the contribution be reasonably related to the facility, place, position, or item being named.
- Determination of Current Value:* For the purposes of this policy, Caltech will typically determine the current value of buildings and other major facilities and donated real property.

- D. *Donor Recognition*: Namings should not be publicly announced until final approval has been obtained as provided by the guidelines of this policy.
- E. *Signage*: In cooperation with Facilities Design and Construction, AAR works with donors and Institute stakeholders, including academic leadership, to oversee the creation of signage for all named elements of the physical campus and the academic enterprise as it applies to fundraising efforts. Signage includes donor walls, room nameplates, portraits, and other types of signs. Signage is not typically used to recognize the naming of non-physical naming opportunities such as academic positions, faculty research funds, scholarships, fellowships, or other such naming opportunities.

Signage recognizing gifts from donors typically should not be publicly displayed until the Institute has received at least 50 percent of the gift related to the naming, with the expectation that the remainder will be received within five years.

It may be appropriate to honor an individual for whom a portion of the physical campus or the academic enterprise is named with a portrait or bust of the donor's likeness. A space also may be named in honor of an individual in recognition of his/her service to the Institute when no gift is considered. The creation of portraiture, busts, statues, or other art must be approved by the vice president for AAR in consultation with the Caltech Art Committee.

All signage and portraiture should be appropriate for and consistent with its surroundings and function. All signage must be approved by the vice president for AAR or his/her delegate prior to production and in consultation with donors. The Office of Facilities, provost, president, division chairs, and the Art Committee may also be consulted as appropriate and/or needed, as there may be special circumstances that need to be considered.

When preapproved as a component of a gift or fundraising campaign, the costs associated with the design, manufacturing, and installation of signage and artwork created to honor a donor should be included in the

project's budget. It is the responsibility of the academic division or administrative unit to cover all costs associated with signage that were not preapproved as a component of a gift or Institute fundraising campaign.

- F. *Duration of a Naming:* Each naming will be for the useful life of the element of the physical campus or academic enterprise, unless otherwise specified in the gift agreement. Useful life should be determined by the Gift Liaison Committee in consultation with relevant Institute stakeholders, including but not limited to academic leadership, representatives from Business and Finance, Investment, Advancement, and other offices. The useful life of a named entity or space may be subject to modifications over time. It may be in the best interest of the Institute to modify elements of the physical campus (such as facilities, buildings, centers, programs, or the funds that support these elements) or academic enterprise, which would impact the duration of a naming. As modifications are made, it may be necessary to alter or dissolve a naming. In such instances, the Institute, in conjunction with the donor(s) or individual(s) honored, whenever possible, will determine suitable recognition that most closely relates to the intent of the original gift.
- G. *Revocation of a Naming:* The Institute reserves the right to revoke a naming if any of the following conditions occurs:
- The pledge obligation is unfulfilled and/or written off.
 - The donor's character or reputation for honesty, personal integrity, and personal and professional ethics is no longer consistent with the mission of the Institute.
 - The name will bring discredit to the Institute and/or is not consistent with the mission of the Institute.
 - There is a divorce, dissolution of a family or organization, or change in an organization's name, in which case the revocation will be made only at the request of the affected individual(s) or organization(s).
 - The donor has been convicted of a felony.

VI. Criteria for Selection of a Naming

Naming an element of the physical campus or academic enterprise for an individual or organization is one of the highest honors the Institute can bestow. Such recognition is a lasting and powerful affirmation of the honoree's connection to the Institute. There are two instances in which the Institute considers a naming: honorific naming and gift-related naming.

- A. *Honorific Naming*: An honorific naming, where there is no gift involved, may be bestowed in recognition of the dedication or meritorious contribution of a person or organization. A person or organization being recognized by an honorific naming must have exhibited values consistent with the mission of the Institute and/or must have an established relationship with the Institute. The recognition afforded the honoree also may reflect private financial contributions related to the naming. At its discretion, the Institute may choose to honor a donor with the donor's (or his/her immediate family's) written consent, when feasible, with a naming that is not stipulated in a donor agreement. Honorees may not be in active service at the Institute (as defined by Caltech's Office of Faculty Records and/or Office of Human Resources) or hold elected office in the United States or abroad at the time of the naming, except under special circumstances, to be reviewed and approved by the president, in consultation with the provost and the vice president for AAR.

- B. *Gift-Related Naming*: When a donor makes a significant contribution to the Institute, the donor, or an individual or entity proposed by the donor, may be recognized with a naming. In cases where a donor has proposed a naming after an individual who is in active service at the Institute or who is an elected official, the vice president for AAR will consult with the president and provost and/or their designees prior to acceptance. Decisions regarding such recognition are made in accordance with this policy and any other applicable Institute policies, including the *Gift Acceptance* and *Donor Agreement Policies*. Any gift-related naming must be documented by a written donor agreement.

VII. Naming Opportunities, Gift Minimums, and Necessary Approvals

Caltech establishes minimum gift level amounts and approval guidelines for naming opportunities. The gift levels represent the minimum amounts necessary to name the respective element of the physical campus or academic enterprise. Such minimums are important in order to ensure that the physical campus can be built, operated, maintained, and renewed over its lifetime and that sufficient funds are available to accomplish the academic enterprise. Minimums and guidelines also establish equity among donors to ensure consistent recognition. Giving levels take into consideration Caltech's needs, donor expectations, and market forces, and are approved by the president, who will decide in consultation with the provost and vice president for AAR.

A. Naming Elements of the Physical Campus

1. *Buildings and Other Major Facilities:* Naming of buildings and other major facilities must be approved by the president or his/her designee. The criteria for a gift-related naming will take into account the value, visibility, improvements, and marketability of the location and will be based on a minimum donation typically valued at 50 percent or more of the original construction, renovation, or current value of the property.
2. *Areas within Buildings and Other Major Facilities:* Naming of areas within buildings and other major facilities must be approved by the president or his/her designee. A gift-related naming will consider the value, visibility, improvements, and marketability of the location and will be based on a minimum donation typically valued at 50 percent or more of the original construction, renovation, or current value of the area within the building or other major facility.
3. *Grounds, Outdoor Renovations, Gardens, Trees, and Benches:* Regardless of the cash value of the gift, naming of grounds, outdoor renovations, gardens, trees, and benches should be approved by the vice president for AAR or his/her designee upon consultation with the appropriate parties, and at the recommendation of the Office of Facilities Management Buildings and Grounds. A gift-related naming

will consider the value, visibility, improvements, and marketability of the location and will typically be based on a minimum donation valued at 50 percent or more of the original construction, renovation, or current value of the property.

4. *Real Property*: Naming of donated real property must be approved by the president or his/her designee. Real property given to the Institute may be named in consideration of the gift of the donor's entire interest in the property.

B. Naming Elements of the Academic Enterprise

1. *Programs, Institutes, Centers, and Other Entities*: Naming of programs, institutes, centers, and other entities must be approved by the president or his/her designee, regardless of the cash value of the gift.
2. *Divisions*: Naming of divisions will consider the value, visibility, improvements, and marketability of the division and should be approved by the president, in consultation with the provost, the chair of the respective division, and the vice president for AAR.
3. *Academic Positions and Faculty Research Funds*: Naming of academic positions and faculty research funds must be approved by the president or his/her designee, in consultation with the provost.
4. *Scholarships and Fellowships*: Naming of scholarship and fellowship funds is approved through the established donor agreement process as outlined in the *Donor Agreement Policy* and must align with Institute priorities.
5. *Miscellaneous Naming Opportunities*: Naming opportunities that are not otherwise set forth in this policy must be approved by the appropriate party (e.g., the president, provost, vice president for AAR, relevant division chair, etc.), regardless of the cash value of the

gift. If the appropriate party is not obvious, the Gift Liaison Committee will be asked for advice.

VIII. Exceptions

Exceptions to this policy are allowable only with permission of the president or his/her designees.