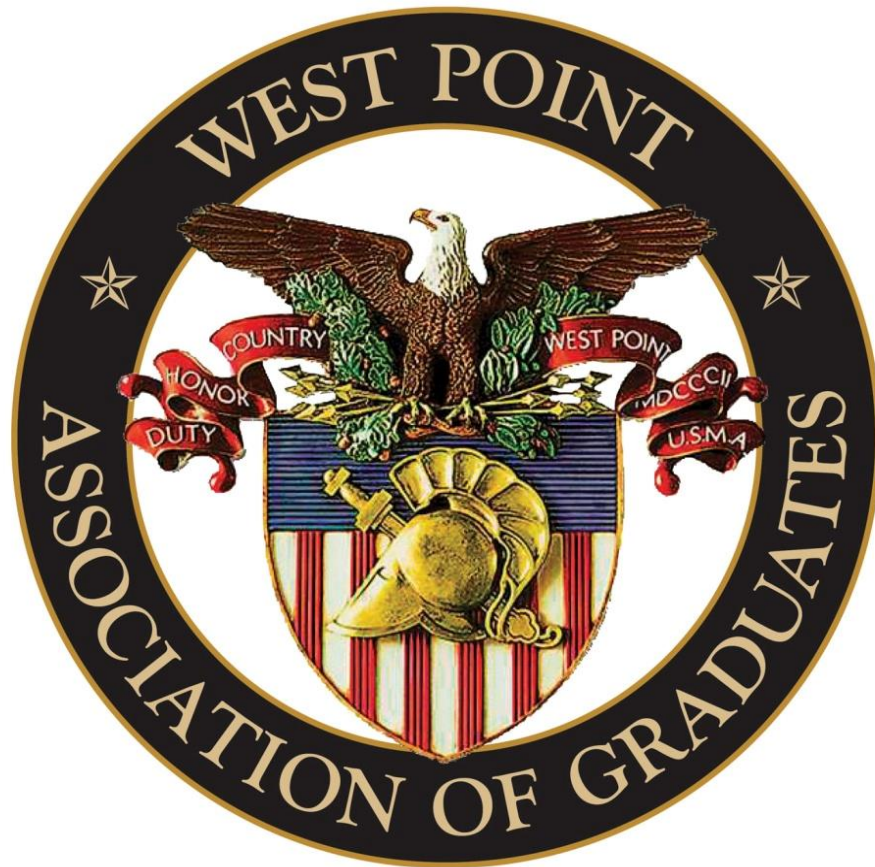


2020

Gift Policy and Procedures Manual



West Point Association of Graduates

Gift Policy and Procedures Manual

Table of Contents

OVERVIEW	1
WPAOG Mission.....	1
Fundraising Staff Responsibilities.....	1
Gift Committee	1
Ethical Considerations	1
Donor Bill of Rights	2
GENERAL POLICIES	3
Fundraising Policy.....	3
Gift Allocation Percentage (GAP) Policy.....	3
Why Give to USMA through WPAOG?.....	4
Gift Refund Policy	5
Fundraising for Outside Organizations Policy	5
Solicitation Policy.....	6
Privacy and Confidentiality.....	7
Legal Counsel.....	7
Conflict of Interest.....	9
TYPES OF GIFT FUNDS.....	10
Establishing Gift Funds	10
Endowments.....	10
Quasi-Endowments	11
Restricted Funds.....	11
Unrestricted Annual Funds	11
Class Gift Funds.....	12
Restricted-Undecided Gifts	13
Summary of the Characteristics of Gift Funds.....	14
WAYS OF MAKING A GIFT	15
Outright Gifts.....	15
Cash, Checks and Credit Cards.....	15
Recurring Gifts and Government Allotment Gifts	16
Matching Gifts.....	16
Political Action Committee Matching Gifts.....	17
Donor Advised Funds.....	17
Securities.....	17
Pledged Commitments	18
Pledges	18
Verbal Pledges	19
Gifts-in-Kind	19
Tangible Property.....	20
Intangible Property	21
Other Items.....	21
Event Support	23
Event Support - WPAOG	23
Event Support-USMA.....	24

West Point Association of Graduates

Gift Policy and Procedures Manual

Event Support, Sponsorship, and Advertising at a Glance	24
Deferred Gifts.....	25
Definition of Deferred Gifts	25
Types of Deferred Gifts.....	25
Deferred Gift Counting	31
Deferred Gift Recognition.....	32
Special Events in Support of Approved USMA Needs.....	32
Auctions	34
Donation of Auction Items	34
Purchase of Auction Items	34
Raffles	34
GIFT ACCEPTANCE, RECORDING AND ACKNOWLEDGEMENT	35
Acceptance of Funds.....	35
Exceptions to Gift Policy	35
Development Counting and Reporting	35
Counting and Restricted-Undecided Pledges.....	35
Anonymous Gifts and Donors	36
Hard Credit and Soft Credit	37
Deferred Gift Recognition.....	39
Gift Receipt/Acknowledgement.....	39
Annual Counting Guidelines	39
End of Calendar Year Giving.....	39
Contributions with Associated Benefits	40
Benefits Not Associated with Specific Charitable Contributions	41
COLLECTION EFFORTS AND WRITE OFFS.....	43
Collection Efforts	43
Write Offs	43
INVESTMENTS OVERVIEW.....	44
WPAOG’s Responsibilities Regarding Endowments and Other Gifts	44
Spending of Endowment Principal	44
Management of Endowments	44
Investment of Funds	45
WPAOG/USMA PROFFER PROCESS	46
NEEDS APPROVAL PROCESS AND POC ROLES	47
The Role of the WPAOG POC for Approved Funding Areas	47

West Point Association of Graduates

Gift Policy and Procedures Manual

OVERVIEW

WPAOG Mission

West Point Association of Graduates (WPAOG) is the alumni association and fundraising organization of the United States Military Academy (USMA). As a private 501(c)(3) non-profit, tax-exempt organization, its mission is to serve West Point and its graduates. By way of a Memorandum of Agreement, WPAOG is committed to seeking funds that maintain a margin of excellence for USMA and a broad array of services and support for West Point's graduates and other constituents.

Fundraising Staff Responsibilities

Chief Executive Officer

The Chief Executive Officer (CEO) is accountable to the Board of Directors (BOD) for achieving fundraising goals.

Vice President of Development

The Vice President of Development (VP) is WPAOG's senior development officer and works with the USMA Superintendent to establish fundraising policies and priorities. The VP reports to the CEO and is responsible for developing and executing the fundraising strategy and program. The VP also reports to the Board of Directors through the Development Committee, a subcommittee of the Board.

Development Staff

The development staff secures appropriate gifts to USMA/WPAOG from private sources. Reporting to Headquarters (VP office and Donor Strategy & Analytics), the development office is organized into two operating units: Revenue Generation and Revenue Support. Revenue Generation includes Annual Giving, Class Giving, Corporate and Foundation Relations, Major Giving, and Planned Giving. Revenue Support includes Donor Relations and Advancement Services (Data Services, Gift Operations, Stewardship, Communications, and Events).

Gift Committee

The VP of Development, Chief Financial Officer, Chief Operating Officer, VP of Alumni Support, and the Director of Academy Advancement (ex-officio) comprise the Gift Committee (GC). The VP for Development serves as its secretary and documents all related actions and decisions.

The Gift Committee reviews any exceptions to gift policies and procedures and approves or denies them. WPAOG's CEO makes final gift acceptance decisions when the GC cannot make a unanimous decision. If necessary, the GC will seek the advice of WPAOG's retained counsel (an outside, independent source) when evaluating an offer. The GC, at its discretion, may also solicit input from other BOD committees, relevant development executives, or USMA representatives.

Exceptions will be reported to the Development Committee on a quarterly basis and reported to the full BOD annually. The GC will also conduct an annual review of its practices at the beginning of each calendar year.

Ethical Considerations

WPAOG is committed to ethical engagement. All solicitations on behalf of WPAOG or any unit or program thereof shall comport with the standards in the *Donor Bill of Rights*, as developed by the Council for Advancement and Support of Education (CASE) and other national organizations.

West Point Association of Graduates

Gift Policy and Procedures Manual

Donor Bill of Rights

Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To assure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the not-for-profit organizations and causes they are asked to support, we declare that all donors have these rights:

- To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.
- To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.
- To have access to the organization's most recent financial statements.
- To be assured their gifts will be used for the purposes for which they were given.
- To receive appropriate acknowledgment and recognition.
- To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.
- To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.
- To be informed whether those seeking donations are volunteers, employees of the organization, or hired solicitors.
- To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.
- To feel free to ask questions when making a donation and to receive prompt, truthful, and forthright answers.

The text of this statement in its entirety was developed by the American Association of Fund-Raising Counsel (AAFRC), Association for Healthcare Philanthropy (AHP), Council for Advancement and Support of Education (CASE), and the Association of Fundraising Professionals (AFP), and adopted in November 1993.

West Point Association of Graduates

Gift Policy and Procedures Manual

GENERAL POLICIES

Fundraising Policy

The policies and procedures detailed in this manual are those considered to be of particular significance and/or specific to the West Point Association of Graduates. Any policies and procedures related to gift processing, counting, and reporting not detailed within may be found in the Council for the Advancement and Support of Education's *Reporting Standards and Management Guidelines*, which WPAOG follows.

WPAOG shall be the sole private organization authorized to raise private funds on behalf of USMA. The organization solicits funds for USMA's Margin of Excellence programs and for itself. Funds will not be solicited for uses for which appropriated (government) funds are available or are likely to become available.

Unrestricted gifts are always preferred, as they provide maximum flexibility to direct resources where they are most needed. If a donor chooses to restrict a gift for a specific purpose, the primary consideration for acceptance will be whether it supports an approved USMA/WPAOG need. All other gift offers will be reviewed by the Gift Committee (GC) as described on page 1. All gifts intended for USMA must be proffered and accepted in accordance with applicable U.S. Army laws and regulations.

The gift acceptance policy supplies important information for donors and enables the development staff to inform, guide, or otherwise assist donors in fulfilling their philanthropic wishes. All donors shall rely on their own personal advisers for tax, legal, financial, and other advice concerning their gifts. Furthermore, WPAOG will not serve as agent under power of attorney, nor as estate executor, administrator, or personal representative in any instance on behalf of a donor.

The Council for the Advancement and Support of Education (CASE) guidelines will be consulted and considered in assessing the value of all gifts toward an approved fundraising goal. Per CASE ethical resources, in order for a gift to be tax-deductible, a donor should not expect to retain any control, actual or implied, over the use of the gift once it has been accepted by WPAOG. Donors may direct gifts to specific funds, programs, teams, and activities but cannot, for example, direct the hiring of faculty or contractors, choose a specific individual to benefit from a particular gift, or dictate contents of an academic program.

WPAOG complies with all Internal Revenue Service and New York State regulations and laws governing non-profit corporations. WPAOG sends gift acknowledgements for all gifts received on a current basis. On occasion, premiums are offered to the donor in return for a gift, *e.g.*, memberships in the Army A Club. A donor will have the option to decline or accept these premiums and the tax receipt will be sent in accordance with the related policy/procedure.

Gift Allocation Percentage (GAP) Policy

WPAOG's Development Office functions as the Academy's fundraising arm because military personnel and representatives of the federal government are prohibited by law from soliciting funds, goods, or services. Because federal government agents are forbidden from soliciting gifts, USMA has elected to invest a portion of all gifts in the WPAOG Development function. It is important to understand that 100 percent of all gifts directly benefits *West Point*.

West Point Association of Graduates

Gift Policy and Procedures Manual

WPAOG assesses fees as a percentage of the donation. This gift allocation percentage (GAP) is determined by a Memorandum of Agreement (MOA) between the Superintendent of the Academy and the Chairman of WPAOG. This MOA is reviewed annually.

The gift allocation percentage (GAP) on all donations under \$15 million made to WPAOG is 12 percent. A GAP of 6 percent will be assessed on single commitments of \$15M or more (cash or pledge). In an effort to operate even more efficiently and to get more donor dollars to the activity that a donor wishes to support, an MOA between USMA and WPAOG effective January 1, 2011, lowered the GAP from 15 percent to 12 percent. (The average non-profit takes 15 to 24 percent of each gift for operations.)

The Development Office at WPAOG differs from those of other institutions of higher education. The fundraising arm of many other colleges and universities falls under the institution itself and is funded by the institutional budget. In these cases, the cost of fundraising still exists, often at much higher levels than at West Point, but those costs are not always taken off the gift.

The gift allocation percentage is not a payment from individuals, classes, corporations, or foundations to WPAOG Development in exchange for services, but an investment mandated by USMA's Memorandum of Agreement to ensure future fundraising success for the Academy. The GAP does not constitute a quid pro quo agreement between an individual, class, corporation, or foundation and WPAOG. All non-profit organizations must bear the costs of raising funds.

The GAP is utilized by WPAOG's Development Office to cover its annual expense budget. The GAP does not support any other WPAOG functional area.

Why Give to USMA through WPAOG?

As mentioned above, WPAOG is the sole private organization authorized to raise funds on behalf of USMA, and military and government personnel are prohibited from soliciting funds. Also, USMA does not have the capability of investing and growing endowment and other gifts not for current operations. WPAOG has a talented investment committee with an excellent track record that oversees the investment of gifts.

In addition, USMA does not actively steward donors. WPAOG maintains and keeps current the master donor database containing all details related to gifts made to the Academy. WPAOG ensures that donors receive proper recognition via written reports, publicity in magazine and newspaper articles and the annual report of gifts, donor plaques, and events.

Finally, WPAOG is the Academy's memory when it comes to philanthropy. WPAOG is responsible for all historic records related to gifts and responsible for ensuring a donor's legacy is honored. These records are maintained and kept current by WPAOG staff so that a donor's wishes are clear irrespective of current staff and faculty at USMA.

Please note that the entity or individual making a donation to WPAOG (signing the check or owning the credit card used) is the legal donor and will receive a tax receipt. Tax credit may not be given to an individual or entity contributing to a donation or payment to that legal donor before the legal donor gives the money to WPAOG. Depending on the presence of documentation that an individual contributed or prompted that gift, soft credit may be applied for donor recognition purposes only.

West Point Association of Graduates

Gift Policy and Procedures Manual

Gift Refund Policy

It is the policy of the West Point Association of Graduates that charitable gifts received by the organization shall not be returned to the donor, except in the following limited circumstances:

- A gift is made in error, such as a duplicate payment or payment clearly intended for another entity. Refunds for payments in this category are usually completed automatically by Gift Operations after confirming with the donor that the payment was a mistake. In the case of an error, the entire amount of the original gift will be refunded, including the gift allocation percentage (GAP). Donors must notify WPAOG that a gift was made in error within the calendar year the contribution was posted. Requests for refunds due to an error received beyond the calendar year the gift was made will be reviewed by the Gift Committee.
- The purpose for which the gift was given cannot be fulfilled by the U.S. Military Academy or WPAOG. (For example, a gift was made to construct a building and the building is not constructed.) The donor will be given the option to direct the funds to another purpose, as similar to the original as possible. Should a re-designation be refused by the donor, a refund may be given. If any of the gift funds have already been used for the intended purpose, only the remaining amount may be refunded. As WPAOG uses a gift allocation percentage (GAP) to support administrative costs related to soliciting, accepting, recording, and stewarding gifts, all refunds in this category will be minus the 12 percent taken off the original gift amount for the GAP. Refunds based on unfulfilled designation must be approved by the Gift Committee.
- A court orders WPAOG to return a gift to a donor (*e.g.* in a bankruptcy case) or transfer the funds to another charitable organization. Legal counsel will be consulted in any instances where a gift becomes the subject of court proceedings.

In addition, the following policies pertain to Army A Club gifts specifically.

- Donors are responsible for collecting and understanding all information related to benefits prior to making an A Club gift. Gifts will not be refunded based on dissatisfaction with benefits. However, should a promised benefit be discontinued or unavailable, donors may be eligible for a full or partial refund. These will be reviewed on a case-by-case basis by the Gift Committee.
- Once a donor begins taking A Club benefits, he/she is no longer eligible for a refund. For example, if an A Club donor requests Army-Navy tickets, a refund request will not be considered once those tickets have been utilized.

Individuals receiving refunds are responsible for correcting any tax filings they have made reflecting the refunded amount. If the amount refunded represents a gift made in a prior year and exceeds \$600, WPAOG will issue an IRS Form 1099 to the donor.

Any exceptions to the policy outlined above must be approved by the Gift Committee.

Fundraising for Outside Organizations Policy

WPAOG's mission is to support West Point and its graduates and as such, cannot use the WPAOG platform to raise funds for or promote any cadet, graduate, or other fundraising efforts that do not support USMA and WPAOG, no matter how worthwhile.

West Point Association of Graduates

Gift Policy and Procedures Manual

WPAOG will not use its official communications channels (namely website and broadcast email) on behalf of any entities but WPAOG and USMA. The WPAOG Communications & Marketing Office can assist with information about using social media for disseminating information.

If the effort or cause is located near a West Point Society, the WPAOG Alumni Support office will inform the West Point Society leadership of the effort and the society president will decide if the society will share the information with its constituents.

Although WPAOG cannot host a giving page for these efforts, in years past cadets have used the www.firstgiving.com site to establish a central giving page for donations from the Corps of Cadets for a particular cause. Once that webpage is in place, individual cadets often post the initiative on Facebook and other social media platforms to broadcast their effort.

Gifts made to outside organizations may not receive donor recognition credit from WPAOG and will therefore, not count in lifetime giving totals.

Solicitation Policy

In accordance with the Memorandum of Agreement (MOA) between WPAOG and USMA to solicit support for USMA, the WPAOG Annual Giving Office will solicit all constituents in its database unless the constituent has asked not to be solicited. The fundraising effort is well coordinated between the various revenue generation offices within development—Annual Giving, Class Giving, Major Giving, Planned Giving—as well as with the Office of the Directorate of Intercollegiate Athletics (AWPAA) to ensure maximum participation and minimum constituent frustration. Some constituents may not be solicited each year if they are considered leadership donors and will be solicited for a major gift.

WPAOG's Annual Giving department solicits for the following: Superintendent's Annual Fund (SAF), West Point Parents Fund (a subset of the SAF), Army A Club, Long Gray Line Fund (LGLF), and other mini-campaigns such as "Friends of" for athletic teams and Directorate of Cadet Activities (DCA) clubs and teams. A solicitation calendar is set at the beginning of each year to provide transparency and optimal coordination. In general, solicitation efforts kick off with Superintendent's Annual Fund, followed by A Club, and the Long Gray Line solicitation takes place in the late summer/early fall.

Volunteers may work with Annual Giving or Class Giving to hold an event to raise funds in support of a USMA-approved need. Please see Special Events in Support of Approved USMA Needs on page 32 for the policy regarding such events.

The Major Giving department solicits gifts and pledges of at least \$100,000 payable over no more than five years. These gifts are solicited through direct contact by a major gift officer.

The Planned Giving department is responsible for soliciting deferred gifts including both revocable and irrevocable deferred gifts such as bequests, trusts, and charitable gift annuities.

Phone-a-thon

Phone-a-thons are used to solicit gifts for the Superintendent's Annual Fund and the West Point Parents Fund. Typically, colleges use student callers for their annual fund phone-a-thons. WPAOG contracts a professional calling company to make the calls, as cadets are prohibited by law from

West Point Association of Graduates

Gift Policy and Procedures Manual

participating in fundraising activities and the volume of calls cannot be executed by WPAOG's Annual Giving Office. Calling scripts and training for the professional calling team are provided by WPAOG's Annual Giving staff and the messaging and tone of the calls are carefully monitored. A "pre-call letter" is mailed before the call is made. WPAOG's current phone-a-thon vendor is Catapult Fundraising.

Support to Classes in Campaign

All class leaders and fundraising volunteers receive a comprehensive resource guide from Class Giving, which provides information related to roles and responsibilities of volunteers, how to solicit gifts, sample fundraising communications, etc. All classes launching campaigns will receive guidance and advice from the Class Giving team, and all aspects of class giving support are detailed in the Resource Guide for the Class Giving Volunteer.

Privacy and Confidentiality

Privacy Policy

WPAOG maintains biographical, academic, demographic, and gift/payment information on alumni, donors, and friends. This data is used exclusively to support WPAOG's mission and is protected by WPAOG's policies and procedures. WPAOG will never share a constituent's personal details with unaffiliated parties. WPAOG's privacy policy, which governs the collection, storage, maintenance, and release of information, can be found at www.westpointaog.org/privacypolicy.

Policy for the Release of Giving Information

Only volunteers working with a member of WPAOG staff and soliciting on behalf of West Point may have access to information related to gift capacity and/or gift history. Typically these volunteers are involved with class reunion gift campaigns as the class fundraising chair or members of the class fundraising committee. Information required by such volunteers for solicitations will be provided in the format of an ask range, usually within a gift pyramid.

All requests for giving information outside of a class gift campaign will be handled on a case-by-case basis by the Senior Director, Donor Relations & Advancement Services with approval from the Vice President of Development. The agreed-upon gift information may be sent in hard copy form by mail or electronically. All electronic documents will be in PDF format to prevent any accidental changes. The volunteer will receive instructions about how to access the document via a secure method.

The gift information received is *only* for viewing by and use of the volunteer designated for the purposes of soliciting charitable gifts for West Point. Gift data must not be distributed, reproduced, stored in a retrieval system, or used for personal reasons. Failure to abide by this policy is a direct violation of WPAOG's privacy policy and the Donor Bill of Rights and will result in legal action.

All volunteers receiving information about a donor's giving history must sign and date a form indicating that he/she understands and will abide by the policy outlined above. Information will not be released until a signature has been received. A form may be obtained from the Senior Director, Donor Relations & Advancement Services.

Legal Counsel

WPAOG shall seek the advice of legal counsel in matters relating to acceptance of gifts where appropriate.

West Point Association of Graduates

Gift Policy and Procedures Manual

All prospective donors shall be strongly urged to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and/or estate planning consequences.

At no time should any WPAOG staff member or volunteer involved in the solicitation of a gift serve as professional legal, tax, or financial advisor to a donor or prospect in matters relating to a gift.

Only attorneys-at-law licensed to practice in the State of New York and serving WPAOG shall be authorized to offer legal opinions on matters related to gift solicitation, acceptance, and disposition.

West Point Association of Graduates

Gift Policy and Procedures Manual

Conflict of Interest

The purpose of the conflict of interest policy is to protect WPAOG's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflicts of interest applicable to non-profit and charitable organizations.

Interested Person

Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- An ownership or investment interest in any entity with which WPAOG has a transaction or arrangement,
- A compensation arrangement with WPAOG or with any entity or individual with which WPAOG has a transaction or arrangement, or
- A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which WPAOG is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Per IRS Form 1023, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

West Point Association of Graduates

Gift Policy and Procedures Manual

TYPES OF GIFT FUNDS

Establishing Gift Funds

A gift fund is established with a contribution by an initial donor who restricts the use of the money to a specific purpose. The documentation associated with the gift makes clear the donor's restriction on its use. Subsequent contributions to the fund by other donors are bound by the restriction. Generally, these gift funds are proffered on an annual basis, and therefore investment results have no effect on gift funds.

A new fund is only created in CRM after a formal, written pledge or cash for a new project or designation has been received. Back up documentation for the new fund will be retained indefinitely.

Endowments

An endowment is a gift fund whose initial donor, intending that the fund exist in perpetuity, stipulates that the original value of the gift (the principal or corpus) cannot be spent down. That is, the corpus must always stay intact. The minimum to open and name an endowment is \$100,000 (before the GAP), with limited exceptions as approved by the Gift Committee. (As of the writing of this document in 2019, several standing exceptions to the minimum endowment amount existed in Admissions.) The gift is for a particular purpose as designated by the donor and agreed to by USMA or WPAOG depending on the receipt entity of the gift.

Endowments must be held for one full calendar year before a distribution is available. (The distribution is 4 percent of the average balance based on the prior 12 quarters.) Therefore, if an endowment gift was made in June 2016, the first full calendar year would be calendar year 2017. The distribution would then be available in calendar year 2018 at the annual distribution time (late summer/early fall) unless it is requested earlier in the year. If the donor wishes to provide funding for the specified purpose before a distribution is available, he or she must provide an additional gift of cash.

An endowment agreement—a document that stipulates the purpose and other features of the endowment and that is signed by both the donor and WPAOG—is required. Agreements are also required in the case of an endowment with multiple donors; such agreements are usually made with the initial donor. Gifts to existing endowments require documentation noting that the donor's intent is in line with the existing endowment agreement.

Agreements should include language to provide the WPAOG CEO and the USMA Superintendent with the greatest flexibility to redirect gift monies appropriately in the event that the original restriction becomes obsolete, inappropriate, or impractical. This supports donor rights under Section 522 of New York State Not-for-Profit Corporation Law requirements concerning release of restrictions on use or investment.

Investment/market returns (both positive and negative) will affect the endowment income balance, but will not affect the principal or the corpus balance. If the income balance is negative, generally created from negative market returns, no further spending will be made until the account is brought back to a positive balance.

It is possible for an endowment's name and/or purpose to be changed. A change can be requested by a USMA department head or by the original donor of the endowment (not a family member or

West Point Association of Graduates

Gift Policy and Procedures Manual

friend). A written request specifying the change must be submitted to WPAOG. The Donor Engagement office maintains an SOP for this process.

Quasi-Endowments

Quasi-endowments differ from regular endowments in that the donor has not imposed a restriction to hold the gift principal in perpetuity. However, at WPAOG, these temporarily restricted funds are treated as normal, permanently-restricted endowments for spending purposes. Spending above the annual distribution (current spending policy is four percent of the prior twelve quarters) and outside the normal distribution schedule, under extraordinary circumstances, is only possible with proper review, justification, and written approval.

In order to preserve the value of the quasi-endowment accounts, the following guidelines exist for spending under extraordinary circumstances.

WPAOG will review all requests to spend from a quasi-endowment account above the annual distribution with a written approval from the Department stating the purpose, amount needed, other potential sources, and why it is needed now. The purpose of additional spending must be in-line with the donor's intent.

If permission is granted from the Department Head, the maximum allowed to use per calendar year for each quasi-endowment account must be less than or equal to 15 percent of the fund's balance of the most recent calendar year-end. Exceptions can be made to the 15 percent limit with the approval of the CEO.

Such requests should be forwarded to DAA (for West Point Funds) and the WPAOG CFO for approval.

Restricted Funds

Restricted funds are created for gifts for which the donor creates conditions or earmarks the gift for a specific program, activity, or project. The following are examples of restricted funds.

“Friends of”

Gifts to specific AWPAA teams enhance the budget of that specific intercollegiate athletic team. These donations **do not** qualify for A Club benefits.

Cadet Activities

Gifts to specific Cadet Activities teams and clubs are unrestricted gifts to these specific teams and clubs.

Unrestricted Annual Funds

Superintendent's Annual Fund/West Point Parents Fund

Gifts to the Superintendent's Annual Fund and West Point Parents Fund are unrestricted gifts for USMA. The Superintendent receives requests from all of the major activities at West Point for additional funding to support Margin of Excellence needs. These gifts are used to fund urgent, unforeseen, and current needs.

West Point Association of Graduates

Gift Policy and Procedures Manual

Army A Club

Unrestricted gifts to the Army A Club support all of Army's intercollegiate athletic teams. Donations to the A Club may qualify for benefits that include preferred seating at games, parking, etc. See page 413 for details regarding value of these benefits.

Long Gray Line Fund

Unrestricted gifts to the Long Gray Line Fund provide valuable operational support for WPAOG by funding programs for alumni and the Corps of Cadets. The Long Gray Line Fund also provides essential resources for services to keep graduates and their families connected to West Point.

Class Gift Funds

WPAOG maintains both a "Class Admin Account" and a "Class Gift Account" for classes. These two fund accounts are separately maintained and not commingled.

The purpose of the Class Admin Account is to serve as a depository for classes to accumulate monies for activities and functions which benefit the class as a whole. This fund is used to collect fees and pay expenses for class reunions and other class-directed purposes that benefit the class. Contributions to these accounts are not tax-deductible charitable gifts. Class Admin funds are for use by the Class. WPAOG acts as the steward of these funds and dispenses them only with the proper approval of the class officers.

The purpose of the Class Gift Fund Account is to serve as a depository for classes to accumulate monies for future gifts to USMA or WPAOG. Contributions to these gift funds are tax-deductible charitable gifts. Class Gift Fund Accounts do not belong to classes; rather, they belong to WPAOG. They may be used to fund a project from the Approved Needs List for USMA and WPAOG. Class Gift funds are placed into separate accounts for the eventual purpose of turning them over to USMA or WPAOG, or both, in various proportions. Generally, a class accumulates the funds during a fundraising campaign over a period of years, with the actual gift being presented during a reunion. At that time, the class gift, with the appropriate documentation, is transferred into the endowment fund that the class voted to support. Investment results could affect class gift funds positively or negatively.

The WPAOG Board of Directors (BOD) approved a policy, whereby as of 1 July 2013, any portion of a class gift fund intended for *endowment purposes* will be placed in WPAOG's long-term investment pool as gifts are received. Any market gain for the invested funds will be realized and reflected in the total amount for which the class is *recognized* at the gift presentation. The BOD also stipulated that should the financial market's return negatively affect funds invested in the long-term pool, the loss will not negatively affect the *recognition* a class receives for its efforts. It must be noted, however, that the expectation is that classes will endeavor to reach their class gift targets with contributions from classmates rather than through market returns. Further, the BOD re-affirmed the policy with respect to non-endowment class gift funds; namely that those expected to be expended within one year will remain in the current pool, while those expected to be expended within one to three years will remain in the short-term pool. Any residual funds left upon presentation of a class gift will be invested in the long-term pool until the next reunion campaign when the purpose of those funds is determined by the class.

West Point Association of Graduates

Gift Policy and Procedures Manual

Class Gift Recognition

- At the reunion, each class will be *recognized*, via an announcement, for all gifts from all class members given since the last reunion, a.k.a. “the Class Reunion Giving Total.”
- At the reunion, each class will be recognized, via an announcement, for all gifts from all class members given since Graduation, a.k.a. “the Lifetime Giving Total.”
- The check presentation at the reunion will only include the amount raised for the specific reunion gift project, a.k.a. “the Class Gift.”

Closing Class Gift Fund Accounts

After classes present their last organized class gift at their 50th reunion, they may choose to leave their gift fund open for the purposes of accumulating any residual pledge payments. If the class leadership determines that it is time to close out the Class Gift Fund Account, then the Class President, on behalf of the class, will be asked to:

- Provide in writing a USMA/WPAOG fund where they would like to direct the remaining balance of their gift fund, and
- Provide a letter stating the new designation fund, for the receipt of any future outright and planned gifts, originally intended for the class gift fund.

Classes are encouraged to consider allocating their last class gift, as well as planned gifts, to USMA (via the Superintendent’s Endowment) and WPAOG (via the Long Gray Line Endowment). In the case of classes that have previously presented brick-and-mortar gifts to USMA, they should consider establishing a maintenance endowment for those class projects.

Restricted-Undecided Gifts

Should a donor wish to make a gift to WPAOG without choosing a designation, the prospect manager will work with the donor to determine if it is in the best interest of all to place the funds in the “Restricted-Undecided” account.

Except in special cases (which will be reviewed individually), funds placed in the Restricted-Undecided account must be designated within nine months. If, within nine months, there is no resolution, the Vice President of Development will work with the prospect manager to revisit the gift designation question with the donor.

Should a donor become deceased before a designation is made, the following guidelines will apply:

- In all cases the donor’s intent, when reasonably ascertainable, will govern.
- When donor’s intent is unclear, the prospect manager will review the donor’s file for evidence of the donor’s gift target intent. Development will then forward its recommendation to the WPAOG Finance Office and Directorate of Academy Advancement, with accompanying gift background information. The final decision regarding allocation will be made by the Gift Committee.
- When the gift language specifies the “West Point Fund” the presumption is that the donor intended the gift to go to the Superintendent’s Annual Fund/Endowment, unless there is clear evidence of another gift intent.
- When the gift language specifies “The Association of Graduates, USMA” or some variation thereof, and absent other evidence of intent, the gift will be apportioned 70 percent to the

West Point Association of Graduates

Gift Policy and Procedures Manual

Superintendent's Annual Fund/Endowment and 30 percent to the Long Gray Line Fund/Endowment. This percentage allocation is based on the overall asset allocation between USMA and WPAOG.

Anonymous and Undesignated Gifts

When an anonymous gift of less than \$50,000 is received without a designation, the gift will be split between the Superintendent's Annual Fund (70 percent) and the Long Gray Line Fund (30 percent). Any gifts of \$50,000 or more lacking donor and designation information will be reviewed by the Gift Committee to determine final designation.

Summary of the Characteristics of Gift Funds

	Endowment	Quasi-Endowment	Gift fund	Class Gift Fund
Invade/Use/Principal Corpus	No	Yes*	Yes	No
Receive Interest/Market Changes	Yes	Yes	No	Yes
Separate Principal and Income Accounts	Yes	No	No	No
Documentation of Purpose	Yes	Yes	Yes	No

*Per WPAOG policy, principal may only be spent in extraordinary circumstances with approval.

West Point Association of Graduates

Gift Policy and Procedures Manual

WAYS OF MAKING A GIFT

OUTRIGHT GIFTS

Cash, Checks and Credit Cards

WPAOG accepts all cash gifts in the form of currency (up to \$500), personal check, electronic funds transfer, government allotment, or currently accepted credit card payment (American Express, MasterCard, Discover and Visa). For security purposes, WPAOG will only accept currency (up to \$500) in person at the Gift Operations Office in the Herbert Alumni Center. If, during the processing of the gift, it appears that the gift is derived from an illegal or immoral source, it will not be accepted.

Guidelines

- All gifts by check or credit card can be received via mail, phone, fax, or through the WPAOG website. Gifts of cash must be hand-delivered and not exceed \$500. (WPAOG does not have the capability to accept currency in excess of that amount.) All original documentation, including envelopes and corporate matching gift forms, accompanying the gift must be included.
- No copies of the gift check or credit card information should be made unless all bank numbers and/or credit card numbers are completely blacked out or removed.
- Business reply envelopes used for WPAOG-approved solicitations shall bear the address of the WPAOG Development Office to ensure prompt processing. The address to be used for all BREs is:

West Point Association of Graduates, USMA
698 Mills Rd
West Point, NY 10996-9910
- Gift Operations will deposit gifts with the finance office, record the gifts in the CRM database, and distribute a daily gift transmittal.

Storage and Use of Credit Card Numbers

Credit card numbers are not stored in the gift record and cannot be referred to for future donations. With the exception of recurring gifts, a credit card number must be submitted by the donor each time a donation is made.

When a credit card transaction is processed, the card data is encrypted and sent directly to the payment processor. It is not stored anywhere on WPAOG's POS system or network. The payment processor sends back an arbitrary reference number (the token) which is stored in case it is needed to process a refund at a later point. If the token is stolen from the system the credit card data is still secure because only the payment processor can use the token to identify the transaction and payment information.

WPAOG's last Payment Card Industry (PCI) certification was in April 2018. The information provided for the certification regarding WPAOG's security measures was shared only with WPAOG's PCI-qualified security analyst and submitted to Trustwave, the managed security provider.

West Point Association of Graduates

Gift Policy and Procedures Manual

Recurring Gifts and Government Allotment Gifts

Recurring Gifts

Recurring gifts are periodic payments set up for an indefinite length of time. A donor may specify whether gifts are made monthly, quarterly, or annually, and must notify WPAOG if he/she wants to stop the payments. Recurring gifts can be made by credit card or through electronic funds transfer from a bank account.

Recurring gifts are always new cash and may not be applied to a pledge. For example, a pledge meant to be paid in monthly installments should be booked as such.

Government Allotment

Military personnel can have a portion of their pay donated to WPAOG on a monthly basis by government allotment. A government allotment requires submission of DD-Form 2558 to start, change, or stop an allotment. Military personnel should contact their servicing payroll office to process and submit DD-Form 2558 to WPAOG.

Matching Gifts

WPAOG accepts gifts made by businesses or foundations that match the voluntary contributions of employees or other eligible participants. Matching gifts cannot be used to fulfill pledges unless the matching company permits such payments; therefore matching gifts should not be considered as part of a pledge agreement between WPAOG and a donor. Matching gifts will be applied to the same fund as the original donation, unless matching gift guidelines stipulate/allow otherwise.

WPAOG's matching gifts administrator receives all requests for matching gifts and is the main person responsible for reviewing, and accepting or rejecting, the requests based on knowledge of the original gift and each company's matching gift guidelines.

Matching Athletic Gifts

Matching gift companies have very specific guidelines with respect to matches for athletic gifts and violating those guidelines could damage West Point's reputation with, and beyond, those companies. Not following a matching gift company's guidelines for one gift could cause WPAOG to lose *all* matches from that company.

The matching gifts administrator is responsible for ensuring that all matching gift guidelines are followed for athletics (Army A Club) gifts, communicating with AWPAA when a gift is ineligible for a match, assisting AWPAA in confirming donors' exceptions to company matching gift policy, and reviewing and processing matching gift requests to athletics per WPAOG's policies and procedures. Any situations requiring additional review should be brought to the attention of the Senior Director, Donor Relations & Advancement Services.

If the donation to A Club is eligible for a match and the original donation went to the A Club, the tax-deductible amount of the gift reported to the company will be 100 percent of the original gift.

If it is confirmed that the original gift to A Club is *not* eligible for a match, the matching gift administrator will notify the appropriate staff member at AWPAA. AWPAA staff will be responsible for notifying the donor that his/her match is ineligible and informing the donor of any effects on A Club benefits. The matching gift administrator will not reject the gift until AWPAA has contacted the donor and determined whether the donor has received an exception from the company's policy.

West Point Association of Graduates

Gift Policy and Procedures Manual

If a donor has received an exception from the company's policy, the Advancement Services office requires notification in writing (letter or email) from the company's matching gift office stating that the employee is excused from the policy and the original gift may be matched. Once notification is received, the matching gift request will be accepted and the match, once received, will be processed. The written exception should include whether the gift is a one-time exception or for any gifts from that individual. An exception without an end date will allow Gift Operations to process future match requests from that individual immediately.

Political Action Committee Matching Gifts

A political action committee (PAC) is a group formed (as by industry or an issue-oriented organization) to raise and contribute money to the campaigns of candidates likely to advance the group's interest. In January 2012, USMA's SJA determined that PAC matching gifts are a prohibitive source of gifts to the Academy. The concern was PAC funds would influence Academy leaders and could sway their political views. The WPAOG assessed the overall impact and came up with guidelines.

Guidelines

- All non-designated gifts will be donated to the Long Gray Line Fund.
- All gifts to a USMA Fund will be returned.
- All gifts made to a USMA Endowment (such as a class gift endowment project) will be accepted, since the gift will not be distributed to USMA in the short term thus not influencing them.

Donor Advised Funds

A donor advised fund (DAF) is a philanthropic vehicle established at a public charity. It allows donors to make a charitable contribution to the fund, receive an immediate tax benefit, then recommend grants from the fund over time. Since the donor received a tax deduction at the time personal assets were transferred to the DAF and the DAF is the legal donor when a grant is made, payments from DAFs cannot be applied to pledges made by individuals. The IRS would view this as income to the individual which could result in penalties. Individuals planning to make gifts through a DAF also, ideally, should not sign a pledge. They may submit a letter of intent to state the commitment. However, if an individual does make a pledge and payments arrive from a DAF (but we do not know if all payments will come through that way), WPAOG will keep the pledge on the individual's record and adjust it down based on payments received from the DAF to show progress. The DAF will receive the hard credit, and the individual will be soft credited for recognition purposes. If it becomes known that all payments will come from a DAF, the pledge on the individual's record will be adjusted down to zero.

Securities

WPAOG accepts publicly-traded securities as outright gifts or as payment toward pledges. Stock gifts may be transmitted to WPAOG in one of two ways: through physical delivery of stock certificates or through electronic transmission of stock held in a brokerage account. Such gifts are valued at the mean market value on the date of the gift, in accordance with IRS regulations. Closely-held securities, those not traded on an exchange or over-the-counter, will require Gift Committee review.

West Point Association of Graduates

Gift Policy and Procedures Manual

It is the policy of WPAOG to sell all stock immediately upon receipt and identification of the donor, unless a decision not to sell is approved by the CFO.

Stock is only entered as a gift once it is WPAOG property. The stock will be valued using the average of the high and low trading values for the security on the date of the gift. The date of the gift is the date the securities are placed in WPAOG's account as opposed to the date on which the donor gave instructions to the broker to transfer the securities.

Receipts for gifts of securities will include a "recognition value" (that is the value WPAOG entered into its system, not the value a donor should use when preparing tax information) for donor convenience. The stock gift date and recognition value are determined in accordance with the guidelines set forth in IRS Publication 561. Donors are advised to seek professional tax guidance and may need to file IRS Form 8283 to claim a stock gift as a deduction.

Guidelines for Stock Certificates

- Stock certificates and all communication from the donor or the donor's broker related to the stock should be hand-delivered to Gift Operations for processing.
- If the donor wishes to send the certificate, he/she should send it by registered mail to Gift Operations. To prevent a loss when mailing the certificate, the donor should not endorse the physical stock certificate because the endorsed stock certificate becomes transferable to any holder of the certificate. Instead, the donor should mail a signed stock power to WPAOG in a separate envelope. The stock power should be signed exactly as the name appears on the face of the stock certificate and list the number of shares and name of the security. Blank stock powers can be obtained from a bank, stockbroker, or WPAOG.
- Gift Operations will arrange for the stock to be sold. Once sold, Gift Operations will create a sales voucher and relay this information to the WPAOG Finance Department.

Guidelines for Electronic Transmission

- The donor or the donor's broker can transfer shares electronically to WPAOG using the securities transmittal form found on the WPAOG website. One copy of this form should be faxed to Gift Operations since the brokerage firm will only alert us to the number and type of shares received and not the donor's name or gift restriction. Account information is as follows:
Merrill Lynch Account #7CY04055
Account name: Association of Graduates-USMA
DTC Clearing #8862
Broker: Randy Crane '78, 919.829.2080; 800.479.2542
- Gift Operations will arrange for the stock to be sold. Once sold, Gift Operations will create a sales voucher and relay this information to the WPAOG Finance Department.

PLEDGED COMMITMENTS

Pledges

WPAOG accepts all pledges for donations supporting recognized USMA/WPAOG needs. Pledge periods are normally for a period of three to five years. Longer periods require Gift Committee review and approval.

Pledges of \$25,000 or more must be confirmed by the donor in writing, which may include the electronic submission. The following information is required to substantiate a pledge:

West Point Association of Graduates

Gift Policy and Procedures Manual

- A signed pledge form or confirmation of intent by email.
- The exact amount of the pledge.
- A clearly defined payment schedule.
- The designation for use of the funds.

In addition, the donor may not add any contingencies or conditions. The donor must also be considered to be financially capable of making the gift.

For pledges of less than \$25,000, the documentation may be in the form of a simple pledge card or a formal pledge agreement, based on the standard template currently being used. Pledge cards may only be used to document a gift that does not require a formal gift agreement. At a minimum, the pledge card should include:

- The donor's name.
- The amount of gift.
- The schedule of payment, not to exceed five years unless approved by the Gift Committee.
- The designation for use of the funds.
- No contingencies or conditions.
- Donor consent to the imposition of the gift allocation percentage.
- The donor's signature.

Phone-a-thon pledges are booked, regardless of amount, without donor signature.

Verbal Pledges

Verbal pledges are pledges, other than from a phone-a-thon, made without donor signature or any written confirmation (*e.g.* email). WPAOG policy is not to officially record verbal pledges. They are tracked in the opportunities tab of the donor's CRM record as part of the pledge pipeline.

GIFTS-IN-KIND

Gifts-in-kind are non-cash contributions of tangible or intangible personal property or real estate. Examples of tangible property include equipment, books, printed materials, meals, and software. Intangible property may include software licenses and copyrights. Contributions are transactions in which a donor makes an unconditional voluntary transfer to WPAOG without receiving equal value in exchange.

Gifts-in-kind must be approved by the benefitting institution (WPAOG or USMA) before the gift is made. The approval process, via proffer, with USMA usually takes two to six weeks for gifts valued under \$500,000 and approximately two to three months for gifts greater than \$500,000 as these gifts must be approved by the Secretary of the Army. Gifts offered to WPAOG may be approved by WPAOG's CEO.

In order to comply with the Office of the Inspector General's audit requirements, the USMA Office of the Directorate of Intercollegiate Athletics (AWPAA) will not accept gifts-in-kind with a value under \$2,500. In those instances, if AWPAA determines that the item offered is needed, the donor will be encouraged to provide the funds directly to the AWPAA team or Friends Of account so that the item offered can be purchased by AWPAA. The donor will then receive gift credit for a cash gift. Please note that WPAOG receives 12% of all cash gifts. Therefore the cash gift from the donor

West Point Association of Graduates

Gift Policy and Procedures Manual

should be enough to cover the purchase plus the gift allocation percentage. If the gift will not cover GAP, it must be approved by the Gift Committee before it is accepted.

USMA and WPAOG reserve the right to refuse any gift or part of a gift. All gifts designated to USMA are subject to legal review.

When deciding whether to accept the gift, the following questions will be considered:

- Is the gift relevant to the mission of WPAOG and/or USMA and does it apply to an approved need?
- Will the gift cause WPAOG and/or USMA to incur costs in the future for maintenance, repair, etc.?
- Are there risks involved with accepting the gift?
- If the property cannot be used by WPAOG and/or USMA, will the donor allow it to be sold and if so, is it marketable and is WPAOG willing/able to sell it? (If not, the gift will not be accepted.)

Gift acceptance and valuation determination may be subject to review by the Gift Committee. Approved gift values are booked in WPAOG systems and calculated in lifetime giving credit; however tax receipts will include a description of the item donated only. It is the responsibility of the donor to value the item for tax purposes.

Once a gift-in-kind is accepted by USMA or WPAOG, it is the responsibility of the donor to make arrangements for the item's delivery. Gifts going to USMA must be inspected by representatives from WPAOG and DAA and a representative from USMA must sign to confirm receipt of the item(s).

Tangible Property

Gifts of tangible property must be accompanied by an appraisal from the donor. If an appraisal is not available, WPAOG may look for comparisons on the open market, use the amount that would have been paid for a similar item, or, based on available information, ascertain a "reasonable value," which will be approved by the Gift Committee.

In order for the donor to claim a tax deduction for a gift of tangible property, he/she must file IRS Form 8283 (for gifts over \$500). In addition, if the value is more than \$5,000, the appraisal must be from an independent licensed appraiser and made within 60 days of the gift.

Offers of tangible property that require WPAOG or USMA to hold the item in perpetuity will be reviewed by the Gift Committee.

Vehicle donations valued at \$500 or more require the donor to submit Form 8283 and Finance must prepare IRS Form 1098-C. Finance should be notified as soon as it is known that a vehicle donation is coming. The receipt must include a description of the vehicle as well as the VIN number and mileage.

Equipment and Software

The donor will receive gift credit for the educational discount value only; that is, the amount the institution would have paid had it purchased the software directly from the vendor, regardless of the value the vendor may place on it.

West Point Association of Graduates

Gift Policy and Procedures Manual

Events/Meals

If a donor (host) covers the costs of a WPAOG event and requests gift credit, WPAOG requires a dated receipt indicating the amount paid, which will be gift-in-kind (GIK) value. The donor will receive a receipt describing the items purchased and/or event hosted without a value. (Per IRS regulations, it is up to the donor to value the goods provided.)

It is also possible for WPAOG to pay the event expenses and the donor (host) to make a cash gift intended to cover the costs. The gift will be deposited in the WPAOG operations account and the 12 percent GAP will be waived. The donor will receive a tax receipt stating the amount of cash donated. See the Event Support section below for further information.

Please note that GIK credit will not be given for simply “picking up the bill.” While donors covering meals and drinks for WPAOG staff may be helpful in saving money in staff budgets, this practice does not align with our GIK policy. Also, all events, meals, etc. covered by a donor for GIK credit must be mission-specific (i.e. carrying out the goals of WPAOG).

Intangible Property

Gifts of intangible property include contributions of advertising, software licenses, patents, and copyrights. These gifts may require review by the Gift Committee and will only be accepted if they can be utilized and help further the mission of USMA and/or WPAOG.

Other Items

Complex Assets

At times donors may wish to contribute to WPAOG certain assets which may include closely held Securities in businesses and funds, Real Estate Interests, and other items as Artwork and Business assets.

To avoid paying Capital Gains Tax, a donor may wish to transfer these assets to WPAOG directly as opposed to selling them and donating the proceeds. This treatment is allowed under IRC Sec 170.

For transactions as defined above the donor would have the responsibility to obtain a qualified appraisal on the asset and properly report the transaction to the IRS. The gift acknowledgement to be sent to the donor by WPAOG upon the transfer of title should not indicate the assets appraised or presumed monetary value. It should simply indicate the date of the transfer and a detailed description of the asset.

Listed below are certain considerations for gifts of privately-held stock/securities, real estate interests or other assets which may include valuable works of art. In all cases WPAOG’s Chief Financial Officer should work in conjunction with the Gift Officer to obtain satisfaction that acceptance would not expose WPAOG with potential costs and liabilities. The Chief Financial Officer may confer with legal counsel and employ other experts as necessary. The cost of the outside counsel and experts would be applied against the gift upon liquidation.

Prior to acceptance of a gift of privately held stock or partnership interests WPAOG should conduct an adequate review of the transaction to ensure the following;

- The donor has adequate interest in the security / property and there are no additional claims another party would have against the interest when it is liquidated by WPAOG.

West Point Association of Graduates

Gift Policy and Procedures Manual

- In the case of privately held stock or partnership interests there should be no restrictions that may for example require WPAOG as the new owner to meet a Capital Call obligation.
- It is important for WPAOG to understand in advance if acceptance of the gift could result in undesirable tax consequences. Certain interests such as Sub S stock and certain partnerships and LLC's could generate unrelated business taxable income.

Gifts of real estate could be some of the most dangerous for WPAOG to accept. While these gifts are common there are two big issues related to acceptance; Environmental Liability and practical issues related to the holding and sale of the property.

- Since WPAOG is not immune to environmental protection laws a comprehensive review of the property's environmental risk should be conducted. Additionally, to protect against this type of liability WPAOG may require donor's indemnifications and the transfer should be placed into an LLC that is wholly owned but separate from WPAOG.
- To cover for costs associated with maintaining the property and paying the property taxes, WPAOG should have the donor to provide six months of carrying costs in cash along with the real estate gift. Any amounts provided by the donor, more than the actual carrying costs should be returned to the donor upon sale.
- Legal costs and costs of the sale (including but not limited to commissions) should be charged against the proceeds.

Gifts of other assets may include items like artwork and business machinery. Prior to acceptance gifts of this sort should be evaluated by WPAOG to ascertain if there is an open market available to liquidate such gifts, if the property is subject to "related use rules", if the conveyance includes proof of title and other considerations specific to the circumstances surrounding the gift. Like Stock and Real Estate described above, any costs associated with the liquidation of these other assets should be charged directly against the proceeds.

In summary, WPAOG has a duty to properly conduct due diligence on the gifts it receives. The Gift Officer should communicate this to the donor in a timely manner and ensure the donor understands that if WPAOG cannot obtain the necessary documentation and reports the gift may be rejected. Costs associated with rejected gifts will be charged against Development.

Guidelines

- The minimum amount for a complex asset is \$1,000,000.
- Complex assets under \$1,000,000 will be evaluated on a case-by-case basis by the Gift Committee.
- Shares in an LLC would be tracked as a Gift in Kind in Finance, but Development will count it as a cash receipt.

Airline Miles

Donations of airline miles are not tax-deductible because they are technically free and not taxed by the IRS as income. Whether they can be donated at all depends on the individual airline. In most cases, miles can only be donated back to the airline for the company's specific charity. Any potential offers of airline miles will be reviewed by the Gift Committee.

West Point Association of Graduates

Gift Policy and Procedures Manual

Buildings and Monuments

In rare instances, WPAOG will accept gifts of permanent structures at West Point, but only after extensive coordination with USMA.

Real Estate

All offers of real estate will be evaluated on a case-by-case basis by the Gift Committee. WPAOG does not accept ownership of timeshare properties.

Time and Service

WPAOG accepts waivers for professional fees for services such as legal, consulting, web design, etc. and USMA commonly accepts waivers of fees related to construction and travel, usually via a gratuitous service agreement (GSA). Gifts of service must be approved by the benefitting institution (WPAOG or USMA) before the gift is made. For services provided to USMA, WPAOG will manage the relationship with the donor but all other paperwork (such as the GSA) and details must be completed and supervised by the Directorate of Academy Advancement (DAA).

WPAOG will record gifts of service (using gift type-other for recognition purposes) and acknowledge the donor appropriately. However, these gifts are not counted toward fundraising goals and the IRS does not allow a tax deduction for gifts of services (see IRS Publication 526). Therefore, the donor of the service(s) will receive an amended version of the usual tax receipt, which will include a description of the services and the date(s) the services were provided. If the donor incurred any costs while providing the services that could be tax-deductible, it is up to the donor and the donor's tax advisor to make that determination and value and substantiate those costs.

WPAOG fundraisers may open opportunities for gifts of services for tracking purposes. However, the amount expected should always be \$0 as gifts of services do not count in fundraising totals.

Usage of Property/Partial Interest

Partial interest gifts, such as the use of an airplane or office space, will be accepted upon approval by the Gift Committee but will be treated like gifts of service in how they are recorded and acknowledged. Per IRS Publication 526, a donor cannot deduct a charitable contribution of less than his/her entire interest in property.

EVENT SUPPORT

Event Support - WPAOG

Gifts to support events are charitable gifts as long as the gift is meant to cover, reduce, or reimburse WPAOG's costs (rather than costs of event attendees or to support an event not organized by WPAOG) and there is no arrangement or expectation that the person or company will receive any substantial benefit other than the use of the name or logo in connection with the activities being supported. Donor acknowledgement may not include any advertising of products or services (including messages containing qualitative or comparative language, price information, indications of savings or value, an endorsement, or an inducement to purchase, sell, or use such products or services). Events must also be in support of WPAOG's mission.

Payments for advertising are not charitable gifts and are taxable to the organization. These rules are set forth in the Internal Revenue Code, Section 513(i). Per IRS Publication 598, individuals, companies, or organizations supporting events may receive print and verbal recognition in the form

West Point Association of Graduates

Gift Policy and Procedures Manual

of name and/or logos where appropriate. WPAOG will outline for donors the possible recognition opportunities based on the particular event and giving level.

In cases where a donor makes a cash gift to cover WPAOG’s expenses for an event, the GAP is waived as the donor is essentially reimbursing a WPAOG operating account. As mentioned above, if the donor pays the event costs directly, he/she may submit dated receipts or invoices detailing event costs for gift-in-kind credit. In this case the donor will receive a tax receipt describing the event, or portions thereof, donated. As with all gifts-in-kind, it is up to the donor to value the event for tax purposes.

Contributions to ease or eliminate costs for classmates or other fellow grads or friends (such as paying a bar tab), donations of food and beverage in connection with reunions or similar events, or paying the bill or tab after social meals or drinks (even if WPAOG staff were included) will not be booked as charitable gifts-in-kind. Charitable gifts-in-kind are those that benefit WPAOG or USMA only.

Please note that support for fundraising, cultivation, and/or stewardship events, as well as other alumni events, will only be considered for gift-in-kind credit if the event is approved and staffed by WPAOG either before or after the event. Any free tickets or other fee waivers given to donors supporting events will be subject to the usual quid pro quo policies.

Event Support-USMA

Per the memorandum of Agreement between USMA and WPAOG dated June 1, 2018, WPAOG may be responsible for contracting, invoicing, and payment functions associated with gift-funded events.

The Administrative Assistant & Conference Coordinator is responsible for executing USMA event support as detailed in the MOA.

Event Support, Sponsorship, and Advertising at a Glance

	Communications & Marketing Policy		Development Policy	
	Sponsorship	Advertising	WPAOG Event Support	USMA Event Support
Definition	Payment made by a person engaged in trade or business with no substantial benefit other than the use or acknowledgment of business name, logo, or product line in connection with the organization's activities. <i>Source: IRS Publication 598 (01/2015)</i>	Uses qualitative or comparative language, price information, or indications of savings or value; inducements to purchase, sell, or use the product(s) or service(s); and/or contains an endorsement of the product(s) or service(s). <i>Source: IRS Publication 598 (01/2015)</i>	Donation(s) intended to cover expenses for an event benefitting WPAOG.	Donation(s) designated to cover expenses for an event benefitting USMA.
Charitable Gift	Yes	No	Yes	Yes

West Point Association of Graduates

Gift Policy and Procedures Manual

Gift Receipt	Yes	No	Yes	Yes
GAP	No	No	No	Yes
Other Information:	-The fair market value, if beyond IRS “allowable limits,” of any benefits received (event tickets, meals, etc.) will be listed on the tax receipt. It is up to the donor to reduce the tax-deductible gift by this amount per IRS “quid pro quo” regulations. -Will receive gift credit going forward as long as all of the criteria is met (no advertising and benefitting WPAOG).	May have UBIT implications for WPAOG.	If a donor covers or reimburses event expenses in a manner benefitting any department within WPAOG and no advertising is involved, the payment is a tax-deductible gift and the GAP is waived.	Adjust gift up to include GAP so net gift amount covers expense; Proffer as Cash; Provide enough time for Proffer to go through proper channels. A more in-depth policy on Donor Support of USMA events is held in the Development Office.

DEFERRED GIFTS

Definition of Deferred Gifts

Revocable gifts are designed to be made in the future, usually when the donor dies. These are flexible arrangements that the donor may change or revoke at any time during life. Until the gift is complete, the donor is not eligible for a charitable income tax deduction. However, if the gift passes to a charity when the donor dies, his or her estate receives a charitable estate tax deduction equal to the gift value. Types of revocable gifts are bequests, living trust provisions, retirement fund provisions, and life insurance distributions.

Irrevocable gifts are completed transfers of assets that cannot be changed or undone by the donor. Because the donor irrevocably gives all or part of an asset, the donor receives an immediate charitable income tax deduction, plus the gift value is removed from the donor’s taxable estate. Examples of irrevocable gifts are charitable remainder trusts, gift annuities, pooled income fund gifts, gift of a remainder interest in a home or farm, and charitable lead trusts.

Types of Deferred Gifts

Life Insurance

WPAOG will accept donations of life insurance proceeds if designated as beneficiary. This is considered a revocable gift and will be treated as all other revocable gift instruments, and will be counted at face value.

WPAOG will accept ownership of whole life insurance policies, provided that the policy is fully paid.

WPAOG will not purchase a life insurance policy for a donor naming WPAOG as the beneficiary.

Any gift of life insurance is subject to review and approval by the Gift Committee.

West Point Association of Graduates

Gift Policy and Procedures Manual

Retained Life Estates

An individual may transfer to WPAOG title to a personal residence or farm with the understanding that the property will be immediately marketed for sale. WPAOG will not accept property with a retained life estate.

Guidelines

- WPAOG Gift Acceptance Policy prohibits acceptance of gifts with retained life estates attached. Exceptions may be approved by the Gift Committee.
- If Gift Committee has approved, then the donor or other person(s) for whose benefit the life estate has been retained shall continue to be responsible for real estate taxes, insurance, utilities, and maintenance after transferring title to the property unless WPAOG, upon prior approval of the Gift Committee, agrees to assume responsibility for any of these items. In any event, WPAOG shall enter into a retained life estate arrangement only if it is also party to an agreement that specifies the respective rights and responsibilities of WPAOG and of the person(s) for whose benefit the life estate has been retained.

Retirement Plans

WPAOG accepts beneficial distributions from retirement accounts where WPAOG is a named beneficiary. A donor can also name his or her spouse the beneficiary of the retirement plan, who in turn can name WPAOG the eventual recipient. Additionally, WPAOG can also be named a contingent beneficiary.

Many potential supporters of WPAOG likely have IRAs or other qualified retirement plans, and the value of the assets involved can be considerably more than the donor would ever need during retirement. In some cases it can be appropriate for donors to use these assets to make current outright gifts, whereas in other cases it may be preferable to have retirement plan assets contributed upon death.

Guidelines

- WPAOG shall encourage current outright gifts of assets distributed from retirement plans; WPAOG shall advise the donors to consult with their advisors to determine they are able to part with such assets without compromising their financial security and determine the gift will not result in tax disadvantages.
- Prospective donors of retirement plan assets upon death shall be encouraged, in consultation with their advisors, to consider structuring gifts of such assets either through an outright transfer to WPAOG by means of a beneficiary designation or through a charitable remainder trust designed to provide life payments to one or more beneficiaries of the donor's estate.

A Charitable IRA Rollover can be made to the WPAOG by a taxpayer age 70 ½ or older. The amount, up to \$100,000 annually, must be directly transferred from his or her individual retirement account (IRA) to the WPAOG. The amount directly transferred does not generate a charitable income tax deduction, but it does count toward the taxpayer's minimum required distribution. The directly transferred amount will be excluded from taxable income.

Guidelines

- The donor must be 70½ or older.
- The gift must be made directly from the IRA to an eligible charitable organization.

West Point Association of Graduates

Gift Policy and Procedures Manual

- Gifts to all charities combined cannot exceed a total of \$100,000 per taxpayer for the year.
- The gifts must be outright, and no material benefits can be received in return for the gifts. Thus a transfer for a gift annuity, charitable remainder trust, or pooled income fund is not permitted.
- Gifts cannot be made to a donor advised fund, supporting organization, or private foundation.
- The gift is not included in taxable income, and no charitable deduction is allowed.
- The gift can be made only from an IRA. Gifts from 401(k), 403(b), and 457 plans are not permitted.

Bequests and Trusts

WPAOG accepts testamentary bequests from wills and trusts where WPAOG or West Point Fund is a named beneficiary. Trusts referenced include revocable trusts and irrevocable charitable remainder and lead trusts. Bequests of tangible property and real estate will be evaluated as stated in paragraphs above. WPAOG will agree to serve as trustee for irrevocable trusts, at the donor's request, subject to Gift Committee approval. WPAOG is not authorized to accept bequests payable to West Point or the United States Military Academy. Such bequests are referred to the Directorate of Academy Advancement.

A bequest is generally understood to be any gift made upon death pursuant to a provision in the donor's will or revocable living trust. Bequests have historically been the most important kind of deferred gift, and they have contributed significantly to the building of institutional endowments. The encouragement of bequests will be one of the highest priorities of WPAOG.

Guidelines

- Sample bequest language for restricted and unrestricted gifts, including endowments, will be made available to donors and their attorneys to ensure that the bequest is properly designated. Each bequest donor will also be invited to provide a confidential copy of that section of his or her will naming WPAOG as a beneficiary or some other written documentation confirming the bequest provision.
- The WPAOG Planned Giving Office is authorized to accept bequests on behalf of WPAOG, except that:
 - Bequests of real property, which will be referred to the Gift Committee for review and approval.
 - Gifts of personal property that entail potential expense, liability, or inconvenience on the part of WPAOG.
 - Bequests subject to conditions or restrictions with which it may be difficult for WPAOG to comply shall require approval of the Gift Committee.
 - On the advice of its attorney, WPAOG will not agree to serve as executor or personal representative of a will or as trustee for living trust. Exceptions will be made only in extreme circumstances and after approval by Gift Committee.
- During the probate of estates containing a bequest to WPAOG and during the post-death administration of revocable trusts containing dispositive provisions benefiting WPAOG, the WPAOG Planned Giving Office, and on occasion in consultation with legal counsel for the WPAOG, shall represent WPAOG in all dealings with the personal representatives of the estate.

West Point Association of Graduates

Gift Policy and Procedures Manual

If a bequest is received that does not specify designation for use of the funds, and if upon the death of the donor the designation has not been made, the following guidelines will apply:

- In all cases the donor's intent, when reasonably ascertainable, will govern.
- When donor's intent is unclear, the prospect manager will review the donor's file for evidence of the donor's gift target intent. Development will then forward its recommendation to the WPAOG Finance Office and Directorate of Academy Advancement, with accompanying gift background information. The final decision regarding allocation will be made by the Gift Committee.
- When the gift language specifies the "West Point Fund" the presumption is that the donor intended the gift to go to the Superintendent's Annual Fund/Endowment, unless there is clear evidence of another gift intent.
- When the gift language specifies "The Association of Graduates, USMA" or some variation thereof, and absent other evidence of intent, the gift will be apportioned 70 percent to the Superintendent's Annual Fund/Endowment and 30 percent to the Long Gray Line Fund/Endowment. This percentage allocation is based on the overall asset allocation between USMA and WPAOG.

Charitable Gift Annuity, Charitable Trusts and Pooled Income Fund

WPAOG accepts donations to its charitable gift annuity fund and pooled life income fund, as well as charitable trusts.

Charitable Gift Annuity (CGA)

A Charitable Gift Annuity program was established at the West Point Association of Graduates in 1982. Initially, all gift annuity policies were handled by means of reinsurance. In 1991, WPAOG determined to expand the program, discontinued the use of automatic reinsurance, and established its own CGA program and reserve fund in compliance with New York State law. Should the reserve fund prove insufficient to support required annuity payments, WPAOG guarantees the contractual annuity payments through its general reserves and endowment.

Charitable gift annuity regulation varies by state. WPAOG is currently registered with most states with densely populated planned gift prospects, with the exception of California, to issue Charitable Gift Annuities, and WPAOG only (i.e., not USMA) will be the beneficiary on all Charitable Gift Annuities. If there is a donor who would like only USMA to be the beneficiary, the case will be discussed and handled as an exception pending the approval of the WPAOG CEO, Vice President of Development, Chief Financial Officer, and Director of Planned Giving.

A CGA is a contract between WPAOG and the donor. WPAOG agrees to pay the donor (or other person named by the donor) a lifetime annuity in return for a gift of cash, securities, or other property. The payment may continue for the life of a second individual, such as a spouse. If the first payment is to be made within one year of the contribution, the annuity is regarded as an immediate annuity; if the first payment is made thereafter, then the annuity is regarded as a deferred annuity.

The annual payment is a fixed sum, the amount of which is based on the size of the gift and the number and ages of the beneficiaries. Gift annuity rates are lower than the rates offered by commercial insurance companies so that a significant residuum will remain for WPAOG.

West Point Association of Graduates

Gift Policy and Procedures Manual

While CGAs are a popular gift vehicle for many donors and a long-time and well-accepted fundraising tool for charities, gift annuities carry a potential liability risk for the charitable organization. In order to minimize the risk while maximizing the gift potential of the WPAOG program, the following policy guidelines have been adopted.

Guidelines

- The minimum amount for a gift annuity is \$10,000.
- In recognition of long-term stewardship expense, the recommended minimum age of annuitants is 65. Exceptions will be reviewed by Gift Committee.
- WPAOG follows the suggested payout rates established by the American Council on Gift Annuities (ACGA). However, in any given instance, a donor may agree to payment of a rate lower than the rate offered by WPAOG, provided WPAOG complies with applicable state law in offering the lower rate and with review and approval by the Gift Committee.
- The gift portion (policy residuum) of the annuity must be directed to WPAOG's Long Gray Line Fund or to the Long Gray Line Endowment. When the gift is received, WPAOG may, in its discretion, apply the gift to a USMA program where donor has indicated such a preference.
- Annuities may be issued on a single life or on two lives; two-life annuities may make payments either on a joint-and-survivor basis or on a successive-interests basis.
- Annuities shall be limited to two lives. Ordinarily the minimum age for annuitants at the time annuity payments commence shall be 65 for immediate and deferred annuities. Exceptions may be made subject to the prior approval of the Gift Committee. Gift assets will be limited to cash and securities for which a ready market exists.
- Annuities of \$250,000 or more will require review by the Gift Committee and final approval by the CEO of WPAOG before being accepted/issued. This policy will also be followed when a single donor has multiple annuities and a new gift annuity offer from this donor will make the total of all annuities \$250,000 or more.

Charitable Remainder Trusts (CRT)

A Charitable Remainder Trust is a separately administered trust established by the donor. It provides for payments to the donor and/or other named beneficiary(ies) either for life or a term of years (not exceeding 20), whereupon the remaining trust assets are distributed to one or more charities.

There are two types of Charitable Remainder Trusts:

Charitable Remainder Annuity Trust (CRAT) - A CRAT pays a fixed amount, which must be at least 5 percent and no more than 50 percent of the fair market value of the assets initially contributed to the trust. This amount does not change, and no additional gifts may be made to the annuity trust after its creation. In addition, the present value of the remainder interest at the time of creation must be at least 10 percent of the value of the assets used to create the trust, and there cannot be greater than 5 percent likelihood at the time of creation that the trust's assets will be exhausted before the trust ends.

Charitable Remainder Unitrust (CRUT) - A CRUT pays a fixed percentage (at least 5 percent but no more than 50 percent) of the fair market value of trust assets, as valued annually. Because the value of assets can be expected to change from year to year, the unitrust payment will vary in amount each year. Additional contributions may be made to the

West Point Association of Graduates

Gift Policy and Procedures Manual

trust after it is established. Also, the present value of the remainder interest associated with any contribution of assets to the trust must be at least 10 percent of the value of those assets.

Several variations of the unitrust are possible. A “standard” or “straight” unitrust pays the stipulated amount, even if it is necessary to invade principal to do so. A “net-income” unitrust pays the lesser of the stipulated amount or the actual net income, so principal would not be invaded. A “net-income with make-up-provision” unitrust is like the net income unitrust except that excess earnings can be applied to cover accrued deficiencies resulting from the net income being less than the stipulated amount. A fourth variation is the “flip” unitrust, which functions initially as either a net-income unitrust or a net-income with make-up provision unitrust but then becomes a standard unitrust at a later point in the trust’s existence.

Guidelines

- At the request of the donor, WPAOG will agree to serve as trustee of a CRT under two conditions: (1) WPAOG is at least a 50 percent beneficiary of the residuum and (2) the donor agrees that WPAOG will determine the fund manager of the trust funds.
- When WPAOG is asked to serve as trustee or co-trustee, the minimum amount for a CRT ordinarily will be \$100,000, but a trust may be funded with a smaller amount subject to prior approval by the Gift Committee. If the donor selects an external trustee, the minimum will be whatever amount is acceptable to that trustee.
- WPAOG may provide specimen trust documents to donors, but in no case will provide the actual trust document.
- The terms of each trust are determined by the donor. WPAOG may offer information as to various tax and life income benefits of various types of trust, but in no case will advise or suggest a particular trust to the donor; rather, WPAOG will advise the donor to seek the counsel of his or her professional advisors.

Charitable Lead Trusts (CLT)

A Charitable Lead Trust is a trust in which the income, or “lead” interest, is paid to WPAOG, and the “remainder” interest is given to one or more non-charitable beneficiaries, who could be either the donor or family members. The amount paid to WPAOG may be either a fixed sum (an “annuity trust” interest) or a percentage of trust assets as valued each year (a “unitrust” interest).

Guidelines

- When WPAOG is named as trustee or co-trustee, the minimum amount for a charitable lead trust ordinarily will be \$500,000, but a trust may be funded with a smaller amount subject to prior approval by the Gift Committee. If the donor selects an external trustee, the minimum will be whatever amount is acceptable to that trustee.
- The trust term may be at the discretion of the donor.
- WPAOG may provide specimen trust documents to donors, but in no case will provide the actual trust document.
- WPAOG always refers donor prospects to seek advice of their professional advisors before making a planned gift.

West Point Association of Graduates

Gift Policy and Procedures Manual

Pooled Income Fund Contributions

A pooled income fund is a trust in which contributions are commingled for investment purposes. When a donor makes a gift to a pooled income fund, units are assigned to named beneficiaries. The net income from the fund is paid to each beneficiary on the basis of the number of units he or she possesses. When a sole or surviving beneficiary dies, the value of that person's units is separated from the fund and retained by WPAOG.

Guidelines

- The minimum initial contribution to the pooled income fund is \$5,000.
- Additional contributions of at least \$1,000 may be made to the fund at any time.
- WPAOG recommends that beneficiaries be at least 65 years of age.

Deferred Gift Counting

The WPAOG Office of Planned Giving handles receipt of deferred gifts and will direct how gifts are entered. All deferred gifts must be made in accordance with all relevant policies in this manual and have the required documentation. (Documentation must designate WPAOG as the recipient of the gift. Deferred gifts made to USMA will not be counted in fundraising totals and donors will not receive gift credit from WPAOG.)

The Planned Giving office will request notification of the gift in writing, and will be available to assist, at the donor's request, in preparing bequests. Donors will be asked to provide copies of documentation of the bequest or gift instrument, but such documentation is not required in order for the gift to be counted.

Irrevocable Gifts

Donors will receive immediate gift credit for all irrevocable deferred gifts, regardless of the age of the donor. Gift credit equals the face value of the charitable portion of the gift. Remainder trusts, annuities, and pooled income gifts will be counted in fundraising totals at face value of the charitable value of the gift that will benefit West Point only. Gifts of an irrevocable lead interest in a charitable lead trust will also be credited at face value.

Revocable Gifts

Only revocable gifts from donors who are 70 years of age or older in the year the gift is made will count toward Development pledge goals. Donors will not receive gift credit for these gifts however, nor will the gifts factor into lifetime giving totals or recognition.

Revocable gifts from those younger than age 70 are not counted until received, usually on the death of the donor, and when counted are credited at the realized amount. Revocable gifts are initially entered with zero value as the gift amount; with a face value entered that is the current value at the time notification of the gift is received by WPAOG. Upon receipt of the gift, the gift amount will be changed to reflect the realized amount of the gift.

Bequests will be counted at full face value unless the bequest intent was counted previously. If the bequest is more than the original intent, the additional amount will be counted as new cash.

The charitable portion of all documented revocable bequest intentions will be counted at face value. Revocable bequest intentions that will be counted include documented commitments as follows:

West Point Association of Graduates

Gift Policy and Procedures Manual

- Specific and residuary bequest intentions and revocable living trusts.
- Designations of WPAOG as primary or secondary beneficiary of retirement programs (401k, 403b pension programs, IRAs).

Should a revocable gift made by a donor under 70 years of age become irrevocable or realized, the donor will receive gift credit in the year the change occurs. If the age requirement was met when the revocable gift was made, Development will not change the original gift. However, Finance will now record the gift.

Although WPAOG will continue counting deferred gifts at face value for gift credit following the For Us All Campaign, these gifts will be reported at discounted present value for various purposes such as the Voluntary Support of Education (VSE) survey. WPAOG software uses mathematical formulas to arrive at the present value of a planned gift—its purchasing power in current dollars. Five variables are factored into the valuation process: term of the gift (often related to the donor's life expectancy), anticipated investment return, expenses, payout, and cost-rise rate.

Deferred Gift Recognition

All donors, based on the above criteria, who make irrevocable or revocable gift intentions of \$25,000 or more will be included as members of the Cullum Society.

- All donors who make irrevocable gift intentions will be recognized in lifetime donor recognition categories at the face value-level of the charitable portion of their planned gift(s).
- All donors, based on the above criteria, who make revocable gift intentions of \$25,000 or more, will receive all benefits of Cullum Society membership. Seven-figure revocable gift intentions will receive very high-level stewardship and recognition (*e.g.* highlighted in a donor newsletter, invitations to special events, etc.) Lifetime recognition totals will not be affected until the revocable gift intentions are realized.

Until a planned gift is realized (cash is received), the gift cannot be used to name an endowment or a brick and mortar project.

SPECIAL EVENTS IN SUPPORT OF APPROVED USMA NEEDS

If approved by WPAOG and DAA, volunteers may work with Annual Giving or Class Giving to hold an event to raise funds in support of a USMA-approved need. The policy regarding such events follows.

A request to hold an event to support a USMA-approved need is made through the WPAOG Director of Annual Giving. The volunteer will present the proposed event plan to the Director of Annual Giving. If the need is for a class gift project the Director of Annual Giving will coordinate with Class Giving for an appropriate Class Giving Representative to work with the volunteer.

The WPAOG Director of Annual Giving/Class Giving Representative will forward the request to DAA. DAA will determine if the event is approved and inform the WPAOG Director of Annual Giving/Class Giving Representative of its decision. The Director of Annual Giving/Class Giving Representative Giving will then inform the volunteer of the decision.

If approved, the WPAOG Director of Annual Giving/Class Giving Representative/Event Point of Contact (POC) will:

West Point Association of Graduates

Gift Policy and Procedures Manual

- Request via WPAOG Assistant Director of Advancement Services a proffer of the event to USMA, if necessary. (A proffer is required if the event involves any USMA faculty, staff, or cadets. A proffer can only be initiated once enough funds to cover the event are received. Please allow a minimum of eight weeks for the proffer to be accepted.)
- Work with the volunteer to decide where event-related donations will go. If the volunteer chooses two needs, language will be included on the event registration site that states “Total expected need is \$XX for this event. Once the primary need is fulfilled any additional funds raised will go to the [second gift target].”
 - The volunteer has two options for collecting donations with the event:
 1. The event registration fee only includes actual costs associated with the event. Registrants may make a donation via a donation button on the registration site. (Those not attending may also make a donation and NOT register.)
 2. The event registration may include a tax-deductible donation amount. For instance, if the event costs \$80 per person, the registration fee may be \$100, which includes a \$20 tax-deductible gift. Language will need to be included on the event registration page making it clear which portion of the fee is for registration and which is the gift. The donation button may still be included for additional donations or so those who are not attending the event can still make a donation.
- Coordinate (including necessary work orders) with WPAOG Alumni Events Manager to create a webpage for registration to include the donations portion. A disclaimer will be included on the registration site stating that the donor will not receive a tax receipt for up to six weeks after gift has been made through the event registration site.
- Coordinate with WPAOG’s POC for the need and the USMA Major Activity Directorate POC to work with the volunteer regarding the event itself. (It is important to remain involved in all conversations between MAD and the volunteer.)

The volunteer will be the POC to answer any questions about the event or if the need has been fulfilled.

Once the registration site is live and until the registration site is closed, the WPAOG Alumni Events Manager will provide weekly updates to the volunteer, copying the WPAOG Director of Annual Giving/Class Giving Representative, the WPAOG POC, and the USMA MAD POC, and bccing.Giftoperations@wpaog.org.

Giftoperations@wpaog.org is included on the report so that Gift Operations is aware of what is being collected.

All event registration MUST close on or before December 31st to allow any donations to be received and processed in the proper calendar year.

WPAOG Alumni Events Manager will process all event invoices via WPAOG Accounts Payable Manager. WPAOG Alumni Events Manager will calculate the credit card fees on the donations and provide the fees to the WPAOG Accounts Payable Manager who will transfer the correct amount from the WPAOG Advancement Services budget to 301/5040 (Credit Card Fees account).

West Point Association of Graduates

Gift Policy and Procedures Manual

After the event is completed and all bills are paid, WPAOG Alumni Events Manager will email the volunteer and copy WPAOG Director of Annual Giving/Class Giving Representative the remaining balance that will be transferred to a WPAOG account designated by the volunteer. Please note that individual registrants will not receive any gift or tax credit for residual funds.

NOTE: If the minimum amount of funds needed to hold the event are not collected in time, the event will be canceled. Those who have already registered will be given the option to be refunded the entire amount paid; refunded just the registration cost (and any charitable gifts made at the time of registration will remain with WPAOG); or to designate the full amount paid (registration cost plus any gifts made) as a charitable gift (with an email to WPAOG's Events Manager stating this intention).

AUCTIONS

Donation of Auction Items

Donors may contribute items for an auction where the proceeds of the auction will be contributed to a WPAOG gift fund. In terms of tax-deductibility, those providing items for auction may only receive a tax deduction for their cost basis—how much the item cost them, not the value of or final bid on the item. The law limits a donor's charitable deduction to the donor's tax basis in the contributed property and does not permit the donor to claim a fair market value charitable deduction for the contribution. Specifically, the Treasury Regulations under section 170 provide that if a donor contributes tangible personal property to a charity that is put to an *unrelated use*, the donor's contribution is limited to the donor's tax basis in the contributed property. The term *unrelated use* means a use that is unrelated to the charity's exempt purposes or function. The sale of an item is considered unrelated, even if the sale raises money for the charity to use in its programs.

Purchase of Auction Items

Donors who bid on and pay for items at an auction may claim a charitable contribution deduction for the excess of the purchase price paid for an item over its fair market value. For example, if someone bids on a wine basket worth \$100 and pays \$150, \$50 is tax-deductible. The donor must be able to show, however, that he or she knew that the value of the item was less than the amount paid. The organizers of the auction will determine the fair market value of all donated items prior to the auction, and provide this value when offering the items at the auction.

RAFFLES

The cost of raffle tickets cannot be deducted as a charitable contribution. Any raffle efforts need to be brought to the Gift Committee for review.

West Point Association of Graduates

Gift Policy and Procedures Manual

GIFT ACCEPTANCE, RECORDING AND ACKNOWLEDGEMENT

Acceptance of Funds

The WPAOG Development Office serves as the central receiving, acknowledging, recording, and reporting unit for all gifts. Complete records are maintained in this office. When a WPAOG staff member receives a check, cash, or other currency, it is the responsibility of that staff member to transmit the funds to Gift Operations within twenty-four hours.

Gifts of cash must be delivered in person to Gift Operations. At the time of delivery a Gift Operations staff member will verify the cash amount with the deliverer.

The use of interoffice mail to transmit gifts to Gift Operations is not recommended. Preferred means of transmission include hand-delivery and courier delivery. Staff can also contact Gift Operations at 845-446-1658 to arrange for pick-up.

Exceptions to Gift Policy

The Gift Committee (GC) reviews and responds to unusual gift offers. (See page 1 for GC membership.) These offers present exceptions to gift policy and/or are offers that do not support recognized USMA or WPAOG defined needs. Should the GC agree to an exception, it will make every effort to ensure that:

- Gifts impose no undue financial burdens on WPAOG.
- Gifts do not expose USMA/WPAOG to any present or future, real or contingent liabilities, material or personal.
- Gifts place no undue burden on any USMA/WPAOG resources.
- Gifts do not subject USMA/WPAOG to adverse publicity.
- Gifts do not involve any conflicts of interest.

Development Counting and Reporting

“Counting” and “reporting” are terms used by development offices to track all of the gifts, pledges, and deferred gifts received during a specified period towards a specific fundraising goal. The intent of counting and reporting is to reflect the total impact of fundraising efforts by representing all gifts, pledges, and deferred gifts at their face value.

Counting and Restricted-Undecided Pledges

If a donor makes a “restricted-undecided” pledge, the pledge will count in fundraising totals but not toward a specific approved need. Also payments on the pledge, if still undesignated, will not count toward progress on an approved need.

In order to show progress in funding approved needs, if a particular pledge payment is designated but the full pledge is not, the amount of the original restricted-undecided pledge will be reduced and the “payment” will be entered as a new outright cash gift. The only time this will not occur is when a donor makes the decision to designate the entire restricted-undecided pledge by the time of the first payment. If the donor makes the decision to designate the remaining pledge balance after the first payment, only the pledge balance will be reassigned.

West Point Association of Graduates

Gift Policy and Procedures Manual

Following the process outlined above for undesignated pledge balances means that pledge totals will decrease but new outright cash will increase. This is why it is important to encourage a donor to decide on a specific restriction as soon as possible.

Anonymous Gifts and Donors

This policy dictates how WPAOG will record and report anonymous gifts and track anonymous donors, and differentiates between the need to maintain the public and institutional anonymity of donors.

Public versus Institutional Anonymity

To retain *public anonymity*, no donor report intended for publication will contain the name of a donor who made their gift(s) anonymously. These gifts will still be recorded on the donor's constituent record, not in a separate Anonymous constituent record. These anonymous gifts will be visible to those users who have the appropriate permissions to view the Gift tab of a constituent record. These gifts *will* be included along with the donor's name in any lists/reports used internally and among volunteers.

To retain *institutional anonymity*, no donor report will contain the name of a donor who made their gift(s) anonymously and these gifts will not be listed on the donor's constituent record. Instead, these gifts will be added to an Anonymous constituent record that a select few staff members can trace back to the original donor. This ensures that only a limited number of staff will be able to connect the original donor to his/her anonymous gift. Institutional anonymity will only be employed if a donor is adamant about making sure only those who need to know will have knowledge of his/her gift(s). Donors who require institutional anonymity *will not* appear on any internal lists/reports or on any shared with volunteers. However, the donor name *will* be released to Directorate of Academy Advancement (DAA) during the proffer process.

The need for public vs. institutional anonymity will be determined at the request of the donor. Such request will be implemented using the anonymous gift flags in CRM for those requiring public anonymity or the Anonymous constituent records for those donors who require both public and institutional anonymity.

Public Anonymity

If a donor requests that all of their gifts be made anonymously, Advancement Services staff will mark the donor record as "Gives Anonymously." All gifts made by this donor will then automatically be marked as "Gift is Anonymous." Advancement Services staff will also add a note to the donor record indicating why this change has been made. When the constituent record is opened, a pop-up box will open stating that this donor is an anonymous donor.

These donors and their gifts will appear in lists/reports used internally and with volunteers but never in any gift reports or other forms of donor recognition distributed beyond WPAOG. The donor and any gifts made prior to this request to change the donor record may appear on lists produced prior to the change if the gift was not made anonymously.

If a donor requests only a specific gift or gifts remain anonymous, the specific gift entry will be marked "Gift is Anonymous." A note will be added to the gift record indicating why it was made anonymously. When the constituent record is opened, a pop-up box will open stating that some of this donor's gifts were made anonymously.

West Point Association of Graduates

Gift Policy and Procedures Manual

These donors may still be included in gift reports and other forms of donor recognition distributed beyond WPAOG if they have made gifts that were not made anonymously and at a level qualifying the donor for public recognition. These donors and all of their gifts will appear in lists/reports used internally and with volunteers.

Institutional Anonymity

If a donor requests institutional anonymity the gift information will be entered into a constituent record named Anonymous Donors which tracks gifts of multiple anonymous donors. The donor may actually have a constituent record in CRM and may be working with a Development Officer, but the gift information will not be entered in the constituent record. This donor and his/her gifts will not be included in internal lists/reports or those shared with volunteers. The donor may still appear in prospect lists if his/her record contains criteria causing it to be pulled (*e.g.* West Point Rating, previous giving that was not anonymous, business information, etc.).

Advancement Services staff will produce a tax receipt. Special correspondence and/or thank you letters *above and beyond this formal receipt process* are the responsibility of the prospect manager responsible for the donor relationship.

Special Cases

In some instances a leadership donor may wish to remain completely anonymous (i.e., gift information is only available to a very select group of staff) but it is necessary to record information regarding the donation, such as contact reports, meeting notes, or correspondence, and to count that donor in lists and reports for internal tracking, such as pyramid reports or cash projections. In these cases, in order to track this information, an individual anonymous constituent record, separate from the Anonymous Donors multiple donor record, will be created for these types of individuals. These records will be named “Anonymous 1,” “Anonymous 2,” etc. The donor name *will* be released to the Directorate of Academy Advancement during the proffer process.

Hard Credit and Soft Credit

Hard Credit / Omit Hard Credit (Revenue Donor)

“Hard credit” recognition credit is given to the entity that made the donation. Hard Credits are counted in a donor’s lifetime giving amount. The donor’s record is credited with the actual amount that is deposited into the account for gifts of cash and securities. For irrevocable planned gifts such as charitable remainder trusts, charitable gift annuities, and retained life estates, the donor’s record is hard credited with the charitable deduction allowed by the Internal Revenue Service and reflected on the gift transmittal. For gifts of real estate, life insurance, and other gifts of property, the donor’s record is given proper credit with the allowable charitable deduction.

“Omit Hard Credit” recognition credits are applied to the revenue donor’s gift screen when a separate record should be recognized for said gift (i.e. A donor advised fund would receive an “Omit Hard Credit” as the legal donor and the individual/entity which directed the donation would receive a recognition credit (“Soft Credit”) in order to be recognized for that gift and have it counted in their lifetime totals).

Soft Credit/Recognition Credits

“Soft credit” refers to transferring the recognition of a gift from one record to another. A constituent receives a soft credit when his/her direct actions result in a gift, but he/she is not entitled to a charitable deduction for the donation; or if the revenue donor requests their recognition

West Point Association of Graduates

Gift Policy and Procedures Manual

be transferred to another record. Examples would include soft crediting an individual for a gift from a charitable gift fund or a community foundation; a personally owned corporation or family foundation; or at the request of an individual who wishes to transfer public recognition to another individual (i.e. Parent to child).

Matching Gifts

Constituents also receive soft credit for matching funds received from a company as the result of an individual's personal gift. Individuals may not claim a tax deduction for soft credits. The legal donor is the entity from which the contribution is received (i.e. the signer of the check, owner of the credit card, etc.).

Recognition credits can be applied to gifts automatically if a pre-existing giving relationship has been established between two records. If there is no giving relationship pre-established, a recognition credit constituent must be added to the gift when doing data entry.

A Club Soft Credits and Benefits

- For gifts to A Club from one donor with multiple beneficiaries, these gifts will not be soft credited in CRM through Gift Operations. The total gift will go on the donor's record with a note indicating any/ all the individuals to receive benefits.
 - AWPAA will provide the benefits accordingly using the internal ticketing system.
 - The donor will receive a hard credit/tax credit for the total contribution within the WPAOG, and AWPAA will manage benefits distribution or tracking through their internal system.
- For gifts to A Club from personally owned corporations or family foundations, the individual responsible for bringing the gift in will receive recognition credit and may also receive athletics benefits. Tax receipts will be issued in the personally owned entity's name.
- Per IRS regulations, donors may not receive A Club benefits as the result of gifts made through donor advised funds or IRA rollovers. If a donor has already received 100% tax deduction for their contribution through third party, they must decline benefits.

Spouse Soft Credits

Married individuals giving totals are generally combined ("Household Giving"), unless requested otherwise. Hard Credit is applied to the signor of the check, or the cardholder.

Widows/surviving spouses will "inherit" their spouse's lifetime recognition in terms of dollar value for visibility and ease of use. Donor recognition names retain a reflection of joint recognition.

Guidelines for Class Giving

- If married alumni in different class years give to a Class Gift fund, recognition credit goes to the graduate of the class being solicited, unless otherwise directed.
- If married alumni in the same class year give to a Class Gift fund, recognition credit can go solely to the graduate who signed the check or is the credit card holder OR be split equally between the spouses.
- Soft credits create counting and reporting issues for class gift campaigns. Therefore, the general policy is to not soft credit classmates for gifts to class gift funds.
- Also note that gifts may not be made for classmates to boost participation.

West Point Association of Graduates

Gift Policy and Procedures Manual

Group Donations

If a group of individuals raise funds or pools personal funds for the purpose of making a donation to WPAOG, recognition credit and the tax deduction in the full amount will be given only to the individual or entity making the actual donation (*i.e.* the person signing the check or submitting the credit card). If each individual wishes to receive recognition credit and a tax receipt, each individual must write a check or submit cash/a money order with a list of names and gift amounts to be credited to each individual.

Requests for exceptions to the above will be reviewed on a case-by-case basis by the Gift Committee.

Deferred Gift Recognition

All deferred gifts are acknowledged. Irrevocable deferred gifts can receive immediate recognition according to the face value of the gift. While revocable gifts are not counted until they are realized (unless the donor is 70 years of age or older when the gift is made), revocable gifts valued at \$25,000 or more will receive special recognition via membership in the WPAOG's Cullum Society. WPAOG at its discretion may also recognize large revocable gifts, determined on a case-by-case basis. See Deferred Gift Counting and Recognition, page 31.

Gift Receipt/Acknowledgement

A tax receipt for the cash value of the gift will be sent to the legal donor. All receipts contain the date the gift was processed by Gift Operations, the amount of the gift, the purpose of the gift, and a statement as to whether any goods or services were provided in exchange for the gift.

Tax receipts for gifts-in-kind will contain the date the gift was received and a description of the property; no valuation will be included in the receipt. (If the gift-in-kind is a vehicle, the receipt must also include the VIN number and mileage.) IRS requirements for gift substantiation note that the donor has the responsibility for valuing gifts of property for tax deduction purposes.

The Vice President of Development signs receipts for all gifts of \$2,500 or more.

Annual Counting Guidelines

Cash, check, credit card gifts, and matching gifts are counted at face value on the date WPAOG processes the gift. The date on which WPAOG processes cash, check, and credit card gifts is not necessarily the date of gift for the donor's IRS purposes. It is the responsibility of each donor to maintain accurate records of the date of the gift. Donors should not rely on WPAOG's gift receipt for such proof.

Gifts made through donor advised funds are credited to the fund from which the gift is made. The donor who requested the contribution will receive soft credit but will not receive a tax receipt from WPAOG. The donor received a tax deduction when the original gift was made to the DAF.

End of Calendar Year Giving

WPAOG adheres to the following policies for gifts made at the end of a calendar year.

Checks

Checks sent by mail must be dated and postmarked on or before December 31. Envelopes must be retained and sent with the check to Gift Operations for processing as they are used to substantiate

West Point Association of Graduates

Gift Policy and Procedures Manual

the date of the donor's gift. There is a grace period which is generally one to two weeks into the new calendar year. During that time, any gifts meeting the above requirements will be processed with a December 31 gift date.

Credit Cards

Federal law mandates that credit card gifts must be authorized by the credit card company before year end in order to be tax-deductible for a given tax year. Credit card gifts must be received and processed by Gift Operations by December 31. There is no backdating of credit card gifts.

Wire Transfer

Wire transfer gifts made must be credited to the WPAOG account by December 31.

Gifts of Securities

Gifts of securities will be processed according to the official date of the gift:

- By mail, the official date is the postmark date.
- By overnight carrier, the official date is date of receipt by WPAOG.
- By re-registering the security to WPAOG, it is the date on the new certificate(s).
- By electronic transfer, it is the date the security is received into WPAOG's brokerage account.

Contributions with Associated Benefits

When a donor receives a benefit or gift as the result of a specific charitable contribution of \$75 or more, the IRS considers the gift a "quid pro quo contribution." Unless the benefit is "insubstantial" (see below) the value must be subtracted from the tax-deductible portion of the gift. It is the responsibility of WPAOG to communicate to the donor the value of goods and services received and the amount of the donation that is tax-deductible. Failure to do so can result in fines for WPAOG and tax-related issues for the donor.

Donors have the option to accept all benefits, decline all benefits, or accept certain portions of the benefits. Should a donor decline all benefits, 100 percent of the contribution will be tax-deductible. IRS Publications 526 and 1771 provide additional information.

WPAOG's policy is to provide donors receiving and accepting benefits with a written disclosure statement that includes the following:

- A statement that the donor can deduct, for tax purposes, only the difference between the value of the donation and the value of any benefit received.
- A good faith estimate of the fair market value (FMV) of the benefit given to the donor in exchange for the donation.

The quid pro quo rules apply even if a donor did not expect to receive a benefit for making a contribution at a specified level. Should a donor receive, and accept, an unanticipated benefit with a fair market value exceeding IRS allowable limits after a donation has been receipted (*e.g.* a class fundraising chair decides at the conclusion of a campaign to send high quality gift items to top donors), one of two things will occur.

West Point Association of Graduates

Gift Policy and Procedures Manual

- For a donation and benefit received within the same year, WPAOG will issue an amended tax receipt.
- For a benefit received one or more years after the donation was made, WPAOG will issue a letter stating the fair market value of the benefit. It is up to the donor to determine whether consultation with a tax advisor is necessary.

In some cases, the benefit or gift received as a result of a specific contribution might be of “insubstantial benefit.” As defined by the IRS, such a benefit is less than 2 percent of the donation or \$111 (for calendar year 2019), whichever is less. Also, for any donation of at least \$55.50 for which the organization provides a token item with its name and/or logo valued at less than \$11.10, the benefit is considered insubstantial. In these instances, the full amount of the contribution is tax-deductible.

If it is unclear whether or not a benefit falls under quid pro quo regulations, the Gift Committee will review the case and make a final determination.

Army A Club Gifts

Annual unrestricted donations to Army A Club provide support to all 30 of Army’s intercollegiate teams. These gifts qualify donors for an explicit range of benefits related to Athletics depending on the donation level.

In accordance with IRS regulations, donors who, in return for their Army A Club contribution, receive the right to purchase preferred seating for athletic events at West Point may only deduct the portion of their contribution not attributed to their per seat membership. Contributions not associated with, or that are above and beyond, the required per seat membership for season tickets are not affected.

Should a donor receive benefits in addition to the preferential seating privilege, the value of those benefits must be subtracted from the tax-deductible contribution amount, per the IRS quid pro quo regulations noted above. AWPAA tracks all the benefits received by every A Club donor and provides WPAOG with a comprehensive list of those donors and their associated benefits. WPAOG then issues a tax letter to each A Club donor stating the total value of the benefits received during the previous year because of Army A Club contributions.

Army A Club donors have the option to decline all benefits associated with their contribution(s), in which case 100 percent of the donation is tax-deductible.

Only unrestricted donations to Army A Club qualify donors for Athletics benefits. Preferential seating and other privileges will not be awarded based on restricted gifts to designated teams or funds.

Benefits Not Associated with Specific Charitable Contributions

Gifts and benefits used for cultivation purposes or to thank constituents for time and effort/engagement do not fall under quid pro quo regulations. As long as the organization can clearly state (and defend to an auditor) that the benefit was *not* tied to specific gifts or donation level, and is not excessive, an amended tax receipt or FMV statement is not required. “Excess” benefits are those considered unreasonably lavish and/or improper if given to organizations or individuals

West Point Association of Graduates

Gift Policy and Procedures Manual

who might have influence over the affairs of WPAOG or USMA (see IRS Internal Revenue Code 4958 for more information).

West Point Association of Graduates

Gift Policy and Procedures Manual

COLLECTION EFFORTS AND WRITE OFFS

Collection Efforts

Follow-up letters are mailed when a pledge payment is 30 days and 60 days past due. Follow-up efforts are made by the staff members and volunteers in each area within Development. When balances are over 60 days past due, collection efforts will include follow-up activities (letters, phone calls, etc.) by the prospect manager, Annual Giving staff, or Class Giving staff.

These collection efforts will continue until they are successful, or if the matter is not resolved within a 90 day period, the pledge balance will be recommended to be written off.

Write Offs

Decisions to write off pledge balances will vary depending on the particular situation. On a semi-annual basis, Advancement Services will present recommendations for write offs to the VP of Development, with appropriate documentation and comments, for pledges with balances greater than \$5,000 past due. The VP of Development will then discuss this with appropriate staff and make a recommendation for that quarter's write offs. Such listing will be presented to the COO, CFO, and CEO for final review and approval. The accounts will then be written off and the report kept as documentation.

West Point Association of Graduates

Gift Policy and Procedures Manual

INVESTMENTS OVERVIEW

While all gifts to WPAOG and USMA make a real difference in the lives of the West Point cadets, faculty, and staff, an endowment gift is especially meaningful because it provides a long-term source of support. Endowment donors have the opportunity to have a lasting influence on the Academy's programs and to honor or memorialize loved ones, friends, or other individuals.

Of course, gifts other than endowments are also critical to the operations of USMA and WPAOG in providing specific program support and/or unrestricted gifts for use by the Superintendent of USMA or the CEO of WPAOG.

WPAOG's Responsibilities Regarding Endowments and Other Gifts

- Managing endowments and other gifts to maximize total return within prudent risk guidelines as established by the Board of Directors.
- Ensuring proceeds are provided and utilized for the intended purpose.
- Prudent spending of endowment earnings to provide an income stream sufficient to support the activity designated, in perpetuity.
- Providing an annual endowment report outlining the financial performance along with the Academy's report of the activity as supported by the endowment.

Spending of Endowment Principal

WPAOG follows New York State non-profit law, which requires standards of prudence in developing spending policies, and *may* permit spending below the original gift value (principal). Spending policy is considered imprudent if the spending rate is greater than 7 percent over a trailing 5 years average. WPAOG current policy is *not* to spend into the principal and to spend 4 percent of the average balance based on the prior 12 quarters. However, there may be times when some or all of the annual distribution is not required by the Academy due to various reasons. Any unused distribution remains in a deferred account in the endowment to support future needs; these funds are available to the Academy when requested.

Management of Endowments

The primary investment objective of WPAOG is to maximize total return within prudent risk guidelines. The secondary objective is to preserve capital—less risk will be assumed for funds intended for near-term use; greater risk may be assumed for longer-term funds including endowments.

The WPAOG Board of Directors (BOD) has overall responsibility for the endowments. The BOD assigns the operating and supervisory responsibility for endowments to the Investment Committee. The Investment Committee provides advice and recommendations to the BOD and is made up of volunteer alumni who are professionals in the field. WPAOG also utilizes an investment consultant, LCG Associates, to work with the WPAOG Chief Financial Officer and the Investment Committee to implement policy and to manage the day-to-day operations of the portfolio in line with the investment policy, the BOD, and Investment Committee. The Investment Committee meets at least quarterly to review financial performance, ensure compliance, and make recommendations for change.

West Point Association of Graduates

Gift Policy and Procedures Manual

Investment of Funds

In order to ensure maximum liquidity to meet cash needs, WPAOG segregates funds into three investment pools. This segregation is based on WPAOG liabilities and the related anticipated cash need. Each pool takes on a different risk/reward profile in order to best protect the principal while ensuring liquidity in line with the needs of the funds. The three pools are:

- **Current Pool:** Anticipated spending within one year.
- **Short-term Pool:** Anticipated spending between one to three years.
- **Long-term Pool:** Anticipated spending is beyond three years. This pool includes the majority of WPAOG's endowments.

The BOD-approved investment vehicle for the Current Pool is a portfolio of cash and equivalents, the vehicle for the Short-term Pool is a bond portfolio, and the long-term pool is a well-diversified portfolio as directed by its Investment Committee and approved by the Board of Directors.

West Point Association of Graduates

Gift Policy and Procedures Manual

WPAOG/USMA PROFFER PROCESS

A proffer is the formal process by which WPAOG transfers funds raised on the Academy's behalf to USMA. All gifts intended for USMA must be proffered and accepted in accordance with applicable U.S. Army laws and regulations.

Most gifts are proffered to USMA on an annual cycle. WPAOG provides distribution amounts to the Directorate of Academy Advancement (DAA) each March. DAA collaborates with USMA and determines which portion, if not all, of the distribution should be proffered during this cycle. Some monies may be declined and stay in WPAOG accounts. However, some gifts are proffered "out of cycle" upon request by USMA or in accordance with donor intent. Gifts to the Office of the Directorate of Intercollegiate Athletics (AWPAA) do not get proffered, they are transferred monthly to AWPAA based on the MOA between WPAOG and AWPAA.

Proffers over \$250 require a Staff Judge Advocate (SJA) legal opinion before acceptance, and proffers under \$250 do not require any legal opinion. Gifts of \$20,000 or less can be accepted by DAA and take approximately two weeks for approval, with the funds deposited to the US Treasury in about 45 days. Gifts greater than \$20,000 must be accepted by the Superintendent, in addition to approval by DAA, and take approximately six to 10 weeks for approval, with the funds deposited to the US Treasury in about 45 days. Gifts of \$500,000 or more must be accepted by the Secretary of the Army, in addition to approval by DAA and the Superintendent, and can take two to three months for approval, with funds deposited to the US Treasury in about 45 days.

Gifts in kind must be accepted prior to delivery. Donors may not receive any acknowledgements, tax receipts, or gift credit until the item has been accepted by USMA.

Below is the regular proffer cycle and distribution percentage by fund.

- **All Fund Accounts:** Annually, unless instructed by USMA department or by donor intent.
- **All Endowments:** Annually, 4 percent of prior 12 quarter rolling average.
- **All Quasi Endowments:** Annually, 4 percent of prior 12 quarter rolling average. Out of cycle proffers may occur if requested by USMA department.

NOTE: The proffer process includes several steps and many factors can slow the process. Also, once a proffer is accepted, another sequence of events begins to actually make the money accessible by the activity or department using it. Following the acceptance of a proffer, a billing sheet is initiated by the WPAOG POC then the Finance office processes an Electronic Funds Transfer (EFT) to the US Treasury. The deposit process may take 30-45 days to become available for use. Total amount of time for a proffer from start to finish can take up to four months. Also, remember that a gift amount is not the amount available for proffer. Finance can provide the information regarding amounts available after adjusting for GAP, actual amounts received from stock gifts, etc.

Proffers being paid from a Quasi Endowment must have Department Head approval prior to USMA approval.

West Point Association of Graduates

Gift Policy and Procedures Manual

NEEDS APPROVAL PROCESS AND POC ROLES

WPAOG only raises funds for needs approved by the Superintendent. Current include the “Superintendent’s Strategic Priorities” (which are more commonly referred to as “The Top 10”) as well as selected needs carried over from the For Us All Campaign (lists can be obtained from Development Engagement). WPAOG may also accept gifts to any existing fund or endowment account.

Any additions to the approved needs list require approval from the Superintendent, through the formal approval process. This process must be followed as free agent activity and/or attempts to circumvent the policy will not be tolerated or successful.

All requests for new needs must be processed through DAA. DAA provides guidance, with input from WPAOG, in preparing the needs request and reviews the final request. DAA will submit the request to the Superintendent for approval. In addition, the Academy’s SRPICo meetings will help identify and vet needs as they arise before they are formally presented to the SUPT for approval.

If the new need is approved, DAA formally notifies the appropriate USMA department or directorate as well as the Senior Director, Donor Relations & Advancement Services and the POC for the relevant activity or department. Notification will include an update of the needs list including any needs that have been removed or adjusted. The Senior Director, Donor Relations & Advancement Services will notify appropriate WPAOG staff of these changes.

The Superintendent is the final authority on what is an approved need and what is not and makes the determination as to the best use of gift funds to support the Academy’s mission and strategic plan.

If something is not on the needs list, WPAOG will not seek funding for it.

The Role of the WPAOG POC for Approved Funding Areas

WPAOG provides points of contact (POCs) to each academic department and/or each approved need. The POC’s role includes the following:

- In partnership with DAA, act as a key contact within the USMA department.
- Become an expert on the needs related to that department, including all naming/recognition opportunities.
- Create development plans for each assigned need and review regularly with WPAOG colleagues as well as the USMA POC.
- Maintain list of all donors who may be inclined to make significant gifts to the need.
- Share updated information regarding the need with colleagues.
- Track actions and report progress to all constituents as necessary.
- In consultation with the USMA POC, work with the Senior Director, Donor Relations & Advancement Services to develop and/or update marketing pieces for the need and any new approved needs that arise from a department.
- Coordinate solicitations with colleagues and the development plan for the need.
- Develop appropriate stewardship strategies.

West Point Association of Graduates

Gift Policy and Procedures Manual

- Notify the appropriate USMA department as significant gifts come in for the needs; work with the prospect manager and help Donor Stewardship staff coordinate USMA acknowledgement.
- Partner with DAA to provide answers to any questions from USMA regarding fund balances on the Academy side.
- Meet monthly/quarterly with the USMA department to keep them up-to-date on incoming gifts and fund balances as well as understand their needs and issues. Ask a DAA representative to attend each meeting.

Because the WPAOG POC works so closely with the USMA Department/POC, the WPAOG POC may have the opportunity to learn of new strategic priorities that develop over time within their assigned Department/MAD.

If the WPAOG POC learns that a USMA Department/MAD is considering adding a new need to the approved needs list, the WPAOG POC should understand and follow the proper procedure for guiding the USMA Department/MAD through the correct process. Additionally, if the WPAOG POC learns that a new need is developing, the WPAOG POC should alert the Senior Director, Donor Relations & Advancement Services immediately, who will in turn, notify DAA of a possible new need.