ISU Foundation

Gift Acceptance, Donor Crediting and Gift Income Reporting Policies

The following policies are set forth: (a) to define the working rules for the acceptance of gifts and pledges to Indiana State University Foundation; (b) to inform donors and prospective donors of these policies; and (c) to protect Indiana State University Foundation and its staff and volunteers from inappropriate or undesirable gifts and pledges.

I. General Policies and Guidelines

A. All gift and pledge commitments, regardless of size, designation, or gift type will be respectfully considered and gratefully accepted except in the very rare instance where a gift may be contrary to the University's best interests. Indiana State University Foundation accepts both restricted and unrestricted gifts providing that donor restrictions do not significantly diminish the value of the gift. Indiana State University Foundation will provide all possible staff and volunteer assistance to potential donors to discuss the organization's funding priorities, the donor's interests, and the various ways to give. **However, gifts of cash or negotiable securities are the forms of donor commitment that will have the greatest impact on Indiana State University Foundation and its plans for the immediate future.**

B. Gifts to Indiana State University Foundation should be made in the name of Indiana State University Foundation and will be received, held and administered under the direction of the Indiana State University Foundation Board of Directors. All gifts to Indiana State University Foundation should be directed to the Foundation's Advancement Services operation where they will be accepted, acknowledged and administered in accordance with these policies.

C. No solicitations of current outright gifts or future planned gifts for the benefit of Indiana State University Foundation shall be made by anyone without the knowledge and approval of the Foundation CEO/Indiana State University Vice President of Development or Associate Vice President for Development or their designated representatives.

D. Pledges or outright gifts should be made in writing and should commit to a specific dollar amount that will be paid according to a fixed time schedule. The recommended maximum pledge period is five years. Individuals making gifts and pledges that are eligible for matching gifts are encouraged to utilize these programs to maximize the value of their gift or pledge to Indiana State University Foundation. However, a matching gift cannot be used to fulfill a pledge commitment as the donor has no control over whether that match will be made nor can they legally obligate the company or entity to honor that pledge.

E. Donors will be notified by Indiana State University Foundation if they receive any benefits in exchange for their gift that are more than IRS threshold (2006 - 2% of gift total.)

F. During any major gift initiative or campaign period, prospective donors may be asked to make an unrestricted annual gift commitment <u>and</u> a major gift commitment to the University. In some cases, the prospective donor(s) may also be asked to consider a deferred or planned gift to the Indiana State University Foundation on behalf of ISU.

G. The Foundation CEO/ISU Vice President for Development, Associate Vice President for Development and the Director of Planned Giving shall have the authority to sign planned giving agreements on behalf of the Indiana State University Foundation. Any gift agreement that does not meet the requirements of the current guidelines shall require the approval of the Indiana State University Foundation Board of Directors.

H. Indiana State University Foundation reserves the right to accept (or, in cases where absolutely necessary, to decline) any commitment that is offered to them. It also reserves the right to determine how any commitment will be credited and/or how such commitments will be recognized.

I. Indiana State University Foundation will acknowledge and recognize all gifts appropriately according to its gift acknowledgement and recognition procedures. Requests by donors for anonymity will be honored. A donor whose gift is matched by their company will be recognized for the total amount of their individual gift plus the matching portion on their gift record. They will receive the name recognition associated with the appropriate gift club for that total amount; however, they will receive benefits accruing only to the value of their personal gift. Indiana State University Foundation will credit an individual donor for the matching gift associated with their personal gift at the time the matching gift form is signed by both the donor and an authorized officer of the Foundation and is submitted to the corporation. At this time the corporation will also be credited with the matching gift so that it can be recognized appropriately.

J. Matching gifts will be recorded as gift income when the matching gift check is received. Matching gifts will only be recorded as pledges if and when an intent-to - pay/acknowledgement letter is received from the corporation prior to receiving a matching gift check. Gift income reports for each group of constituents (e.g. Alumni, Faculty, Foundation Board) will include personal gifts only. The associated matching gifts will be reported separately in the matching gift category.

K. Indiana State University Foundation will use the accepted IRS formula (and accounting rules) for determining present value of future gifts.

L. All financial statements prepared by the Indiana State University Foundation will be in accordance with Generally Accepted Accounting Principles (GAAP).

II. The Donor Bill of Rights

In accordance with the standards established by the Association of Fundraising Professionals, Indiana State University Foundation adheres to the following donor bill of rights which note that a donor has the right:

A. 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.

B. 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.

C. To have access to the organization's most recent financial statements.

D. To be assured their gifts will be used for the purposes for which they were given.

E. To receive appropriate acknowledgement and recognition.

F. To be assured that information about their donation is handled with respect and with confidentiality to the extent provided by law.

G. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.

H. To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.

I. To have the opportunity for their names to be deleted from Indiana State University Foundation mailing lists

J. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

III. Gift Reporting

All gifts and pledges that fall under the basic principles listed above will be reported to all internal and external constituencies of Indiana State University Foundation on an on-going basis according to the gift acceptance policies herein. Inasmuch as Indiana State University Foundation is conducting a capital campaign, gift reports will be made to the Council for the Advancement and Support of Education (CASE) and the Council for Aid to Education (CAE). All reports should be based on the following:

A. The total of outright gifts and written pledges received will be reported at face value. A signed pledge card or letter of intent must be filed with Advancement Services for processing. before a pledge commitment is reflected on reports except as noted below in item B. Originals will reside with Finance.

B. Verbal pledges made by telephone as part of the annual fund will be allowed. No other verbal pledge commitments will be included in reported totals.

C. The total of deferred (future) irrevocable commitments, discounted to present value, which will be received at an undetermined time in the future.

D. Revocable future gifts will be tracked internally, but they will not be reported as gift income. Donors of revocable future gifts will be recognized separately from donors of current gifts and irrevocable gifts.

E. The value of any canceled or unfulfilled pledges must be subtracted from totals when it is determined they will not be realized.

F. Gifts shall be valued on the date the donor(s) relinquished control of the assets in favor of Indiana State University Foundation (see below).

IV. Policies Pertaining to Certain Types of Commitments

In cases where gifts are made with assets other than cash, the decision on when to liquidate, report, credit and recognize these assets will be made on a case-by-case basis. The following guidelines will be observed:

A. *Gifts of publicly-traded securities* will be reported, credited and recognized at the average of the high and low market value on either: 1) the day of personal delivery of signed certificate and/or stock power; 2) the date the certificate and stock power is mailed; or 3) the day the electronic transfer is received by Indiana State University Foundation. Such securities will be conveyed to the University for immediate sale or according to the wishes of the donor.

B. *Gifts of closely-held stock* will be reported, credited and recognized at the per-share cash purchase price of the most recent transaction or current valuation information from the company if there is a pre-arranged buy-back transaction with other co- owners. If no buy-back is consummated, a gift of closely-held stock may be credited at the value determined by a qualified independent appraiser. Otherwise the gift receipt will be for XX shares with no value attached. Typically, shares of closely held stock will be liquidated as soon as possible.

C. *Outright gifts of real estate and/or bargain sales (real estate sold at a discounted price)* will be reported, credited, and recognized at fair market value at the time it is transferred to Indiana State University Foundation, less any encumbrances. A qualified independent appraiser employed by the donor shall determine the fair market value of the property. Outright gifts of hard-to-value assets, such as mineral rights or limited partnerships, will be credited at $1 and additional credit will be given as the proceeds are received.

D. *Outright gifts of tangible personal property* for which donors qualify for a charitable gift deduction under current IRS rules will be reported, credited, and recognized at the appraised value of the property at the time it is transferred to Indiana State University Foundation, less any encumbrances, so long as the property has been held by the donor for more than one year and has a use related to the exempt purposes of the nonprofit. Gifts of property that have been held for less than one year and have a use that is unrelated to the exempt purpose of the institution will be reported, credited and recognized at the level of their cost basis only.

The following are general guidelines or considerations in connection with gifts of tangible personal property:

1. Generally, Indiana State University Foundation's acceptance of such gifts cannot involve significant additional expense for their present or future use, display, maintenance, or administration.

2. Generally, no burdensome financial or other obligations can be incurred, directly or indirectly, by Indiana State University Foundation as a result of its acceptance of such gifts.

3. Gifts of real and personal property (land, houses, jewelry, paintings, antiques, rare books, etc.) exceeding $5,000 in value shall be reported at the fair market value placed on them by an independent, expert appraiser employed by the donor at the time the donor relinquished control in favor of Indiana State University Foundation. Gifts of under $5,000 may be reported at the value declared in writing by the donor.

4. Generally, Indiana State University Foundation will not accept gifts of tangible personal property (such as books, paintings, etc.) if such gifts are to be made on the condition, understanding, or expectation that the gifted items will be loaned to the donor or to persons designated by the donor for life or for an extended period of time as determined by the donor.

5. Generally, Indiana State University Foundation will not accept gifts of tangible personal property (such as books, paintings, etc.) if such gifts are to be made on the condition, understanding, or expectation that the gifted items will be held by the University or Foundation in perpetuity. If the intention is to sell a gift of tangible personal property, this intention will be communicated to the donor prior to the acceptance of the gift.

6. Gifts of real and personal property (land, houses, jewelry, paintings, antiques, rare books, etc.), <u>real estate, tangible personal property and other illiquid property must be reviewed for acceptability and subject to approval by the Foundation CEO/Indiana State University Vice President of Development, Chairperson of the investment committee, Chairperson of the ISU Foundation Board of Directors and other ad hoc experts must be required to determine value of property and its marketability.</u>

E. *Bequest intentions* and other *revocable deferred gifts* will not be reported as income but will be tracked internally as "future" expectancies of Indiana State University Foundation at the value established in writing by the donor through a bequest intention form, a deferred pledge agreement, a contract to make a will, a letter, or a copy of appropriate sections of the will, etc. Donors of revocable future gifts will be recognized separately from donors of current gifts and irrevocable gifts.

1. Such revocable gift commitments will be reported, credited and recognized, subject to the donor's specific request and intent, only when the funds are <u>irrevocably</u> committed to the Indiana State University Foundation or when the gift matures. Bequests will be reported, credited, and recognized at the value established at the time of probate and/or at the fair market value on the date of the transfer of the asset(s). If any portion of the total amount was previously tracked internally as a "future" expectancy, this amount shall be subtracted from the total value of these expectancies.

2. Bequest intentions for which the donor <u>does not</u> indicate a specific gift value and/or

does not provide an estimate of a residuary bequest will be tracked internally as future expectancies at a minimum value level of $10,001.

F. Gifts of *whole life insurance* to Indiana State University Foundation will be made by either designating the Indiana State University Foundation as the beneficiary of the policy or as both owner and beneficiary. When the gift is irrevocable because the Indiana State University Foundation is the owner and beneficiary, the donor shall receive gift credit for the cash surrender value as well as payments made to the University for the premiums. Because the unrealized death benefit is a "future" expectancy, when Indiana State University Foundation is both the owner and the beneficiary, the donor will be credited and recognized at the discounted present value.

Where the gift is revocable because the donor still owns the policy, premium payments made directly to the insurance company will be credited and recognized if the donor sends evidence to Indiana State University Foundation of the payment via a cancelled check. The gift will be tracked internally like revocable bequests. No gift income will be reported unless the University owns the policy and it is therefore irrevocable.

Gifts of *term life insurance* will be tracked internally like revocable bequests, however no gift income will be reported, credited or recognized unless the policy matures during the term period.

G. All gifts that will, or may, require significant expenditure of funds either at the time of the gift or at some future date (e.g., non-performing assets gifted to fund a charitable trust or charitable gift annuity, bargain sales, or outright gifts such as real estate that may impose present obligations on Indiana State University Foundation) shall require the approval of the Indiana State University Foundation Board of Directors.

H. *Charitable gift annuities*, *charitable remainder trusts*, and *pooled income funds* (whether administered by Indiana State University Foundation or by others on behalf of the University) will be reported, credited, and recognized as follows:

1. In the case of charitable remainder unitrusts and annuity trusts, charitable gift annuities or pooled income funds, at the discounted charitable remainder value, or

2. In the case of charitable lead trusts, at the total anticipated payout over the pledge payment period.

For purposes of current income tax deductions such gifts will be receipted at the charitable deduction value as established by law.

A net-income unitrust obligates the trustee to pay only the lower of a specified percent of fair market value or actual income. When such a net income unitrust is used, the Indiana State University Foundation CEO/Indiana State University Vice President for Development or Associate Vice President or Director of Planned Giving and the donor should sign a separate letter of agreement indicating that the donor understands the income concept of the net income trust.

Future gifts that specify Indiana State University or the Indiana State University Foundation as a contingent beneficiary shall not be counted.

Administrative Procedures Relating to Certain Planned Gifts

I. <u>For Life Income Agreements</u>

1. Proposed *charitable remainder trusts* should be funded initially with assets of at least $50,000. Trusts may be established for lesser amounts if it can be determined that the charitable remainder portion of the gift is sufficient to handle the administrative costs and provide a substantial future gift to Indiana State University Foundation.

2. Trusts should be limited to one or two income beneficiaries and to beneficiaries over 40 years of age (unless some generous outright gift is combined with the trust, in which case trusts can include younger beneficiaries).

3. The interest rate used in preparing life income agreements will be as follows:

   a. For charitable gift annuities, no higher than the rate established by the American Council on Gift Annuities. The rates in these tables take into account the age of the donor and/or beneficiary at the time of the gift and are actuarially calculated to provide 50% of the market value of each gift remains at the death of the last annuitant.

   b. For unitrusts and annuity trusts, the law mandates a rate of at least five percent (5%). Higher rates may be approved by Indiana State University Foundation, based on: (1) the ages of the donor and any beneficiaries; and (2) income needs vs. tax relief.

4. Funds received for annuities and trust agreements can be administered by the Indiana State University Foundation. Separate accounting is provided to the donor on each life income agreement. Annuity or trust payments shall be made at the donor's choice: quarterly, semi-annually or annually. In order to control the cost of trust and annuity administration, the Indiana State University Foundation prefers to make payments quarterly or semi-annually.

J. <u>For Charitable Gift Annuities</u>

1. The Foundation may enter into Charitable Gift Annuity contracts with minimum funding of $10,000. With minimum funding of $50,000 the Foundation would allow designation of the remainder.
2. If the donor has multiple annuities, their residuals will be aggregated and the net transferred to purpose designated after fees to Foundation are netted.
3. The minimum age for immediate annuitants is 60 years of age. For deferred annuities, the minimum age is 50 and payments may not begin until the annuitant has reached, at least, 65 years of age. The maximum number of annuitants, per contract, is two.
4. Property accepted for Charitable Gift Annuities
   a. Property accepted for CGA’s include cash or publicly traded securities.
   b. Closely held securities, real estate, tangible personal property and other illiquid property will be reviewed for acceptability and subject to approval by the Foundation CEO/Indiana State University Vice President of Development, Chairperson of the investment committee, Chairperson of the ISU Foundation Board of Directors and other ad hoc experts as may be required to determine value

of property and its marketability.

c. Valuation, liquidity, carrying and disposal costs may necessitate the Foundation require a deferred Charitable Gift Annuity or a lower than ACGA payout rate to compensate for risk and cost.

d. All gifts must be liquidated to cash and valued at the amount received.

e. Exceptions to these requirements stated require approval of the Indiana State University Foundation Board of Directors.

5. The Foundation will accept current gift annuities, which begin payments at the next payment date (quarterly, semiannually, or annually), as well as deferred gift annuities, whose initial payment is at least a year after the gift date. The deferral period will be at the agreed upon date stated in the contract.

6. Gift annuity contracts are governed by the laws of the state in which the donor resides. Certain of these states have stringent registration requirements.

   a. The Foundation reserves the right to reject any annuity contract proposals from states where the regulations are deemed overly burdensome or when excessive compliance costs would be required.

   b. Any questions will be resolved in consultation with Foundation legal counsel.

7. When a gift annuity is accepted it will be invested in order to provide for future annuity payments. Upon the death of the donor, or other named beneficiary, the balance of the principal is retained by the Foundation.

8. If a gift annuity has been designated to a restricted fund, a gift fee based on current Indiana State University Foundation policies will be charged by the Foundation.

K. <u>For Retained Life Estates</u>

The gift of a primary residence, a vacation home, or a farm with retained life interest on the part of the donor shall be arranged without a trust agreement. The donor deeds the property to the Indiana State University Foundation immediately. Calculation of the remainder interest which is allowed for federal income tax deduction credit is based on an IRS formula. The gift is booked at the appraised value, minus any encumbrances, at the time of the gift agreement.

V. Policies Pertaining to Named Endowment Funds

All policies related to named funds will follow the naming policies of Indiana State University Foundation.

A. Within the Indiana State University Foundation's endowment three types of endowed funds are managed, 1) Pure Endowments, 2) Term Endowments, and 3) Quasi or Board Designated Endowments.

1. Pure Endowments are permanently restricted funds that recognize the historic gift value of the fund and follow the spending policy of the Indiana State University Foundation. (*Historical gift value includes all gifts net any gift processing fees that may have been charged in the past. Funds transferred to an endowed fund from an existing non-endowed fund will not be included in the historical gift value*.)

2. Term Endowments are temporarily restricted funds that do not recognize a historic gift value in order to follow the donor's spending instructions outlined in the endowment agreement.

3. Quasi or Board Designated Endowments do not recognize a historic gift value as they are created through board designated transfers or at the fulfillment of term endowments.

B. All endowment funds are invested and managed by the Investment Commitment of the Foundation Board according to the investment policies established by the Board of Directors of the Indiana State University Foundation.

C. Endowment gifts may be used to establish a new endowed fund or may be added to an existing endowed fund. Gift processing fees will not be charged to endowment gifts.

D. When establishing an endowed fund, a formal Endowment Agreement will be used to specify the name of the donor(s), the amount of the original gift, the name of the endowed fund, the fund's purpose, donor contact(s) and subsequent contact(s), an explanation of fees, the type of endowed fund being established, and the historical gift value (if a pure endowment is being established). This Agreement is dated and executed with the signature of the Foundation CEO/Indiana State University Vice President for Development, Associate Vice President for Development or Director of Planned Giving and the donor(s).

E. Gifts to establish a named endowment fund for specific purposes must meet the minimum dollar requirement of $25,000 as established by Indiana State University Foundation. The principal amount of the original gift need not meet the minimum dollar requirement if the donor agrees to fully fund the endowment at the minimum dollar requirement within a specified and reasonable period of time.

The minimum dollar requirements established for a named endowment fund shall not apply to any named endowment fund(s) already established at the time these policies are adopted.

Indiana State University Foundation reserves the right to review the minimum amounts required for named endowments periodically and to amend the minimum amount required so as to ensure that endowment proceeds are sufficient to fund the intended purpose(s) of the endowment. If, and when, the Foundation acts to increase the minimum amount required to establish a particular named endowment fund, such action shall not be retroactive to funds already established and named.

F. Endowment funds require a vesting period.

1. Endowed funds established with a one-time gift require a 36 month vesting period. A distribution to the fund's spending account will not be made until the fiscal year following the 36 month vesting period.

2. Endowed funds established through multi-year gifts (typically in a three to five-year period) will not receive a distribution to the spending account until it is fully funded. The vesting period will be 12 months following the final gift. The first distribution to the spending account will be the next fiscal year.

G. If a donor wishes to have funds provided for the endowed fund's intent before the vesting period allows the fund to distribute to the spending account, there are the following options:

1. The original gift to the endowed fund may be reduced by the amount needed to ensure annual awards are made during the vesting period. The amount of the endowed portion of the gift must be $25,000 or more.

   The remaining portion of the gift is processed and held in the fund's spending account for annual awards until the endowed fund distributes for awarding. The amount of the annual award may be established by the donor and is not dependent upon the size of the endowed gift.

2. At the time of the endowed gift or gifts, the donor may provide an additional gift to the fund's spending account in the total amount of the multi-year awards to the University. The amount of the annual award may be established by the donor and is not dependent upon the size of the endowed gift.

3. In addition to the gift or gifts to the endowed fund, the donor may make annual gifts to the spending account for awarding purposes. A pledge agreement is recommended in order to efficiently process the annual gifts to the endowed fund's spending account. The amount of the annual award may be established by the donor and is not dependent upon the size of the endowed gift.

VI. Exclusions

The following types of funds will be accepted by the university but will not be reported or credited as gift revenue by the Indiana State University Foundation:

A. Contract revenue, including sponsored research funds

B. Advertising revenue

C. Contributed services <u>unless</u> the services received: a) create or enhance non-financial assets or; b) require specialized skills, and are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation.

D. Contributions and/or revenue from cities and regional governments, even though those entities may be incorporated; government funds whether local, state, or federal (including state matching grants)

E. Earned income such as ticket income and event fees

F. Gifts or pledges, outright and deferred, that have previously been counted

G. Sale of merchandise

H. Tuition payments

I. Investment earnings

VII. Donor Responsibilities

The tax deductibility of gifts is the responsibility of the donor. Indiana State University Foundation recommends that all donors consult with their legal tax counsel when planning all gifts especially non-cash gifts or future planned gifts. These policies are meant to conform to all IRS and general accounting standards and can be amended if the laws change.