

## Millersville University Foundation Gift Acceptance Policy

### **Policy Statement**

Millersville University and the Millersville University Foundation strongly encourage the solicitation and acceptance of gifts which enable the University to fulfill its mission to promote intellectual development through an exemplary liberal arts-based education. It strives to provide meritorious academic programs to all qualified students at the lowest possible cost and to provide its students to live in an increasingly diverse, multicultural, and technologically complex society. For an institution dedicated to higher education, private gifts are essential.

Gifts may be sought from individuals, corporations, foundations and other organizations. However, they may be sought only for purposes, positions, and programs which have appropriate academic or administrative approval. Gifts received by the Millersville University Foundation will be for the purpose of creating, either outright or ultimately, endowments.

Gifts to the Foundation on behalf of the University will be accepted for unrestricted use or for any one of the many special funds and programs that have been established. The Foundation may also accept a gift designated for a specific purpose for which no special fund has been established as long as it is within the scope of the University's mission, however, no gift may inhibit the Foundation or University from seeking gifts from other donors, be they similar or different.

The Foundation values, and will protect, the integrity and independence of the University, as well as the academic freedom of the University community.

The Foundation cannot accept gifts for the University that involve unlawful discrimination based upon race, religion, sex, age, national origin, color, handicap or any other basis prohibited by federal, state and local laws and regulations. Nor can the Foundation accept gifts that obligate it or the University to violate any other applicable law or regulation, or that violates the Foundation's certificate or incorporation or by-laws.

This policy is designed to provide guidance to the Foundation and University communities and the general public so as to facilitate the gift-giving process. It is not intended to stifle philanthropic creativity.

The following types of gifts are acceptable by the Millersville University Foundation:

- > Cash
- > Tangible personal property
- > Securities
- > Real estate
- > Remainder interests in property
- > Oil, gas and mineral interests
- > Bargain sales
- > Life insurance policies
- > Charitable gift annuities

- > Charitable remainder trusts
- > Charitable lead trusts
- > Retirement plan beneficiary designations
- > Bequests
- > Life insurance beneficiary designations
- > Other property

The following criteria govern the acceptance of the gift types listed above.

**Cash**—Cash is acceptable in the form of currency, checks, money orders or electronic transfer (either through a wire transfer to the Foundation’s bank account or by a verified credit card transaction). The postmark date is the gift date for gifts of cash mailed to the Foundation. Checks should be made payable to “Millersville University Foundation.” Gifts made using a credit card or electronic transfer will be credited on the day upon which the gift is posted.

**Tangible personal property**—Tangible personal property is property other than real property, which is often defined as property that can be touched. If the Foundation intends to sell a gift immediately rather than use it, the donor will be informed that IRS rules may limit the amount of the charitable deduction to the donor’s cost basis, and the donor will be advised to seek professional financial counsel on the tax consequences of such a donation. An independent appraisal, at the donor’s expense, is required for all gifts for which the donor estimates the fair market value to be \$5,000 or more. A written appraisal must be submitted to the Foundation prior to acceptance of the gift. The following will be considered in reviewing such gifts for acceptance:

- Does the property further the mission and purposes of the Foundation/University?
- Is the property marketable, or can it be used by the Foundation/University in furtherance of the Foundation’s/ University’s purposes and mission?
- Are there any restrictions on the use, display or sale of the property?
- Are there any carrying costs, possible adverse legal consequences, or potential liabilities associated with ownership of the property?

**Securities**—The Foundation accepts both publicly-traded securities and closely-held securities under the conditions described below:

- Publicly-traded securities— These are securities regularly traded on a public stock exchange. It is preferred that donors electronically transfer marketable securities directly to the Foundation’s brokerage account. Transfers made directly to the brokerage account can be liquidated almost immediately and with little additional paperwork required from donors. Alternatively, marketable securities may be delivered physically to the Foundation office with the donor’s/transferor’s stock power attached. It is the Foundation’s policy to sell all marketable securities as soon after receipt as is reasonably feasible. Those securities which are determined to be restricted by applicable securities laws will be reviewed. The value of the gift will be calculated using the mean share price between the high and low selling prices quoted on the day the stock is transferred to the Foundation.
- Closely-held securities— Acceptance of closely-held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in limited

partnerships and limited liability companies, or other ownership funds will have the following factors to be considered: any restrictions on the security that would prevent its conversion to cash, the marketability of the security, and the potential for other undesirable consequences for the Foundation.

**Real estate**—Gifts of real estate include developed property and undeveloped property, as well as gifts subject to a prior life interest. Real estate gifts are to be directed to the MU Foundation. Prior to acceptance of real estate, the Foundation shall require, at the donor's expense, an independent appraisal of the property's fair market value, as well as a Phase I Environmental Study to ensure that the property has no environmental damage or other environmental issues that would expose the Foundation to liability. In most cases, the Phase I Environmental Study will be performed at expense to the Foundation. Factors to be considered in acceptance of the property shall include: usefulness of the property for the purposes of the Foundation; marketability of the property, relative to its condition; any restrictions, reservations, easements, or other limitations associated with the property; carrying costs, such as insurance, property taxes (taking into account that the Foundation may not be eligible for any homestead exemption), mortgages, or notes, associated with the property; the results of the environmental study report, and any potential liability for cleanup or restoration of the property that may be imposed under current law to a transferee.

Remainder interests in property, or Retained Life Estate Gift (RLE)—The Foundation will accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions regarding the acceptance of real estate outlined previously in this policy document. The donor or other named beneficiary may continue to occupy the real property for the duration of the stated life. Expenses for maintenance, real estate taxes, and any property indebtedness are to be paid by the donor or life beneficiary. At the death of the donor or life beneficiary, as applicable, the Foundation may use the property or reduce it to cash. All procedures for evaluating proposed gifts of real property, outlined elsewhere in this document, apply to proposed RLEs as well. Donors are strongly encouraged to have all documents related to a proposed RLE reviewed by their own attorney.

**Oil, gas and mineral interests**—The Foundation may accept such interests upon review and recommendation of legal counsel of the Foundation. Factors to be considered in review of the proposed donation include: any extended liabilities or other considerations that make receipt of the gift inappropriate, whether the proposed gift is a working interest and any current or potential exposure to environmental liability or cleanup or restoration obligations under relevant law.

**Bargain sales**—The Foundation will enter into a bargain sale arrangement only when the bargain sale furthers the mission and purposes of the Foundation. A bargain sale is a sale of property for less than its fair market value. Some donors are willing to sell their property for an amount equal to their cost basis. The donor then recovers the donor's investment and receives a charitable deduction for the appreciated portion. All bargain sales must be approved by the Foundation's Board of Directors. Factors used in determining the appropriateness of the transaction include: the results of an independent appraisal, obtained at the donor's expense, substantiating the value of the property; whether the Foundation will assume any debt with the property; the marketability of the property for sale within 12 months of receipt; and carrying costs associated with the property during the holding period prior to sale.

**Life insurance policies**—The "MU Foundation" must be named both beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be recorded as a gift. The gift shall be valued at its cash surrender value on the date of receipt. Should the donor contribute future premium payments, the Foundation will include the entire amount of the additional premium payment as a gift in the year the payment is made. If the donor elects not to continue to make gifts to cover premium payments on

the life insurance policy, the Foundation Board shall decide whether to continue to pay the premiums, convert the policy to paid-up insurance, or surrender the policy for its current cash value. No insurance products and no insurance companies or agents are endorsed by the Foundation for use in funding gifts to the Foundation. The Foundation does not furnish donor's names to third parties for the purpose of marketing life insurance to donors or for any other purpose.

Only whole-life policies will be accepted by the Foundation. Term-life insurance policies, although acceptable, will not be counted as an asset by the Foundation. Gifts of insurance with a loan against the policy will only be accepted when said loan and interest payments are agreed to be paid off by the donor within a maximum of a five year period from when the policy is gifted to the Foundation.

**Charitable Gift Annuities** (including Deferred Charitable Gift Annuities)—A charitable gift annuity (CGA) is a contractual arrangement between a donor and the Foundation for which the Foundation accepts a transfer of cash, cash equivalents, or publicly-traded securities from the donor in return for periodic payments to the donor and/or one other named beneficiary for life. In the case of a Deferred CGA, the periodic payments are specified in the contract to begin in a future time period. Upon the death of the donor (or, if applicable, the other named beneficiary), the balance of the principal is retained by the Foundation. A portion of the annual payment is tax-free income to the donor, being considered return of principal. Since the gift annuity is part gift, in addition to the purchase of the annuity, the donor is allowed an income tax deduction. Donors will be advised to seek legal and financial counsel regarding tax deductibility and similar matters.

The annuity is secured by all of the Foundation's assets, and the rate of return used by the Foundation and stated in the annuity contract is determined from tables provided 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, as well as the date at which payments are to begin in the case of a Deferred CGA. Payments are actuarially calculated to provide that approximately fifty percent (50%) of the market value of each gift will remain at the death of the last annuitant. The Foundation may enter into CGA contracts with minimum funding of \$10,000 and minimum age for life income beneficiaries of 60, except in the case of Deferred CGAs, for which the minimum age is 50. For Deferred CGAs, the minimum deferment period for life income beneficiaries over age 50 but less than age 60 is ten (10) years. The minimum deferment period for life income beneficiaries age 60 and older is five (5) years.

No more than two life income beneficiaries will be permitted for any gift annuity. The Foundation will not accept real estate, personal property or any other illiquid asset in exchange for any charitable gift annuity.

The tables published by the American Council on Gift Annuities will be used for contractual rates unless an exception is granted by the Foundation Board. Upon the death of the donor and/or other named beneficiary, the funds representing the remaining principal contributed in exchange for the gift annuity will revert to an account for the purpose specified by the donor; or, if no such purpose is specified, the fund shall revert to the unrestricted use of the Foundation.

Gift annuity contracts are governed by the laws of the state in which the donor resides. Certain states have stringent registration requirements. For gift annuities to be established in states other than Pennsylvania, the specific annuity regulations and requirements for that state will first be reviewed by the Director of Planned Giving. 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.

For purposes of naming opportunities and creation of endowments, the amount countable toward such will be reflective of the charitable gift portion at the time when the contract is enacted. If the amount is below the required minimum for the creation of a separately named endowment, or naming opportunity, the donor can commit the balance through an outright gift or additional planned gift including a bequest or additional charitable gift annuity.

**Charitable Remainder Trusts**—The Foundation accepts designation as remainder beneficiary of charitable remainder trusts. A charitable remainder trust (CRT) is an irrevocable trust created during the life of the donor or through the donor’s will or trust (a testamentary CRT). The CRT must provide that a specified amount (not less than 5%) of the trust’s value is paid to one or more beneficiaries on an annual or more frequent basis. At least one beneficiary must be non-charitable. The Foundation does not typically serve as trustee for new CRTs; however, the Director of Planned Giving will discuss trustee options with the donors, who will retain complete discretion as to the choice of trustee.

There are two variations for CRTs. One is a unitrust (CRUT), which pays a fixed percentage of trust assets (not less than 5%) determined annually. The other is an annuity trust (CRAT), which pays a fixed annuity and requires that an amount not less than 5% of the initial fair market value of trust assets be paid at least annually to the named income beneficiary or beneficiaries.

**Charitable Remainder Unitrust (CRUT)**—The primary feature of a CRUT is that it can be for life or a specified term of years, after which the trust assets pass to the Foundation. Only assets of the trust may be used to satisfy the commitment to the donor; assets of the Foundation are not involved. Under current tax law, the charitable remainder of a unitrust must equal more than 10% of the unitrust’s fair market value when it is funded in order to qualify as a CRUT. Donors may make subsequent additions to the unitrust during their lifetime or by bequest upon their death. The CRUTs acceptable to the Foundation are the basic form of a unitrust, termed a “straight unitrust.” A straight unitrust provides for payment to the donor and/or beneficiary annually an amount equal to a set percentage of the fair market value of the assets of the trust, valued annually. The percentage is determined by the donor at the time the trust is created, is stated in the trust, and is irrevocable. If annual income and capital gain do not equal the committed percentage, principal is used to make up the difference. If there is an excess, it is added to the principal.

- **Charitable Remainder Annuity Trust (CRAT)**—This type of trust shares many common features with the unitrust, the primary difference being the manner used to calculate the payment to the income beneficiary. The unitrust provides for a payout that varies with each annual valuation; however, the annuity trust provides for fixed payments based upon the fair market value on the date the trust is established. Another difference is that additional contributions cannot be made to an annuity trust. With a CRAT, the donor irrevocably transfers assets to the trust, and the trustee pays the donor, or the specified beneficiaries, a fixed dollar amount annually for life or for a predetermined term not to exceed twenty (20) years. This payout must equal at least five percent (5%) of the fair market value of the assets placed in the trust when it is created. Income in excess of the annual payment is added to the principal. If the income in any one year is less than the annual payment, the difference comes from principal.

**Charitable Lead Trusts**—The Foundation may accept designation as the income beneficiary of a charitable lead trust. A charitable lead trust is a form of split-interest gift. A lead trust is similar to a charitable remainder trust, although the qualified charity receives the income interest with the remainder interest passing to the donor or some other designated beneficiary. Because of the complexity of split-interest deduction rules, the Foundation will advise prospective donors in writing to

consult the donor's legal, financial and tax advisors in determining whether to pursue the gift of a charitable lead trust to the Foundation. The Director of Planned Giving will discuss trustee options with the donors, who will retain complete discretion as to the choice of trustee.

**Retirement plan beneficiary designations**—Donors and supporters of the Foundation will be encouraged to name the "MU Foundation" as beneficiary of retirement plans, including Individual Retirement Accounts (IRAs) and qualified pension and profit-sharing plans. Donors may wish to make their spouse the primary beneficiary, in which case the Foundation may be designated as secondary or contingent beneficiary. Such designations will be recorded as gifts to the Foundation at such time that they become irrevocable. When the receipt of funds is not due until a future date, the present value of the expected cash inflow of beneficiary funds is recorded as a gift at the time the designation becomes irrevocable. Gifts from retirement plans may be established by sending a new beneficiary designation to the donor's plan administrator. Donors are encouraged to notify the Foundation when it is listed as beneficiary so appropriate recognition and planning can take place.

**Bequests**—A bequest is a gift of cash, property, or other asset made in a donor's will or living trust. Bequests may provide for a specific dollar amount in cash, specific securities, specific articles of tangible property, or a percentage of the residual of the estate. Donors and supporters of the Foundation will be encouraged to make bequests to the Foundation in their wills and trusts for the purpose of establishing or funding existing endowments. The donors and supporters will be advised to name the legal entity of the "MU Foundation" specifically in their wills and trusts—rather than "MU" or "Millersville University"—in order to clearly indicate the intent of their bequest for the Foundation. It is understood that any endowment gifts, regardless of designation to MU or MU Foundation will be directed to and administered by the Foundation. Bequests may be given as unrestricted gifts or gifts restricted to a purpose or program designated by the donor. Donors may also establish, by bequest, a testamentary charitable remainder trust or unitrust. The bequest can be arranged so as to provide a life income for a designated beneficiary or beneficiaries. If such a gift is made by will, the principal will pass to the Foundation only after the death of the life income beneficiary or beneficiaries.

**Life insurance beneficiary designations**—Donors and supporters of the Foundation will be encouraged to name the Foundation as beneficiary or contingent beneficiary of their life insurance policies. Such designations will be recorded as gifts at the time the designation becomes irrevocable. The value of the gift to be recorded shall be the present value of the beneficiary amount expected to be received. Donors are encouraged to notify the Foundation when it is listed as beneficiary so appropriate recognition and planning can take place.

**Other property**—Property not otherwise described above, whether real or personal, of any type (including copyrights, trademarks, royalties, servitudes, easements or other intangible rights) may be accepted only after review and approval by the appropriate department. All decisions about the acceptance of such gifts will be done in conjunction with the division Vice President or Deans and will include staff of University Advancement.

#### **Use of Legal Counsel**

The Foundation shall seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate.

#### **Miscellaneous Provisions**

It will be the responsibility of the donor to secure an independent appraisal when appropriate and engage the advice of independent legal and financial counsel for all gifts made to the Foundation. The MU Foundation reserves the right to obtain an appraisal, at its own expense, of any tangible property or real estate offered for donation, prior to acceptance. In situations where advisors retained by the Foundation prepare documents or render advice in any form to the Foundation and a donor, it shall be disclosed in writing to the donor that the professional involved is in the employ of the Foundation and is not acting on behalf of the donor. Any documents or other advice rendered in the course of the relationship between the Foundation and the donor should be reviewed by counsel of the donor prior to completion of the gift.

University Advancement produces materials which educate and inform prospective donors and their advisors about the various forms of giving. The Foundation pays no fees or commissions of any kind to any party as consideration for directing a gift to the Foundation, nor does the Foundation endorse any professional or fiduciary services.