

Gift Acceptance Policy

1. Introduction
2. Gift Review and Acceptance
3. Definitions
 - Gift
 - Grants and Contracts
 - Categories of Gifts
 - Gift Acceptance Process
4. Types of Gift
 - Outright Gifts
 - Cash and Cash Equivalents
 - Securities
 - Real Property
 - Personal Property
 - Gifts in Kind
 - Pledges and Letters of Intent
 - Deferred Gifts
 - Charitable Bequests
 - Charitable Gift Annuities
 - Charitable Remainder Trusts
 - Charitable Lead Trusts
 - Life Insurance
 - Life Estates
 - Retirement Plans

1. INTRODUCTION

The Shippensburg University Foundation (the “Foundation”) is organized as a Pennsylvania Nonprofit Corporation, is exempted from Federal Income Tax liability by Internal Revenue Code Section 501(c)(3), and qualifies as a Public Charity under Internal Revenue Code Section 509. The Foundation exists to secure and manage private gifts for the benefit of Shippensburg University (the “University”). To facilitate this charitable purpose, the Foundation has been recognized by the University as its sole official fundraising organization.

This document has been developed by the staff of the Foundation and approved by the Foundation’s Board of Directors to outline straightforward and objective procedures for analyzing and accepting charitable gifts to the Foundation for the University’s benefit. While the procedures set forth herein are detailed and often specific to the type of gift contemplated, they shall be interpreted in light of two overriding principles:

Principle 1: A gift shall not be accepted by the Foundation if such acceptance would not be in the interest of the donor. A determination of the donor’s “interest” shall include, but not be limited to, the donor’s financial situation and philanthropic interests, as well as any tax or other legal matters revealed while planning for a gift. The Foundation shall not encourage any gifts that are inappropriate in light of the donor’s known personal or financial situation.

Principle 2: A gift shall not be accepted by the Foundation unless there is a reasonable expectation that acceptance of the gift will ultimately benefit the charitable purposes of the Foundation as outlined in the Articles of Incorporation.

While this document is intended to provide guidance to Foundation personnel regarding acceptance of prospective gifts, donors are ultimately responsible for ensuring that the proposed gift furthers his/her charitable, financial and estate planning goals. Therefore, each prospective donor is urged to seek the advice of independent professional advisors in the gift planning process. It is within the province of neither the Foundation nor its staff to give legal, accounting, tax or other advice to prospective donors.

2. GIFT REVIEW AND ACCEPTANCE

It is the responsibility of the Foundation Board of Directors (the Board) to accept or decline all gifts to the Foundation. The Board of Directors has delegated responsibility for this acceptance to the SU Foundation President and CEO unless otherwise specified in this document.

3. DEFINITIONS

Gift

A gift is consideration given for which the donor receives no direct benefit and requires nothing in exchange beyond an assurance that the intent of the contribution will be honored. Gifts made in support of Shippensburg University should be made directly to the Shippensburg University Foundation. The Foundation will process and acknowledge all gifts.

Grants and Contracts

The Foundation also receives funding under grants. A grant is an award received generally as the result of a written proposal, with the understanding that an accounting and/or report will be done at the end of the project and a copy of the results will be provided to the funder. A grant that has been determined to be a gift is

SHIPPENSBURG UNIVERSITY FOUNDATION

donative in nature; it is given voluntarily and without expectation of any tangible compensation and implies no responsibility to provide the donor with a product, service, technical or scientific report(s) or intellectual property.

Categories of Gifts

Gifts are classified into three categories, based on the level of risk associated with acceptance:

Gifts of material risk include:

- Outright gifts of real property
- Gifts of real property when a bequest is realized
- Gifts of personal property with a Fair Market Value exceeding \$5,000 if not to be used by the University
- Gifts of personal property with a Fair Market Value exceeding \$100,000 if to be used by the University. These are considered Gifts in Kind
- Life estates
- All conditional pledges
- All gifts of real or tangible personal property subject to donor restrictions regarding the disposal of such property
- All gifts of unusual items or gifts of questionable value

Gifts of moderate risk include:

- Non-publicly traded securities with a Fair Market Value exceeding \$5,000
- Notification of the intent to gift real property through a bequest
- Charitable gift annuities – (Payout rates to be approved by the President and CEO)
- Charitable remainder trusts – (Payout rates to be approved by the President and CEO)
- Charitable lead trusts – (Payout rates to be approved by the President and CEO)
- Gifts of life insurance
- Gifts of personal property with a Fair Market Value equal to or less than \$5,000
- Gifts of personal property with a Fair Market Value between \$5,000 and \$100,000 if to be used by the University. These are considered Gifts in Kind
- Cash gifts with significant donor restrictions

All other gifts are considered to be gifts of marginal risk.

Gift Acceptance Process

All gifts considered to be marginal risk may be accepted by

Foundation staff on behalf of the Board of Directors. This includes Gifts in Kind with a Fair Market Value less than or equal to \$5,000.

All gifts considered to be of moderate and material risk may be accepted by the Foundation staff after approval by the Foundation President and CEO. The Foundation President and CEO may use his/her discretion to determine whether a gift will be forwarded to the Foundation's Board of Directors for review and final decision.

4. TYPES OF GIFTS

Gifts to the Foundation may be in the form of outright gifts, pledges or deferred commitments.

Outright Gifts

Outright gifts include:

- Cash and Cash Equivalents
- Securities
- Real Property
- Personal Property
- Gifts in Kind

Cash and Cash Equivalents

Cash is often the easiest way to give and the most frequently received form of gift accepted by the Foundation. These gifts can take the form of currency, check or credit card contribution. Cash may be delivered in person, by mail, by Electronic Funds Transfer (EFT) or by wire transfer.

Cash gifts are reported the date the cash is received in the Foundation. If gifts are transferred by EFT or wire, the date of the gift is the date that the money is transferred into the Foundation's bank account.

Credit card gifts (MasterCard, Visa, and Discover) are also accepted by the Foundation. When gifts are received by credit card, the date of the gift is the date the credit card charges are processed by the Foundation.

Securities

Gifts of securities are valued at the average of the high and low price of the security as of the date of constructive receipt.

The constructive receipt of the gift is defined as the date of the postmark on the envelope or the date the security is hand delivered (physical certificates) or the date the stock is received in the Foundation's brokerage account (book-held securities). If the security is not traded on that date, the date of the most recent prior sale will be used for valuation.

Publicly traded securities (stocks, bonds and mutual funds)

SHIPPENSBURG UNIVERSITY FOUNDATION

will be accepted by the Foundation's staff. It is the policy of the Foundation to give the Foundation's investment manager the discretion to either sell these securities or retain them for the Foundation's portfolio.

In the case of non-publicly traded (closely held) securities, the Foundation shall examine any issue that is not publicly traded prior to acceptance as a gift and may decline a gift of such securities if it deems them difficult to value or not easily marketable. Non-publicly traded securities with a value exceeding \$5,000 shall be considered moderate risk. If the value of the non-publicly traded stock is less than \$5,000, the gift shall be considered marginal risk.

It is the donor's responsibility, for gifts of non-publicly traded securities exceeding \$10,000, to have the securities valued by a qualified independent appraiser as required by the Internal Revenue Service.

Gifts of non-publicly traded securities of \$10,000 or less may be valued at the per-share cash purchase price of the most recent transaction. Normally, this transaction is the redemption of the stock by the corporation. For a gift of \$10,000 or less, when no redemption has occurred during the reporting period, an independent certified public accountant (CPA) who maintains the books for a closely held corporation is deemed to be qualified to value the stock of that corporation.

Donors may make gifts of interests in business entities (partnership interests, S Corporations, interests in limited liability companies). These may be accepted by the Foundation so long as the Foundation assumes no legal liability in receiving them. In evaluating a gift proposal of such assets, the Foundation may consider the probability of conversion to a liquid asset within a reasonable period of time, projected income that will be available for distribution and administrative fees, and the nature of the business from which the asset is derived. The Foundation may decline acceptance of any such gift.

The Foundation shall not accept, without Board approval, a gift making it a principal in a joint venture or other business activity in which it would participate in the risks of operation or would have any liability for the conduct of the business that exceeds its capital contributions (e.g. as a general partner, principal in a joint venture, or as an owner of a working interest).

Real Property

Real property includes improved or unimproved land, personal residences, farmland, commercial property, rental property and mineral interests. In general, the Foundation's policy is to dispose

of all gifts of real estate as expeditiously as possible unless the property is needed to achieve the mission of the Foundation or University. This policy will be communicated to donors when the Foundation receives notification of the donor's intent to gift real property. If it is the intention of the donor that the Foundation not immediately dispose of real property, an agreement must be made in writing between the Foundation and the donor before such property may be accepted by the Foundation.

The donor of real property should talk with his/her attorney about any possible charitable deduction before making the decision to donate the property. Real property may be gifted at three different times: during the donor's lifetime, notification by the donor of the intent to gift through a bequest, and upon receipt of a bequest.

If the donor wants to give real property during his/her lifetime, the Foundation will consider the gift only after a thorough examination of the criteria listed below:

1) *Market Value and Marketability.* The Foundation must receive a current appraisal (not older than 60 days) of the fair market value of the property and interest in the property the Foundation would receive if the proposed gift were approved. Development officers shall inform the donor that, if the gift is completed, the IRS will require an appraisal made within sixty days of the date of gift. The appraisal and other information must indicate clearly and convincingly that there is a market for the property under consideration and that the property can be sold within a reasonable period of time. A representative of the Foundation or its designee must do a site visit of the property. Regardless of the value placed on the property by the donor's appraisal, the Foundation will attempt to sell at a reasonable price reflected by the current market.

2) *Potential Environmental Risks.* All proposed gifts of real property, including gifts from estates, must be accompanied by an Environmental Questionnaire pertaining to the property that has been completed by the donor (and/or counsel or family members in case of an estate gift). At its discretion, the Foundation may also contract for an independent assessment of environmental risks. Any questions raised should result in bringing the property before the Foundation Executive Committee.

The Foundation will require that all gifts of an interest in mining or oil and gas properties (and any other gift which the Foundation deems appropriate) must be inspected by a properly licensed or certified professional as may be required to demonstrate

SHIPPENSBURG UNIVERSITY FOUNDATION

due diligence and care in accepting the property as free from contamination. Any such inspection shall be documented properly for legal reasons.

3) **Limitations and Encumbrances.** No gift of real estate may be accepted until all mortgages, deeds of trust, liens and other encumbrances have been discharged.

4) **Carrying Costs.** The existence and amount of any carrying costs, such as property owner's association dues, transfer charges, taxes and insurance, must be disclosed.

If the donor notifies the Foundation of the intent to gift real property through a charitable bequest, the Foundation staff may acknowledge the intent to gift after a review of the criteria listed below:

1) **Market Value and Marketability.** A current appraisal is desirable, but not required. If a current appraisal is not available, it is acceptable for a Foundation representative or its designee to complete a walkthrough of the property to generally evaluate marketability.

Intent to gift property through a bequest is considered a moderate risk gift. A full evaluation of the property will be completed at the time the bequest is realized. This future evaluation, including an assessment of the Market Value and an Environmental Questionnaire must be communicated to, and understood by, the donor.

At the time a bequest of real property is realized, the Foundation will consider the gift using the same criteria as if the donor was to gift the property during his/her lifetime.

Gifts of real property qualifying for a charitable deduction to the donor shall be valued by using the fair market value of the property as determined by a qualified appraisal. Appraisals are generally provided and paid for by the donor.

The execution and delivery of a deed of gift or other appropriate conveyance shall complete the gift. The donor shall pay the costs associated with the conveyance and delivery of the gift.

If the Foundation should sell or otherwise dispose of the donated property within two years of the date of the gift, the Foundation must file an information return on IRS Form 8282 and send a copy to the donor.

Personal Property (Accepted with intent to sell)

The Foundation may consider gifts of personal property, which can be tangible or intangible. Examples of tangible personal property include, but are not limited to, works of art, manuscripts, literary works, vehicles, developed software, and equipment.

Examples of intangible personal property include, but are not limited to, various intellectual property such as patents, copyrights and software under development. In many instances, these gifts will be retained by the Foundation or University, and if so, are considered to be Gifts in Kind and are discussed in the Gifts in Kind section.

It is the policy of the Foundation to sell or otherwise dispose of all gifts of personal property. The Foundation's intention to sell the property and use the proceeds to further its charitable activities shall be communicated to the donor in writing at the time of the gift.

Gifts of personal property shall be valued at their full fair market value. Gifts with fair market values exceeding \$5,000 will be reported at the values placed on them by qualified independent appraisers as required by the IRS for valuing noncash charitable contributions. Gifts of \$5,000 and under may be reported at either the value declared by the donor or the value placed on them by a qualified expert. If a value as specified above is not placed on a gift of personal property, the value shall be recorded at \$1. Gifts of intellectual property will be valued as per applicable IRS guidelines.

Title to the gift property should be clear and unencumbered, and properly documented. Careful consideration should be given to marketability, storage, transportation, and disposal costs of all gifts of personal property.

The Foundation President and CEO must approve all gifts of personal property with a Fair Market Value of greater than \$5,000. Gifts with a Fair Market Value equal to or less than \$5,000 must be approved by the appropriate Foundation staff.

If the Foundation sells or otherwise disposes of the donated property within two years of the date of the gift, the Foundation must file an information return on IRS Form 8282 and send a copy to the donor.

Gifts in Kind (Retained for University or Foundation Use)

Gifts in kind are a form of personal property that will be retained and used by the Foundation and/or University faculty and/or students. It is imperative that the property be used to complement the core mission of the Foundation or University in the areas of teaching, research, creative endeavors, outreach programs or a combination thereof. The use and need of the property should be clearly documented and approved by the Foundation or University as outlined in the Guidelines for Acceptance of Gifts of Personal Property.

Gifts in kind shall be valued at their full fair market value. Gifts

SHIPPENSBURG UNIVERSITY FOUNDATION

with fair market values exceeding \$5,000 will be reported at the values placed on them by qualified independent appraisers as required by the IRS for valuing noncash charitable contributions. Gifts of \$5,000 and under may be reported at either the value declared by the donor or the value placed on them by a qualified expert. If a value as specified above is not placed on a gift of personal property, the value shall be recorded at \$1.

Gifts in kind of software are valued in one of two ways. A written confirmation of the value of the gift at the educational discount price should be obtained from the donor. If no educational discount is available, that must be stated from the donor, and a value of 50% of the retail price shall be used.

Title to the gift property should be clear and unencumbered, and properly documented. Careful consideration should be given to maintenance, storage, and transportation costs of all gifts in kind.

The Foundation President and CEO must approve all gifts in kind that are valued at more than \$10,000.

Pledges and Letters of Intent

Pledges and Letters of Intent are commitments to give a specific dollar amount according to a fixed time schedule. Annual Fund pledges are usually for amounts less than \$10,000 and for periods less than one year. All pledges other than Annual Fund pledges are required to be in writing.

The following minimum information must exist to substantiate a pledge or letter of intent:

- the amount of the pledge must be clearly specified;
- there must be a clearly defined payment schedule;
- the donor may not proscribe contingencies or conditions;
- the evidence of the pledge should include words such as “promise”, “agree”, “will”, “binding”, “legal” and;
- the donor must be considered to be financially capable of making the gift.

Pledges and Letters of Intent that do not contain this minimum information must have prior approval by the Foundation President and CEO.

Deferred Gifts

Deferred gifts include:

- Charitable Bequests
- Charitable Gift Annuities
- Charitable Remainder Trusts

- Charitable Lead Trusts
- Life Insurance
- Life Estates
- Retirement Plans

Charitable Bequests

Donors can make charitable bequests to the Foundation in wills or living trusts. A bequest of cash or publicly traded securities is always acceptable. A bequest of non publicly traded securities, real estate, tangible personal property, or other assets must be approved or declined by the President and CEO as described in this Gift Acceptance Policy.

Charitable Gift Annuities

A charitable gift annuity is a contract between the Foundation and the donor, and is different from a trust agreement. The donor makes an initial payment to the Foundation and the Foundation agrees to pay the annuitant an income for a term of years or the rest of his/her lifetime. The Foundation prefers that this initial payment is made in cash or publicly traded securities. The entire assets of the Foundation back the income payments of a gift annuity contract. The maximum annual payment to the annuitant is based on the annuitant’s age and the fair market value of the contribution made by the donor. Since the annuitant expects to receive payments from the Foundation for the remainder of his/her lifetime or term of years specified in the contract, the actual “gift” to the Foundation has a value of significantly less than the donor’s initial payment. The Foundation offers the gift annuity rates recommended by the American Council on Gift Annuities.

The Foundation will accept current gift annuities, which begin payments at the next payment date (quarterly, biannually 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 discretion of the donor.

Gift annuity agreements shall be limited to one life or two lives in being at the time of the gift. The minimum age for the annuitants shall be 55 for immediate annuities and 50 (at the time of establishment) for deferred annuities.

The minimum acceptable contribution to establish a charitable gift annuity is \$10,000.

Annuities funded with cash or publicly traded securities are considered moderate-risk gifts and will be accepted by the President and CEO.

SHIPPENSBURG UNIVERSITY FOUNDATION

If the contribution for the gift annuity is anything other than cash or publicly traded securities, i.e. non-publicly traded securities, real property, tangible personal property, or other assets, the President and CEO must approve the annuity in accordance with the respective policies established herein before it is accepted by the Foundation.

When a gift annuity is accepted it will be invested in order to provide for future annuity payments. When an annuity matures at the death of the annuitant(s), an amount equal to the residual is available for the designated purpose as indicated in the Gift Annuity Contract. This amount may be unrestricted, restricted or endowed, as the donor directs and is subject to the same policies as outright gifts regarding gift fees and minimum amounts for endowed accounts, etc.

Charitable Remainder Trusts

Unitrusts

The basic form of Unitrust provides for payment to the donor and/or beneficiary of an amount equal to a set percentage of fair market value of the assets of the trust, valued annually. The percentage is determined at the time the trust is created, is stated in the trust, and is permanent. The minimum payout allowed is 5% annually. The maximum percentage shall be determined by the President and CEO based on recommendations by the investment managers. The maximum percentage shall be based on several factors, including the age of the donor(s), number of lives, amount of gift, rate of return in the financial markets at the time and other considerations. Also, the value of the charitable remainder must be at least 10% of the net fair market value of the property transferred to the trust on the date of the transfer.

All life income beneficiaries must be age 50 or older. If a beneficiary is under 50, a term of years not to exceed 20 years charitable remainder trust must be used.

If the Foundation is to serve as trustee, the minimum asset value for establishing a charitable remainder trust shall be \$100,000, and the Foundation must be at least a 50% beneficiary of the trust.

Trusts funded with cash or publicly traded securities are considered moderate risk gifts and will be accepted by the President and CEO.

If the trust is to be funded with nonpublicly traded securities, real property, tangible personal property, or other assets, the President and CEO must consider the trust in accordance with the respective policies established herein before it is accepted by the Foundation.

Prior to acceptance of the Unitrust, the Foundation's attorney must either draft the trust document at the Foundation's expense or review and approve a trust document prepared by the donor's attorney.

Income payments are based on a fixed percentage of the annual market value of trust assets and will vary in amount as the value of the assets change. Payments may be set for life or a term of years not to exceed 20 years. Payments to income beneficiaries must come exclusively from the trust assets and are not guaranteed by the Foundation.

The only fees that will be charged to a trust are those charged by external sources. At the time of this writing, Orrstown Bank Trust Department based in Shippensburg, PA administers the Foundation trusts.

Annuity Trusts

Annuity trusts are similar to Unitrusts and subject to the same policies and procedures, except that the donor and/or beneficiary annually receive a payout that is fixed irrevocably at the time of the gift and stated in the trust agreement. The payout must equal at least 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. Unlike a unitrust, additions may not be made to Annuity Trusts.

Charitable Lead Trusts

This trust is designed to make periodic income payments to a charitable organization for a specified number of years, after which the trust terminates and the assets pass to the designated individuals either outright or in trust.

Major gift donors may use charitable lead trusts to fulfill pledge agreements with cash, stock, real estate (or a combination of these assets) placed in trusts.

Charitable Lead Trusts are considered to be of moderate risk and will be accepted by the President and CEO.

Life Insurance

The Foundation can receive two types of life insurance gifts.

If the Foundation is named beneficiary of a life insurance policy (and does not own the policy), acceptance or review of the gift is not required by the President and CEO.

If the Foundation receives a gift of insurance and the Foundation is beneficiary and owner, the gift shall be accepted by the President and CEO.

The following criteria apply to insurance gifts when the

SHIPPENSBURG UNIVERSITY FOUNDATION

Foundation is owner and beneficiary:

1. The premium must be a lump sum payment or annual premium payments for not more than ten years.
2. The policy may not be a term insurance policy.
3. The donor agrees to be responsible for making additional premium payments if the interest rates fall below expectations and additional premium payments are required.
4. The minimum face value for acceptance of a gift of insurance when administrative handling by the Foundation is required is \$25,000.

The donor, on the advice of the donor's advisers, must decide which is in the donor's best interests, to name the Foundation owner and beneficiary or to name the Foundation the beneficiary only.

The donors will be informed that if, for any reason, they are unable to make the gifts to cover the premium payments and there are not dividends to cover the payment, the Foundation will select an option deciding the future of the policy based upon several factors, which may be age of donor, death benefit, amount of paid-up insurance, amount of premium, number of premiums remaining, etc. The options are:

1. To not pay any additional premiums and consider the policy paid at current level of insurance.
2. To surrender the policy for the cash value and use the funds as designated by the donor.
3. To use Foundation resources to pay the insurance premium.

The Foundation reserves the right to review the specifics of a proposed gift of life insurance before accepting ownership and, as owner of a policy, reserves the right to "cash in" a policy at any time (foregoing the potential death benefit).

Life insurance is valued at the cash surrender value at the time of the gift. Additional premium payments are considered gifts when received by the Foundation.

Life Estates

Donors can receive a sizable charitable income tax deduction by making a gift to the Foundation of their personal residence or farm while retaining full use and rights to the property during their lifetime. (The donor retains a "life estate" and the Foundation receives the "remainder interest".)

The gift is created by transferring a deed to the Foundation, which reserves a "life estate" for the life of the donor, or his or her designates.

Donors must sign a "Life Estate Agreement" with the Foundation to clarify their responsibility for property repairs, taxes, insurance and other expenses.

Donors are encouraged to have all documents reviewed by their own attorneys.

By definition, a life estate will be funded by real property, and must be considered by the President and CEO as described previously in this Gift Acceptance Policy.

Retirement Plans

Because retirement assets are subject to both income and estate taxation, they are usually the best assets to give to the Foundation at death of the donor. To donate retirement plans to the Foundation the donor must:

1. Advise the plan administrator their wishes and sign the appropriate beneficiary designation form.
2. For an IRA or Keogh plan the donor self-administers, notify the custodian in writing and keep a copy.
3. The beneficiary designation should read at a minimum, "The Shippensburg University Foundation" and may further describe the use of the proceeds.

*Approved by the SU Foundation Board of Directors
March 16, 2006.*