

GIFT POLICY

Preface to the Gift Policy

This policy is designed to provide guidance to the many Frostburg State University communities and the general public so as to facilitate the gift-giving process. The Frostburg State University Foundation, Inc. and Frostburg State University does not intend to stifle philanthropic creativity. Therefore, this policy is to be interpreted liberally so that prospective donors may enjoy the greatest freedom possible in formulating their gifts.

Policy Statement

Frostburg State University (FSU) strongly encourages the solicitation and acceptance of gifts which enable it to fulfill its educational mission of teaching, research, and community service.

For an institution dedicated to higher education, gifts are essential and provide the opportunity for FSU to excel in many areas. Gifts in support of FSU are made to the Frostburg State University Foundation, Inc. (FSUF).

The FSUF was incorporated in 1970 as a 501 (c) (3) non profit corporation for educational purposes by the Internal Revenue Service (IRS).

The FSUF is designated by the University of Maryland System Board of Regents as the official affiliated foundation of FSU. The President of FSU is designated by the Board of Regents as the responsible officer to ensure compliance with affiliated foundation policies. The president appoints and approves appropriate FSU management and resources to facilitate FSUF operations. FSUF is registered as a charitable organization with the State of Maryland through the Secretary of State.

The FSUF is the parent organization for other support organizations of FSU including the Athletic Development Fund, FSU Alumni Association, FSU Parents' Association, FSU Bobcat Club and the Friends of WFWM Radio. Gifts in support of FSU may be sought from individuals, corporations, foundations, and federal, state and local entities. However, they may be sought only for purposes, positions, and programs which already have appropriate academic or administrative approval.

The FSUF values and will protect its integrity, its independence, and the academic freedom of the FSU community. Gifts that may expose FSUF or FSU to adverse publicity, require expenditures beyond the FSUF or FSU resources, or involve the FSUF or FSU in unexpected responsibilities because of their source, conditions, or purposes require approval by the appropriate FSU administrative officer and FSUF Executive Committee. Either FSUF or FSU may withhold approval of acceptance, pending a review by appropriate administrative personnel or committees appointed for that purpose. Under other circumstances, the FSUF and FSU delegates the authority to receive gifts to the FSUF Executive Director, FSU Development Office or the FSU President in appropriate cases, when gifts are personally solicited or received.

The FSUF is unable to accept gifts which are too restrictive in purpose or inconsistent with the stated purpose of supporting the educational mission of FSU. The FSUF cannot accept gifts which 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 FSUF accept gifts which obligate it to violate any other applicable law or regulation, or which violate the FSUF or FSU articles of incorporation, charter, constitution, bylaws, operating procedures or stated governing provisions. Gifts the FSUF receives must not inhibit it from seeking gifts from other donors, be they similar or different, foreign or domestic. Further, no gift can be received which limits, beyond a general definition of subject area, the research that a faculty member or student can perform.

Methods of Giving

Many types of assets may be used to provide gifts to the FSU. A variety of methods of giving to the FSUF allows donors to choose the most appropriate for their circumstances and interests.

Outright gifts are those placed at the immediate disposal of the FSUF and in which the donor retains no interest. They may be either restricted or unrestricted in purpose. Gifts which are donated to the FSUF without any express limitation placed upon them will be credited to the unrestricted fund accounts.

Recognition of Gifts

The FSUF recognizes contributors in various ways. An annual listing of contributions of \$200 or more (Presidents Associates) is maintained in addition to a permanent recognition of major gifts of \$10,000 or more (Gifts of Significance). Certain gifts may qualify for additional recognition and may provide naming opportunities. The FSUF provides charitable tax deduction receipts for qualifying gifts. Memorial gifts are accepted and specific accounts may be established for these purposes.

Unrestricted and Restricted Endowment Funds and Programs

The most useful gifts are those with the fewest possible restrictions. Unrestricted funds allow the FSUF to address its most pressing needs in support of FSU. Gifts for unrestricted endowment are the most welcome. The FSUF may approve the establishment of unrestricted and restricted endowment funds and programs upon the receipt of gifts or commitments which meet its approved financial and other criteria. Endowments bearing individuals' names or otherwise rendered discrete from unrestricted funds must be approved by the FSUF Executive Committee. Endowed and annual programs may be established for less than the stated minimum; however no awards or naming will occur until the minimum is achieved. FSUF generally transfers payments for awards to FSU for implementation of the programs. Awards may provide complete or supplemental support for the program.

There are several types of endowments and special purpose programs, The most commonly accepted are:

1. ENDOWED CHAIR PROGRAMS. An endowed fund may be named for the purposes of supporting an academic position with a minimum gift of \$100,000. The fund may provide complete or supplemental support for the position. Awards are made in unit amounts based upon the size of the fund.

2. VISITING PROFESSORSHIP PROGRAMS. An endowed fund may be named for the purposes of supporting a visiting professorship program with a minimum gift of \$50,000. The program may be unrestricted or restricted to an academic program as determined or accepted by FSU. The fund may provide complete or supplemental support. Awards are made in unit amounts based upon the size of the fund.

An annual visiting professorship program may be funded for a minimum guarantee of \$5,000.

3. FELLOWSHIP PROGRAMS. An endowed fund may be named for the purposes of supporting a fellowship program with a minimum gift of \$25,000. The program may be unrestricted or restricted for faculty development purposes as determined or accepted by FSU. Awards are made in unit amounts, based upon size of fund.

An annual fellowship program may be funded for a minimum guarantee of \$1,500.

4. LECTURESHIPS. An endowed fund may be named for the purposes of supporting a lectureship program with a minimum gift of \$15,000. The program may be unrestricted or restricted to a topic of interest as determined or accepted by FSU. Awards are made in unit amounts based upon the size of the fund.

An annual lectureship program may be funded for a minimum guarantee of \$1,500.

5. SCHOLARSHIPS. An endowed fund for scholarship purposes may be named

with a gift of \$10,000. Criteria for the scholarship may be unrestricted or restricted as determined or accepted by FSU. Special guidelines for administering and awarding scholarships do apply. Awards are made in unit amounts based upon the size of the fund.

An annual scholarship may be funded for a minimum guarantee of \$500 per recipient.

6. OTHERS. FSUF is willing to work with prospective donors on the terms and conditions of other unrestricted or restricted endowment funds, provided they support traditional academic activities or functions and are large enough to yield a meaningful annual income.

In all cases, the establishment of a special purpose endowment fund requires the prior approval of the FSUF Executive Committee and the FSU President.

Because conditions change over time, all endowment instruments, Memorandums of Understanding or similar mutually accepted and approved agreements should contain the following contingency clause:

If in the unlikely event that at some time in the future it becomes impossible to fulfill the requirements of this Memorandum of Understanding (or similar mutually accepted and approved agreements) the Board of Directors of the FSU Foundation shall utilize this fund so as to most nearly fulfill the donor's original intent.

Cash Gifts

The most frequent method used to make a gift to the FSUF is by check. Checks should be made payable to FSU Foundation, Inc. and mailed or delivered to:

FSUF Executive Director or FSU Development Office
FSU Foundation, Inc.
FSU Alumni House
Frostburg, MD 21532

The postmark date is the effective gift date for gifts of cash mailed to the FSUF. Gifts qualifying for charitable tax deduction purposes are receipted separately by the FSUF.

Gifts of Securities

Publicly-traded securities, shares of stock in closely-held companies, bonds, and government issues may be given to the FSUF. Gifts of securities may be made by sending the certificate and an executed stock power for each separate issue of stock or bond to the FSUF Executive Director or FSU Development Office, FSU Foundation, Inc., FSU Alumni House, Frostburg, MD 21532. The market value of securities and the actual beginning dollar value of an FSUF fund may differ as a result of market vagary, marketability of a security, unexpected costs, fees, etc... The FSUF does not reduce gifts by a set percentage and works to establish funds at the highest fair value possible.

PUBLICLY-TRADED SECURITIES. These are securities regularly traded on a public stock exchange. The value of the gift will be the mean of the highest and lowest selling prices quoted for the stock on the business day of the gift, as defined below.

CLOSELY-HELD SECURITIES. These are shares of stock in entities which have been organized for profit-making purposes, and are rarely traded on stock exchanges. Donors may give shares of closely-held corporate securities to the FSUF in the same manner as publicly-traded securities. However, because closely-held stock is not publicly-traded, these securities present special concerns. To convert them into cash, the FSUF must own the securities. Thus, it will not, formally or informally, enter into any redemption agreement with the donor. Gifts of closely-held securities require acceptance by the FSUF Executive Committee and may require additional legal or financial counsel.

Methods of Delivery

If securities are hand-delivered to the FSUF, the value of the gift will be the mean of its fair market value on the business date of delivery. Electronic transfer of securities may be accomplished by the donor notifying his/her banker or broker. FSUF requires written

notification and acceptance by the FSUF Executive Director before any transfer can be made to the agency representing FSUF. Donors should endorse stock certificates only upon delivery to the FSUF. For securities which are hand-delivered, the gift date is the business day the securities are delivered to FSUF. Electronic transfers are recorded on the date of transmittal.

If the securities are mailed or electronically transferred to the FSUF, the value of the gift will be its fair market value on the date the securities were received or postmarked. Donors should obtain a stock power from their banker or broker, signing their name exactly as it appears on the certificates, and have their signature guaranteed by their banker or broker. The stock power and a letter of instruction should be mailed to the FSUF Executive Director or FSU Development Office under separate cover from the stock certificate(s). The FSUF should be designed on the stock certificate(s), stock power, or related instruments of transfer as Frostburg State University Foundation, Inc. The stock certificate(s) should be sent by registered mail, return receipt requested, to the FSUF Executive Director or FSU Development Office. Unendorsed stock certificates are non-negotiable. The postmark date on the stock power will be used as the gift date when the stock certificate and stock power are mailed under separate covers.

Non-Traditional Investments

The FSUF may accept gifts of non-traditional investments, such as partnership interests, after a thorough review of the following factors:

1. marketability;
2. nature of any applicable restrictions;
3. legal and other liabilities associated with the asset;
4. carrying costs such as administrative and legal fees; and
5. exposure to unrelated business income tax liability.

Real Estate

The FSUF may accept gifts of real estate, including houses, condominiums, commercial properties, farm land, rental property, and undeveloped land, after a thorough review of the following factors:

1. the usefulness of the property for FSUF or FSU purposes;
2. the marketability of the property;
3. the existence of restrictions, reservations, easements, and/or other limitations;
4. the existence of encumbrances, such as mortgages and mechanics liens;
5. carrying costs, such as property owner's association dues, taxes, insurance, and other maintenance expenses; and
6. fair market value in relation to the costs and limits listed above as determined by a qualified appraisal conducted in accordance with IRS standards.

Prior to the acceptance of any parcel of real property, an assessment of the potential environmental risks will be conducted. This assessment shall include the following:

1. an inquiry to the present owner regarding his, her, or its knowledge of the history of the property;
2. a title search to determine who the prior owners might have been;
3. a consultation with federal, state, and local environmental

- agencies to find out whether the property has any history of hazardous waste contamination; and
4. a visual inspection of the property for any evidence of environmental hazards.

An environmental audit conducted by a professional service also may be required. For all gifts of real estate, the FSUF Executive Director or FSU Development Office will consult with the FSUF Executive Committee and FSU President and legal counsel as needed concerning the implications of accepting the gift. The decision to accept gifts of real estate resides with the FSUF Executive Committee. The donor is expected and in almost all cases will be responsible for expenses for transfer, taxes and any indebtedness relating to real estate transactions.

Tangible Personal Property/Gifts-In-Kind

The FSUF may accept gifts of tangible personal property, including works of art, jewelry, antiques, coin, stamp and other collections, equipment, automobiles, manuscripts, and books. Such gifts may be accepted only after a thorough review indicates the property is readily marketable or may be used by the FSUF or FSU in a manner consistent with one of the purposes for which it was granted status. Gifts-in-kind of tangible property which are not readily marketable are subject to approval by the FSUF Executive Committee.

An essential issue for donors to consider before contributing a gift of tangible personal property is whether they would like the FSUF to use or display the property. Items purchased and gifts-in-kind to be given to FSU must follow a formal donation process coordinated through the FSU Development Office to the appropriate FSU official. FSU reserves the right to reject any gift-in-kind offers from FSUF.

Prospective donors should be advised that the FSUF reserves the right to sell or otherwise dispose of the personal property in question, if such action is financially advisable or necessary.

If the FSUF intends to sell a gift immediately, rather than use or transfer to FSU, the donor must be informed that IRS rules may limit the amount of the charitable deduction to the donor's cost basis. Whenever donors estimate their gifts of tangible personal property at \$5,000 or more and donors seek to qualify for a charitable tax deduction additional IRS regulations apply including the submission of a written appraisal by a qualified independent appraiser. The FSUF cannot appraise or assign valuation to gifts of tangible property. Transfer to FSU require the consultation with the appropriate FSU department receiving the transfer and the approval of the FSU Vice President for Finance and Planning for the transfer prior to being added to the FSU inventory.

Planned Giving

Planned gifts may be either deferred or outright. They involve the transfer of substantial assets which affect the distribution of the donor's estate. These gifts do not immediately confer FSUF ownership and generally are not taken out of current earnings. The FSUF can serve as sole trustee of any deferred gift which requires the appointment of a fiduciary. As a member of the University of Maryland System the FSUF may utilize the administrative resources of the University of Maryland Foundation, Inc. (UMF) and may recommend planned gift arrangements be administered by UMF or other licensed organizations to the benefit of FSUF.

The acceptable methods of creating deferred gifts to the FSUF are described below.

Bequest in Will

A bequest is a gift of any amount or form made to the FSUF in a donor's will. Bequest may provide for a specific dollar amount in cash, specific securities, specific articles of tangible personal property or a percentage of the residue of the estate.

Bequests may be given as unrestricted or restricted gifts. Unrestricted bequests are used for the general purposes can be applies to current needs. An named unrestricted endowment fund may be established as indicated in the above section on "Outright Gifts." The FSUF Executive Committee will designate the purpose and use of such a gift. A restricted bequest supports a certain purpose or program designated by the donor. Such a fund may be established as indicated in the section on "Outright Gifts." A gift in any amount may be accepted as a contribution to an existing fund earmarked for a specific need of FSUF or FSU so long as the terms and conditions of the existing fund so permit.

Among donors' options are residuary and contingent bequests. A residuary bequest will give the FSUF all or a portion of the estate after all debts, taxes, expenses, and all other bequests have been paid. A contingent bequest will ensure that, despite unforeseen circumstances, specified property will pass to the FSUF rather than unintended beneficiaries.

Donors may also establish by will, an annuity trust or unitrust. The bequest can be arranged so as to provide a life income for a designated beneficiary by directing that the bequest be used to establish a charitable remainder annuity trust or charitable remainder unitrust. If such a gift is made by will, the principal will pass to the FSUF only after the death of the life income beneficiary.

Gifts may be made to the FSUF through the execution of a new will or addition, or through a codicil to an existing will. Donors may also add either a residual or contingent codicil to their wills.

Donors are encouraged to recognize that over the many years following the establishment of an endowment, the needs, policies, and circumstances of the FSUF and FSU can change in unforeseen ways. The FSUF administration must have the flexibility to make use of funds in

the best interest of FSU and in accord with donor interests and specifications. Thus, donors are advised to describe the specific purposes of their gifts as broadly as possible and to avoid detailed limitations and restrictions. Donors considering bequests for a specific purpose are encouraged to consult the FSUF Executive Director of FSU Development Office. The inclusion of a flexibility clause similar to the clause in the section on "Unrestricted and Restricted Endowment Funds and Programs" is most desirable.

Charitable Remainder Unitrust

The primary feature of a charitable remainder unitrust is that it provides for periodic payment of income to the donor, or another person specified by the donor, for life or a specified term of years, after which the trust assets pass to the FSUF.

During the lifetime of the donor, he or she creates a formal trust agreement under which assets such as cash, appreciated securities, or both are irrevocably

transferred to a trustee (a bank, FSUF, or FSUF assigned administering organization) who then pays the donor, or a person specified by the donor, an income for life.

During the donor's lifetime, the trust assets are managed and invested by the trustee as a single fund. The donor cannot borrow or otherwise deal with the trust assets. The designated beneficiary receives payments based on a fixed percentage of the net fair market value of the trust as valued annually by the FSUF Investment Committee or the assigned administering organization. The donor determines the fixed percentage, which may not be less than five percent, upon creation of the unitrust. Donors may make subsequent additions to the unitrust during their lifetime or by bequest upon their death. Charitable remainder unitrust are ordinarily established with minimum gifts of \$25,000; however amounts do vary. As a member of the University of Maryland System the FSUF may utilize the administrative resources of the University of Maryland Foundation, Inc. (UMF) and may recommend trust arrangements be administered by UMF or other licensed organizations to benefit FSUF.

Charitable Remainder Annuity Trust

The annuity trust shares many common features with the unitrust, the principal difference being the manner used to calculate the payment to the income beneficiary. Whereas the unitrust provides for a payout that varies with each annual valuation, 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.

The donor during his or her lifetime irrevocably transfers assets to a trustee, who pays the donor, or a person specified by the donor, a fixed dollar amount annually for life. The trust can also provide income for the donor's survivors for life; however, the trust assets become the sole property of the FSUF. Charitable remainder annuity trusts are ordinarily established with minimum gifts of \$25,000; however amounts may vary. As a member of the University of Maryland System the

FSUF may utilize the administrative resources of the University of Maryland Foundation, Inc. (UMF) and may recommend trust arrangements be administered by UMF or other licensed organizations to benefit FSUF.

Charitable Lead Trust

The primary feature of a charitable lead trust is that it provides for the immediate support of the FSUF through income generated by the assets in trust for a set period of time, after which the assets pass to a non-charitable beneficiary such as the donor, the donor's children, or other persons the donor specifies. Thus, a charitable lead trust is conceptually the opposite of a charitable remainder trust. In a lead trust, the donor gives the FSUF the current economic benefit of the transferred assets and retains the right to reacquire possession and control of the assets at a future date.

The donor during his or her lifetime creates an irrevocable trust agreement for a period of ten years or more. The agreement may take effect during the donor's lifetime or be part of the donor's will. Assets are transferred to a trustee, with the stipulation that the income from the assets be paid to the FSUF for the life of the trust, after which the principal or corpus of the trust reverts back to the donor or others of his or her choosing.

A lead trust may be advantageous for donors who have a larger income than they currently need and who desire to transfer assets to heirs.

Charitable lead trusts are ordinarily established with minimum gifts of \$25,000; however amounts may vary. As a member of the University of Maryland System the FSUF may utilize the administrative resources of the University of Maryland Foundation, Inc. (UMF) and may recommend trust arrangements be administered by UMF or other licensed organizations to benefit FSUF.

Gifts of Life Insurance

Life insurance can be the medium for giving funds to the FSUF. With it, the donor can make a substantial gift for a relatively modest annual outlay. For instance, a donor may irrevocably assign to the FSUF an existing life insurance policy that is no longer needed for family protection, making the FSUF both the policy owner and the beneficiary. If the donor does not choose to continue paying the premiums, the FSUF may elect to:

- Continue paying the premiums and receive the full face value of the policy at the donor's death;
- Convert the policy to paid-up insurance in a reduced amount with no further payments; or
- Surrender the policy for its present cash value.

Before contributing gifts of life insurance to the FSUF, donors should consult with the FSUF Executive Director or FSU Development Office to ensure that their gift will be consistent with the FSUF and FSU policy and needs.

Gift of a Remainder Interest in a Personal Residence or Farm

A donor can give a remainder interest in a personal residence, such as a home or condominium, or a farm to the FSUF. The donor or other occupants may continue to occupy the residence or operate the farm without disruption for the duration of the donor's life. Thereafter, the residence or farm will either be sold or used by the FSUF for purposes specified by the donor, if any. The procedures for evaluating proposed gifts of real property, as outlined above, also apply to gifts of a remainder interest in property.

If a life estate is retained in the property, expenses for maintenance, real estate taxes, and any indebtedness relating to the property are to be borne by the donor or the primary beneficiary.

Final Approval, Acceptance, and Execution by the FSUF

Documents effectuating the acceptance of all gifts, the creation of endowment programs, and the transfer of real or tangible personal property to the FSUF must be approved by legal counsel if needed and executed by the donor, FSUF Executive Director and FSU President or appropriate official. Documents shall be executed in triplicate and the original shall be sent to the donor with copies to the FSUF Executive Director and FSU Development Office.

To facilitate the gift-giving and agreement process the FSUF may prepare the appropriate documents. In such case the donor is advised to have the documents reviewed by his or her legal or financial counsel.