



CAMPAIGN REPORTING STANDARDS

Purpose

The purpose of these campaign accounting standards is to define the types of gifts and commitments that will be counted in the university's comprehensive campaign. By defining which gifts and commitments are included in the campaign totals, all constituencies of the university can clearly understand the impact of the campaign on MSU's programs.

In general

1. **Gifts and pledges to be reported.** All gifts and commitments received between January 1, 2006 and December 31, 2013 will be included in the campaign totals. Gifts and commitments will be reported in the following categories:
 - a. Outright gifts received.
 - b. Pledges received.
 - c. Pledge payments received regardless of pledge date.
 - d. Irrevocable deferred gifts.
 - e. Future support (revocable and deferred gifts).
 - f. Matching gifts.

The university reserves the right to extend the campaign period beyond December 31, 2013, should future circumstances make such a move appropriate.

With approval of the President of the Foundation and/or his or her designee, selected gifts made before January 1, 2006 will be included in the campaign.

2. **Gifts to the university instead of to the Foundation.** Although it is the university's policy that all gifts should be directed to the MSU Foundation, Inc., these guidelines acknowledge that donors will occasionally still direct their gifts to the university. For the purposes of campaign accounting, all gifts directed to the university will be dated and valued as if they had been originally directed to the Foundation. Montana State University will provide the Foundation with donor's name, address, description and amount of gift.

Outright gifts

- 1. In General.** Outright gifts will be reported when they are irrevocably transferred to the Foundation.
- 2. Specific types of outright gifts.** Gifts of specific assets will be valued in the manner described below:

Cash: The amount reported will be the amount as of the date the gift is received. For gifts denominated in foreign currencies, the amount reported will be based on the exchange rate in effect on that date.

Marketable Securities: Marketable securities will be reported at the average (mean) of the high and low quoted selling prices on the date the donor relinquished dominion and control in favor of the Foundation. If there are no trades of such a security on that date, then the gift will be reported using the applicable alternate method under the federal tax regulations. When dominion and control has been relinquished by a donor depends upon the method of delivery of the securities. For example, stock transferred electronically is valued as of the date the securities are received into an account owned by the MSU Foundation. Stock mailed to the Foundation is valued as of the latest postmark date of either the envelope containing the stock certificate(s) or the envelope containing any required valid stock power(s). Stock directed by the donor to be registered in the name of the Foundation will be valued as of the date the stock is so registered. Stock that is personally delivered to the Foundation in negotiable form is valued on the date received by the Foundation.

Mutual Fund: The amount reported will be the redemption price on the date the mutual fund shares are received by the Foundation. However, if the mutual fund is not a fund whose quotations are published daily in generally circulated newspapers, the amount reported will be the value determined by a qualified independent appraiser.

Closely Held Stock: The amount reported will be the fair market value placed on the stock by a qualified independent appraiser. Gifts of \$10,000 or less may be valued at the per-share cash purchase price or redemption price of the most recent transaction. When no sale or redemption has occurred during the campaign period, the gift may be valued by an independent certified public accountant (CPA) who maintains the books of the corporation.

Hedge Funds: The amount reported will be the fair market value placed on the stock by a qualified independent appraiser.

Real Property: The amount reported will be the fair market value placed on the property by a qualified independent appraiser within 60 days of the gift.

Personal Property: The amount reported will be the fair market value placed on the property by a qualified independent appraiser. Gifts of \$5,000 and under may be reported at the value declared by the donor or placed on them by a qualified expert on the faculty or staff of the institution. Gifts-in-kind (i.e., materials or long-lived assets) will be reported at the value that the

university would have paid had it purchased the item outright from a vendor (i.e., the educational discount value).

Intellectual Property: Intellectual property is an intangible form of personal property. Examples include patents; copyrights of cultural, artistic and literary works; and software. Except as noted below, the amount reported will be the same amount described above for personal property. However, if the fair market value of intellectual property whose value cannot be readily determined produces royalties, such royalties will be reported as gifts. If the value of such property later can be determined, its value will be reduced by any previously reported royalties. Notwithstanding the provisions, the following types of intellectual property will be reported as stated below:

Patents: Because of the challenges of valuing patents, all patents will be reported at the nominal value of \$1.00. Royalties that such patents generate will be reported as gifts.

Software: Gifts of software will be reported as gifts only when they are irrevocable (with no requirement to return property to the donor or to stop using the software after any period) and there are no other conditions upon the software's use so as to make the transaction an exchange rather than a gift. If the software has an established retail value, the gift will be reported at the price normally available to educational institutions (i.e., educational discount value). If it has no established retail value, the amount that will be reported will be the value established by a qualified independent appraisal.

3. Wholly Charitable Trusts Administered by Others. A wholly charitable trust is one that is held for the benefit of the MSU Foundation by some other party, such as a bank or trust company. Although a party other than the Foundation administers the trust, the principal is invested for the benefit of, and the payout is distributed, to the Foundation. All interests in income and principal are irrevocably dedicated to charitable purposes (as opposed to a charitable remainder or lead trust). While it is similar in that sense to an endowment fund, it is created as a free-standing entity.

The fair market value of the assets, or a portion of the assets as provided below, of such a trust administered by an outside fiduciary will be reported as an outright gift in the year in which documentation of such a gift is received, *provided* that the MSU Foundation has an irrevocable right to all or a predetermined portion of the payout of the trust. If the trust was funded within twelve months of receipt of documentation, then the value to be reported is the fair market value of the assets initially funding the trust. If the trust was funded more than twelve months before receipt of documentation, then the amount to be reported will be the fair market value of the trust's assets as reported in the most recent periodic (i.e., quarterly, monthly, etc.) statement provided by the trust's administrator.

The amount to be reported in the case where less than the entire payout of the trust is to be distributed to the Foundation is the amount of the payout to be distributed to the Foundation divided by the total payout to all charities multiplied by the value of the trust assets. The payout of the trust is thereafter treated as endowment income and does not appear in the amounts reported under gifts.

An otherwise eligible trust documented within the campaign period will be reported even though it was established prior to the campaign period.

4. **Grants and Contracts.** Grant income from private, nongovernmental sources will be reported as a gift. Contract revenue will not be reported. The difference between a private grant and a contract depends on the intention of the awarding agency and the legal obligation incurred by the Foundation or the university in accepting the award. A grant, like a gift, is donative in nature; it is bestowed voluntarily and without expectation of any tangible compensation. A contract carries an explicit quid pro quo relationship between the source and the university or the Foundation. Government grants and other awards – whether local, state (including state matching grants), federal, or foreign – will be excluded.

Pledges

1. **In General.** A pledge will be reported in the campaign totals if
 - a. It is in writing, and
 - b. It commits the contribution of a specific dollar amount payable over no more than five years.
2. **Timing of pledge.** A qualifying pledge will be counted if it is received during the campaign period, even if it is received on the last day of the campaign.
3. **Canceled or unfulfilled pledges.** Canceled or unfulfilled pledges will be subtracted from the campaign totals when it is determined that they will not be realized.

Deferred gifts (Irrevocable)

1. **In General.** There are certain gifts in which the interest of the MSU Foundation is irrevocable, but the Foundation's enjoyment of the gift proceeds is deferred to some defined time in the future, such as the end of the donor's lifetime or a term of years. This family of gifts includes the following:
 - a. Charitable remainder trusts administered by the MSU Foundation.
 - b. Charitable remainder trusts administered by others.
 - c. Charitable gift annuities (both immediate payment and deferred payment).
 - d. Remainder interests in personal residences or farms.

The fair market (face) value of the assets at the time they are donated to any of these respective vehicles will be reported in the campaign totals. Both the initial gifts establishing such deferred gift vehicles and additions to such vehicles (when permitted by applicable tax regulations) will be reported. Because these gifts will not be realized by MSU until many years in the future, and in order to comply with national guidelines,

the Foundation also will maintain records that will allow it to account for the value of such gifts on a present value basis. The method used to calculate the present value of such gifts will be the same used under federal tax regulations to determine a donor's charitable deduction.

If a deferred gift administered by the Foundation directs a portion of the remainder to a charity other than the Foundation, only that portion directed to the Foundation will be reported.

2. Valuation of Charitable Remainder Trusts Administered by Others. Charitable remainder trusts can be administered either by the MSU Foundation or by other fiduciaries. In order for a charitable remainder trust administered by another fiduciary to be reported as an irrevocable deferred gift in the campaign totals, the Foundation must receive:

- a. A copy of the trust agreement, and
- b. Documentation of the trust's value as of the time the MSU Foundation's interest becomes irrevocable. If the Foundation's irrevocable interest was established within twelve months of receipt of documentation, then the value to be reported is the fair market value of the assets at the time that interest is created. If the Foundation's irrevocable interest was established more than twelve months before receipt of documentation, then the amount to be reported will be the fair market value of the trust's assets as reported in the most recent periodic (i.e., quarterly, monthly, etc.) statement provided by the trust's administrator.

An otherwise eligible trust documented within the campaign period will be reported even though it was established prior to the campaign period.

A trust not meeting these guidelines still may be eligible to be counted as Future Support.

3. Charitable Lead Trusts. If a charitable lead trust has irrevocably designated the MSU Foundation as a charitable beneficiary, the first five years of expected payments from a lead trust will be reported as a regular pledge.

If such a lead trust lasts for a term longer than five years, and the Foundation's interest cannot be revoked or amended, the payments expected after the five year period shall be reported as an irrevocable deferred gift.

The fair market (face) value of such remaining payments for a charitable lead **annuity** trust shall be calculated by adding the annuity payments anticipated under the terms of the trust agreement after the five year period. The fair market (face) value of such remaining payments for a charitable lead **unitrust** shall be calculated by adding the unitrust payments anticipated after the five year period when assuming the trust will grow at a rate equal to the Applicable Federal Rate (IRS Discount Rate) for the month in which the trust was established. The present (discounted) value of the payments after

the five year period shall be calculated by subtracting the amount allowable as a tax deduction (either income tax or estate/gift tax) as if the trust lasts only five years from the amount allowable as a tax deduction for the entire term of the trust.

If the Foundation's interest can be revoked or amended, the payments expected shall be reported as Future Support.

If a lead trust makes payments to the Foundation without having made the Foundation an irrevocable beneficiary (i.e., through a discretionary or revocable power), then such payments will be reported as outright gifts as they are received.

Future Support (Revocable deferred gifts)

- 1. In General.** Deferred gifts in which the Foundation's interest is revocable (also known as "expectancies") will be reported as Future Support. In order to be reported, the Foundation must receive written documentation from the donor, or an authorized representative from the donor (such as an attorney or financial adviser) with personal knowledge of the expectancy, containing the following:
 - a. A description of the details of the gift.
 - b. Sufficient information so that the gift can be valued. If a donor's gift is a percentage of the donor's estate or of a particular asset, the documentation should contain a credible, good faith estimate of the value of the provision.
 - c. Any designation regarding how the gift is to be used. Documented Future Support containing no gift designation shall be recorded as unrestricted Future Support.
- 2. Specific Types of Gifts.** Future Support that may be reported with proper documentation includes:
 - a. Bequests through Wills, revocable living trusts, and other "Will substitutes."
 - b. Revocable interests in charitable remainder trusts.
 - c. Revocable interests in charitable lead trusts, to the extent that the interest has not already been recorded as a gift or pledge.
 - d. Retirement account beneficiary designations.
 - e. Revocable life insurance designations, as specified below.
- 3. Realized Testamentary Gifts.** All revocable deferred gifts realized during the campaign period should be counted at full value in campaign totals as an outright gift to the extent that such amounts were not counted in a previous campaign. If such a gift has already

been counted as Future Support in this campaign, the amount reported as Future Support will be reduced by the amount reported as a gift or pledge.

4. **Life Insurance.** Gifts of cash value life insurance will be reported either as a gift, as Future Support, or both. Policies in which ownership is transferred to the Foundation will be reported as an outright gift having a value equal to the policy's cash surrender value at the time of the transfer. If additional premiums remain to be paid, a pledge of the remaining premiums to be paid or five years of premium payments, whichever is less, will be reported.

Regardless of whether policy ownership has transferred, the projected death benefits of a cash value policy will be reported as Future Support if the other requirements for reporting Future Support have been met. If any amounts of such a policy have already been reported as a gift or pledge, the amount reported as Future Support will be reduced by the amount reported as a gift or pledge.

The following types of insurance gifts will not be reported:

- a. Term insurance.
- b. Employer provided group insurance.
- c. Accidental death insurance.

The insurance company's settlement amount for an insurance policy whose death benefit is realized during the campaign period, whether the policy is owned by the Foundation or not, will be counted in campaign totals as an outright gift, provided no gift amount was counted in a previous campaign. If such a policy has already been counted as a gift, Future Support, or both in this campaign, only the excess of what has been previously counted shall be reported.

Exclusions

1. **In General.** The following types of funds will be excluded from campaign report totals, even if received under circumstances indicating that the payor regarded them as a contribution:
 - a. Advertising revenue.
 - b. Alumni Membership fees/dues.
 - c. Contract revenues, including sponsored research funds.
 - d. Contributed services.
 - e. Contributions from cities or regional governments, even though those entities may be incorporated.

- f. Discounts on purchases negotiated in the ordinary course of business. However, the difference between the purchase price for property (both real and personal) and its fair market value (or any educational discount value, where applicable) may be reported in campaign totals as an outright gift where the donor is providing the discount for the purpose of making a charitable gift (commonly known as a “bargain sale” transaction).
- g. Governmental funds, whether local, state (including state matching grants), federal, or foreign.
- h. Investment earnings on gifts, even if accrued during the campaign reporting period and even if required within the terms specified by the donor (the only exception being interest accumulations counted in guaranteed investment instruments that mature within the time frame of the campaign, such as zero coupon bonds).
- i. Sale of merchandise.
- j. Surplus income transfers from ticket-based operations, except for any amount equal to that permitted as a charitable deduction by the IRS.
- k. Tuition payments.

General provisions

1. **Hard to value gifts.** If a gift cannot be properly valued under these guidelines, the President of the MSU Foundation will determine the value, if any, to be reported in the campaign totals. In making such a determination, the President may use information from independent sources that can provide as fair and accurate an assessment of a gift’s value as is practicable.
2. **Reduction Rules Will Not Affect Campaign Accounting.** Certain gifts require a donor’s tax deduction to be reduced below the value that otherwise be reported in the campaign. These gifts include gifts of appreciated assets held less than one year and gifts of tangible personal property that are not used for a purpose related to the university’s educational mission. Such reductions to a donor’s tax deduction will not be considered in reporting campaign gifts.