

Ferris Foundation
Gift Acceptance Policies and Guidelines
Updated September 15, 2014

The Ferris Foundation, a private nonprofit corporation existing under and by virtue of the Michigan Nonprofit Corporation Act of 1982 for the express purpose of advancing the mission and goals of the University by generating and managing private support for the University; is a supporting organization, operated in connection with the University; and is recognized by the Internal Revenue Service as having tax-exempt status under Sections 501(c)(3) and 509(a)(3) of the U.S. Internal Revenue Code. The following policies and guidelines govern acceptance of gifts made to the Ferris Foundation and Ferris State University for the benefit of any of its programs.

I. Purpose of Policies and Guidelines

Due to operational changes related to gift acceptance procedures, whereby all gifts to the University and The Ferris Foundation will be receipted through the Foundation effective January 1, 2015, the Foundation Board of Directors and the University Board of Trustees on October 24, 2014 and respectfully approved a Restated Amended Memorandum of Understanding renewing the Memorandum of Understanding for another five years effective January 1, 2015.

The Foundation will only accept those gifts that further the University's mission and goals. The Ferris Foundation will solicit current and deferred gifts from individuals, corporations, and foundations to secure the future growth and to support the mission of Ferris State University. It is the purpose of these policies and guidelines to govern the acceptance of gifts by the Ferris Foundation and to provide guidance to prospective donors and their advisors when making gifts to Ferris State University. The provisions of these policies shall apply to all gifts accepted by the Ferris Foundation for any of the Foundation and Ferris State University program.

II. Use of Legal Counsel

The Ferris Foundation shall seek the advice of legal counsel in matters relating to acceptance of gifts as appropriate. Review by counsel is recommended for:

- A. closely-held stock transfers that are subject to restrictions or buy-sell agreements
- B. documents naming Ferris State University or the Ferris Foundation as Trustee
- C. all gifts involving contracts, such as bargain sales or other documents requiring Ferris State University to assume an obligation
- D. all transactions with potential conflict of interest that may invoke IRS sanctions

III. Conflict of Interest

All prospective donors shall be strongly urged to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences.

IV. Restrictions on Gifts

The Ferris Foundation will accept unrestricted gifts and gifts for specific programs and purposes provided that such gifts are consistent with its stated mission, purposes, and priorities. The Ferris Foundation reserves the right to determine whether or not it will accept a gift and may consider, among other criteria, whether the terms, conditions, or purpose of a gift are consistent with federal or state law, University or public policy, or the University's educational mission.

V. Types of Gifts

A. The following gifts are acceptable:

1. Cash
2. Tangible personal property that is marketable
3. Marketable Securities
4. Real estate
5. Remainder interests in property
6. Oil, gas, and mineral interests
7. Bargain sales
8. Life insurance
9. Charitable gift annuities
10. Charitable remainder trusts
11. Charitable lead trusts
12. Retirement plan beneficiary designations
13. Bequests

B. The following criteria govern the acceptance of each gift form:

1. Cash: Cash is acceptable in any form. Checks shall be made payable to The Ferris Foundation and shall be delivered to Advancement Services in Ferris State University's Advancement department.
2. Tangible personal property: All other gifts of tangible personal property shall be examined in light of the following criteria:
 - Does the property support the mission of Ferris State University?

- Is the property marketable?
 - Are there any undue restrictions on the use, display, or sale of the property?
 - Are there any carrying costs for the property?
3. In-kind gifts: The donor of an in-kind gift is responsible for establishing the value of the gift. Although a letter from the donor indicating the value of the gift is sufficient documentation for gifts valued under \$5,000, donors should be encouraged to submit additional documentation for all in-kind gifts. For gifts valued at \$5,000 or more, the donor must provide a qualified appraisal of the gift and submit Internal Revenue Service (IRS) form 8283 to the University Advancement Office for completion and subsequent return to the donor.

University personnel receiving an in-kind gift must complete a Notice of Receipt of an In-kind Donation form for each such gift and submit it promptly to the University Advancement Office.

In-kind gifts shall be posted to the appropriate unit's development accounts for record-keeping purposes. At the end of each month, these amounts shall be transferred from the development accounts to appropriate equipment or other capital asset management accounts.

4. Securities: The Ferris Foundation can accept both publicly traded securities and closely held securities if they are readily marketable.

Authority to sell marketable securities should be through the financial officers of the Foundation or their designees. This allows for the timely completion of the sale of securities.

Stocks are valued based on the average of the high and low price for the day. Other securities like bonds and mutual funds are valued based on the closing price for the day.

To make a gift of stock to the Ferris Foundation, the donor will provide the following information to their financial advisor with authorization to transfer the stock.

Publicly traded securities: Marketable securities may be transferred to an account maintained at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. As a general rule, all marketable securities shall be sold upon receipt unless otherwise directed by the Investment Committee.

Closely-held securities: Closely-held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in LLPs and LLCs or other ownership forms must be reviewed by

the Ferris Foundation Gift Acceptance Committee prior to acceptance to determine that:

- there are no restrictions on the security that would prevent the Ferris Foundation from ultimately converting the assets to cash,
- the security is marketable, and
- the security will not generate any undesirable tax consequences for Ferris State University or the Ferris Foundation.

If problems arise on initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on acceptance of a gift.

5. Real estate: Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, the Ferris Foundation shall require an initial environmental review of the property to ensure that the property is not contaminated with environmental damage. Environmental inspection forms are attached as an appendix to this document. In the event that the initial inspection reveals a potential problem, Ferris State University shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be an expense of the donor.

Criteria for acceptance of the property shall include:

- Is the property marketable?
 - Is the property useful for the purposes of Ferris State University?
 - Are there any restrictions, reservations, easements, or other limitations associated with the property?
 - Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, etc., associated with the property?
 - Does the environmental audit reflect that the property is not damaged?
6. Remainder interests in property: The Ferris Foundation will accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions of paragraph 5 above. The donor or other occupants may continue to occupy or use the real property until death. At the death of the donor, the Ferris Foundation may use the property or sell it to convert it to cash. When the Ferris Foundation receives a gift of a remainder interest, expenses for maintenance, real estate taxes, and any property indebtedness are to be paid by the donor or primary beneficiary.
 7. Oil, gas, and mineral interests: The Ferris Foundation may accept oil and gas property interests as appropriate. Criteria for acceptance of the property interests shall include:

- Gifts of surface rights should have a value of \$20,000 or greater.
- Gifts of oil, gas and mineral interests should generate at least \$3,000 per year in royalties or other income (as determined by the average of the 3 years prior to the gift).
- The property should not have extended liabilities or other considerations that make receipt of the gift inadvisable.
- If the interest is a working interest the Ferris Foundation should determine the impact on Ferris State University so that it may develop a plan to minimize that impact if accepted.
- The property shall undergo an environmental review to ensure that Ferris State University or the Ferris Foundation have no current or potential exposure to environmental liability.

8. Bargain sales: The Ferris Foundation will enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission and purposes of Ferris State University. All bargain sales must be reviewed and recommended by the Gift Acceptance Committee and approved by the Foundation Board of Directors. Factors used in determining the appropriateness of the transaction include:

- The Ferris Foundation must obtain an independent appraisal substantiating the value of the property.
- If the Ferris Foundation assumes debt with the property, the debt ratio must be less than 50% of the appraised market value.
- The Ferris Foundation must determine that it will use the property, or that there is a market for the probable sale of the property within 12 months of receipt.
- The Ferris Foundation must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.

9. Life insurance: The Ferris Foundation must be named as both beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be recorded as a gift. The gift is valued at its interpolated terminal reserve value, or cash surrender value, upon receipt.

If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, the Ferris Foundation may:

- convert the policy to paid up insurance,
- surrender the policy for its current cash value, or
- continue to pay the premiums after approval of the Gift Acceptance Committee.

10. Charitable gift annuities: The Ferris Foundation offers charitable gift annuities. The minimum gift for funding a charitable gift annuity shall be \$5,000. The minimum age for life income beneficiaries of a charitable gift annuity shall be 55. Where a deferred charitable gift annuity is offered, the minimum age for life income beneficiaries shall be 55. No more than two life income beneficiaries will be permitted for any charitable gift annuity.

Annuity payments may be made on a quarterly, semi-annual, or annual schedule.

The Ferris Foundation will not accept real estate, tangible personal property, or any other illiquid asset in exchange for current charitable gift annuities. The Ferris Foundation may accept real estate, tangible personal property, or other illiquid assets in exchange for deferred gift annuities so long as there is at least a 5 year period before the commencement of the annuity payment date, the value of the property is reasonably certain, and the President of Ferris State University approves the arrangement.

Funds contributed in exchange for a charitable gift annuity shall be set aside and invested during the term of the annuity payments. Once those payments have terminated, the funds representing the remaining principal contributed in exchange for the charitable gift annuity shall be transferred to the Ferris Foundation, or to the specific fund as designated by the donor or as determined by the Gift Acceptance Committee.

11. Charitable remainder trusts: The Ferris Foundation may accept designation as remainder beneficiary of a charitable remainder trust. The Ferris Foundation will not accept appointment as Trustee of a charitable remainder trust.
12. Charitable lead trusts: The Ferris Foundation may accept a designation as income beneficiary of a charitable lead trust. The Ferris Foundation will not accept an appointment as Trustee of a charitable lead trust.
13. Retirement plan beneficiary designations: Alumni and friends of Ferris State University shall be encouraged to name the Ferris Foundation as beneficiary of their retirement plans. Such designations shall not be recorded as gifts to the Ferris Foundation until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the estimated present value of that gift may be recorded at the time the gift becomes irrevocable.
14. Bequests: Donors and supporters of Ferris State University shall be encouraged to make bequests to the Ferris Foundation under their wills and trusts.

V. Miscellaneous Provisions

- A. **Securing appraisals and legal fees for gifts to the Ferris Foundation:** It shall be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts made to Ferris State University.
- B. **Valuation of gifts for development purposes:** The Ferris Foundation shall record a gift received by the Ferris Foundation at its valuation for gift purposes on the date of gift.
- C. **Responsibility for IRS filings upon sale of gift items:** The Ferris Foundation is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within two years of receipt by the Ferris Foundation where the charitable deduction value of the item was \$5,000 or greater. The Ferris Foundation must file this form within 125 days of the date of sale or disposition of the asset. Form 8282 with Filing Instructions is attached as an appendix to these policies.
- D. Acknowledgement of all gifts made to the Ferris Foundation should be compliant with the current IRS requirements and acknowledgement of such gifts shall be the responsibility of the Board of Directors of the Ferris Foundation.