

**St. Norbert College
Office of College Advancement**



Campaign Counting and Reporting Standards

August 2004

a) **Campaign**

For the purposes of these standards, St. Norbert College has a campaign and is "in" a campaign upon formal declaration by the Board of Trustees. Such a declaration will include a starting date for campaign counting.

b) **CASE Management and Reporting Standards**

St. Norbert College recognizes and will adhere to the Council for Advancement and Support of Education (CASE) *Management and Reporting Standards for Annual Giving and Campaign in Educational Fund Raising, 4th Edition*.

c) **Principles of Campaign Counting**

St. Norbert College will adhere to the following principles for counting campaign gifts:

- i) Only those gifts and pledges actually received or committed during the specific period of time identified for the campaign should be counted in campaign totals.
- ii) Exceptions to subsection (i) above may be made and gifts and pledges made prior to the start of the CAMPAIGN may be "grandfathered" only if they meet at least one of the following five criteria:
 - (1) the gift or pledge was made with the explicit understanding that it would be counted in campaign totals
 - (2) the gift or pledge was a challenge grant that will be met during the CAMPAIGN period
 - (3) the gift or pledge was in support of a capital project that will be a fund-raising priority of the CAMPAIGN
 - (4) the value of any canceled or unfulfilled pledges must be subtracted from CAMPAIGN totals when it is determined they will not be realized
 - (5) the exception has been approved by the Vice President for College Advancement, the President, and the CAMPAIGN chair.

d) **Campaign Counting vs. Campaign Recognition**

These counting standards are intended to help St. Norbert College accurately report and project the financial impact of the CAMPAIGN. How certain gifts are counted may necessarily differ from how those same gifts and their donors are recognized. For instance, the \$1 million 55-year-old donor of an irrevocable charitable trust should still be recognized as a \$1 million donor even though his/her gift may have a present value and campaign counting value of just \$620,000.

e) **Campaign Period**

For purposes of these standards, the "campaign period" refers to the total time encompassed by the active solicitation period for the CAMPAIGN.

f) **Pledge Payment Period**

The pledge payment period should not exceed five years, except when approved by the Vice President for College Advancement, the President, and the CAMPAIGN Chair.

g) **Types of Gifts**

- i) A campaign is a broad-based comprehensive endeavor that will include, but not be limited to, gifts of cash, marketable securities, closely held stock, real property, tangible and intangible personal property, deferred life income plan and charitable lead trust gifts, remainder interests in residences and farms, life insurance, bequest and other testamentary gift intentions, gifts-in-kind, and private grants. Such gifts must be needed by the College for use in a manner that is related to the mission and heritage of the College and for one of the purposes for which the tax-exempt status of the College was granted: education, research, or a combination thereof.

h) **When to Report Gifts**

Outright gifts should be reported only when assets are transferred irrevocably to the institution. Deferred gifts should be reported only when assets are transferred or, in cases where no assets are transferred, when a legally binding deferred pledge agreement or other irrevocable document is consummated with the institution.

i) **Pledges**

- (1) *Verbal Pledges*: Verbal pledges should not be reported in campaign totals. For internal tracking purposes, verbal pledges should be documented and submitted to the Director of Advancement Services.
- (2) *Pledges of Cash*: Pledges of cash should be in writing and should commit to a specific dollar amount that will be paid according to a fixed time schedule. The pledge payment period, regardless of when the pledge is made, should not exceed five years. Therefore, a pledge received even on the last day of the campaign is counted in campaign totals and may be paid over a five-year period.
- (3) *Testamentary Pledges and Deferred Pledge Agreements*: Testamentary pledges and pledges of deferred gifts shall be included in campaign totals if they satisfy the following two requirements:
 - (a) The commitment must have a specified amount or percentage of the estate stated in the will based on a credible estimate of the future value of the estate at the time the commitment is made. Note: Fund-raising practitioners will appreciate that there is no single or simple way to estimate the future value of an estate commitment. For this reason many institutions have chosen to exclude testamentary pledges entirely from campaign totals. Nevertheless, others feel that testamentary gifts should be included in campaign reports, especially since these often are part of a total campaign commitment being made by a donor. The key to making the decision about whether these types of gifts should be given campaign credit is often the determination of future value of the estate. At best, this requires a judgment call to be made by the institution after conversation with the donor and his/her attorney.
 - (b) The commitment must have verification in one of the following forms:
 - (i) a letter from the donor or the donor's attorney affirming the commitment and stating that the institution will be informed of any changes in the will that might be made in the future;
 - (ii) the commitment could be accompanied either by a deferred-pledge agreement or a contract to make a will (but bear in mind that in some states those options have not been legally affirmed).

j) **Exclusions**

The following types of funds should be excluded from campaign report totals:

- (1) Gift or pledges, outright and deferred, that have already been counted in previous campaigns, even if realized during the new campaign-reporting period;
- (2) Investment earnings on gifts, even if accrued during the campaign-reporting period and even if required within the terms specified by a donor (the only exception permitted to this exclusion would be interest accumulations counted in guaranteed investment instruments that mature within the time frame of the campaign, such as zero coupon bonds);
- (3) Earned income, including transfer payments from medical or analogous practice plans;
- (4) Surplus income transfers from ticket-based operations, except for any amount equal to that permitted as a charitable deduction by the IRS;
- (5) Appreciation in the value of donated assets after the gift has been received by the College
- (6) Contract revenues and tuition payments
- (7) Contributed services, except for those permitted as a charitable deduction by IRS; and

- (8) Governmental funds. (It is recognized that certain state and federal government programs requiring private matching funds bear a special relationship to the encouragement of philanthropy, but campaigns are clearly instruments of philanthropy while governments are channels for the implementation of public policy. While both philanthropy and public policy may be motivated by compassion for others, only philanthropy involves the disposition of privately held resources for the public good.)

k) Valuation of Campaign Gifts and Pledges

The following policies concerning the valuation of gifts closely follow the CASE *Management and Reporting Standards for Annual Giving and Campaign in Educational Fund Raising, 3rd Edition*. In regards to valuation of assets transferred to St. Norbert College, the College will adhere to current IRS regulations for the protection of its donors. As IRS regulations change, the gift valuation policies may also require modification. It should be noted that prior approval by the Vice President for College Advancement is required for the acceptance of all gifts other than (1) cash or (2) publicly traded securities.

i) Cash/Checks

Cash/checks will be reported at full value as of the date received.

ii) Marketable (Publicly Traded) Securities

Marketable securities will be counted at the average of the high and low quoted selling prices on the date the donor relinquished dominion and control of the assets in favor of St. Norbert College (or the average of the bid/ask in the case of certain securities). The method of delivery of the securities to St. Norbert College will determine when a donor has relinquished dominion and control. For example, stock electronically transferred is valued as of the date of transfer. Stock in the name of the donor, which has been mailed to St. Norbert College, is valued as of the latest date of postmark of either the stock certificate or signature guaranteed stock power. Stock directed by the donor to be registered in the name of St. Norbert College on the books of the corporation is valued as of the date such stock is so registered. Stock hand delivered to St. Norbert College by the donor in negotiable form is valued on the date received by St. Norbert College.

iii) Pledges of Cash and Marketable (Publicly Traded) Securities

Pledges of cash should be in writing and should commit to a specific dollar amount that will be paid according to a fixed time schedule. The pledge's payment period, regardless of when the pledge is made, should not exceed five years. Pledges of cash will be reported at full value.

iv) Closely Held Stock (Non-Publicly Traded)

Gifts of closely held stock, approved by the Vice President for College Advancement and exceeding \$10,000 in value, will be reported at the fair market value placed on them by a qualified independent appraiser as required by the IRS for valuing gifts of non-publicly traded stock. Gifts of \$10,000 or less may be counted at the value determined by a qualified independent appraiser (including an independent CPA who maintains the books for a closely held corporation) or at the per-share cash purchase price of the most recent bona fide transaction involving such stock (which must have occurred within the 12 months preceding such gift) or at the price such stock is redeemed during the campaign period.

v) Gifts of Property

Gift of real property shall be subject to terms and conditions as set forth in the *St. Norbert College Policy for Accepting Gifts of Real Estate*.

Gifts of personal property, approved by the Vice President for College Advancement and the Vice President for Business and Finance, for which donors qualify for a charitable deduction, will be counted at their full fair market value as substantiated by a qualified appraisal and/or IRS Form 8283 by the donor.

Gifts-in-kind, such as equipment and software, will be counted at their educational discount value, which, for purposes of these standards of reporting, shall be deemed to be fair market value. When no educational discount value can be determined, especially in the case of donated software, a value of 50% of retail will be deemed fair market value and so counted for campaign purposes.

vi) Irrevocable Life Income Gifts: Charitable Remainder Trusts, Pooled Income Funds, Gift Annuities (Current and Deferred)

- (a) Irrevocable life income gifts to St. Norbert College having a remainder value equal to or greater than 25% according to the IRS tables shall be counted at full market value for campaign purposes.

Example: A donor makes a gift of \$100,000 to a charitable remainder unitrust. St. Norbert College's remainder interest is calculated under the IRS tables to be \$50,000, or 50%. The donor's gift is thus counted for campaign purposes at its fair market value of \$100,000.

- (b) Current College policies require that there be at least a 25% charitable remainder value in any trust for which St. Norbert College serves as trustee. Those arrangements having a remainder value less than 25% according to the IRS tables will be discounted 20% for each 5% or portion thereof under 25%. Generally, the lower the value of the remainder interest percentage, the more remote is St. Norbert's interest.

Example: A donor makes a gift of \$100,000 to a charitable remainder unitrust. St. Norbert College's remainder interest is calculated under the IRS tables to be \$23,000, or 23%. Since St. Norbert's remainder interest is between 20% and 25%, the donor receives campaign credit for \$80,000, representing a discount of 20% from the gift's full fair market value. If the College's interest were calculated to be worth \$12,000, or 12%, the donor would receive campaign credit of \$40,000, applying a 60% discount to the full fair value.

- (c) Campaign credit will be given for charitable remainder trusts administered outside of St. Norbert College, provided the College's interest in such trust is irrevocable and verifiable. With respect to all life income arrangements, whether or not administered by St. Norbert College, campaign credit shall be given only to the extent that the College's remainder interest is irrevocable.

Example: St. Norbert College is presently the sole charitable beneficiary of an otherwise qualifying charitable remainder trust but the donor has given the trustee the right to divert 50% of the principal to other charities. The donor will thus receive Scampaign credit for only 50% of the full fair market value of the trust. If the trustee can divert only 25%, however, the donor gets credit for 75%.

vii) Remainder Interests in a Residence or Farm

A gift of a remainder interest in a residence or farm shall be counted for campaign purposes at full fair market value of the residence or farm. An appropriate discount shall be applied where the remainder value is under 25% according to the IRS tables in accordance with the provisions relating to irrevocable life income gifts.

viii) Irrevocable Charitable Lead Trusts

Campaign credit shall only be given to the extent a charitable lead trust is verifiable and St. Norbert College's interest therein is irrevocable.

- (a) Irrevocable Charitable Lead Annuity Trust (CLAT): The aggregate amount of the anticipated annuity payments to be received over the first five years of the trust shall be counted at full value. Anticipated annuity payments to be received in year six and beyond shall be counted at their discounted present value.

Example: A donor establishes a \$1,000,000 CLAT having a seven-year term and a 10% payout rate. The annual payments to St. Norbert will be \$100,000, for a total of \$700,000 payable over the term of the trust. The donor will receive campaign credit for the first five years of payments -- \$500,000 -- at full value. For years six and seven, the donor will receive credit equal to the discounted present value of the remaining income stream based on a then current Applicable Federal Rate of 7.6%, which is \$124,330. The donor thus receives total campaign credit of \$624,330 (\$500,000 + \$124,330).

- (b) Irrevocable Charitable Lead Unitrust (CLUT): The aggregate amount of the anticipated unitrust payments to be received over the first five years of the trust, after applying the AFR for the month the trust was established as an anticipated income return, shall be credited to the campaign at full value. Anticipated annuity payments to be received in year six and beyond shall be credited to the campaign at their discounted present value.

Example: A donor establishes a \$1,000,000 CLUT having a seven-year term and a 10% payout rate. The growth rate of the trust principal is based on the then current AFR rate, 7.6% for purposes of this example. Based on the above assumptions, the estimated annual payments from the trust over the 5 year period are projected to be: (1) \$100,000; (2) \$97,600; (3) \$95,258; (4) \$92,972; and (5) \$90,740 -- or a total of \$476,570 over the five year period. The discounted present value of the income stream to be received in years 6 and 7 based on the then current AFR is computed as \$108,827. The donor thus receives total campaign credit of \$585,397 (\$476,570 + \$108,827).

ix) Realized Bequests and Other Testamentary Distributions

- (a) **Bequests and Revocable Testamentary Gifts:** All amounts received by St. Norbert College by bequest or pursuant to other revocable testamentary plans during the campaign shall be credited at the value received, provided that if such amount was previously credited for campaign purposes as an expectancy, only such amount received in excess of the previously credited expectancy amount shall be counted.
- (b) **Amounts Received from Life Income Plans:** Amounts received from life income plans during the campaign, of which St. Norbert College had no prior knowledge, shall be counted at the value received. In cases where St. Norbert College receives amounts from life income plans established with St. Norbert College's knowledge during the campaign, only those amounts in excess of the previously credited amount shall be so counted for campaign purposes.

x) Testamentary Intentions

Confirmed provisions for St. Norbert College in wills, revocable trusts or other revocable instruments (including, but not limited to, individual retirement accounts, and life insurance beneficiary designations), and revocable beneficiary designations of St. Norbert College in otherwise irrevocable charitable remainder trusts by donors age 65 or older shall be counted for campaign purposes at their discounted present value. To be counted, such expectancies must be in the form of a specified amount, or a percentage of the donor's estate or relevant asset pool, as appropriate, based on a credible estimate of the future value of such estate or asset pool at the time the commitment is made. In the case of individual retirement account, qualified plan or other similar arrangement where the pool of assets will be depleted over time by mandatory distributions, the donor's will must contain a provision to the effect that any shortfall in the anticipated amount passing to St. Norbert College be made up from the donor's estate. For verification purposes, at a minimum, there must be written acknowledgment of the commitment by the donor or the donor's attorney with a copy of the relevant legal provisions. The execution by the donor of a charitable/deferred pledge agreement would be a preferred method of confirming the donor's commitment. The discounted present value of verifiable expectancies shall be calculated as follows:

- (a) **Specific Dollar Gifts:** A testamentary intention of a specific dollar amount shall be discounted to its present value after giving consideration to the full range of circumstances preceding St. Norbert College's receipt of the gift. Generally, the present value of the expectancy shall be determined by taking into account the testator's life expectancy and applying a discount rate equal to the AFR for the month the commitment is made.

Example: A 65 year old donor leaves \$100,000 to St. Norbert College under his/her will. Based on his/her current life expectancy of 20 years and the then current AFR of 7.6%, the expectancy has a present value of \$23,108, which would be credited for campaign purposes.

- (b) **Percentage Gift:** The expected value of the donor's estate or principal pool at the donor's death must first be determined. Once a credible estimate of the future value of the asset pool has been determined, the amount going to St. Norbert College can be quantified and the discounted present value calculated.

Example: A 65-year old donor leaves 25% of his/her estate to St. Norbert College. The donor is the sole owner of a closely held software business currently growing at a 35% annual rate. The donor, whose personal estate is now approximately \$5,000,000, anticipates that his/her estate will appreciate an average 15% annually over his/her 20-year life expectancy. Applying a 15% growth factor, the donor's estate is estimated to be worth \$81,832,687, and St. Norbert College's share \$20,458,172, at his/her death. Based on the donor's 20-year life expectancy and the current AFR of 7.6%, the discounted present value of donor's bequest is \$4,727,390.

- (c) **Miscellaneous:** Considering the many sophisticated estate planning techniques now being employed, it would not be surprising to encounter a situation where a donor has created, under his/her will, a testamentary charitable remainder trust or charitable lead trust under which St. Norbert College is a beneficiary. Each such situation will require individual scrutiny. Some situations may be properly accorded campaign credit while others may not.

Example: A 75-year old donor directs that \$500,000 be paid at his/her death to a 5% charitable remainder unitrust which will pay income to his/her 72-year old spouse for his/her life and then be distributed to St. Norbert College. Based on the donor's life expectancy of 12.5 years and the current AFR of 7.6%, the present value of the amount going to fund the charitable trust is \$200,132. Applying the then life expectancy of donor's spouse and the current AFR, St. Norbert College's remainder interest is valued at \$150,499 according to the IRS tables.

xi) Life Insurance

To count gifts of life insurance for campaign purposes, St. Norbert College must be the owner and irrevocable beneficiary of the policies.

- (a) Fully Paid-up Life Insurance Policies: Fully paid-up life insurance policies will be counted at the cash surrender value, and reported as a current outright gift.
- (b) Existing Policies Not Fully Paid Up: A life insurance policy that is not fully paid up on the date of contribution, which is given to St. Norbert College during the period of the campaign, will be counted at the existing cash surrender value and recorded as an outright gift. A pledge of continuing premium payments will be counted at the aggregate of the remaining projected premiums over said five-year pledge period at full value.
- (c) New Policies: A pledge of premium payments for a new policy over a five-year pledge period will be counted at the aggregate of the projected premiums over said five-year pledge period at full value.
- (d) Realized Death Benefits: The insurance company's cash settlement amount for an insurance policy whose death benefit is realized during the campaign period, whether the policy is owned by the institution or not, will be counted in campaign totals, provided no gift amounts in connection with said policy (cash value of gifted policy or cash premiums received) were previously counted in campaign totals. To the extent any cash value or premium amounts were previously counted in the campaign period, appropriate adjustments will be made so that only the excess of the settlement amount over the previously counted amounts will be counted.

xii) Wholly Charitable Trusts Administered Outside St. Norbert College

In the case of a wholly charitable trust administered outside of St. Norbert College, the fair market value of the trust assets, or such portion thereof, representing St. Norbert College's irrevocable income interest therein shall be credited as a current gift in the year in which the trust is established. All income from the trust will be treated as income and, thus, will not be counted for campaign purposes.

xiii) Non-Government Grants and Contracts

Grant income from private, non-government sources will be reported; *all contract revenue will be excluded*. The difference between a private grant and contract is judged on the basis of the intention of the awarding agency and the legal obligation incurred by St. Norbert College in accepting the award. A grant, like a gift, is bestowed voluntarily and without expectation of any tangible benefit in return.

l) Exceptions

The Vice President for College Advancement must approve exceptions to this policy in writing.

m) Effective Date

This policy shall become effective upon approval of the Board of Trustees and will supersede any existing policy purporting to cover the subject matter of this policy.