Guidelines for Counting Gifts to "Timeless Values, Pioneering Solutions" The Campaign for The University of Texas Medical Branch

Introduction

The purpose of this document is to set forth the guidelines that will be used to count and credit gifts to The University of Texas Medical Branch (UTMB) "Timeless Values, Pioneering Solutions" campaign during the recognized campaign period. Further background on the development of these guidelines is available. These guidelines are not meant to supersede existing gift acceptance policies of The University of Texas System.

All gifts to UTMB during the campaign period will be counted toward the achievement of the campaign goal in accordance with the following guidelines:

1. Cash Payments

All outright gifts by cash or check made between September 1, 2003 and the conclusion of the campaign December 31, 2008 will be credited to the campaign at face value provided these gifts are not payments on pledges that were counted in previous campaigns.

2. Pledges

All pledges of five years or less will be counted toward the campaign goal provided that they are initiated between September 1, 2003 and the conclusion of the campaign December 31, 2008. Payment schedules for pledges made before December 31, 2008 may be paid out over the following five years or less. Pledges are to be documented in writing, including pledge amount, designation, payment schedule, contributor signature, matching gift information if applicable, and date. Certain gift agreements indicating intent to credit a gift toward the campaign that is made before the beginning of the campaign and in anticipation of the campaign may be counted on a case-by-case basis.

3. Securities

Securities will be accepted and counted toward the campaign according to the following:

a) ***Marketable Securities:*** The University will accept listed securities or securities traded over-the-counter as outright gifts or payments toward pledges. Such gifts will be valued at the mean market value on the date the contributor relinquishes control to the institution, consistent with IRS regulations. For bonds the Committee on Uniform Securities Identification Procedures (CUSIP) numbers are required.

b) ***Closely Held Securities:*** Gifts of closely held stock exceeding $10,000 in value will be reviewed by The University of Texas System prior to acceptance. Upon acceptance such assets should 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 valued at the per-share cash purchase price of the most recent transaction.

c) ***S-Corporation Stock:*** Because of significant tax and legal implications for the University, proposed gifts of stock in S-Corporations must be authorized in advance by The University of Texas System. For income tax purposes (including substantiation), the contributor will need to follow the guidelines for valuation of closely held stock outlined in paragraph 3b above. For campaign counting and naming opportunity purposes, the contributor will be apprised that the gift will be credited at its after-tax value to UTMB.

4. Real Estate and Other Forms of Property

Gifts of real estate property will be reviewed prior to acceptance in accordance with The University of Texas System Gift Acceptance Policies. Pursuant to this policy gifts of real estate must have a net gift value of at least $25,000. Gifts of real estate, tangible personal property (e.g. artwork, books, cars, boats, animals, jewelry) and intellectual property valued in excess of $5,000 require a qualified independent appraisal of fair market value before being credited to the campaign goal.

5. Charitable Remainder Trusts and Pooled Income Fund

Gifts of remainder interests in qualified charitable remainder trusts and pooled income funds will be counted provided that any income beneficiary will reach the minimum age of 60 on or before the end of the campaign period.

a) ***Charitable remainder trusts, remainder not subject to change:*** Gifts made to establish charitable remainder trusts (including charitable remainder trusts administered by others) where the remainder is not subject to change or revocation and contributions to pooled income funds should be counted and credited to the "future commitments" section of campaign totals at both the present value of the gift and at face value.

b) ***Charitable remainder trusts, remainder subject to change:*** Gifts made to establish charitable remainder trusts (including charitable remainder trusts administered outside the institution) where the remainder is subject to change or revocation may be counted according to the guidelines for bequest expectancies, (see section 14).

6. Charitable Gift Annuities

Gifts made in exchange for an annuity are technically outright gifts subject to a condition that The University of Texas Foundation for the benefit of UTMB pays an annuity for the life or lives of one or more annuitants. Immediate payment gift annuities and deferred payment gift annuities will be counted and credited at both the face amount transferred and the discounted present value, provided the annuitants will reach the minimum age of 60 on or before the end of the campaign period.

7. Remainder Interest in a Residence, Vacation Property or Ranch

A gift of a remainder interest with a reserved life-estate in a personal residence, vacation property or ranch will first be reviewed and accepted by the UT System (see Section 4). Upon acceptance such gifts shall be credited in the "future commitments" section of campaign totals at both the face value and the present value, provided the contributor and any others with the reserved life-estate will reach the minimum age of 60 on or before the end of the campaign period.

8. Charitable Lead Trusts

Gifts made to establish qualified charitable lead trusts (including charitable lead trusts administered outside the institution) where the lead interest includes UTMB may be counted in the campaign. For lead trusts whose payments extend within the campaign pledge payment period (consistent with the counting of multi-year pledges, see Section 2) the face value of the anticipated income stream may be reported under the current "gifts and pledges" section of campaign totals.

For charitable lead trusts that extend beyond the campaign, UTMB should report amounts beyond the first five-year period past the end of the campaign both at remaining face value of the income stream and the present value of the remaining income stream.

9. Wholly Charitable Trusts Administered by Others

A wholly charitable trust is one that is held for the benefit of charity, where the principal is invested and the income is distributed to charitable organizations. 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 freestanding entity. Examples of these would be private family foundations, supporting organizations, and donor advised funds.

The fair-market value of the assets, or a portion of the assets, of such a trust administered by an outside fiduciary should be counted in the "gifts and pledges" section of campaign totals for the year in which the trust is established, *provided* that UTMB has an irrevocable right to all or a predetermined portion of the income of the trust.

10. Limited Partnerships, Mortgages and Notes, Patents and Copyrights

Acceptance of these types of gifts requires prior approval by The University of Texas System for the benefit of UTMB and will be determined on a case-by-case basis. Those that can be assigned a fair market value will be counted toward the campaign.

11. Non-Government Grants and Contracts

Grant income from private, non-(domestic) government sources, or foreign governments, should be reported; *contract revenue should be excluded*. The difference between a private grant and contract should be judged on the basis of the intention of the awarding agency and the legal obligation incurred by UTMB in accepting the award. A grant, like a gift, is bestowed voluntarily and without expectation of any tangible compensation. It is donative in nature. A contract carries an explicit "quid pro quo" relationship between the source and the institution.

12. Matching Funds

Gifts received in cash from organizations or corporations to match gifts of cash or securities by individuals associated with that organization or corporation will be credited to the corporate contributor's gift record for the campaign. The individual contributor whose gift is matched will receive associate and recognition credit for the matching amount.

13. Trust and Estate Distributions

All distributions from estates, trusts, and gift annuities received during the campaign period will be counted at face value to the extent that no gift amount has been counted in a previous campaign.

14. Bequest Expectancies

Expectancies accompanied by appropriate documentation within which a defined gift commitment is specified to be fulfilled by the bequest will be counted as follows:

a) The contributor must be age 60 or older. On a case-by-case basis, properly verified bequest expectancies may be recognized and counted in the "Timeless Values, Pioneering Solutions" totals for contributors who are not yet 60 but will attain the age of 60 on or before the end of the campaign. The Gift Acceptance Committee may decide the case-by-case decision. Present value discounts *may* be applied to *reduce the face value reporting column* of bequest gifts of those under age 60 (see Section 14 d).

b) The commitment is for a single life only or all other beneficiaries are also over 60. If other beneficiaries are under age 60, the expectancy will be treated as described above (see Section 14 a).

c) There is a specified amount or percentage specified in the will based on the contributor's credible estimate of the value of the estate at the time the commitment is made.

d) The amount specified or estimated should be reported at both the discounted present value and at face value in the deferred/future commitments portion of campaign reports.

e) Verification should be provided in at least *one* of the following forms:

1) A letter from the contributor or the contributor's attorney affirming the commitment; or,

2) A Gift Agreement or Deferred Gift Intention form signed by the contributor; or,

3) A signature from the contributor or the contributor's attorney on a letter from the development office stating the understanding of the intent and terms of the bequest; or,

4) The commitment could be accompanied either by a subscription agreement or contract to make a will. These are legally binding documents that place an obligation on the estate or contributor to transfer a certain amount to the institution.

f) A previously known bequest where the value or documentation was unknown or incomplete will be updated with current information when such information is secured. The net difference between the previously recorded amount (if any) and the updated amount will be counted in the campaign subject to other provisions of Section 14.

Exceptions to the foregoing may be made for good cause on a case-by-case basis. Such exceptions shall be reviewed and approved by the Gift Acceptance Committee.

15. *Life Insurance*

Life insurance will be accepted and counted toward the campaign according to the following:

a) **Paid up life insurance policies*:*** Life insurance *policies* will be counted in the campaign only if The University of Texas Board of Regents for the benefit of UTMB is made the *owner and irrevocable beneficiary* of the policy and the policy is *fully paid-up*. Paid up life insurance *policies* will be counted in one of two ways:

1) If the contributor is *60 years of age or older*, the policy will be counted at the death benefit value, counted at both the face value and the discounted present value.

2) If the contributor is *less than 60 years of age*, the policy will be counted at the interpolated terminal reserve (approximately the cash surrender value), as a current outright gift.

b) **Non-paid up and/or life insurance designations*:*** Life insurance in which the University is named as beneficiary but not the owner and/or policies that are yet to be paid up will be reviewed on a case by case basis for acceptance by the Gift

Acceptance Committee and upon approval counted as a bequest expectancy. (See Section 14.)

c) ***Realized Death Benefits***: 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 UTMB or not, will be counted in campaign totals, to the extent that no gift amount was counted in this or a previous campaign.