



Angelo State University
Operating Policy and Procedure

OP 32.08: Gifts of Securities

DATE: March 12, 2012

PURPOSE: The purpose of this Operating Policy and Procedure (OP) is to define and clarify the policies and procedures necessary to properly accept, record, and acknowledge gifts of securities from donors to Angelo State University.

REVIEW: This OP will be reviewed in March of even-numbered years by the vice president for development and alumni relations and the vice president for finance and administration with recommend revisions forwarded to the president by April 15 of the same year.

POLICY/PROCEDURE

1. Transfer of Securities

a. Notification of Transfer

- (1) The donor, a development officer, or the donor's agent should notify the Office of Development when a transfer of stock is to be made for a gift to Angelo State University.

Note: If possible, the transfer of ownership should be made from the donor to Angelo State University Foundation (ASUF.) Transfers may also be made to ASU.

- (2) When notification has been confirmed, a *Gift of Stock Transmittal Form* should be initiated by the Office of Development to capture the necessary information to properly record and designate the donor's intent. Refer to the attachment for an example of the form and the required information.

Note: The transmittal is not complete until the stock is sold, the proceeds deposited, and the funds properly allocated.

- (3) In certain circumstances, the donor will not notify ASU of a gift of stock. To help in determining if transfers have been made to ASU, the brokerage firm serving ASU or ASUF is requested to contact the university when additions are made to its accounts.

b. Acceptance and Restrictions

(1) Marketable Securities

- (a) Securities that are traded on the Stock Exchange or other readily marketable securities, including mutual funds, shall be accepted by ASU.

- (b) Such securities shall be sold **immediately** upon proper receipt by ASU or ASUF.
- (c) Acceptance of stock with restrictions on the immediate sale of stock, such as Rule 144, should be reviewed with caution. During times of market volatility, the delay in the sale of stock by ASUF may result in loss of funding for programs and student financial aid, contrary to the donor's original intent.

(2) Closely Held Stock

- (a) Securities from corporations organized with fewer than thirty-five shareholders and that are not required to register their stock certificates with the Securities and Exchange Commission are deemed to be closely held. This type of stock must follow direct rules of acceptance because of the uncertainties in valuation and hidden restrictions; therefore, more information needs to be obtained before acceptance.
- (b) The development officer, with advice from the legal counsel of Texas Tech University System, must determine if there are transfer restrictions on the transfer contained in the bylaws and/or reflected on the stock certificates. This is accomplished by examination of the certificates and other available documentation.
- (c) The development officer must also obtain the most recent audited financial statements or financial appraisal. Other financial history and profitability forecasts may be required upon request.
- (d) Before acceptance, the development officer must provide the requested information obtained to the treasurer of ASUF and inform the prospective donor that the information will be reviewed by ASUF and that a timely response will be following.
- (e) The vice president for development and alumni relations will be informed of any questions or circumstances that will delay or reject the acceptance of the closely held stock. The development officer will correspond with the donor on the status of the gift.

c. Date of Record

- (1) The delivery date of the stock (date of record) is the date that the donor has unconditionally relinquished all rights to the stock and **all** necessary and complete documentation is available to execute the transfer.
- (2) The vice president for development and alumni relations should be primarily responsible for determining the date of record. The market source used to determine the stock transfer valuation that will be acknowledged to the donor normally will be recorded from information from the broker receiving the stock, an established stock brokerage website or daily investment publication (e.g., *Wall Street Journal*).
- (3) If the stock certificate is not endorsed, the donor should give ASUF a properly endorsed stock power with the certificate.

Basic Rules:

- (a) If the securities are hand-delivered to ASUF by the donor or the donor's broker or agent, then the date of record is the day ASUF receives the securities.

The physical address for delivery is:

Office of Development
Sol Mayer Administration Building Room 201
2601 W Ave. N
San Angelo, Texas 76909

- (b) If the donor or the donor's broker or agent mails the securities to ASUF, the date of record is the day the securities are mailed to ASUF. This applies only to the U.S. mail, not to private couriers. Rule (a) applies when other couriers are used for delivery.
- (c) If the securities are delivered by the donor to her/his bank or broker or to the issuing corporation with instructions that the securities be reissued in ASUF's name, the date of record is the day the stock is transferred to ASUF on the corporation's books.
- (d) On closely held stock, the date of record will be the date that ASUF has accepted the transfer of the certificates, any restrictions, and determined value.

d. Valuation Methods

(1) Publicly Traded Shares (Based on Selling Price)

- (a) When there is a market for the securities on a stock exchange, in an over-the-counter market or otherwise, fair market value is the mean between the highest and lowest quoted selling prices on the date the gifts are delivered or deemed to be delivered.

Example: The highest quoted selling price on the date of record is \$100 per share. The lowest quoted selling price is \$90 per share. The fair market value (gift amount) is \$95 per share $[(\$100 + \$90) / 2]$.

- (b) If there are no market sales on the date of record but there were sales on dates within a reasonable period both before and after delivery, fair market value is a weighted average of the mean between the highest and lowest sales on the nearest trading dates before and after the date of record. The respective numbers of trading days between the selling dates and the date of record weights the average inversely.

Example 1: Donor delivers listed securities to charity on Saturday when the Stock Exchange is closed. Sales of stock nearest the date of record of delivery occurred one trading day before (Friday) and one trading day after (Monday). The high on Friday was \$11 per share and the low was \$9. The high on Monday was \$13 per share and the low was \$11.

Friday's mean:	\$10
Monday's mean:	<u>\$12</u>
Total:	$\$22 / 2 = \mathbf{\$11}$ fair market value

(2) Mutual Fund (Money Market Funds) Shares

For gifts of mutual funds in open-ended investment companies, the fair market value is the redemption price "bid" on the date of record. Close-ended investment company shares should be valued the same way as securities traded on a stock exchange or over-the-counter.

(3) Closely Held Stock

- (a) Stocks that are not (or cannot be) marketed through a public stock exchange or other means are subject to more scrutiny than marketable securities to determine value.
- (b) As mentioned under the topic of acceptance and restrictions, required information about the closely held company stock must be obtained before an objective valuation can be made.
- (c) Based on the information and analysis in each case, ASUF ultimately determines the value of the gift of stock.
- (d) As required by the Internal Revenue Service, if the determined value is more than \$10,000, then the donor is required to secure a formal appraisal.

e. End-of-Year Stock Transfer Considerations

- (1) In order for an official gift receipt to be issued for a gift of stock prior to December 31 of the giving year, the stock must be transferred to ASU in one of the following methods:
 - (a) The properly endorsed certificate or unendorsed certificate (with a properly executed irrevocable stock power) is physically delivered to ASU, a development officer or agent representing the Office of Development and ASUF on or before December 31.
 - (b) The properly endorsed certificate or unendorsed certificate (with a properly executed irrevocable stock power) is placed in the U.S. mail addressed to ASU and postmarked on or before December 31.
 - (c) The properly endorsed certificate or unendorsed certificate (with a properly executed irrevocable stock power) is placed with a courier other than the U.S. mail, addressed to ASU, and is physically delivered to ASU on or before December 31.
 - (d) The stock shares are actually transferred to ASU on the records of the corporation by the donor or the donor's broker or agent on or before December 31.

- (2) Because of the restrictions and valuation requirements for transfer of closely held stock, such transfers need to be executed well in advance to allow time for ASUF to review and analyze.

2. Sale of Stock

- a. Stock should be sold as soon as possible by the broker designated by ASUF or in cases of gifts made directly to ASU, a broker designated by ASU.

Exceptions:

- All necessary and complete documentation is not available to conduct sale.
 - There is a 144 restriction in force.
 - The stock is closely held and ASUF has not approved the acceptance and the value.
- b. The vice president for development and alumni relations is responsible for issuing the request to sell and supplying any necessary document to complete the request after reviewing any restrictions and/or donor requirements.
 - c. Stock proceeds should be made payable to Angelo State University Foundation or Angelo State University and delivered to:

Office of Development
Sol Mayer Administration Building Room 201
2601 W Ave. N
San Angelo, Texas 76909

- d. Upon receipt of the proceeds, the stock gain or loss, commissions, and other related costs of sale should be determined.
- e. The *Gift of Stock Transmittal Form* should be completed and copies forwarded as required.

3. Recording and Reporting Requirements

- a. Area Responsibility

- (1) The Office of Development will be the primary source of tracking, recording, and filing gifted securities.
- (2) The vice president for development and alumni relations will be the primary contact for questions and answers related to this function.

- b. Transfer of Stock

When the date of record and stock value has been determined, the information must be entered in the Banner Advance System database to properly credit and acknowledge the donor for the gift.

c. Sale of Stock

When the proceeds of the sale of stock have been received, the funds will be deposited in accordance with the donor's intent.

d. Reporting and Filing Requirements

(1) Closely Held Stock

- (a) If the value of the stock gift is more than \$500, the donor should file an Internal Revenue Service *Form 8283*.
- (b) If the claimed gift amount is more than \$10,000, the appraiser and ASUF will be required to sign the *Form 8283*.
- (c) If ASUF signs the *Form 8283* and sells the stock within two years from the date of record, ASUF is required to file *Form 8282* with the Internal Revenue Service reporting the net proceeds from the sale.