

1 **GEORGIA STATE UNIVERSITY FOUNDATION, INC.**

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3 Procedure number/name: 2.4f Planned Gift Valuation Procedure

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5 Issuing date: _____ Effective date: 7/1/2008

6
7 Related policy number/name: 2.1 Gift Acceptance Policy, Title I, Principles and
8 Definitions

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10 Procedures Approved by: President of the foundation/vice president for development

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12 **I. Introduction**

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14 The gift acceptance policy, Title I, prescribes the use of *NCPG Guidelines*
15 for valuating gift for internal fund-raising reports and *CASE Standards* for
16 external fund-raising reports such as the annual *Voluntary Support of*
17 *Education* and the *CASE Cumulative Survey of Educational Campaigns*. This
18 will require the foundation to value planned gifts at face value and
19 present value. This procedure specifies how present value will be
20 calculated for common planned gifts. This procedure applies to fund-
21 raising reports and does not apply to financial statements.

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23 **II. Revision history**

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25 Original procedure.

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27 **III. Definitions**

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29 A. Crescendo method. For calculating the present value of bequest intentions
30 and similar planned gifts that do not generate an income tax deduction, the
31 foundation uses the “future to present value” calculator on the present value
32 tab on the calculator screen in Crescendo Pro. In this context, “Future
33 value” is defined as “face value.”

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35 The Crescendo method can also be done using the PV function on
36 commonly used spreadsheet programs. This is a simple present value
37 calculation found in most basic business statistics texts.

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39 B. Discount rate is the current IRS rate for valuing planned gifts. Known
40 as the charitable mid-term federal rate, it can be downloaded to
41 Crescendo and is published monthly on www.irs.gov and in *The Wall*

42 *Street Journal, The Chronicle of Philanthropy* and other publications. The
43 same discount rate is used for the Crescendo method and the tax
44 deduction value.

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46 C. Face value is the value of a planned gift at the time the planned gift is
47 created and/or reported to the foundation. In many cases, it is the
48 donor's estimate of current value, i.e., what it would be worth if the
49 gift matured immediately.

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51 D. Life expectancy tables. For the Crescendo method, the prescribed table
52 is the gift annuity life expectancy tables found on the life expectancy
53 tab of the calculator screen in Crescendo. The tables cover one-life and
54 two-life scenarios. If more than two lives are involved, the two
55 youngest lives are used. Life expectancies are determined by the
56 nearest birthdays of the donors. If donor's date of birth is not
57 contained in Raiser's Edge, it can be secured from the Development
58 Research staff.

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60 E. Present value is the value on a given date of a future payment or series
61 of future payments, discounted to reflect the time value of money and
62 other factors such as investment risk. Present value calculations are
63 widely used in business and economics to provide a means to compare
64 cash flows at different times on a meaningful "like to like" basis. In
65 this context, "Future value" is defined as "face value."

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67 F. Tax deduction value is the value used to determine tax deductions for
68 split interest gifts such as charitable gif annuities, charitable remainder
69 trusts and charitable lead trusts.

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71 **IV. Persons affected**

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73 Director of gift planning, the Gifts and Records Management staff, the
74 Development Research staff, the foundation accounting and finance staff,
75 Development administration.

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77 **V. Roles and responsibilities**

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79 The director of gift planning is responsible for determining the face and
80 present values of planned gifts and reporting them on planned gift
81 transmittals.

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The Gifts and Records Management staff is responsible for entering gift values into Raiser’s Edge.

The Development Research staff is responsible for providing dates of birth when requested.

VI. Procedures

A. The following table shows the method commonly encountered planned gifts.

<u>Type of planned gift</u>	<u>Present value</u>
Bequest intention.....	Crescendo method
Charitable gift annuity	Tax deduction value
Charitable lead trust	Tax deduction value
Charitable remainder trust (CRAT or CRUT).....	Tax deduction value
Gift of residence or farm with retained life estate.....	Tax deduction value
IRA or other retirement plan	Crescendo method
Life insurance - cash value (ownership transferred to foundation)	Tax deduction value
Life insurance - cash value (foundation is beneficiary not owner)	Tax deduction value
Life insurance - term or group life.....	Zero
Pay/transfer on death	Crescendo method
Pooled income fund.....	Crescendo method
Revocable trust	Crescendo method

B. Lead trusts. The tax deduction value for a grantor trust is used regardless of whether the trust grantor or non-grantor.

C. Pooled income funds. Since the foundation does not have a pooled income fund, the gift would be to a third party charity such as a community foundation. In such case, the beneficiary might be revocable.

D. Other planned gifts. The method of valuing planned gifts not covered in the chart above will be valued according to principles laid out in the gift acceptance policy and *CASE Standards*.

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People to contact

Position Title	Campus Location	Phone Number	Email Address
Director, Gift Planning	742 1PP	3-3414	cbeckoff@gsu.edu
Director, Gifts and Records Management	534 1PP	3-3446	alumsc@langate.gsu.edu
Associate Vice President for Development (Development Resources)	742 1PP	3-3413	davidbrown@gsu.edu

Additional information and resources

CASE Management and Reporting Standards, 3rd Edition, (CASE Standards), Council for the Advancement and Support of Education, Washington, D.C., 2004.

NCPG Guidelines for Counting and Reporting Charitable Gifts, 2nd Edition (NCPG Guidelines), National Committee on Planned Giving, Indianapolis, Ind., 2006.

2.1 Gift Acceptance Policy, Title I, Principles and Definitions

2.4 Gift Acceptance Policy, Title IV, Planned Giving

2.4a Gift Annuity Establishment Procedure

2.4c Planned Gift Acknowledgement Procedure