FUND ADMINISTRATION POLICY

The Montana State University Alumni Foundation (Alumni Foundation) is a not for profit organization established under the laws of the State of Montana to solicit and accept gifts to further and fulfill its mission. The following policies govern the administration of fees on gifts made to the Alumni Foundation for the benefit of Montana State University (MSU).

The Fund Administration Policy is approved by the Alumni Foundation Board of Governors.

1.0 ALUMNI FOUNDATION MISSION

“We cultivate lifelong relationships and secure private support to advance Montana State University.”

2.0 TERMS DEFINED

2.1 Current Use Gift: A gift made for current spending. The gift may be restricted to a specific college, department, or program of MSU or it may be made without any restrictions.

2.2 Endowment Gift: A gift made with the donor-imposed stipulation that the principal be invested permanently. A portion of the investment income is used for purposes specified by the donor.

2.3 Quasi-Endowment: A gift designated for current use, but either the Alumni Foundation or MSU directs that the gift be treated similarly to an endowment gift. There is no donor-imposed stipulation that requires that the principal be invested permanently.

2.4 Deferred Gift: A gift in trust or through a charitable gift annuity made in exchange for a life income to the donor. A deferred gift may also be a gift of home or ranch whereby the donor has retained a lifetime right to continue to occupy the premises. Upon termination of the trust or annuity contract, the assets are available for the designated purpose specified by the donor.

2.5 Invested Gifts: The original value of all donor gifts contributed to an endowment or quasi endowment. Invested gifts do not include investment earnings.

2.6 Reinvested Earnings: Account containing accumulated earnings or losses on Invested Gifts net of fees and annual Spending Allocation.

2.7 Spending Allocation: The portion of Reinvested Earnings made available to be spent during the year for the designated purpose.

2.8 Agency Funds: Funds held and invested by the Alumni Foundation for MSU or other MSU related organizations.
3.0 GIFT FEE POLICY

3.1 Gift Service Fee

Effective May 1, 2016, the Alumni Foundation assesses a gift service fee of on all gifts received, as further defined below. It is the policy of the Alumni Foundation to not waive the gift service fee.

- Current use gifts (including scholarships): A one-time 5% gift service fee is assessed on the value of and deducted from the gift.
- Current use gift directed to quasi-endowment: A one-time 5% gift service fee is assessed on the value of and deducted from the gift.
- Endowment gifts: A one-time 5% gift service fee is assessed on the value of and deducted from the gift.
- Deferred gifts: A one-time 10% gift service fee is assessed at the time the gift matures, regardless of designation.
- Real Estate gifts: A one-time 10% gift service fee is assessed at the time the gift is sold or matures, regardless of designation.
- Stock, and Insurance Policy gifts: A one-time 5% gift service fee is assessed at the time the gift is sold or matures, regardless of designation.
- Annual Fund Gifts: In addition to the 5% gift fee, an annual fund service charge for services provided by the MSU Alumni Foundation’s annual fund office is assessed to the benefitting University business unit. This service charge is calculated at 13% of the total revenue on gift transactions up to $999.99 that are not payments on major gift commitments.
- Agency gifts: Gift fees are set forth in the Memorandum of Understanding with each individual organization.
- Event Income: Charitable and non-charitable receipts from a fundraising event processed and receipted by the MSU Alumni Foundation will be assessed a one-time 5% fee. This includes ticket sales, auction items, raffles, etc.

3.2 Management Fee

- Endowment and Quasi-Endowment gifts: An annual 2% management fee is charged quarterly at .5% (1/4 of 2%) against earnings and is assessed on the prior quarter invested balance prior to posting of earnings.
- Deferred Gift Accounts – Charitable Remainder Trusts: There are no fees other than those charged by the outside investment management firms. However, fees related to trust accounting and required reporting may be allocated to the trust during the trust term.
• Deferred Gift Accounts - Charitable Gift Annuities: There are no fees other than those charged by the outside investment management firms. However, fees related to required reporting may be allocated to the investment during the annuity term.

3.3 Exemptions/Exceptions

The Alumni Foundation may consider a gift service fee exemption under the following circumstances:

• A major gift of strategic importance with special donor circumstances; or,

• If a donor organization's policy states in a verifiable and public manner that a fee may not be charged.

A gift service fee exemption can only be granted with the approval of the MSU Alumni Foundation Board of Governors.

4.0 ENDOWMENT SPENDING POLICY

4.1 Permanent Endowment Funds

The Spending Allocation is calculated as follows:

Annual Spending Allocation = 4% x (A + B) where

A = Invested Gifts on the first day of the current fiscal year (July 1)
B = Twelve quarter average of Reinvested Earnings
   (All quarters lacking earnings are averaged at zero)

• Up to 20% of Invested Gifts can be used for spending if necessary, as allowed by the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA).

• The Spending Allocation will be communicated to each College/Department in November (for the following fiscal year).

• Distribution of the Spending Allocation from Reinvested Earnings to cash will occur on July 1.

• A fund that has a donor agreement that specifically states that the Alumni Foundation is not to spend the Invested Gift balance would receive no Spending Allocation when Reinvested Earnings are negative.

• Individuals with fund expenditure authority may request that no distribution of the Spending Allocation be made.
This policy could result in some funds receiving less than a 4% Spending Allocation or in the case of a fund with a negative Reinvested Earnings balance of greater than 20% of Invested Gifts, no distribution.

If a permanent endowment to which a naming opportunity is attached is initiated with a gift that is less than the minimum required, the normal spending policy will commence when the permanent endowment achieves the minimum required for the naming opportunity. Until then, all earnings/losses, net of fees, will be accumulated in the Reinvested Earnings account.

4.2 **Quasi-Endowment Funds**

Quasi-endowment funds are managed in the same manner as permanent endowments with one exception: The spending allocation is limited to 100% of the market value (Invested Gifts plus Reinvested Earnings) of the fund as of the end of the fiscal year.

4.3 **Agency Funds**

Agency funds that are held for Endowment or Quasi-Endowment will be invested in the Alumni Foundation's long-term investment pool, and accordingly, will be subject to the full range of principal and income risk inherent in the pool. Earnings, net of all fees, will be distributed according to this policy unless otherwise requested.