



Lake City Education Foundation

Gift Policy

Approved December 2020

What is a Gift?

Under IRS guidelines, a gift is defined as a voluntary transfer of assets from a person, organization, foundation, or corporation to the Foundation where no goods or services are expected, implied, or forthcoming to the donor. Gifts can be given in the form of cash, securities, real property, or personal property. The following criteria generally identify a charitable gift:

- a. A gift is motivated by charitable intent.
- b. Gifts are irrevocable transfers of assets.
- c. The foundation is not obliged to return unexpended funds.
- d. Gifts cannot be subject to an exchange of consideration or other contractual duties between the Foundation and the donor, except in the case of certain deferred gifts as set forth in these guidelines.
- e. A period of performance is not specified.
- f. Formal financial accounting to the donor is not required.

Ways to Give

The following are all ways that donors to Lake City Education Foundation (Foundation) make philanthropic gifts to support our work. Donors are encouraged to notify the President of the Foundation of all gift intentions to ensure that gifts fit within Lake City Education Foundation's acceptance policy and the donor's intent is carried out.

1. **Cash** donations are accepted.
2. **Checks** are the most popular way donors make gifts to Lake City Education Foundation. Checks should be mailed to:
Lake City Education Foundation
PO BOX 421
Lake City, MN 55041
3. **Check cards and credit cards** are also popular ways to give. We encourage donors to give online at <http://www.lakecityeducationfoundation.org/>. Donors may make one-time or automatic monthly gifts through our online giving platform, <https://www.mightycause.com/donate/Lakecityeducationfoundation>
4. **Crowd funding platforms** are commonly used by donors. You will receive an email receipt acknowledgement from Lake City Education Foundation through the platform of your choice. For example, Lake City Education Foundation has a history of donor participation in Give to the Max Day at givemn.org. Gifts made this way flow to Lake City Education Foundation after nominal fees have been subtracted from each gift. There is a maximum 30-day delay between when gifts are made and when they are transferred to Lake City Education Foundation.

5. **Employee payroll deduction** is popular with ISD 813 District faculty and staff who have their gifts withdrawn from their paychecks.
6. **Matching gifts** are secured by donors to Lake City Education Foundation who have the benefit of a matching gift program through their employer or another entity like a foundation where they serve on the board.
7. **Publicly traded stocks and mutual fund shares**— are highly appreciated, popular stocks because they are easy to do. If a donor has held an appreciated stock or mutual fund for more than one year, they can donate those securities to a charity and receive a tax deduction for the fair market value of the securities and eliminate any capital gains assessments on the future sale of the securities. To make a gift of stocks or mutual fund shares, contact your bank or broker and authorize them to transfer the securities to Lake City Education Foundation through the Foundation's account at RBC Wealth Management.

Account Registration: Lake City Education Foundation

Account Number: 321-30793

DTC# 0235

Address of Account Holder: PO Box 421, Lake City, MN 55041

Contact Name and Number:

RBC Wealth Management

2064 Superior Dr. NW

Rochester, MN 55901

Joy Sheets

Telephone: (507) 288-4941

joy.sheets@rbc.com

Contact Mary Gastner at lakecityeducationfoundation@gmail.com or 507-951-3107 and provide your name and address, the specific name of the securities to be transferred, the number of shares to be transferred, any special restrictions on the securities to be transferred, the designation of the gift, and the name, address, and telephone number of your broker.

Soon after the stock gift is transferred to Lake City Education Foundation's account at RBC, the foundation will sell it and designate the proceeds to the appropriate purpose.

8. **Charitable Distribution Directly from an IRA** This type of charitable gift is especially advantageous to donors age 72 or older who are required to make mandatory withdrawals from traditional IRAs and employer-sponsored retirement plans. The money withdrawn gets added to their taxable income. Failure to take a required minimum distribution by year-end could result in a stiff IRS penalty—50% of the amount withdrawn. Under the Qualified Charitable Distribution rule, beginning at age 72, people can have all or part of their distribution made directly from an IRA to a qualified charity (up to \$100,000 per taxpayer, per year). Unlike conventional RMDs, QCDs are not subject to ordinary federal income taxes.
9. **Beneficiary Designation** Donors may make Lake City Education Foundation the beneficiary (or an alternate beneficiary) of all, a percentage, or a specified amount from a life insurance policy, a deferred annuity contract, an IRA, a defined benefit plan, a 401(k) plan, a defined contribution (profit sharing), a charitable gift annuity, a charitable remainder trust, a lead trust, or another financial planning instrument.
10. **Life Insurance Policies** Lake City Education Foundation accept gifts of life insurance policies, including whole life, variable, and universal life policies, which meet the guidelines specified below.

If the policy is paid-up:

- The Foundation is designated as the owner and the beneficiary of the policy.
- If intended for endowment purposes, the face value of the policy must meet the minimum funding requirements for the endowment(s) stated purpose(s) which have been established by the Foundation at the time of the gift of the policy.

If the policy is not paid-up:

- The Foundation is designated as the owner and the beneficiary of the policy.
- If intended for endowment purposes, the face value of the policy must meet the minimum funding requirements for the endowment(s) stated purpose(s) which have been established by the Foundation at the time of the gift of the policy.
- The donor agrees to send the regularly scheduled premium payments to the Foundation and these payments must cover in full the premium payments due at the end of each billing cycle. In the event the donor(s) stop making premium payments or payments do not cover the full amount of the premiums due, the Foundation retains the right to sell the policy for its cash surrender value.
- Dividends will be used to cover premium payments.

11. **Bequests** A bequest to Lake City Education Foundation can be made through a donor's will or revocable trust. The donor can designate a specific amount, a percentage, or the remainder of an estate. Frequently, donors add Lake City Education Foundation to their existing wills or revocable trusts with a simple codicil.

Gifts Requiring Special Review and Approval

These gifts require special review and approval by the Board of Directors. Soon after the gift is transferred to Lake City Education Foundation, the Foundation will prepare to sell it and designate the proceeds to the appropriate purpose.

1. **Closely Held Securities** Lake City Education Foundation accepts gifts of Closely Held Securities or non-publicly traded securities, sole proprietorships, general or limited partnership interests, S-Corporation securities, interests in real estate investment trusts, and limited liability company interests.
2. **Restricted Securities** Restricted securities (also known as unregistered securities, investment-letter stock, control stock, or private placement stock) are infrequently given as gifts because of the difficulty in transferring ownership and determining fair market value. Prior to acceptance, the Foundation should be notified of a donor's intent to give a gift of a restricted security so they may perform an evaluation of the purpose and review the extent of the restrictions placed on the stock.

If restricted securities are being considered as a gift to the Foundation, IRS Publication 561 should be consulted when trying to determine the value of the securities. If the value of the gift is estimated to be \$5,000 or more, the donor must provide an appraisal report prepared by a qualified appraiser.

3. **Gifts of Real Property or Tangible Personal Property** All appraisals of real and personal property contributed to the Foundation will be done in accordance with IRS Publication 561, "Determining the Value of Donated Property."

Prior to accepting, Lake City Education Foundation may request at the donor's expense one or more of the following related to proposed gifts of property, including real estate, tangible property, bargain sales, or retained life estates:

- a preliminary title report clear of unacceptable encumbrances, performed by a reputable title insurance company

- a MAI appraisal by a qualified appraiser
- a phase one environmental audit indicating that ownership will not expose the Foundation to environmental liabilities
- a market feasibility study for purposes of liquidation
- an on-site evaluation by a representative of the Foundation
- evidence of compliance with ADA (when applicable)
- a structural engineering report (when applicable)
- a review of leases (for commercial properties)
- a disclosure statement for residential properties (when applicable)
- UCC1 lien search in the state where the asset is located and, if different, the state(s) where the donor resides or conducts business which involves the asset

Special note on gifts with a life interest: Any agreement creating the life interest must provide that the donor and/or life tenant shall remain responsible for the payment of mortgages, taxes, insurance, utilities, maintenance/repairs, and other costs associated with the property, unless other specific provisions are made for the payment of these expenses. Donor(s) shall not violate or allow the violation of any environmental laws/ordinances covering this property.

4. Gift of Property with Restrictions to Lake City Education Foundation Ownership in Perpetuity

5. Gift of Perishable Property

6. Property requiring special facilities or security for it to be properly safeguarded

7. Other personal property of any description, including mortgages, notes, copyrights, royalties, partnership interests, closely held business interests, undivided interests in property, future and partial interests, and other non-liquid financial assets

8. Notes on Deductibility of Noncash Charitable Contributions If a donor wishes to claim an income tax deduction of \$500 or more in any year for gifts to charity which are not cash, then the donor must file IRS Form 8283 (Noncash Charitable Contributions) with a federal income tax return.

In addition, if a donor wishes to claim charitable income tax deductions totaling \$5,000 or more in any tax year for gifts that are not cash or publicly traded securities, then the donor needs to obtain qualified appraisals of the property donated. Lake City Education Foundation must acknowledge receipt of the property by signing the IRS Form 8283, which the donor then files with federal income taxes. Lake City Education Foundation will not provide or pay for an appraisal for a donor's tax purposes. Also, the Foundation will not attempt to provide an estimate or a fair market value of any real or personal property gift.

Form 8283 is processed by the Foundation's tax preparer or any officer of the Foundation. The donor's name and Social Security number and the donor's address must be on the form or have been provided by the donor in advance. It is the donor's responsibility to notify the Foundation that they will require the Foundation to prepare and sign an IRS Form 8283 for their tax purposes.

Unacceptable Ways to Give

Lake City Education Foundation will not accept any gift that:

- violates federal, state, or local statute or ordinance
- exposes the Foundation to litigation or other liabilities
- requires the payment of maintenance costs or other expenses (e.g., debt service) for which no specific provision has been made

- generates unrelated business income tax
- appears to be financially unsound

Lake City Education Foundation will not accept any gifts requiring special review and approval until review is completed and approval from the president is secured.

WAYS TO DIRECT AND RESTRICT GIFTS

Commonly Accepted Gift Restrictions

Unrestricted giving offers Lake City Education Foundation the greatest amount of flexibility in the short and long term. Unrestricted giving is also, by far, the most popular choice among donors.

Restricted giving to underwrite a particular current purpose or program is also common. Each year, Lake City Education Foundation donors support programs like Eagle Bluff, the 9th Grade Leadership Retreat, and particular academic departments.

Restricted gifts to scholarships that support students with need or students who are particularly high achieving can be made as current gifts or made to endowed funds that exist in perpetuity.

Restricted gifts to capital projects and debt reduction are welcome and will be coordinated with the District Superintendent and School Board.

Endowments are funds that are given to Lake City Education Foundation to be set aside in an investment pool, creating a stream of funds in perpetuity. Donors may give to the general endowment, to an existing endowed fund, or give to create a new endowed fund for a specific purpose. The Lake City Education Foundation Board of Directors sets an endowed fund investment policy and sets minimum amounts needed to create new endowed funds.

Unacceptable Gift Restrictions

Lake City Education Foundation will not accept a gift that:

- creates a fund to provide for scholarships or gifts that have restrictive clauses which may not align with the Foundation's mission or that of the school district, or reserve the donor the right to designate the recipient
- limits, beyond a general description of the subject area, the work of a faculty member or student
- contains a condition that requires any action on the part of the Foundation that is in violation of Foundation or School District policy
- commits the Foundation to name a building, facility, institute, center, or an endowment fund where the gift is potentially revocable in any way
- inhibits the Foundation from seeking gifts from other donors, be they similar or different, foreign, or domestic
- requires the Foundation and its administration to employ a specified person at a future date
- contains unreasonable conditions (i.e., a lien or other encumbrance) on gifts of partial interests and property
- requires tuition payments for a family member of the donor or directs the tuition payment to any designated person

Use of Funds When Restriction Is No Longer Possible

Any restriction(s) placed on the use of the funds by the donor may be deemed unreasonable or unable to be fulfilled due to specific circumstances including, but not limited to:

- a capital project or facility can no longer be used
- the termination of a program
- a surplus of funds available from other sources to fulfill the designated purpose
- the insufficiency of the restricted funds to fulfill the designated purpose where no funds from other sources are available to supplement the restricted funds

- the designated purpose is no longer consistent with the mission of the Foundation and its individual programs
- the designated purpose does not comply with local, state, or federal laws
- inability to identify a student recipient within a reasonable time

NAMING OPPORTUNITIES AND MINIMUM GIFT LEVELS

In appreciation of donor generosity, Lake City Education Foundation often offers to name a fund, a program, or a scholarship or some other special opportunity.

Naming opportunities—including the appropriate gift size, the funding plan, and the way the gift will be utilized—is always at the Foundation’s discretion and must fall within parameters established by ISD 813 School Board District Policy 808. Naming opportunities associated with a room, a building, or other facility within ISD 813 School District’s property must adhere to the District policy and approval.

Irrevocable deferred gifts—including gift annuities, pooled income funds, and charitable remainder trusts—may be used to fund a named opportunity as long as the present value of the gift meets the agreed gift level.

The Lake City Education Foundation Board of Directors has established minimum levels for the creation of named endowed funds for gift agreements—for both outright and planned gifts. If the minimum level for creating a named fund is not reached within the expected time frame of the gift agreement, the corpus of this fund may be added to another endowed fund with a similar purpose or it may be added to the general endowment. Naming recognition on capital projects or on something like a work of art is expected to persist for as long as the facility, artwork, tree, bench, or other named thing exists. ISD 813 may remove historical donor recognition, for example, when a building is torn down or significantly remodeled. If an object with donor sponsorship or naming is destroyed, lost, stolen, or otherwise completes its use, that will typically complete the donor recognition associated with that gift.

Lake City Education Foundation is committed to honoring the purpose established by named endowed funds and restricting expenditures to fulfill the purpose as described in the Gift Agreement. The benefits of donor established funds will not be redirected to any other purpose except in the unusual circumstance where the original purpose cannot be achieved. In the event of such a change in circumstances, Lake City Education Foundation is obligated by law to find another purpose as close to the original intent as possible. As a matter of policy, whenever practical, Lake City Education Foundation will consult with the primary donor(s), if still living, in the rare event a change from the original intent is necessary.

Administration and Investment of Endowed Funds

Lake City Education Foundation may commingle the assets of donor-established endowed funds with other endowment assets for purposes of investment, but it shall keep separate records and books of accounts with respect to the fund.

Lake City Education Foundation shall place the assets of endowed funds under the management and direction of one or more of the investment advisors which it uses in managing its endowment assets. Endowed funds shall be managed according to the prevailing investment policies of Lake City Education Foundation regarding its endowment assets.

Lake City Education Foundation manages and administers endowment assets within the guidelines of the Uniform Prudent Management of Foundational Funds Act. Market conditions may cause periods when the market value of this endowment is less than the value of the original gift(s).

The fund shall not constitute a trust, and its assets shall be held by Lake City Education Foundation as the beneficial owner and not as a trustee.

RECOMMENDATION TO DONORS

Donor's Use of Professional Advisors

All prospective donors will be urged to seek their own counsel in matters of estate planning, taxes, and planned gifts. It is not appropriate for the Foundation to give legal advice or provide counsel to the donor since it is the donor and the donor's counsel alone who must bear responsibility for all decisions made by the donor. Prior to accepting any gift, the Foundation shall advise the prospective donor to seek professional advice from an attorney and/or accountant/tax advisor. This will be of particular importance if the prospective donor intends to make a deferred gift through use of a will, trust, annuity contract, or other instrument.

ENDOWED FUNDS TO SUPPORT FACULTY

Naming and Recognition One of the ways Lake City Education Foundation recognizes the generosity of donors who create endowed funds to support faculty is to name a position or program in honor of the donor or a person designated by the donor. The minimum named endowed gift is \$50,000.

Award Decisions Current faculty may be eligible for award of a named fund or academic chair. Lake City Education Foundation is responsible for ensuring endowed funds are expended according to the Gift/Fund Agreement.

Fund Management Lake City Education Foundation will determine the annual draw based upon the Foundation's Investment Policy Statement Spending Policy and award faculty using similar annual timing as the Foundation has implemented for student scholarships.

ENDOWED FUNDS TO SUPPORT STUDENTS

Naming and Recognition One of the ways Lake City Education Foundation recognizes the generosity of donors who create endowed funds to support students is to name a position or program in honor of the donor or a person designated by the donor. The minimum named endowed gift is \$25,000.

Scholarship Decisions Lake City Education Foundation is responsible for ensuring endowed funds are expended according to award preferences detailed in the Gift/Fund Agreement.

Fund Management Lake City Education Foundation will determine the annual draw based upon the Foundation's Investment Policy Statement Spending Policy and award student scholarships aligning processes and timing with the ISD 813 guidance office.

ANNUAL FUNDS TO SUPPORT STUDENTS OR FACULTY

Naming and Recognition Lake City Education Foundation also welcomes annual funds to support students or faculty in honor of the donor or a person designated by the donor. Please contact a board member of the Foundation to explore this option.

Scholarship and Award Decisions Lake City Education Foundation is responsible for ensuring annual funds are expended according to donor preferences in the Gift/Fund Agreement.

FEES AND COMMISSIONS

- 1. Finder's Fees or Commissions** Consistent with the codes of ethics of the Association of Fundraising Professionals and the National Committee on Planned Giving, no finder's fee or commission of any type will be paid by the foundation to any party in connection with the completion of a gift to the Foundation.

2. **Professional Fees** Reasonable costs of gift acquisition, such as transaction costs and professional fees, will typically be borne by the donor. However, there may be occasions when a prospective donor requests that the Foundation pay such costs. The Foundation will verify the reasonableness of the costs and that the cost reimbursement complies with state and federal requirements, including but not limited to tax laws and professional ethics guidelines. If appropriate, the Foundation may agree to pay gift acquisition costs by using funds from its operating budget.