LUTHER COLLEGE

POLICIES AND PROCEDURES

Department:	Advancement
Subject:	Gift Acceptance Policy
Date Issued:	May 15, 2009
Date Revised:	May 15, 2017
Approved By:	Approved by the Board of Regents on May 13, 2017

I. Board Commitment

The Board of Regents of Luther College is committed to offering donors the opportunity to make gifts to the college, in a manner beneficial to the donors and the college while protecting the fiscal and legal integrity of the college. To further this commitment the Board of Regents adopts the following sections for the college's Gift Acceptance Policy: Policy Statement, Honoring Donor Intent, Administrative Guidelines, Operating Procedures, and Campaign Accounting & Reporting Procedures.

II. Policy Statement

Luther College will accept charitable donations made for the advancement of the college. Such donations may be: cash, pledges, materials, supplies, equipment, services, securities, real property, or planned gifts.

It is the policy of Luther College that donations will be made through the Advancement Office, which will assess the potential conditions, risks, and liabilities that may be associated with them. The Advancement Office will work with the Office of Financial Services to assess donations when necessary.

Luther College subscribes to the Code of Ethical Principles and Practices of the Association of Lutheran Advancement Executives, The Donor Bill of Rights of the Council for the Advancement and Support of Education, and The Code of Ethical Principles and Standards of Professional Practice of the Association of Fundraising Professionals.

III. Honoring Donor Intent

In interactions with our constituency the college's staff and volunteers will always strive to honor donor intent. Acknowledging and honoring the intent of the donor helps to fulfill the donor's ultimate wishes and assures the donor's gift will be used to benefit life and learning at Luther College. If the college believes it cannot honor a donor's intent due to practical, ethical, legal, and other unforeseen limitations it will decline a donor's gift. To best honor donor intent, we will rely on written communication with (to and from) a donor, formal documents of understanding, written planned giving agreements, and/or call reports filed by the Advancement officer resulting from a conversation with a donor or a donor's advisor

IV. Administrative Guidelines

A. All donations, both restricted and unrestricted, are the property of Luther College. Any restrictions placed on donations will be recorded in the college's gift records as well as the donor's gift giving records.

B. All gifts to Luther College will comply with IRS requirements. The Advancement Office will provide written acknowledgement to donors for all gifts received (in compliance with IRS requirements).

C. Normally, no gift will be accepted where there is not obvious charitable intent on the part of the donor. If the charitable intent of the donor is in question, this fact will be strongly noted and all action pertaining to the gift will be taken with that knowledge in mind.

D. Complicated potential gifts involving multiple donors, multiple transactions, operating businesses, unusual assets or conditions, may generally be avoided, as the time requirements to process or maintain such gifts often involve significant expense. Decisions regarding which gifts to pursue is at the discretion of the President and the Vice President for Advancement, and as necessary, with the Vice President for Finance and Administration.

E. Any contribution or expenditure that would endanger the non-profit status of Luther College will be refused.

F. All non-cash gifts to the college will be accepted if they are in keeping with approved college Administrative Guidelines and Operating Procedures. All costs associated with a non-cash gift (e.g., transportation, handling, appraisal, legal, accounting) will be the donor's responsibility, unless special arrangements have been made with the President or Vice President for Advancement. Valuation (including any required qualified appraisal in compliance with IRS regulations) of any such gifts will also be the responsibility of the donor and copies of appraisals will be shared with the college. In compliance with internal control procedures as recommended by the Audit Committee, all non-cash gifts (other than publicly-traded securities) must receive written approval by the Vice President for Finance and Administration prior to acceptance.

G. Planned gifts are defined as those donations to Luther College which do not pass simply and quickly from the donor to the college, such as: large securities gifts; real estate gifts; retained life estates; gift annuities; life insurance policies; charitable remainder, lead or other trusts; will bequests; and other such gift vehicles.

H. To avoid issues relating to conflicts of interest, undue influences, and unauthorized practice of law, all donors of significant gifts are encouraged to seek their own competent legal and/or financial counsel. To protect the college's interests the college may seek the approval of its legal counsel. To avoid any appearance of impropriety or potential conflict of interest, the college will not pay any fees charged by any professional advising a potential donor to the college.

I. Any variance in this and other gift acceptance policies must be approved in advance by the President or the Vice President for Advancement.

V. Operating Procedures

A. Outright gifts of cash (including checks, money orders, credit card payments, automatic checking/savings withdrawal, and payroll deductions for Luther employees) may be for immediate use in unrestricted general support of college endeavors, for specific use through donor-specified restrictions, or for endowment purposes.

B. Pledges

Donors considering a gift of significant proportion (by their estimation or the college's) may pledge this gift over multiple years, normally five years but not to exceed seven years. If a donor wishes to extend their payments beyond five years, this may be done with the approval of the Vice President for Advancement.

All pledges will be accompanied by a signed pledge form, or signed donor proposal, or e-mail authorization. Such documents shall be filed in the donor's file. Explanation of the agreed-upon pledge payment cycle will be sent to the donor in the pledge acknowledgement letter.

Non multiple-year pledges will be considered to be annual pledges, such as those received through Phonathon, and will be written off at the close of the fiscal year if left unpaid.

Luther College reserves the right to write off pledges if there has been no giving activity on the pledge within two years, or if the donor does not respond to our inquiries. Every effort to send pledge reminders or to reach out through personal contact will be made before the pledge is written off. With the approval of the Vice President for Advancement, a pledge may be kept active, and revisited periodically to monitor progress. Quarterly meetings will be held with the Office of Financial Services to review the status of all pledges where a donor has not made payments according to the agreed pledge payment schedule, including actions to be taken on delinquent pledges.

Luther College considers major gift pledges to be binding, and in some cases will request that the donor make provisions in their estate plans for the completion of a pledge should they die before the pledge completion. In the event a donor predeceases their pledge completion, Luther College in honoring the intent of the donor, reserves the right to make contact with the estate with a request for payment in full of the pledge.

C. Gifts of materials, supplies, equipment and services.

1. Individuals or businesses contacting the college with the offer to donate physical materials, supplies, equipment or services are processed as follows:

    a) Information pertinent to the nature of the potential donation is collected by the Advancement Office.

    b) The Vice President for Advancement and other appropriate college faculty and staff will be consulted regarding the potential use of the donation. If the potential gift is deemed acceptable, then it must be approved by the Vice President for Finance and Administration in compliance with internal control procedures as approved by the Audit Committee.

    c) The donor will be notified as soon as reasonably possible of the college's acceptance or rejection of gift, and if accepted, arrangements made for conveyance along with transfer-of-ownership forms when appropriate.

d) A gift-in-kind receipt will be completed by the Advancement Office to indicate the nature of gift, value and other pertinent information as necessary. Valuation, including any required qualified appraisal, will be the responsibility of the donor.

e) The donor will be promptly and properly thanked for his or her support of the college by appropriate college official(s).

2. The Vice President for Advancement determines, on the basis of information gathered, the acceptability of a donation and whether it will be accepted "as is" by the college and whether ownership will be retained by the college for resale or retained for investment purposes.

D. Planned Gifts

A planned gift to Luther College is normally made in an effort to build an endowment for the college or to support future projects for the college following donor instructions or, if "undesignated", at the discretion of the Board of Regents (for amounts $10,000 and more) or the college administration (for amounts less than $10,000). It is a gift arrangement that takes into consideration the effect the gift will have on the donor's income, assets and tax liabilities. The gift is generally of a size and complexity that requires "planning" with the assistance of a professional staff person and/or the donor's advisors, to complete.

The real value of a planned gift should provide a significant benefit to the college. The real value shall be computed as follows: Charitable remainder interest plus any outright gift assets minus the estimated expenses to the college. This valuation will take into account forced sale, sales expenses, commissions, servicing and processing costs, and any other expenses incurred by the college. The college will also consider possible future appreciation of the gift.

Persons contacting the college with an offer to donate real property, securities, life insurance policies, trusts, will bequests and other such vehicles are referred to the Vice President for Advancement or another Advancement officer. Information pertinent to the nature of the donation is collected, and a decision to accept, when necessary, is made by the President and/or the Vice President for Advancement.

In compliance with internal control procedures, as recommended by the Audit Committee, the Vice President for Finance and Administration will meet quarterly with Advancement Office staff to review the valuation of all planned gifts entered in the "Book of Expectancies."

a) Real Property

Property should be marketable. For purposes of evaluation, six months to one year will be considered a reasonable period of time.

Land/property donations in a location not readily available for inspection and maintenance (e.g., a distant state or country) may be declined. In addition, land/property that has numerous restrictions, reservations, easements, mechanic liens, mortgages, or potential environmental exposure, which make the land/property highly susceptible to valuation, maintenance, legal problems or other risks may be declined.

Donors of property gifts (real or tangible) to Luther College which exceed $5,000 in value are subject to several reporting requirements if the donor wishes to claim a charitable deduction.

The donor is required to attach an appraisal summary, IRS form 8283, to his or her tax return which is signed by the appraiser and a representative of the college. Before a representative of the college signs the form 8283, a copy of the summary and a full appraisal must be reviewed and approved by the President or the Vice President for Advancement. Each donor will be informed of potential filing requirements and advised to consult a professional tax advisor or certified public accountant.

Real or tangible property gifts made to Luther College which require a donor to prepare and file a summary appraisal Form 8283 may be sold or disposed of at any time. However, if the property is sold or disposed of within three years of the gift, a report of all pertinent facts must be provided to the Internal Revenue Service on Form 8282, within 125 days of the transaction by the Office for Financial Services. Therefore, appropriate records of all real estate or tangible property gifts exceeding $5,000 must be maintained for a minimum of three years by the college.

A Phase I Environmental Site Assessment will generally be required to be completed on all gifts of real estate (other than gifts of personal residences) within 180 days prior to the acquisition of the real estate by the college. The Phase I ESA shall be conducted in the name of the college by a competent environmental company and shall be in accordance with the ASTM Practice 1527-05. The President, Vice President for Advancement, or Vice President for Finance and Administration may waive this requirement if there is knowledge of no evidence of past environmental problems on the property or on any adjacent or nearby properties and the past use of the property and the adjacent and nearby properties is such that environmental problems are deemed extremely unlikely. Generally the donor will pay the costs of any environmental audits, although each case will be decided individually.

b) Securities

A gift of marketable securities will generally be accepted. The securities should generally be transferred into a Luther account or delivered, along with a signature guaranteed stock power, to an Advancement officer. The securities, if they have appreciated in value from the time the donor first acquired them and if they are to be sold, should be sold in the college's account, not the donor's account -- otherwise, the donor will be liable for tax on the appreciation. Every effort will be made to advise the donor of this unfavorable tax liability. Special consideration will be given to acceptance of stock of closely-held companies (which may require unique valuation circumstances vs. publicly – held stocks).

After the transfer of securities has been made to the college account the colleges will then either:

1) Sell the securities and invest or spend the proceeds according to the directions of the donor
2) If the proceeds are invested in the College endowment, they shall be invested according to the guidelines endorsed by the Board of Regents unless otherwise requested by the donors, and then only if specifically in written documentation.
3) On an exceptional basis, the securities may be retained as an investment in the College's endowment portfolio after approval by the investment committee.

The value of the gift will be determined by the mean value of the securities (the average price between the highest and lowest quoted selling price) on the day the ownership is transferred to the college, unless another method of valuation is required by the Internal Revenue Code.

c) Mutual Funds

Gifts of mutual funds will generally be accepted by the college. The donor should send a letter of instruction to their broker and mutual fund company requesting transfer of specific number of shares or dollar value of a specific mutual fund. The college may establish an account with the mutual fund company or instructions will be provided to the donor on how to transfer to an existing college account. Upon receipt, the college will generally sell the shares.

The charitable value of the gift will be determined according to Internal Revenue Code rules. The value of the gift is equal to the number of shares times the public redemption value per share on the transfer date. A gift is considered complete when the shares are received in the college's account. Timing is critical for year-end transfers; the transfer process may take longer than traditional securities. A minimum of two weeks should be allowed prior to the expected gift date for proper donor credit.

d) Charitable Gift Annuities

The college will issue charitable gift annuities. In issuing charitable gift annuities, the college will generally utilize rates that adhere to or are lower than the rates suggested by the American Council on Gift Annuities. Prospective donors who request higher annuity payment rates will be informed of this policy. Any exception that is made to utilize rates higher than those suggested by the American Council on Gift Annuities must be approved by the Vice President for Finance and Administration.

In compliance with the Philanthropy Protection Act of 1995, an Advancement officer will, prior to the execution of any binding contract for a charitable gift annuity, make a disclosure to the prospective donor. This disclosure will be in a form that complies with the Philanthropy Protection Act of 1995.

Property accepted for gift annuities will normally be in the form of cash or readily marketable property. The college reserves the right to set minimum gift annuity limitations and minimum donor age requirements. Currently, the minimum amount to establish a gift annuity is $10,000, and the minimum age for immediate payment gift annuities is age 55 unless an exception is granted by the Vice President for Finance and Administration, or, if a deferred gift annuity is being established. Payments to beneficiates on any gift annuity may be no more frequent than on a quarterly basis.

In states where Luther College is not registered to issue charitable gift annuities, the college will work in partnership with the ELCA Foundation to write the annuity, provided the ELCA Foundation is also licensed in the donor's state. If a donor wishes to establish a Charitable Gift Annuity for a lesser amount or in some way does not meet other college minimum requirements, the donor normally will be directed to the ELCA Foundation, unless an exception is made to the college's minimum by either the Vice President for Advancement or Vice President for Finance and Administration.

e) Insurance

Gifts of life insurance may be accomplished in several ways:

1) The donor may make a gift of an existing policy. As provided by law, the donor will receive a charitable deduction equal to the replacement value of the policy or its basis, whichever is less. If the transferred policy is not paid-up, the donor may contribute annually to the college and receive a charitable deduction for the donor's annual gift. The college will use the contribution to pay the annual premium due on the policy.
2) The donor may apply for a new policy naming the college owner and beneficiary. The donor may contribute annually to the college and receive a charitable deduction for the donor's annual gift. The college will use the contribution to pay the annual premium due on the policy.
3) The donor may gift the proceeds or a portion or percentage of the proceeds of a life insurance policy by naming the college as a revocable or irrevocable beneficiary of the policy.

f) Trusts

At times, the college may agree to act as trustee of charitable remainder annuity trusts and charitable remainder unitrusts (as well as charitable lead trusts) where the college is at least a 50% remainder beneficiary. The college may set minimum funding limitations to establish these gifts. Currently, the minimum to establish trusts with the college is $100,000. If a trust is to be funded with "difficult-to-value" or non-income-producing property, a net income unitrust will normally be used. This obligates the trustee to pay an annual unitrust amount that is the lesser of the specified percentage of the trust assets or the actual trust income.

When net income unitrusts are used, a separate letter of understanding to the college should be signed by the donor indicating that the donor understands the income concept of a net income unitrust. The letter will also cover such items as problems of marketing the property, etc.

Minimum and maximum payout rates are determined by the current Internal Revenue Codes rules for charitable trusts (with minimal residual requirements) and by current market and investment conditions. The final rate of payout will be negotiated with the donor(s), the Vice President for Advancement, and Vice President for Administration and Finance. The final decision will take into consideration the term and goals of the trust, the potential investment environment, and the risk tolerance of all parties involved. Investments for the trust will be determined by the college and generally be coordinated through the college's investment advisor(s). Considerations will be given to other advisor(s) only on select occasions and only if said advisor can provide regular reports, tax information, and updates as required by the college. In addition, the investment advisor(s) will be evaluated on an annual basis with the right to revoke their services if not performing adequately. The investment goal for each trust shall be a minimum total return equal to the payout rate plus the average inflation rate for the previous three years.

The college will accept cash, securities, and readily-marketable property to fund trusts. Annuity trusts will generally avoid real property as a funding vehicle. The trust documents may be prepared by the college, the college's attorney, or by the donor's attorney. If prepared by the college or college's attorney, it is required that the donor(s) have their advisor(s) review and approve the documents prior to signing.

Trusts should pay all trustee and related fees including, but not exclusive of: set-up fees, annual administration fees, and tax-preparation costs.

g) Retained Life Estate

The college may accept gifts of real property with a retained life estate, subject to the same conditions for acceptance of outright gifts of real property set forth above. The agreement creating the life interest must provide that the donor(s)/life tenant(s) remain responsible for the payment of mortgages, taxes, insurance, utilities, and other costs associated with the property unless other specific provisions are made.

h) Will bequests

When the college is informed that a donor has named the college to receive a bequest under the donor's will, the Vice President for Advancement or an Advancement officer will suggest to the donor and/or the donor's attorney that they send a copy of the will provision to the college so the college can record the expectancy and ensure that the donor's wishes will be met. In the alternative, the donor may be asked to complete a Letter of Intent for a Future Gift which will identify among other things, the type of bequest, (e.g., specific amount, percentage of the estate, residual of the estate) and the desired use of the bequest.

VI. Campaign Counting and Reporting

The college complies with IRS regulations along with standards set forth by AICPA (American Institute of Certified Public Accountants) and CASE (Council for Advancement and Support of Education) in recording outright gifts and pledges. As noted in section (V) (B), pledges are in compliance with CASE Campaign Standards by not exceeding a seven-year period (Luther College pledge periods will generally not exceed five years for a campaign commitment).

For campaign-counting purposes, all outright gifts and pledges will be recorded at full market value in the donor records and campaign reports. A standard discount for uncollectable pledges will be accounted for in audits; however, the college does not discount in campaign accounting unless a pledge is cancelled by the donor during said campaign period.

Goals for outright support and planned gift support will be delineated in any campaign presentation and reports (to both internal and external audiences).

Planned gifts, including bequest commitments and other deferred gifts, whether revocable or irrevocable, will be counted and reported at face value. This reporting represents a record of activity towards fundraising and campaign goals. Planned gifts will be reported and tracked in two categories: revocable gifts and irrevocable gifts. Likewise, these reports will associate the reported numbers with the comparable goal or category of activity.

Valuation of planned gifts will be managed for internal process only, and will follow the *Partnership for Philanthropic Planning (PPP) Valuation Standards for Charitable Planned Gifts*, dated June 2011. These standards are intended to provide the charitable gift planning community with a comprehensive and consistent methodology for valuing planned gifts, and are designed to reflect the present value of the ultimate purchasing power of the gift. The present value will be recorded for book value of the gift.

Note: to include revocable planned gifts in campaign totals, the following requirements must be satisfied:

a. The commitment should specify an amount to be distributed or, if a percentage, specify a credible estimate of the value at the time the commitment is made.
b. Have verification of the commitment through one of the following forms:
    1) A letter or agreement from the donor or donor's advisor affirming the commitment.
    2) Copy of will
    3) Luther College Letter of Intent for a Future (Estate) Gift form signed by the donor
    4) Charitable/Deferred Pledge Agreement.

Planned gifts that do not have the above requirements will be counted, recorded, and valued at $1 until further information is received.

The Advancement Office will provide regular campaign progress reports to the Board of Regents and the appropriate Board committee and internal staff (including members of President's Cabinet and Advancement officers – monthly). In addition, an annual gift income report will be filed with VSE (Voluntary Support of Education survey) and also annual filing of the CASE campaign reports will be completed to assure college compliance, visibility and access to comparative data.