



**Manhattan Beach Education Foundation Endowment
(the “Endowment”)**

GIFT ACCEPTANCE POLICY AND GUIDELINES

The Manhattan Beach Education Foundation Endowment (hereinafter referred to as the “Endowment”) is a not for profit organization organized under the laws of the State of California that encourages the solicitation and acceptance of gifts that will help to further fulfill its mission. The following policies and guidelines govern acceptance of gifts made to the Endowment.

I. Purpose of Policies and Guidelines

The Endowment solicits current and deferred gifts from individuals, corporations, and foundations to secure the future growth and missions of the Endowment. These policies and guidelines govern the acceptance of endowment gifts by the Endowment and provide guidance to prospective donors and their advisors when making gifts to the Endowment.

II. Use of Legal Counsel

Endowment shall seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by counsel is recommended for:

- 1) Closely held stock transfers that are subject to restrictions or buy-sell agreements.
- 2) Documents naming the Endowment as Trustee.
- 3) Gifts involving contracts, or other documents requiring the Endowment to assume an obligation.
- 4) Transactions with potential conflict of interest that may invoke IRS sanctions.
- 5) Other instances in which use of counsel is deemed appropriate by the Endowment Board of Directors (hereinafter referred to as the “Board”) and/or Investment Committee.

III. Conflict of Interest

The MBEF EF will urge all prospective donors to seek personal legal and financial advice in matters relating to their gifts and the resulting tax and estate planning consequences.

VI. The Gift Acceptance Committee

The gift acceptance committee reviews all gifts made to the Endowment, properly screening and accepting those gifts, and making recommendations to the board on gift acceptance issues when appropriate.

V. Gifts

The Endowment will normally accept gifts from any individual or business entity as long as it is done in accordance with local, state, and federal laws. However, the Board reserves the right to reject any gift by a majority vote. The following are acceptable gifts and the criteria to govern the acceptance of each gift form:

- 1) **Cash.** Cash is acceptable in any form, US dollars, personal checks, money orders. Checks shall be made payable to the Endowment and shall be delivered to the Endowment’s administrative offices.
- 2) **Securities.** The Endowment can accept both publicly traded securities and closely held securities registered and unregistered.
 - a. **Publicly Traded Securities.** Marketable securities may be transferred to an Endowment account maintained at one or more brokerage firms or delivered physically with the transferor’s signature or stock power attached. All marketable securities shall be sold upon receipt unless otherwise directed by the investment committee. The Endowment may accept marketable securities that



are restricted by applicable securities laws; in such instance the final determination on the acceptance of the restricted securities shall be made by the Gift Acceptance committee of the Endowment.

- b. **Closely Held Securities.** Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in limited partnerships and limited liability companies, or other ownership forms, can be accepted subject to the approval of the Gift Acceptance Committee of the Endowment. However, gifts must be reviewed prior to acceptance to determine:

- i. there are no restrictions on the security that would prevent Endowment from converting the asset to cash;
- ii. the security is marketable; and
- iii. the security will not generate any undesirable tax consequences for the Endowment.

The GAC can pursue the advice of legal and tax professionals as they deem necessary. Further review shall make the final determination as to the acceptance of closely held securities. Non-marketable securities will be liquidated as quickly as possible.

- 3) **Real Estate.** Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, the Endowment or GAC shall require a Phase I environmental review of the property. Environmental inspection forms are attached as an appendix to this document. In the event that the initial inspection reveals a potential problem, the GAC shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall be an expense of the donor. When appropriate, a title binder shall be obtained by the MBEF EF prior to the acceptance of the real property gift. The cost of this title binder shall generally be an expense of the donor. Prior to acceptance of the real property, the gift shall be approved by the GAC. Criteria for acceptance of the property shall include:

- a. Is the property useful for the purposes of the MBEF EF?
- b. Is the property marketable?
- c. Are there any restrictions, reservations, easements, or other limitations associated with the property?
- d. Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, etc., associated with the property?
- e. Does the environmental audit reflect any issues of concern?

- 4) **Remainder Interests in Property.** The Endowment will accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions of paragraph 3 above. The donor or other occupants may continue to occupy the real property for the duration of the stated life. At the death of the donor, the Endowment may use the property or liquidate it to cash. Where the Endowment receives a gift of a remainder interest, all expenses including but not limited to; maintenance, real estate taxes, and debt service are to be paid by the donor or primary beneficiary.

- 5) **Oil, Gas, and Mineral Interests.** The Endowment may accept oil and gas property interests. Prior to acceptance of an oil and gas interest the gift shall be approved by the GAC. Criteria for acceptance of the property shall include:

- a. Gifts of surface rights should have a value of \$200,000 or greater.
- b. Gifts of oil, gas, and mineral interests should generate at least \$5,000 per year in royalties or other income as determined by the average of the three years prior to the gift.



- c. The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate
 - d. A working interest is rarely accepted. To be considered for acceptance, a working interest must be accompanied by a plan to minimize all potential liability and tax consequences.
 - e. The property should undergo an environmental review Phase I.
- 6) **Life Insurance.** The Endowment must be named as both beneficiary and irrevocable owner of the policy before a life insurance policy can be recorded as a gift. The gift is valued at its interpolated terminal reserve value, or cash surrender value, upon receipt. If the donor contributes future premium payments, the Endowment will include the additional premium payment as a gift in the year that it is made. If the donor does not to make gifts to cover future premium payments, the Endowment may:
 - a. continue to pay the premiums;
 - b. convert the policy to paid up insurance; or
 - c. surrender the policy for its current cash value.
- 7) **Trusts Administered by Others.** The value of the assets of gifts in trust that a Foundation or the donor has chosen to have administered by an independent entity, such as a bank or other fiduciary, is recorded as a gift at the time the trust is established (or at the time the institution is informed of the gift), provided the gift is irrevocable. The income derived from such trusts is treated as similar to or like, but not as endowment income and is included in annual gift totals.
- 8) **Charitable Remainder Trusts.** The Endowment may accept designation as remainder beneficiary of a charitable remainder trust with the approval of the GAC of the Endowment. The Endowment will not accept appointment as trustee of a charitable remainder trust.
- 9) **Charitable Lead Trusts.** The Endowment may accept a designation as income beneficiary of a charitable lead trust. The board will not accept an appointment as Trustee of any charitable lead trust.
- 10) **Retirement Plan Beneficiary Designations.** Donors are encouraged to name the Endowment as beneficiary of their retirement plans. Such designations will not be recorded as gifts to the Endowment until such time as the gift is irrevocable. If the gift is irrevocable, but is not due until a future date, the present value of that gift will be used to determine a gift value.
- 11) **Bequests.** Donors are encouraged to make bequests to the Endowment under their wills and trusts. Such bequests will not be recorded as gifts to the Endowment until such time as the gift is irrevocable. If the gift is irrevocable, but is not due until a future date, the present value of that gift will be used to determine a gift value.
- 12) **Life Insurance Beneficiary Designations.** Donors are encouraged to name the Endowment as beneficiary or contingent beneficiary of their life insurance policies. Such designations shall not be recorded as gifts to the MBEF EF until such time as the gift is irrevocable. If the gift is irrevocable, but is not due until a future date, the present value of that gift will be used to determine a gift value.

VI. Gift of Services

The Endowment seek gifts of time and services on a considerable scale. While crucial and much appreciated, time and services are not tax-deductible. Out-of-pocket expenses associated with the service may be deductible as determined by the donor's tax professionals. The Endowment does not issue gift receipts for, or acknowledgements of such out-of-pocket expenses.

VII. Restrictions on Gifts

The Endowment accepts all unrestricted gifts and gifts for specific programs and purposes, provided that such gifts are not inconsistent with its stated mission, purposes, and priorities. The Endowment will not accept gifts that are



overly restrictive in purpose. Gifts that are overly restrictive are those that violate the terms of the corporate charter, are too difficult to administer, or are for purposes outside the mission of the Endowment. All final decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the Board, taking into account the recommendation of the GAC.

VIII. “Named” or “Special” Endowment Fund

In the event the Endowment accepts a restricted gift, those funds may be managed separately based on requirements of the restricted gift. These “Named” or “Special” funds will only be accepted when a donor has requested that distributions from the fund be restricted in their use. These funds would only be setup in very special situations and require approval by the Gift Acceptance Committee. Any “Named” or “Special” Fund would have the following requirements and guidelines:

1. Clearly documented policies which are approved by the donor, the Gift Acceptance Committee and Investment Committee.
2. Minimum contribution of \$500,000.
3. If the donor fails to fulfill his pledge obligation or the purpose for which the fund is established becomes illegal or impractical, the Endowment may designate an alternative use in the spirit of the donor’s original intent.
4. If, circumstances change such that the uses or purpose for which this fund has been established are no longer existent and/or are in conflict with administrative or academic policies of the MBUSD, then the fund income and principal may be used in a manner which is in the best interests of the Endowment, bearing in mind the wishes of the donor. Every effort shall be made by the Endowment to advise the donor of such change prior to further disbursement being made.

IX. Securing Appraisals and Legal Fees for Gifts

It will be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts made to the Endowment.

X. Valuation of Gifts for Development Purposes

The Endowment will record a gift received by the Endowment at its valuation for gift purposes on the date of gift.

XI. Responsibility for IRS Filings upon Sale of Gift Items

The GAC of the Endowment is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within two years of receipt by the Endowment when the charitable deduction value of the item is more than \$5,000. The Endowment must file this form within 125 days of the date of sale or disposition of the asset. Form 8282 is attached as an appendix to these policies. Acknowledgement of all gifts made to the Endowment and compliance with the current IRS requirements in acknowledgement of such gifts shall be the responsibility of the Board. IRS Publication 561 *Determining the Value of Donated Property* and IRS Publication 526 *Charitable Contributions* are attached to these policies as an Appendix.

XII. Changes to Gift Acceptance Policies

These policies have been reviewed and accepted by the GAC and the Board of the Endowment. Changes to the policy require the approval of the GAV and the Board.