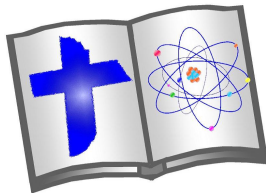


# Policy and Procedure Manual for



A choice worth making...

Martin

Luther High School

## Endowment Fund

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[www.martinlutherhs.com](http://www.martinlutherhs.com)

Established January 2010

“...Helping **Young People** lead *active Christian* lives and *Excel* academically  
through *Christian* training and nurturing.”

## **POLICY AND PROCEDURE MANUAL CONSIDERATIONS FOR MARTIN LUTHER HIGH SCHOOL ENDOWMENT**

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### **Statement of Purpose**

These guidelines have been established by the Board of Directors of Martin Luther High School, Northrop for the following reasons:

1. To define and set forth the working policies of the Endowment Committee.
2. To provide a consistent framework for the promotion of good public relations with members of The Martin Luther High School Association Churches, donors, prospective donors, professional advisors and the community.
3. For the protection of Martin Luther High School, donors' gifts and those individuals directly involved in the conduct of the program.
4. To assist our constituents in their goal of being good stewards of all God has given them to manage in perpetuity, their faith legacies, for His glory.

### **Guidelines**

1. *Confidentiality.* All information provided by a donor, prospective donor, or other advisors will be treated with utmost discretion and confidentiality.
2. *Use of legal counsel.* Donors need and will be urged to seek competent legal counsel. Staff members shall seek the advice of the Martin Luther High School's legal counsel in all matters pertaining to the planned gifts program and shall execute no planned giving agreement without the advice of such counsel.
3. *Gifts of real or personal property.* Any written acceptance of such gifts should be simply a receipt of the item(s) and should not express or confirm an opinion of the value thereof.
4. *Gifts requiring expenditure of funds.* The Board of Directors must approve all gifts that will or may require expenditure of funds, either at the time of the gifts or at some future date. Examples of the types of gifts that would need approval are all assets going into any form of charitable trust or charitable gift annuity; bargain sale; or outright gifts such as real estate that may place present or future obligations on the school.
5. *Use of funds.* The Endowment Fund primarily seeks funds for religion, student scholarships, building maintenance and repair, athletics, fine arts, technology, curriculum and the promotion of Martin Luther High school. Gifts designated for other purposes will be accepted upon the approval of the Endowment Committee and the Board of Directors.

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6. *Methods of asking for gifts.* Gift opportunities and avenues of planned giving will be brought to the attention of the MLHS Association Churches and other donors through the use of printed materials at regular intervals. This effort will be implemented by coverage in the MLHS *Knight Light* newsletter, bulletin inserts, announcements, and presentations at church services and meetings, special wills and estate planning programs, and personal follow-up by the Endowment Committee, Board members, MLHS Director of Development or an LCMS Planned Giving Counselor.
7. *Memorial designations and recognitions.* Planned gifts in memory or in honor of others are encouraged, and it is the responsibility of the Endowment Committee to ensure that all reasonable designations are honored and appropriately recognized. Final decisions on any questionable donor requests rest with the Board of Directors.
8. *Gift reporting and program evaluation.* Gifts of hard-to-value assets such as mineral rights, limited partnerships, personal property, etc., shall be made with professional assistance when needed.
9. *Gifts of securities.* Gifts of securities with a fair market value of less than \$5,000 will be automatically sold or used at the discretion of the Endowment Committee and Board of Directors.
10. *Amendments.* Modifications may be made to these guidelines at any time upon the action of the Endowment Committee and the Board of Directors.

### **The Planned Giving Philosophy**

1. Jesus said it is more blessed to give than receive.
2. Giving benefits the giver more than the recipient.
3. Planned giving is a service rather than a way of getting funds. Absolutely no pressure is ever needed from anyone; in planned giving, we help only those who want our assistance. As a result, they give freely.

It is essential for the planned giving program of Martin Luther High School to implement a low-key, informational approach which creates an active interest on the part of members who respond.

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**EXAMPLES OF USES OF THE ENDOWMENT FUNDS**

Mission Statement: Martin Luther High School, by God's grace, in partnership with homes and congregations exists to help young people lead active Christian lives and excel academically through Christian training and nurturing.

The Vision of Martin Luther High School is to be a premier Lutheran Christian secondary school. Listed below are examples of, but not restricted to, uses of the Endowment Fund.

**A. Religion**

1. Textbooks and teaching aids
2. Equipment

**B. Student Tuition Aid**

1. Scholarships for qualifying students will be awarded annually.

**C. Building Maintenance and Improvement**

1. Remodeling and renovating existing property
2. New equipment
3. Purchasing such items necessary for enabling or improving a unique ministry

**D. Curriculum**

1. Textbooks, teaching aids
2. Equipment

**E. Technology**

1. Equipment and services

**F. Athletics**

1. Equipment
2. Coaches

**G. Fine Arts**

1. Equipment and expenses
2. Directors

**H. Faculty Enrichment**

**I. Marketing MLHS**

**TYPES OF GIFTS the ENDOWMENT FUND CAN RECEIVE**  
**Final Draft-Approved by MLHS Board of Directors on January 26, 2010**

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**POLICY AND PROCEDURE MANUAL CONSIDERATIONS  
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- A. Cash
- B. Stocks and Bonds (Securities)
- C. Life Insurance and Annuities
- D. Retirement Plans
- E. Items of Property
- F. Real Estate
- G. Bequests from Trusts and Wills

**PROCEDURE FOR ACCEPTING GIFTS**

**A. Cash.** Cash is the simplest and most readily accepted form of gift the Endowment can receive. It must be in U.S. Dollars. The Board must ascertain that the gift has not come from any illegal sources.

**B. Stocks and Bonds**

1. If the security is worth less than the original cost, ask the donor to sell it and give the proceeds to MLHS.
2. If the security is worth more than the original cost (and has been held longer than the legally required long-term holding period), ask your donor to either:
  - a. To sign the back of the stock certificate exactly as the name(s) appears on the face of the stock certificate. Ask a broker or banker to guarantee the person's signature; or
  - b. To send the unsigned stock certificate in one envelope and an "assignment form separate from the certificate" signed by the donor with signature guaranteed by a broker or banker in another envelope.
3. Encourage donors regularly to ask for any help needed in transferring securities to MLHS. Contact the Planned Giving Counselor or LCMS Foundation.

We can use the Foundation to hold these securities or cash them for us. If the Foundation is used, the stock or bond needs to be gifted directly to the Foundation.

**POLICY AND PROCEDURE MANUAL CONSIDERATIONS  
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**C. Life Insurance**

1. Give a policy purchased by the parents of a policy-holder in their memory, or
2. Give a policy purchased to provide income for a spouse now deceased, to guarantee your children's education, now completed, to protect a business interest which no longer exists, or to cover a mortgage now paid off.
3. Assign life insurance policy dividends to MLHS.
4. Name MLHS as a primary beneficiary for part or all of the proceeds.
5. Name MLHS as a secondary beneficiary for part or all of the proceeds.
6. Name MLHS as the beneficiary for what is left of a supplementary life insurance agreement arranged at retirement, death, or at the retirement or death of a surviving spouse.
7. If the person has a large income and minimum accumulated assets, a new policy can be purchased. The donor insures making a larger-than-usual gift, and through paying premiums, the gift is made on an installment basis.
8. When a person who is named as a beneficiary dies, the policy can be given as a memorial to the deceased beneficiary. Tax deductions may be taken for the approximate cash value as a gift.
9. Policies can be purchased for your heirs' benefit to replace a gift made outright to a charity or exchanged for a life income from a charity.

**D. Retirement Plans**

A person can advise the retirement plan administrator to MLHS or other charity as a beneficiary in one of several ways. Before retirement, MLHS can be named to receive:

1. Part or all of the remaining proceeds.
2. Part or all of the remaining proceeds as a secondary beneficiary.
3. Part or all of the remaining proceeds as last beneficiary.

After retirement commences, MLHS may receive:

1. Part or all of the remaining retirement fund or survivor payments when the retiree dies.
2. Part or all of the remaining retirement fund or survivor payments when the first beneficiary dies.
3. Part or all of the remaining retirement fund or survivor payments when the first or second beneficiary dies.

MLHS or the charity benefits when the donor dies before retirement; when the retiree dies without any beneficiaries; and when the first or second beneficiary predeceases the retiree.

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As part of the retirement-plan giving approach you can ask donors to:

1. Name MLHS as the first, second, or last beneficiary of a life insurance policy or a commercial annuity being used to provide income.
2. It may be possible to name MLHS as the first, second, or third beneficiary of money market or other mutual fund accounts. Check your state laws and with the issuer of the securities.
3. In some cases, you can name MLHS as the successor beneficiary of bank and savings and loan "trust" accounts which can be paid at death.

Whatever the plan the person is using to provide retirement income, investigate the possibilities of how MLHS can be named as first, second, or last beneficiary.

*Note:* Government-sponsored plans and some corporate plans may not permit participants to make charitable gift designations. Those interested should always check with their employers.

### **E. Items of non cash property**

All of the following gifts provide tax deductions:

1. Giving business inventories to MLHS.
2. Giving cattle, other livestock, or crops.
3. Assigning royalties (on oil, inventions, and writings).
4. Giving mortgages, leases, bank and savings and loan accounts.

*Note:* Many members hold first and second mortgages on homes they have sold. These mortgages make excellent gifts.

Sometimes businesses acquire surplus inventory which will have to be written off as a loss, but which might very well be used by MLHS. Such items as food, clothing, household supplies, cleaning equipment, camping equipment, and office supplies can be given to MLHS. The business owner can deduct the cost basis as a charitable gift. (If the item is used in the care of the ill, the needy, or children, half of the appreciation is deductible in addition to the cost basis.)

Property of any kind can be given subject to any conditions agreed on by the giver and receiver. A person can:

1. Give outright.
2. Give title to the property now, but retain the income rights.
3. Give the income only while retaining control of the principal.

There is a proper and legal way to transfer possessions to MLHS, and there are tax benefits to the donor in most cases. MLHS needs access to an attorney, CPA, Planned Giving Counselor, and others who can advise MLHS on methods of transferring and valuing such gifts.

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### **F. Real Estate**

Real estate is often the most valuable asset people own. Donors may well wonder what will become of their house, farm, or other real estate when they die. Some with a high motivation to give cannot do so because real property makes up a large part of their assets and may be producing only a small income.

Here are three types of real estate gifts:

1. Giving rental or other business real estate outright.

Donors who are advanced in age may decide they do not want the responsibility of maintaining a residence or caring for rental property. They may not need the income their property produces and will transfer the title to MLHS as an outright gift.

2. Giving rental or other business real estate for a lifetime income.

Donors may also give income-producing real estate to MLHS in exchange for an income for life. The amount of income is usually based on (a) the age of the member at the time of the transaction and (b) the fair market value of the property.

The income may be fixed or variable, depending on the needs of the donor. Consult with competent legal counsel for full information on charitable remainder trusts. Gift annuities may also be funded with marketable real estate.

3. Giving a personal residence or family farm.

A life estate agreement is a gift arrangement between a donor and MLHS, providing for the transfer of a personal residence or family farm by the donors to MLHS, with the person or persons reserving a life estate (the right to live in or on the property, receive the income, if any, etc., for life).

The donor and MLHS enter into a simple agreement. The title is transferred to MLHS and registered with the County Register of Deeds. The property is deeded subject to a life estate provision. The life estate agreement recognizes the deed and stipulates the terms of the agreement.

The responsibility of the MLHS is limited. The donor has the owner's rights and responsibilities while living. (*Note:* This type of arrangement should be carefully worked out by an attorney. MLHS should also determine if it has any legal liability.)



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Life estate prospects are limited to people owning personal residences or family farms they want to give to MLHS. Couples without children, single persons, especially the last members of families, are excellent prospects. Sometimes people who are not active donors but own property near MLHS will give their property to the school at death using a life estate agreement to make the gift.

The benefits to a donor and MLHS include:

1. Donor makes a gift now that takes effect at death.
2. Donor receives all income earned and/or retains the right to live on the property for life.
3. Donor has the satisfaction of knowing the property owned will be used by MLHS after their death.
4. Donor is allowed an income tax deduction for part of the value when the arrangement is made irrevocable.
5. Member avoids probate expense.

The following procedures should be completely adhered to for protection and properly enabling MLHS to receive the real estate gift.

1. All proposed gifts of real estate must be reviewed by the Endowment Committee and LCMS Foundation staff prior to acceptance.
2. The following materials shall be submitted to the LCMS Foundation for review prior to acceptance of real estate, who shall then seek the professional advisement of
  - a) Completed trust and real property data sheets as required by the Planned Giving unit
  - b) Deeds, leases, abstracts, and any other legal document relating to the parcel of property, including a document which contains the legal description of the property in question
  - c) Copies of mortgages and promissory notes relating to the property, and copies of paid promissory notes on the property for previous mortgages and liens and copies of recent property tax statements
  - d) Insurance policies then in effect covering the property in question, including title insurance
  - e) Indications of whether the property in question has any known toxic or hazardous waste on the property
  - f) Other descriptions of the property as required by the LCMS Foundation, including written reports, photographs, surveys, and appraisals
3. Upon receipt of those materials described in paragraph 2 above, the LCMS Foundation staff shall review and report to the appropriate Regional Planned Giving Counselor whether MLHS will accept the property in question.

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4. Upon notification that the property in question is acceptable to the Foundation, the Planned Giving Counselor may complete the gift by submitting the following (in addition to any other necessary procedures):
  - a) An executed warranty deed and appropriate information concerning the condition of the title to the real property, consisting of an abstract and where necessary, an owner's title insurance policy, the cost of which shall be paid from the proceeds of the gift or by the donor(s)
  - b) An appropriate hazardous waste affidavit executed by donor(s)
  - c) A completed trust data sheet
  - d) Properly executed charitable trust, Foundation endowment fund, Family Gift fund, memorial fund, or other Planned Giving document
  - e) An appraisal, or copy of an appraisal at donor's expense.

**G. Requests from trusts and wills**

One of the advantages of giving by will is the flexibility it offers. Four of the most popular forms bequests to individuals and charitable causes take are:

1. A fixed amount of money or a designated property. The donor names MLHS to receive \$500, \$1,000, \$5,000, some other specific amount, or a collection, a home, or parcel of land from his or her estate.
2. A percentage of the estate. Distribution of assets can be arranged on a percentage basis. The bequests then remain in the same proportion to each other, despite fluctuations in the value of the estate. You can urge members to tithe their estates to MLHS.
3. A double-purpose bequest. A life income to a relative or other loved one can be assured while leaving a gift to MLHS. This is accomplished by establishing a charitable remainder trust, a gift annuity, or other life-income gift in the will.
4. A residual bequest. Whatever property remains in one's estate after specific bequests have been fulfilled is known as the residue. Any donor can leave the residue of his or her estate to MLHS. This includes those who name MLHS for a specific amount of money or a designated property. They, too, can leave all or part of the residue of their estate after all other bequests have been satisfied.

Residual bequests are often much larger than specific bequests because family members or other heirs may die before the will-maker, and MLHS is named to receive any remaining assets.

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**PROCEDURE FOR DIRECTING AND DIVIDING GIFTS TO APPROPRIATE FUNDS OF THE FOUNDATION**

**A. Designated gifts**

These gifts will be reviewed as to the acceptability of the gift and usefulness to MLHS and presented to the Endowment Committee and Board of Directors for approval.

**B. Undesignated gifts**

(i.e.) any gifts received undesignated will be directed on an annual basis by review of the Endowment Committee with approval by the Board of Directors.

**PROCEDURE FOR DISTRIBUTING FUNDS FROM THE ENDOWMENT OR FOUNDATION**

The net income of the Endowment Fund shall be allocated to each fund (restricted and unrestricted) in proportion to each fund's average account balance. Income distributions from these funds may occur annually. Up to ninety-five percent of the net income (after expenses) earned by the principal may be distributed. The income from these funds is to be used for the uses, projects and programs recommended by the Endowment Fund Committee and approved by the Board of Directors. Any net income not distributed from each fund shall accumulate and be eligible to be disbursed as income in the future from the fund that earned it. Distributions of principal from the restricted funds are not permitted.

**A. Religion**

**B. Scholarship**

**C. Building Maintenance and Improvement**

**D. Curriculum**

**E. Technology**

**F. Athletics**

**G. Fine Arts**

**H. Faculty Enrichment**

**I. Marketing MLHS**

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### **PROCEDURE FOR APPLYING FOR FUNDS FROM THE ENDOWMENT OR FOUNDATION**

- A. An application form is completed stating the purpose and need for such funds.
- B. All application forms are due by February 15th. Those applications will be reviewed according to the purpose of the Endowment Fund. Recommendations will be taken to the Board of Directors and monies will be awarded in time for use at beginning of the next school year.

### **THE CHOOSING OF AN ENDOWMENT OR FOUNDATION CUSTODIAL MANAGER**

- A. The assets of the fund will be delivered to The Lutheran Church-Missouri Synod Foundation for investment management. Any agreement entered into for the management of the Fund shall be valid only if approved by a two-thirds (2/3) majority of the Board of Directors present at a duly called and constituted meeting of the Board of Directors.

The LCMS Foundation manages a variety of charitable agreements that enable a person to obtain income from a gift, while ultimately giving the principal of the gift to the ministries of his or her choice. These charitable agreements also generate income and gift and estate-tax advantages.

- 1. Unitrusts. A unitrust allows persons to transfer cash or highly appreciated property, such as stock and real estate, into trust, providing an income for themselves and saving the tax on the capital gain.

The unitrust pays the donor a set percentage of the value of the trust each year. The Foundation reinvests the assets, frequently at a much higher return, to produce the income for the donor and his/her family.

The minimum contribution for a unitrust is \$20,000 for cash or securities, (\$40,000 for contributions of real estate). Income payments are issued quarterly, and annual fiscal reports and tax information are also supplied.

The unitrust generates income and estate tax charitable deductions of part of the value of the asset placed in trust. When the income payments are complete, the balances of the unitrust assets are distributed to the ministries designated by the donor.

- 2. Pooled-Income Funds. Pooled-income funds are attractive to many who want to receive an income that adjusts with the market. Pooled-income funds offer the added flexibility afforded by joint investments. Like unitrusts, costly taxes on capital gains are avoided by transferring appreciated securities to a pooled-income fund. The fund cannot accept tax free bonds or real estate. The minimum contribution is \$1,000 of cash or securities.
- 3. Annuity Trusts. Annuity trusts differ from the unitrusts in that the income is a fixed percentage of the value of the property at the time it is transferred to the annuity trust and it remains the

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same for the term of the trust.

4. Gift Annuities. Offering the security of fixed payments, gift annuities have the added benefits of 40 to 60 percent as partially tax-free income, a charitable income tax deduction, and a high rate of return. The older the annuitant, the larger the charitable deduction is. The higher the annuity rate, the larger the tax-free portion is.

### **B. Financial Performance**

Fund management by the LCMS Foundation aims to preserve the safety of the principal while earning the best return. For information and material on the LCMS Foundation, its trusts, Foundation funds, and annuities, a complete financial report, or to request a current Annual Report from the LCMS Foundation call 1-800-325-7912.

### **PUBLICITY**

The Endowment Committee is to inform the members of the Delegate Assembly and the Martin Luther High School Association Churches at least annually of the purpose of the Endowment Fund, and may periodically arrange for donors, constituents and members of Martin Luther High School Association Churches to meet with professional counselors in areas of charitable giving, wills, bequests, insurance, etc.

- A. Develop and distribute a brochure that is designed to inform and appeal to donors so they can be a contributor to the MLHS Endowment Fund.
- B. Prepare additional bulletin inserts, etc. to keep the Endowment Fund in front of donors.
- C. Arrange for seminars or informational programs or topics that encourage good stewardship planning through wills, trusts, insurance planning, etc. In addition, there are various charitable instruments designed for wise tax planning.

### **ACCOUNTING**

The treasurer of Martin Luther High School shall be responsible for receipts by and disbursements from the fund, shall maintain complete and accurate books of account, and shall provide, at least annually, a written financial report of the fund to the Delegate Assembly.

It is suggested to follow accounting practices established in the LCMS Manual for the MLHS Treasurer.

**NOTE:** References to an Endowment imply a 501 (c) 3 Exempt Organization structured as a 509 Supporting Organization Foundation.