

GIFT ACCEPTANCE POLICIES AND GUIDELINES

United Suffolk Sheep Foundation

Adopted April 28, 2020



Organized in 2019, the United Suffolk Sheep Association Foundation (hereinafter referred to as "Foundation") is a not-for-profit corporation organized under the General Corporation Act of the State of Iowa and is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Gifts made to the Foundation are deemed to be made to a qualified organization and are deductible under Section 170(b)(1) of the Internal Revenue Code.

The Foundation encourages the solicitation and acceptance of gifts to the Foundation to carry on educational and research activities related to agriculture.

The following policies and guidelines govern acceptance of gifts made to the Foundation.

I. Purpose of Policies and Guidelines

The Board of Directors of the Foundation and its staff may solicit current and deferred gifts from individuals, corporations, and foundations to secure the future growth and mission of the Foundation. These policies and guidelines govern the acceptance of gifts by the Foundation and provide guidance to prospective donors and their advisors when making gifts to the Foundation. The provisions of these policies shall apply to all gifts received by the Foundation for any of its programs or services. The Foundation reserves the right not to accept any gift.

II. Use of Legal Counsel

The Foundation 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) Gifts involving contracts, such as bargain sales or other documents requiring the Foundation to assume an obligation.
- 3) Transactions with potential conflicts of interest that may invoke IRS sanctions.
- 4) Other instances in which use of counsel is deemed appropriate by the Foundation's Board of Directors and/or staff.

III. Professional Assistance for Donors

The Foundation will urge all prospective donors to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences.

IV. Restrictions on Gifts

Gifts to the Foundation will be accepted for unrestricted use or for any one of the many established special funds and programs. The Foundation has established a sum of \$10,000 as the minimum amount necessary to establish an endowed fund. All gifts will be managed in accordance with Foundation policies. The Foundation may also accept a gift designated for a specific purpose for which no special fund has been established, provided that such gift is not inconsistent with the Foundation's stated mission, purposes, and priorities. All final decisions on the restrictive nature of a gift, and its acceptance or refusal, will be made by the Foundation's Board of Directors.

Gifts that may expose the Foundation to adverse publicity, require expenditures beyond its resources, or involve it in unexpected responsibilities because of a gift's source, conditions, or purposes will be referred to the Foundation's Board of Directors and/or legal counsel for approval prior to the Foundation accepting the gift.

The Foundation will not accept gifts that involve unlawful discrimination based upon race, religion, sex, age, national origin, color, handicap or any other basis prohibited by federal, state, and local laws and regulations. Nor can the Foundation accept gifts that obligate it to violate any other applicable law or regulation, or that violates the Foundation's articles of incorporation or bylaws.

V. Types of Gifts

Many types of assets may be used to provide gifts to the Foundation. A variety of methods of giving enables donors to choose the most appropriate for their circumstances and interests. The following gifts will be considered:

- Cash
- Tangible Personal Property
- Securities
- Real Estate
- Oil, Gas, and Mineral Interests
- Life Insurance
- Livestock
- Livestock Semen

The following criteria govern the acceptance of each gift type:

1) Cash

Cash is acceptable in any form. Checks shall be made payable to the United Suffolk Foundation and shall be delivered to the Secretary of the Foundation at the following address:

Amanda Everts, P.O. Box 121, Holland, Iowa 50642

For gifts made to the Foundation via a check, the postmark date on the carrier envelope is the gift date.

2) Tangible Personal Property

The Foundation may accept gifts of tangible personal property, including works of art, jewelry, antiques, coin, stamp and other collections, automobiles, manuscripts, lithographs, and books. Such gifts may be accepted only after a thorough review indicates the property is readily marketable or may be used by the Foundation in a manner consistent with one of the purposes for which it was established. An essential issue for donors to consider before contributing a gift of tangible personal property is whether they would like the Foundation to dispose of the property. Prospective donors should be advised that the Foundation reserves the right to sell or otherwise dispose of the personal property in question, if such action is financially advisable or necessary.

For all "gift-in-kind (GIK)" (i.e., non-monetary) donations, the Foundation must be furnished with the following information:

- Donor's name, address, and telephone number
- Contact person if the donor is a foundation or corporation
- Donor's social security number or federal tax identification number
- Brief physical description of the donated asset, including documentation of the method used to determine the fair market value

The expense of acquiring any appraisal required by the Internal Revenue Service will be the responsibility of the donor.

3) Securities

Publicly-traded securities, shares of stock and other interests in closely-held companies, bonds, and government issues may be given to the Foundation. The value of a gift of securities will be determined as noted below:

Publicly Traded Securities. These are securities regularly traded on a public stock exchange. The value of the gift will be the mean of the highest and lowest selling prices quoted for the security on the day of the gift. As a general rule, all marketable securities shall be sold by the Foundation upon receipt.

Closely Held Securities. These are shares or other interests of securities in entities which have been organized for profit-making purposes, (including interests in family limited partnerships and limited liability companies) and are rarely traded on stock exchanges. Donors may give shares of closely-held securities to the Foundation in the same manner as publicly traded securities. The Foundation will not accept any donation of general partnership interests. It is the Foundation's policy to convert closely-held securities to cash. While it is permissible for the donor or donor's company to purchase the securities at fair market value, there can be no redemption agreement—either formal or implied—prior to the gift. To ensure that donors of closely-held securities receive the tax benefit of such a gift and that both the donor and the Foundation comply with applicable IRS regulations, special handling is required. Gifts of closely-held securities may only be accepted upon approval of the Foundation Board of Directors with consideration given to the follow criteria:

- There are no restrictions on the security that would prevent the Foundation from ultimately converting those assets to cash;
- the security is marketable; and
- the security will not generate any undesirable tax consequences for the Foundation.

If potential problems arise on initial review of the security, further review and recommendation by an outside professional may be sought before making a final determination on the acceptance of closely-held securities when necessary.

Methods of Delivery and Effective Date of Transfer of Securities

Hand Delivery – If securities are hand delivered to the Foundation, the value of the gift will be its fair market value on the date of delivery calculated in accordance with IRS guidelines. Donors should endorse stock certificates only upon delivery to the Foundation. For securities that are hand delivered, the gift date is the date the securities are delivered to the Foundation except in the case where ownership of the security is transferred by a transfer agent and a new certificate is issued in the name of the Foundation. In this case, the date of the gift will be the transfer date indicated on the newly issued certificate.

Mailing – If the securities are mailed to the Foundation, the value of the gift will be its fair market value on the date the securities were postmarked except in the case of securities transferred via a transfer agent as described above. Donors should obtain a stock power, signing it exactly as it appears on the certificates, and have their signature guaranteed by their banker or broker. The stock power and a letter of instruction should be mailed to the Foundation under separate cover from the stock certificate(s). The Foundation should be designated on the stock certificate(s), stock power, or related instruments of transfer as Suffolk Foundation. The stock certificate(s)

should be sent by registered mail, return receipt requested, to the Foundation. Unendorsed stock certificates are non-negotiable. The postmark date on the stock power will be used as the gift date when the stock certificate and stock power are mailed under separate covers.

Electronic Transfer – If securities are electronically transferred from a donor's brokerage account to an account held in the name of the Foundation via the Depository Trust Company (DTC), then the value of the gift will be its fair market value on the date on which the securities are transferred to the Foundation account. Donors may contact the Foundation to obtain DTC instructions which they will then give to their broker along with a letter of instruction regarding the specific securities to be transferred. A copy of the letter of instruction should be sent to the Foundation in order that the donor may be receipted properly.

4) Real Estate

The Foundation may accept gifts of real estate including residential, condominiums, commercial, farm land, rental property and undeveloped land, after a thorough review of the following factors:

- the usefulness of the property for the Foundation's purposes
- the marketability of the property
- the existence of restrictions, reservations, easements, and/or other limitations
- the existence of encumbrances, such as mortgages and liens
- carrying costs, such as property owner's association dues, taxes, insurance, and other maintenance expenses, and
- fair market value in relation to the costs and limits listed above as determined by a qualified appraisal conducted in accordance with IRS standards

Prior to the acceptance of any parcel of real property, an assessment of the potential environmental risks will be conducted. This assessment will consist of a Phase I environmental audit conducted by a professional service. This audit shall include, among other items, the following:

- an inquiry of the present owner regarding his, her or its knowledge of the history of the property
- a title search to determine who the prior owners might have been
- a consultation with federal, state, and local environmental agencies to find out whether the property has any history of hazardous waste contamination, and
- a visual inspection of the property for any evidence of environmental hazards

In addition, if the Phase I environmental audit indicates that a more extensive investigation audit is necessary, a Phase II audit will also be required. It will be the responsibility of the donor to secure such environmental audits where required. Title insurance or other evidence of the donor's title may also be required. The decision to accept gifts of real estate requires approval of the Foundation Board of Directors.

When a gift of real estate property is received from an estate, the Foundation Board of Directors and staff will ensure that policies in regard to accepting gifts of real property are followed. The Foundation may disclaim ownership of the real property based on an evaluation by the outside consultant in the event a determination is made that potential problems exist.

5) Oil, Gas, and Mineral Interests

The Foundation may accept oil and gas property interests, when appropriate. Prior to acceptance of an oil and gas interest the gift shall be approved by the Foundation's Board of Directors, and if necessary, by legal counsel. Criteria for acceptance of the property shall include:

- Gifts of surface rights should have a value of \$20,000 or greater.
- Gifts of oil, gas, and mineral interests should generate at least \$3,000 per year in royalties or other income (as determined by the average of the three years prior to the gift).
- The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate.
- A working interest is rarely accepted. A working interest may only be accepted when there is a plan to minimize potential liability and tax consequences.
- The property should undergo an environmental review to ensure that the Foundation has no current or potential exposure to environmental liability.

6) Life Insurance

A donor may assign to the Foundation an existing life insurance policy that is no longer needed for family protection, irrevocably making the Foundation both the policy owner and beneficiary. The gift is valued at its interpolated terminal reserve value, or cash surrender value, upon receipt. If the donor elects to contribute future premium payments, the Foundation will include the amount of premium as a

gift in the year of the payment(s). If the donor does not elect to continue paying the premiums on the life insurance policy, the Foundation may:

- continue paying the premiums and receive the full face value of the policy at the donor's death;
- convert the policy to paid up insurance in a reduced amount with no further payments; or
- surrender the policy for its current cash value.

It is also possible for a donor to purchase a new life insurance policy for gift purposes to the Foundation. Similar to aforementioned, the Foundation must be irrevocably named both owner and beneficiary of the policy. In this case, however, the donor will make annual tax deductible gifts to the Foundation in the amount of the premium due on the policy. The Foundation, in turn, will pay the premium to the company. Donors are strongly encouraged to select premium payment schedules that will allow a build up of excess cash with the policy so that earnings on the cash and policy dividends will be sufficient to pay the premiums after five to seven years. If a donor stops making premium gifts before the policy is self-supporting, the Foundation will have the options outlined above in regard to the policy.

It is understood that donors expect and desire that their life insurance gifts will result in the policy's stated death benefit (or more) being available for use by the Foundation upon the death of the insured. Therefore, the Foundation reserves the right not to accept new policies which, because of unrealistic earnings and dividend projections, insurance company instability, or other factors, are unlikely to provide the donor's desired gift amount.

VI. Forms of Gifts

Gifts to the Foundation can be donated in many different forms. These forms provide the donor flexibility to give in a way appropriate to their circumstances. The following forms of gifts will be considered:

- Remainder Interest/Retained Life Estate of Personal Residence or Farm
- Bargain Sales
- Charitable Gift Annuities
- Charitable Remainder Trusts
- Charitable Lead Trusts
- Retirement Plan Beneficiary Designations
- Bequests

The following criteria govern the acceptance of each gift form:

1) Remainder Interest/Retained Life Estate of Personal Residence or Farm

The Foundation will accept a remainder interest in a personal residence, farm or vacation property subject to the provisions of Section 4 above. The donor or other occupants may continue to occupy the real property for the duration of the donor's life (and the lifetime of a survivor, if desired). Expenses for maintenance, real estate taxes, and any indebtedness relating to the property are to be borne by the donor where a reservation of a life estate exists. Thereafter, the residence or farm will either be sold or used by the Foundation for purposes within the mission of the Foundation specified by the donor, if any were provided.

2) Bargain Sales

The Foundation will enter into a bargain sale arrangement only in instances in which the bargain sale furthers the mission and purposes of the Foundation. All bargain sales must be approved by the Foundation's Board of Directors, and if necessary, by legal counsel. Factors used in determining the appropriateness of the transaction include:

- The Foundation must obtain an independent appraisal substantiating the value of the property.
- If the Foundation assumes debt with the property, the debt ratio must be less than 50% of the appraised market value.
- The Foundation must determine that it will use the property, or that there is a market for sale of the property allowing sale within 12 months of receipt.
- The Foundation must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.

3) Charitable Gift Annuities

The Foundation may offer charitable gift annuities. The gift annuity, which pays an attractive fixed rate of return based on the age(s) of the income recipient(s), is a contract between the Foundation and the donor whereby the Foundation agrees to pay the donor (and to a surviving beneficiary, if desired) a fixed annual income for life. The minimum gift for funding is \$5,000. The Foundation Board of Directors may make exceptions to this minimum level. Because it is a contract, rather than a trust, all assets of the Foundation stand behind the commitment to make the payments to the income beneficiary(ies).

Annuity payments may be made on a quarterly, semi-annual, or annual schedule and exceptions to these suggested would require approval of the Foundation's Board of Directors.

The minimum age for life income beneficiaries of a gift annuity shall be 55. Where a deferred gift annuity is offered, the minimum age for life income beneficiaries shall be 45. No more than two life income beneficiaries will be permitted for any gift annuity.

The rate of payment from a gift annuity shall be that which is fixed from time to time by the American Council on Gift Annuities (ACGA). However, the ACGA recommendation notwithstanding, the rate of payment shall not exceed the 10-year average of the annual return of the Lehman Intermediate Government/Corporate Bond Index as of January 1 in the year the gift is made. This average will be recalculated every three years, in conjunction with the triennial review of rate by the ACGA, and may be adjusted more frequently if market conditions dictate.

When the lifetime income interests terminate, the gift will benefit programs of the donor's choice in the Foundation, if any were specified by the donor.

4) Charitable Remainder Trusts

Charitable Remainder Trusts (CRT) are irrevocable arrangements that pay income to the donor and/or other beneficiaries for life or a term of years. The Foundation will accept gifts valued at \$25,000 or more to either Charitable Remainder Unitrusts (CRUT) or Charitable Remainder Annuity Trusts (CRAT).

Assets which are readily acceptable for charitable remainder trusts include cash, marketable securities, and real estate not subject to debts or incumbrance. Assets that require prior approval of the Foundation Board of Directors before acceptance include real estate, closely held securities, partnership interests, and tangible personal property. Mortgaged real estate cannot be accepted.

Income paid to the non-charitable beneficiary(ies) must be a minimum of five percent of the value of a CRUT's assets which are revalued annually, compared to a CRAT where the payment remains the same throughout the term of the trust and no additional contributions can be made.

Hence, with a CRUT, the payment varies each year, but donors have the ability to make contributions to a CRUT.

While the rate of CRT's payment must be a minimum of five percent, the maximum rate is negotiated between the donor and the Foundation. The rate selected must take into account the income needs of the donor, preservation of the trust assets for ultimate use by the Foundation, and any IRS regulations regarding payments.

The Foundation will not pay a finder's fee or commission to any third party in order to secure a CRT, with the exception of standard commissions on the sale of real property, securities, or similar payments necessary to the operation of the trust.

5) Charitable Lead Trusts

A charitable lead trust provides immediate support for the Foundation through income generated by the assets in trust for a set period of time, after which the assets pass to a non-charitable beneficiary such as the donor, the donor's children, or other persons the donor specifies. Thus, a charitable lead trust is conceptually the opposite of a charitable remainder trust. In a lead trust, the donor gives the Foundation the current economic benefit of the transferred assets and retains the right to reacquire possession and control of the assets at a future date.

The donor can create a charitable lead trust during his or her lifetime or by will. Assets are transferred to a trustee, with the stipulation that the income from the assets be paid to the Foundation for the life of the trust, after which the principal or corpus of the trust reverts back to the donor or others of his or her choosing.

A lead trust may be advantageous for donors who have a larger income than they currently need or who desire to transfer assets to heirs at a reduced cost.

6) Retirement Plan Beneficiary Designations

Donors and supporters of the Foundation will be encouraged to name the Foundation as beneficiary of their retirement plans (i.e., IRA, profit sharing plan, 401(k) plan, 403(b) plan or simplified employee pension plan (SEP)). Such designations will not be recorded as gifts to the Foundation until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

7) Bequests

Gifts made by will or revocable living trust are completed only at the death of the donor and/or a surviving beneficiary. These gifts may provide for a specific dollar amount in cash, specific securities, specific articles of tangible personal property or a percentage of the residue of the donor's estate.

Bequests may be given as unrestricted or restricted gifts. Unrestricted bequests are used for the general purposes and can be applied to current needs. A restricted bequest supports a certain purpose or program designated by the donor.

Among donors' options are residuary and contingent bequests. A residuary bequest will give the Foundation all of a portion of the estate after all debts, taxes, expenses, and all other bequests have been paid. A contingent bequest can ensure that if circumstances make it impossible to carry out a donor's primary will provisions (as when a donor's spouse or other heirs do not survive the donor), these assets will then pass to the Angus Foundation rather than to unintended beneficiaries.

Donors may also direct income be paid to survivors before the assets come to the Foundation. The bequest can be used to establish a charitable remainder annuity trust or charitable remainder unitrust. If such a gift is made by will, the principal will pass to the Foundation only after the death of the life income beneficiary.

Gifts may be made to the Foundation through the execution of a new will or living trust or through a codicil or amendment to an existing document.

Donors are encouraged to recognize that over the many years following the establishment of a bequest, the needs, policies, and circumstances of the Foundation can change in unforeseen ways. The Foundation's Board of Directors must have the flexibility to make use of the funds in the best interest of the Foundation's mission and utmost harmonious accord with the donor's interests and specifications. Thus, donors are encouraged to avoid detailed limitations and restrictions for their gifts.

Because they are subject to change, gift commitments by will or revocable trust do not generate current tax deductions for the donor nor are they counted as current gift revenue for the Foundation. However, donors are encouraged to advise the Foundation of these provisions to assist the Foundation in future planning. All such notifications are held in strictest confidence, unless the donor gives express permission for their plans to be made public.

8) Livestock and Livestock Semen

The Foundation will accept donations of livestock or Suffolk ram semen. In all cases, acceptance must be approved by the Foundation Board of Directors. The donor must obtain a certification of good Health from a veterinarian for all animals being donated to the Foundation. The Foundation will not take possession of such livestock or semen, but will arrange for appropriate sale within a period of 45 to 90 days. All semen accepted for sale by the Foundation, shall be tested for quality prior to donation. Cost of this quality test shall be borne by the donor, but may be reimbursed by the Foundation after sale of the semen.

Livestock will be sold by private treaty or at auction within a 45 to 90 day period.

VII. Miscellaneous Provisions

1) Securing appraisals and legal fees for gifts to the Foundation

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

2) Valuation of gifts for accounting purposes

The Foundation will record a gift at its valuation (fair market value) for gift purposes on the date of gift.

3) IRS and Governmental Compliance

The Foundation will comply with all internal revenue service and any other governmental requirements.

VIII. Final Approval, Acceptance, and Execution of Gifts by the Foundation

Documents effectuating the acceptance of all gifts, the creation of endowments, and the transfer of real or tangible personal property to the Foundation must be approved by Foundation legal counsel and Board of Directors and executed by Foundation staff. The Board of Directors reserves the right to amend these policies and guidelines at anytime. The Board of Directors reserves the right to waive the enforcement of any of these policies and guidelines.