

DONOR GUIDE FOR GIFTING TO THE SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY

INTRODUCTION

Thank you for considering SDSM&T in your gifting plans. The purpose of this document is to explain the various gifting mechanisms to meet your personal needs and desires; and then lay out how the programs actually work in practice.

The SDSM&T Foundation is organized to receive donated funds, invest these moneys, and distribute them to the University as designated by the donor. The following material explains the Foundation's role in this process. The document is intended to provide an overview of the gifting process, but reference should be made to the full policy document for a more detailed explanation.

GIFTING CONSIDERATIONS

HOW DO I DIRECT MY GIFT?

Every gift regardless of size is important to SDSM&T. The needs of the institution range from scholarships to department support to capital programs for buildings. As a donor, the most effective gift is one that gives you the most satisfaction in advancing the progress of the University. You may feel that scholarships are a high priority or that support to attract top-notch faculty is a strong need or your area of interest might fit better with helping to fund department needs. Regardless of the area of support the Foundation will honor where you want your gift to be directed. You will also want to consider whether your gift is perpetual or a one-time event. We'll explain the difference below.

WHAT ARE ENDOWED GIFTS?

A permanent endowed gift is designed to fund the specified purpose for perpetuity. Examples are a named scholarship or perhaps a professorship to support a faculty member. The funds are invested and a portion of the earnings is distributed each year to the University to fund the purpose as defined in a Memorandum of Understanding (MOU) signed by the donor and the SDSM&T Foundation. All endowed funds are "pooled" or lumped together to achieve investment efficiencies. This practice also

ensures that all endowments are treated equally regardless of size. Even though the funds are combined for investment purposes each endowment is accounted for separately so that the donor knows its current value. The donor is advised periodically (annually) of the performance of the endowment.

Since an endowment is to provide support to the institution for perpetuity the investment goal of the SDSM&T Foundation is to achieve sufficient earnings to fund the specified purpose, cover any expenses, and exceed inflation.

However, market conditions along with the distribution for the intended purpose can cause the fund to drop below its original gift amount. In the event this would happen, the Foundation Trustees will decide whether to reduce the amount of the award or not make any award in that given year. Regardless, the donor will be notified of the circumstances and the Foundation will be committed to restoring the fund value as soon as possible.

The minimum amount for establishing an endowment is \$30,000. An endowment may be funded over a period of time, usually not to exceed five years.

A Quasi-Endowed Gift has all the characteristics of a Permanently Endowed Gift in that a specified purpose is defined and a Memorandum of Agreement is prepared, but the characteristics of perpetuity and maintenance of the original donated capital are not required. An example might be a donation to fund a program for 10 years at which time the money is spent or it reverts to some other purpose.

Minimums for Endowment / Naming Opportunities

Current policies for naming opportunities are listed below.

Category	Minimum Funding Level
Named Building	At least one-half of building costs
Endowment of a School or College	Negotiated, but not less than the current amount of all operating costs
Chair A chair is the most prestigious named faculty position. It is used to attract and retain a truly outstanding scholar and educator – preferable – one with a national reputation. Contributions to establish an endowed chair may create a new faculty position. Income from the endowment is intended to sustain the position and may cover costs of salary, travel, and support.	\$ 1,500,000
Distinguished Professorship A distinguished professorship is used to support a very productive faculty member who has a proven track record of scholarship. The endowment will generally be used to	\$ 500,000

honor an existing faculty member.	
Professorship A professorship is used to support a gifted faculty member who shows outstanding potential. The endowment is generally used to supplement an existing position.	\$ 200,000
Early Career Fellowship An early career fellowship is used to attract a new faculty member who shows great promise to an existing faculty position. Funds may be used to supplement salary or as start-up funding for the faculty member's research and teaching program.	\$ 100,000
Faculty/Staff Enrichment Fund Endowment support awards or stipends to faculty/staff to assist in financing such endeavors as research start-up, course development, conference attendance, or equipment/materials purchase. Awardees are selected by deans, directors, or department head.	\$ 50,000
Graduate Fellowship and Awards Endowments support graduate and post-graduate students through awards for tuition, fees, room and board, etc.	\$ 50,000
Distinguished Scholarship The most prestigious scholarship assistance on campus provides assistance for incoming freshmen with renewable support for four years provided the recipient maintains requirements.	\$ 60,000
Presidential Scholarship These merit based scholarships provide support for incoming freshmen with renewable support for four years provided the recipient maintains requirements.	\$ 60,000
Scholarship Endowments support awards to students to assist in financing such enriching experiences as study abroad or a field study opportunity. Awards can be for tuition, fees, living expenses, etc.	\$ 30,000

WHAT ARE NON-ENDOWED GIFTS?

As the name implies, a non-endowed gift is generally spent within a short period of time as opposed to being maintained for perpetuity. These gifts may have a defined purpose and a Letter of Intent may be written depending on the wishes of the donor. Examples could be funds to buy supplies for a department or money to fund a program for a year.

Money to build a building could also qualify in this category with the funding being spent over the time frame it takes to complete the new structure.

Another category of Non-Endowed Gifts is called Unrestricted Gifts. These types of gifts are highly valued by the institution in that they are used to fund the areas of greatest need. Unrestricted donations rely on the Foundation Trustees to decide the best use of these funds for the Foundation and the University. The Foundation may choose to use these funds to help a deserving student project, help out a department in need, or help fund operations. Historically, a dollar spent to fund operations returns approximately five dollars in new donations which in turn benefits the University and the Foundation.

WHAT KIND OF PROPERTY CAN I GIFT?

Gifts may include cash, property (real and otherwise), securities, life insurance policies, bequests, trusts, life income agreements, and gifts-in-kind. Gifts, which are accepted, are administered according to the stipulations of the donors on behalf of the School of Mines.

CASH and STOCK GIFTS

The most common gifts are cash and stock. Gifts of publicly-traded appreciated stock are often made to realize favorable tax treatment (avoid capital gains). Generally liquid stocks will be sold to convert the gift to cash for reinvestment.

NON-LIQUID GIFTS

Upon approval of the Foundation, gifts may be made in assets which are not immediately convertible to cash. Examples include land, buildings, income properties, or privately-held stock and the like. The Foundation will work with the donor to achieve the best outcomes for both the donor and the Foundation.

IN-KIND GIFTS

A gift-in-kind is a non-cash gift, such as a computer, a microscope, or other equipment which will be used by the University in its present form (not sold).

DEFERRED GIFTS (PLANNED GIVING)

Often a donor will feel more comfortable setting up a plan which continues to benefit the donor while the donor is alive, but in which the remainder reverts to the University upon death. A wide variety of these plans exist and the Foundation staff can answer many questions in this regard.

IRS CONSIDERATIONS

In all cases, donors are urged to consult with a tax advisor regarding gifts to a charity. Cash and stocks are fairly straightforward, but such gifts still must be considered in light of a person's tax situation.

Non-liquid gifts and in-kind gifts may add gifting complexities that experienced Foundation staff can provide some guidance. The Foundation for instance has considerable experience in all aspects related to charitable trusts and charitable gift annuities. But even so due to the added complexities the donor is encouraged to seek their own professional advisors to complete these types of gifts.

GIFT PLANNING AND ACCEPTANCE

PROFESSIONAL COUNSEL

- Each donor is encouraged to seek professional advice and counsel about any gift made to the Foundation. Members of the Foundation Board of Trustees and SDSM&T Foundation staff will not supply professional counsel or advice to donors about tax liability, estate planning, and comprehensive investment planning. Trustees and Foundation staff will aid donors in examining these issues; however, they will aggressively encourage donors to seek appropriate independent professional counsel about their personal situation.

LIQUIDATION OF GIFTS

- All gifts made to the Foundation will be held or liquidated based upon the decision of the Trustees. It is the practice of the Trustees to convert gifts into manageable, income-producing assets as soon as practical.
- The Trustees reserve complete control of all decisions about the liquidation of any asset given to the Foundation. Under no circumstances is the Board of Trustees bound to share with any donor its investment decisions or use of any specific asset given as a gift beyond the specifications of the Memorandum of Understanding. Under conditions determined by the Trustees, discussion of possible uses or liquidation strategies for a gift asset with a donor is advisable.
- Upon the advice of a donor, the Trustees may decide to use a suggested broker to liquidate a particular asset. The Board of Trustees is not limited to the use of any particular broker for these purposes.

APPRAISAL

- Strict appraisal rules exist for all gifts of non-cash property valued at \$5,000 or more, other than publicly traded securities, and closely held stock valued at less than \$10,000. A timely qualified appraisal of such a gift must be obtained by the donor not earlier than 60 days before the contribution date and no later than the due date of the donor's return in which they claim a deduction for the property. The IRS 8283 form is the responsibility of the donor. The Foundation policy is that we do not reimburse for appraisals.
- Property subject to appraisal requirements at the time the gift is donated requires that IRS Form 8282 be completed if the property is liquidated within three (3) years. The consequences of a decision to liquidate this type of gift should be discussed with the donor in advance of the Board of Trustees accepting a gift. The IRS 8282 form is the responsibility of the Foundation.

MEMORANDUM OF UNDERSTANDING (MOU)

For all endowments and any other gifts which have any degree of complexity, the Foundation in concert with the donor will prepare a Memorandum of Understanding (or similar document) to be signed by both parties. This document will outline the nature of the gift, timing aspects, and the specific purpose/use of the gift.

Some gifts will also require an obligation by the University. An example might be the establishment of an Endowed Chair wherein it will be the responsibility of the University to hire an appropriate person for the position. Oftentimes, the donor might wish to have a committee to oversee the chair's research efforts as an example. A separate MOU should be prepared for signature by the donor and the University to define specifics between the donor and the University.

Any such agreement between the donor and the University shall not conflict with the MOU between the Foundation and the donor. Under no circumstances shall the Foundation be obligated to anything more than is outlined in the donor/Foundation MOU. The University itself shall be bound by any extra commitments beyond the donor/Foundation MOU.

OTHER CONSIDERATIONS

Because of the variety of potential gifts, special procedures are available for major classes. Please refer to the full policy for specific details.

MANAGEMENT OF YOUR DONATION

THE MISSION OF THE SDSM&T FOUNDATION

The SDSM&T Foundation exists solely to assist the South Dakota School of Mines and Technology in providing exceptional educational, professional, and personal development opportunities by soliciting donations, managing the money for solid investment gain, and distributing money to the University as appropriate.

The South Dakota School of Mines and Technology Foundation, Inc. (SDSM&T Foundation) is a private, not-for-profit corporation and is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. The Foundation is completely separate from, and independent of the Board of Regents of the State of South Dakota.

All gifts to the University flow through the Foundation, and the Foundation makes the final determination as to whether to accept a gift or not. All gifts are subject to review for compliance with the mission of the University and the policies of the Foundation.

The University is responsible for selecting recipients of awards from endowments, including scholarships, fellowships, faculty support, etc. Certainly, donor wishes will be taken into account where possible.

STRUCTURE OF THE FOUNDATION

BOARD OF TRUSTEES – A volunteer Board of Trustees governs the SDSM&T Foundation. The Trustees are elected from a slate of nominees submitted to the Trustees by the Nominating Committee.

The day-to-day management of the Foundation is the responsibility of the President of the SDSM&T Foundation. The President of the SDSM&T Foundation reports to the Board of Trustees on all matters concerning Foundation business. The Executive Committee of the Board of Trustees appoints the President of the SDSM&T Foundation.

The Board of Trustees determines the policy operations of the SDSM&T Foundation guided by the Foundation's Bylaws. Committees are utilized with the following committees in place:

EXECUTIVE COMMITTEE – Comprised of no less than five (5) and no more than thirteen (13) Trustees members; the five (5) elected Officers and Members-at-Large as recommended by the Nominating Committee. The Board on behalf of the Trustees may delegate decision authority to the Executive Committee as needed between Trustee meetings in all matters with the exception of modification of the Bylaws or Articles of Incorporation.

AUDIT COMMITTEE - Oversees the annual audit conducted by an independent auditing firm.

COMPENSATION COMMITTEE - Oversees the compensation package for employees of the SDSM&T Foundation.

INVESTMENT COMMITTEE - Oversees the successful and prudent operation of the investment portfolio management process and the Foundation Investment Policy.

NOMINATING COMMITTEE – Oversees the nomination of persons to the Board of Trustees.

TRUSTEES GIVING COMMITTEE – Oversees and encourages giving by the Board of Trustees.

INVESTMENT MANAGEMENT

The Board of Trustees is responsible as fiduciaries for managing Foundation assets. The Investment Committee oversees the investments and the Foundation staff implements recommendations from the Investment Committee and the Board.

The investment goal is to satisfy our donors, maximize the benefit to the University and the Foundation, and to accomplish these goals prudently. A principal consideration is the preservation of inflation adjusted value of the investment portfolio at acceptable risk.

GENERAL OPERATING PROCEDURE

The Investment Policy of the SDSM&T Foundation (available on request) establishes the general guidelines and procedures for the investment of Foundation funds. This Investment Policy is approved by the Board of Trustees of the Foundation. The Board of Trustees, acting through its Investment Committee, will direct the implementation of this policy through its chosen investment vehicle(s) and Foundation Administrative Officers.

The Investment Policy sets out the required diversity of investments, both in terms of classes of investment but also in terms of investment managers.

Funds from a variety of sources including endowments, unrestricted funds, etc. may be commingled for investment purposes, but they are accounted for separately.

Risk is addressed by spreading the investments across a diversity of investment classes as well as investment managers.

The Investment Committee generally meets quarterly to review performance and make any changes to the portfolio and its managers. The results of these meetings are forwarded to the Executive Committee.

ENDOWMENT CONSIDERATIONS

The Executive Committee or the Board annually sets the amount of payout to the University for all endowments unless a specific MOU states otherwise. The payout changes depending on market conditions and other factors.

The goal of the Investment Committee is to earn sufficient money on the endowments to payout, provide for inflation growth at least equal to the CPI (preferably enough to cover increases in college expenses), and support the operations of the Foundation as needed. In this latter area, the present goal is to keep the support to approximately half of 1% (0.5%) although economic conditions and factors beyond the control of the Foundation may require a higher amount in some years.

When the money from the endowment earnings are needed for its specified purpose (e.g., scholarships, professorships, etc.), the Foundation will transfer the money to the University. Withdrawals of distribution amounts are normally available:

1. after the minimum endowment level has been achieved through gifts and permanently reinvested amounts, and
2. after having reached the minimum endowment level for twelve (12) consecutive full months, and
3. in accord with the Memorandum of Understanding for the account.

NON-ENDOWED ISSUES

Donations for other than endowed purposes are often not spent immediately so the Foundation will manage the money until it is needed. Rather than charging a fee for these management services, the Foundation uses the earnings as unrestricted money to help support the Foundation operations. When the donation is needed for its intended purpose, the Foundation will transfer the funds to the appropriate University organization.

FOUNDATION EXPENSES

Currently, all Foundation expenses are paid for by the Foundation with a few minor exceptions, the University provides space and utilities. University personnel may help in the fund raising but their efforts other than perhaps travel reimbursement are paid by the University. Foundation expenses are covered in a variety of ways (a current breakdown is available upon request):

1. Unrestricted gifts and wills
2. An Operations Endowment
3. A portion of each Endowment's earnings, a goal of between 0.5 and 1% of endowment assets is currently in place
4. Earnings on cash flow
5. A front end tax on new contributions (none are currently in place, but for certain kinds of contributions, this might be implemented in the future)
6. A charge on each Trust or Annuity managed by the Foundation
7. Miscellaneous income

The Executive Committee regularly reviews expense control functions within the Foundation as well as compares the costs with other similar organizations.

OTHER ORGANIZATIONS

THE HARDROCK CLUB

The Hardrock Club is the designated organization for raising funds for athletics at SDSM&T. It is a separate organization with its own Board of Directors. However, donations to the Hardrock Club are still managed by the SDSM&T Foundation including administration of donations for tax purposes, investment of funds, and distribution of funds.

THE SDSM&T ALUMNI ASSOCIATION

The Alumni Association is a totally separate organization, also chartered as a 501(c)(3). Its purpose is to further relations with alumni of the School of Mines and accomplishes

this through publications, meetings, and other activities. The Foundation and the Alumni Association coordinate activities when possible to further the goals of each organization.

The Alumni Association seeks donations totally separately from the Foundation and these funds are used strictly to support the Association activities.

SUMMARY

The South Dakota School of Mines and Technology Foundation endeavors to handle a donor's gift in the most professional way. The Foundation will do its best to satisfy the desires of the donor to further the goals of the University. Full accounting of any donated funds will be maintained at all times and will be available for inspection by the donor. A professional accounting firm audits the financial records on an annual basis and provides a written report which is available to any and all donors.

The Foundation also takes very seriously its responsibility of financial management for any funds (such as endowments) under its control. An independent Investment Committee meets regularly to review performance and to make management changes as necessary. The details of our policies, strategies, actual investments are totally open and transparent to any donor.

We understand your interest in supporting the University and we will do all we can to make this a rewarding experience.