



DATE: August 14, 2025
MEMO TO: Elizabeth Hough, President
Preservation Foundation Board
FROM: Erika Stergos
Preservation Foundation

RECOMMENDATION: Recommend approval of the Designation of Realized Gains and Losses policy.

FINANCIAL DATA: No immediate impact. In the long term, ensuring the realized gains from permanently restricted (endowed) gifts follow donor intention will result in continued growth of the endowed fund.

BACKGROUND:

The Preservation Foundation’s Gift Acceptance Policy allows for the acceptance of publicly traded securities and real estate. The policy also states that gifts should be sold upon receipt in the case of securities and as soon as possible for real property.

Generally Accepted Accounting Principles (GAAP) require that not-for-profits record the asset at the fair market value on the date of receipt. For accounting purposes, publicly traded stock should be valued at the average of the high and low selling prices on the date received by the Foundation (the gift date).

Any difference between the amount received from the sale and the fair market value on the date of receipt must be recorded as a realized gain or loss. As such, the contribution and any gains or losses must be accounted for in the Foundation’s financial statements.

This policy seeks to clarify how realized gains and losses should be recorded for Permanently Restricted Funds, as this fund category did not exist when the initial policy was created.

REVIEW BY OTHERS: Director of Finance, Executive Committee

PRESERVATION FOUNDATION BOARD:

Date: _____

Roll Call Vote: Ayes: _____ Nays: _____

Voice Vote Majority Ayes: _____ Nays: _____

PRESERVATION FOUNDATION OF THE LAKE COUNTY FOREST PRESERVES
DESIGNATION OF REALIZED GAINS AND LOSSES POLICY

(Approved by the Preservation Foundation Board of Directors _____, 2025)

INTRODUCTION

The Preservation Foundation's Gift Acceptance Policy allows for the acceptance of publicly traded securities and real estate. The policy also states that gifts should be sold upon receipt in the case of securities and as soon as possible for real property.

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Any difference between the amount received from the sale and the fair market value on the date of receipt must be recorded as a realized gain or loss. As such, the contribution and any gains or losses must be accounted for in the Foundation's financial statements.

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DESIGNATION OF REALIZED GAINS

When a gift of publicly traded securities or real estate is sold and results in a realized gain, the funds should be distributed in accordance with the previous policies and donor intent.

- I. Unrestricted and Temporarily Restricted Funds
 - a. Realized gains will be designated as unrestricted.

- II. Permanently Restricted Funds
 - a. Realized gains will be designated as permanently restricted and will go to the same endowed fund as the original contribution.

DESIGNATION OF REALIZED LOSSES

When a gift of publicly traded securities or real estate is sold and results in a realized loss, the Foundation will designate the loss as unrestricted, ensuring the full amount of the contribution is distributed according to the donor's intent.