

Neighborhood Church (NUUC) Gift Acceptance Policy

Originally Approved by Trustees 10/26/99
Revisions Approved 7/2/02 and 1/28/03

This policy is designed to provide guidance to the Neighborhood Church community so as to facilitate the gift-giving process. It is not intended to stifle philanthropic creativity. Therefore, this policy is to be interpreted liberally so that prospective donors may enjoy the greatest freedom possible in formulating their gifts.

Acceptance of Gifts

Gifts represent funds received as voluntary contributions without any expectation, real or perceived, that goods or services will be received by the donor.

Gifts are received as unrestricted, temporarily restricted, or permanently restricted.

Unrestricted – Gifts received in this category come to the church with no donor restrictions and are properly accounted for in the unrestricted fund for use in support of the general operations of Neighborhood Church. Examples of unrestricted gifts include annual operating fund pledge payments and offertory gifts. Any unrestricted bequest, however, shall be automatically allocated to the Bequest Reserve Fund. The objective is to have this fund function as an endowment, that is, to utilize only investment earnings from this fund (including interest, dividends and capital appreciation) to support the church's general operations, although the principal amount of this fund could also be utilized by decision of the Board of Trustees.

Temporarily Restricted – Gifts received in this category are to be used for a specific purpose specified by the donor subject to the acceptance of the Board of Trustees. Temporarily restricted gifts are recognized as gift income in the temporarily restricted fund when received. All expenditures of these funds are recorded in the unrestricted fund with a corresponding transfer from the temporarily restricted fund recognizing that the donor's restrictions have been met. Examples of temporarily restricted gifts might be gifts received for use in a future fiscal year (timing restriction) or for a specific project (use restriction).

Permanently Restricted – Gifts received in this category are commonly referred to as endowment funds. By donor specification the funds are to be invested and only the investment earnings (including interest, dividends and capital appreciation) or a portion thereof available for expenditure pursuant to the spending rate policy of Neighborhood Church may be expended for the purpose(s) specified by the donor. No principal contributed to an endowment shall be spent. (See Endowment Policy text for additional information on endowment management.)

Because conditions change over time, all restricted gift instruments, temporarily and permanently restricted, should contain the following contingency clause:

“If circumstances should arise in the future that make it illegal, impossible, or impracticable to use the gift for the purpose specified above, then the Finance Committee may submit a request for modification of this purpose to the Neighborhood Church Board of Trustees. If, in the best judgment of the Trustees, such modification is deemed prudent, they may authorize the use of the Fund for the fulfillment of objectives as near as practical to the original-purpose of this fund. In the event of such modification to a named endowment, the original name will continue to be associated with the fund. This provision can not convert a permanently restricted gift into a temporarily restricted or unrestricted gift.”

General Principles

Neighborhood Church reserves the right to refuse any gift that in any way detracts from its purpose, character, integrity, freedom, or its independence.

Neighborhood Church must use gifts for the particular purpose designated by the donor or as set forth in any solicitation materials.

Neighborhood Church should safeguard the donor’s privacy and other confidential information.

Neighborhood Church encourages donors who are considering planned or deferred gifts to consult with their attorneys and/or financial advisors.

Neighborhood Church follows the letter and spirit of all laws and regulations affecting or relating to charitable giving and fund raising activities.

The donor is responsible for assigning a value to tangible property for income tax purposes.

Cash Gifts

The most frequent method used to make a gift to Neighborhood Church is a check. Checks should be made payable to Neighborhood Church and mailed or delivered to:

Neighborhood Church
301 North Orange Grove Blvd.
Pasadena, California 91103

For gifts made by check, the postmark date is the gift date.

Gifts of Securities

Publicly traded securities, mutual funds, shares of stock in closely held companies, bonds, and government issues may be given to Neighborhood Church. The value of the gift will be the mean of the highest and lowest selling prices quoted for the security on the date of the gift or the next trading date if the date of gift is a weekend or holiday

Publicly-Traded Securities. These are securities regularly traded on a public stock exchange. It is Neighborhood Church's policy to convert securities to cash.

Mutual Funds – These are pooled securities administered by various investment managers. Transfer of mutual funds usually requires that an account be set up in Neighborhood Church's name with shares then being transferred from the donor's account to the Neighborhood Church account. It is the church's policy to convert securities to cash.

Closely-Held Securities. These are shares of securities in entities which have been organized for profit-making purposes, and are rarely traded on stock exchanges. Donors may give shares of closely held corporate securities to Neighborhood Church in the same manner as publicly traded securities. The value of the closely held securities in excess of \$10,000 will be determined by a qualified independent appraiser as required by the IRS. Gifts of \$10,000 or less may be valued at the per share cash purchase price of the most recent transaction. Normally, this transaction will be the redemption of the stock by the corporation. It is Neighborhood Church'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 benefits of such a gift and that both the donor and the Church comply with applicable IRS regulations, special handling is required. Gifts of closely held securities may only be accepted by the Board of Trustees.

Methods of Delivery and Effective Date of Gift

Hand Delivery. For securities that are hand delivered, the date of gift is the date the securities are delivered to Neighborhood Church 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 Neighborhood Church. In this case, the date of the gift will be the transfer date indicated on the newly issued certificate. Donors should endorse stock certificates only upon delivery to Neighborhood Church.

Mailing. If the securities are mailed to Neighborhood Church, the date of gift is the postmark date 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 Neighborhood Church under separate cover from the stock certificate(s). The stock certificate(s) should be sent by registered mail, return receipt requested, to Neighborhood Church. Unendorsed stock certificates are non-negotiable. The postmark date on the stock power will be used as the date of gift 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 Neighborhood Church's brokerage account via the Depository Trust Company (DTC), then the date of gift will be the date on which the securities are received in the Neighborhood Church account. Donors should contact Neighborhood

Church to obtain the 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 Neighborhood Church noting the specific purpose of the gift (i.e. pledge, building fund, etc.) in order that the gift may be receipted properly.

Real Estate

Neighborhood Church may accept gifts of real estate, including houses, condominiums, commercial properties, farmland, rental property and undeveloped land, after a thorough review of the following factors:

- The usefulness of the property for Neighborhood Church purposes
- The marketability of the property
- The existence of restrictions, reservations, easements, and/or other limitations
- The existence of encumbrances, such as mortgages and mechanics 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 shall include 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

An environmental audit conducted by a professional service also may be required. The decision to accept gifts of real estate requires approval by the Board of Trustees.

Neighborhood Church reserves the right to require that the donor or the donor's personal representative pay the cost, including professional fees, of any review or investigation described above as a condition of considering acceptance of the property in question.

Tangible Personal Property (other than contributions to the annual flea market and book sales)

Neighborhood Church may accept gifts of tangible personal property, including works of art, jewelry, antiques, coin, stamp and other collections, automobiles, manuscripts, and books. Such gifts may be accepted only after a through review indicates the property is readily marketable or may be used by Neighborhood Church in a manner consistent with one of the purposes for which it was granted status. An essential issue for donors to consider before contributing a gift of tangible personal property is whether they would

like Neighborhood Church to use or display the property. Prospective donors should be advised that Neighborhood Church reserves the right to sell or otherwise dispose of the personal property in question, if such action is financially advisable or necessary.

For goods-in-kind donations with a fair market value of less than \$500, Neighborhood Church should be furnished with the following information:

- Donor's name, address, and telephone number
- Contact person if donor is a corporation
- Donors social security number or tax identification number
- Brief physical description of the donated asset, including an explanation of the method used to determine the fair market value
- Date Neighborhood Church acquired the asset and method of acquisition

For goods-in-kind donations with a fair market value between \$500 and \$5,000, Neighborhood Church must be furnished with the following information in addition to those items listed above:

- Appraisal of the donated asset by a qualified party no more than 60 days prior to the date of the contribution

For goods-in-kind donations with a fair market value over \$5,000, Neighborhood Church must be furnished with the following in addition to the information required for \$500 goods-in-kind donations:

An independent evaluation from a qualified appraiser and evidence of having met the reporting requirements for IRS Form 8283, *Non-cash Charitable Contributions Appraisal Summary*

In order that the donor may make appropriate provisions on his/her tax return Neighborhood Church should advise the donor of its intention to sell the property. If the property is sold within two years of the date of gift, Neighborhood Church will execute a form 8282, a copy of which is provided to the IRS; a copy will also be provided to the donor.

Non-Traditional Investments

Neighborhood Church may accept gifts of non-traditional investments, such as partnership-interests, after a thorough review of the following factors:

- Marketability
- Nature if any applicable restrictions
- Legal and other liabilities associated with the asset
- Carrying costs such as administrative and legal fees
- Exposure to unrelated business income tax liability

Appraisals

All appraisals of real and personal property contributed to Neighborhood Church shall be done in accordance with IRS Publication 561. Expenses incurred obtaining an appraisal will be the responsibility of the donor unless special circumstances exist that make it appropriate for Neighborhood Church to share the cost. Any appraisal cost borne by Neighborhood Church must be approved by the Board of Trustees.

Planned Giving

Planned gifts may be either deferred or outright. They may involve the transfer of substantial assets which significantly impact the donor's estate and final plans. These gifts often do not immediately confer institutional ownership and generally are not taken out of the donor's current earnings. Any fees associated with managing individual charitable gifts will be paid for by the charitable gift vehicle. The acceptable methods of creating such gifts to Neighborhood Church are described below:

Gift by Will or Revocable Living Trust

Gifts made by will or revocable living trust are completed only at the death of the donor and/or 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 estate. Bequests may be given as unrestricted, temporarily restricted or permanently restricted gifts.

Donors are encouraged to recognize that over the many years following the establishment of a deferred gift, the needs, policies, and circumstances of Neighborhood Church can change in unforeseen ways. The Board of Trustees must have the flexibility to make use of the funds in the best interest of Neighborhood Church and in accord with donor interest and specifications. Thus, donors are encouraged to avoid detailed limitations and restrictions for their gifts. Donors considering bequests for a specific purpose are encouraged to consult with the Senior Minister regarding their wishes.

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

Charitable Remainder Trusts

Charitable Remainder Trusts are irrevocable arrangements that pay income to the donor and/or other beneficiaries for life or a term of years. Neighborhood Church will accept gifts valued at \$100,000 or more to either charitable remainder unitrusts or charitable remainder annuity trusts. In instances where accepting gifts of a smaller amount may be advantageous to Neighborhood Church, the President, Treasurer and the Senior Minister acting together may waive the minimum gift requirement.

Assets which are readily acceptable for charitable remainder trusts include cash, marketable securities, and real estate not subject to debts or encumbrances. Assets that

require prior approval of the Neighborhood Church Board of Trustees before acceptance include 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 the trust assets. With an annuity trust, the payment remains the same throughout the term of the trust and no additional contributions can be made. With a unitrust, the payment varies each year, as the trust assets are revalued annually. Additional contributions can be made to a unitrust

While the rate of payment must be a minimum of five percent, the maximum rate is negotiated between the donor and Neighborhood Church. The rate selected must take into account the income needs of the donor, balanced by the actuarial table calculations on the lives of the beneficiaries in order to assure the preservation of the trust assets for ultimate use by Neighborhood Church, and any IRS regulation regarding payments.

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

Charitable Lead Trust

A charitable lead trust provides immediate support for Neighborhood Church 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. In a lead trust, the donor gives Neighborhood Church 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 during his/her lifetime creates an irrevocable trust agreement for a period of ten years or more. The agreement may take effect during the donor's lifetime or be part of the donor's will. Assets are transferred to a trustee, with the stipulation that the income from the assets be paid to Neighborhood Church for the life of the trust, after which the principal or corpus of the trust reverts back to the donor or others of his/her choosing.

Gifts of Life Insurance

Life insurance can be the medium for giving funds to Neighborhood Church. With it, the donor can make a substantial gift for a relatively modest annual outlay. A donor may irrevocably assign to Neighborhood Church an existing life insurance policy that is no longer needed for family protection, making Neighborhood Church both the policy owner and the beneficiary. Premium payments made by the donor for a policy for which Neighborhood Church is both the owner and beneficiary are tax deductible to the donor. If the donor does not wish to continue paying the premiums, Neighborhood Church may elect to:

- 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 present value

It is also possible for the donor to purchase a new life insurance policy for gift purposes. Once again, Neighborhood Church must be named both owner and beneficiary of the policy. In this case, however, the donor will make annual tax deductible contributions to Neighborhood Church in the amount of the premium due on the policy. Neighborhood Church, 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, Neighborhood Church will have the options outlined above in regard to the policy.

Before contributing gifts of life insurance to Neighborhood Church, donors should consult with the President, Treasurer or Senior Minister.

Gift of Remainder Interest in a Personal Residence or Farm

A donor can give a remainder interest in a personal residence or farm to Neighborhood Church. The donor or other occupants may continue to occupy the residence or operate the farm without disruption for the duration of the donor's life. Thereafter, the residence or farm will either be used by Neighborhood Church or sold with proceeds used for purposes specified by the donor, if any. The procedures for evaluating proposed gifts of real property, as outlined above, also apply to gifts of a remainder interest in property.

If a life estate is retained in the property, expenses for maintenance, real estate taxes, and any indebtedness relating to the property are to be borne by the donor or the beneficiary of the life estate.

Pooled Income Fund

The-Pooled Income Fund offers many of the benefits of a charitable remainder trust to donors whose gifts are less than the minimum needed to establish a separate trust. An initial gift of \$5,000 or more will enable a donor to participate in the Fund, and additional contributions may be made in increments of \$1,000. Gifts may be made using cash or marketable securities. By IRS regulations, restricted stock and tax-exempt bonds cannot be accepted. Gifts to the Fund are commingled for investment purposes – much like a mutual fund. The donor (and/or other concurrent or successor income beneficiaries designated by the donor) received a pro rata share of the Fund's net annual income for his, her or their lives. Upon termination of an income interest, a pro rata share of the principal of the Fund will be transferred and used to support Neighborhood Church programs specified by the donor(s). Pooled Income Fund gifts for Neighborhood Church are received and managed by the Unitarian Universalist Association (UUA), which charges no fees but which encourages, but does not require, donors to designate UUA to

receive at least 25% of the ultimate gift. Money management services for the UUA's Pooled Income Fund are currently provided by State Street Global Advisors, which does deduct a fee from invested funds.

Charitable Gift Annuity Fund

Neighborhood Church also participates in the Charitable Gift Annuity Fund which has been organized by UUA. A charitable gift annuity is a contractual arrangement under which you make a contribution in exchange for the charity's promise to pay a guaranteed amount for life. The guaranteed payments are made at a rate based on your (or your loved one's) age at the time of the gift. In addition to the initial income tax deduction, the subsequent distributions you receive may also qualify for favorable tax treatment. The suggested minimum contribution is \$5,000. Again, under UUA policy, donors are encouraged, but not required, to designate UUA to receive at least 25% of the ultimate gift, and money management services are provided by State Street Global Advisors, which deducts a fee from the invested funds.

Trustee for Gifts in Trust

Neighborhood Church, in consultation with the donor, will designate a trustee for gifts that require the appointment of a fiduciary. In the event that Neighborhood Church serves as trustee, trustee fees will be assessed according to a published fee schedule.

Final Approval, Acceptance, and Execution by Neighborhood Church

Documents effectuating the acceptance of all gifts, the creation of endowment programs, and the transfer of real or tangible personal property to Neighborhood Church must be approved by Neighborhood Church legal counsel and executed by the Neighborhood Church President or a Vice President.

Corporate Matching Gifts

All matching gifts received by Neighborhood Church as a result of an employee or employees contribution(s) will be directed to the same fund as the donor's gift unless specified otherwise by the donor or the contributing corporation.

Policy for Disclosure of Donors and Amounts of Gifts and Bequests

To honor and protect those donors who desire to remain anonymous and/or desire not to have the amount of their gift or bequest disclosed to the Church community, the Board of Trustees will endeavor to honor any known desire on the part of a living or deceased donor that his or her identity and gift or bequest to the Church remain anonymous. In cases where a donor's desire is unknown, the Church will endeavor to ascertain the donor's desire.