

ST. JAMES LUTHERAN CHURCH  
GETTYSBURG, PENNSYLVANIA

Number	4.80
Subject	Gift Acceptance
Effective Date	6-18-2014
Committee	Finance

Church Funds/Finance

#### St. James Lutheran Church Gift Acceptance Policy

The teachings of Jesus and all of the Holy Scriptures promote stewardship as a fundamental part of Christian faith. St. James Lutheran Church (herein referred to as "SJLC") commits itself to responsible stewardship in the administration of all prospective gifts. SJLC understands this commitment to include careful examination of the actual condition, use, and benefits of the gift taking into consideration all legal, ethical, and practical aspects. It is from this understanding of stewardship, that SJLC adopts the following policy.

#### **I. General Principles**

1. SJLC appreciates the spirit of giving inherent in each donor's prospective gift and thanks each donor for their thoughts and intentions.
2. Experience has taught that prospective donors frequently need guidance regarding prospective gifts and donations.
3. SJLC wishes to work to make all gifts possible, within the structures of law and tax regulations.
4. SJLC wishes to use gifts, donations, and other resources for the mission of the church, while upholding the purposes of the Evangelical Lutheran Church in America (ELCA).
5. SJLC wishes to honor the intent of the donor where possible.
6. SJLC wishes to take care of the assets entrusted to it.

#### **II. Specific Policies**

1. Unrestricted cash gifts will be accepted and acknowledged through the normal finance and accounting procedures of SJLC. Proposed restricted or designated cash gifts that involve an exercise of investment management by SJLC will be accepted upon recommendation of the Gift Acceptance Committee and approval of the Congregational Council (herein referred to as the "Council")...
2. The Congregational Council has absolute and final responsibility for accepting memorial and endowment gifts and establishing appropriate recognition procedures. Restricted or designated cash gifts of an endowment nature will be accepted upon the recommendation of the Gift Acceptance Committee and approval of the Council.
3. Non-cash gifts will be accepted upon the recommendation by the Gift Acceptance Committee and approval of the Council. The Council reserves the right to refuse or return any gift determined to be unacceptable because of value, marketability, incompatibility with mission, impact on resources needed to manage, or any other reason deemed problematic to SJLC.
4. All non-cash gifts (except for real estate) may be liquidated by the Council at the Council's discretion. Real estate gifts may be liquidated following procedures set out in the Constitution of SJLC.
5. All gifts of real estate must be given with an appropriate title search, environmental evaluation, survey if needed and an appraisal by a qualified appraiser meeting Internal Revenue Service requirements if a charitable deduction is desired by the donor. All costs of transferring will be borne by the donor. Gifts of real estate must generally be unencumbered with liens, litigation, or any other potential liability for SJLC. Before title is accepted by SJLC, the Council reserves the right to decline the gift.
6. All gifts will be acknowledged in a letter from the President of the Council (or the President's designee) stating the date of unqualified delivery of the gift to SJLC, as appropriate for the type of gift, a description of the gift and compliance with Internal Revenue requirements (herein

referred to as “IRS”) for acceptance of charitable gifts. There will be no appraisal, acknowledgement of appraisal, or determination of value offered in the acknowledgement process, except in the case of publicly traded securities. The donor has sole responsibility for satisfying the IRS with respect to the value of any non-cash gift.

### **III. *Use of Legal Counsel***

SJLC shall seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by counsel is recommended for:

- a. Closely held stock transfers that are subject to restrictions or buy-sell agreements
- b. Documents naming SJLC as Trustee
- c. Gifts involving contracts, such as bargain sales or other documents requiring the SJLC to assume an obligation
- d. Transactions with potential conflict of interest that may invoke IRS sanctions
- e. Other instances in which use of counsel is deemed appropriate by the Gift Acceptance Committee or Council.
- f. SJLC will urge all prospective donors to seek the assistance of their own legal and financial counsel in matters relating to their gifts and the resulting tax and estate planning consequences.

### **IV. *Restrictions on Gifts***

SJLC may accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are consistent with its stated mission, purposes, and priorities. SJLC will not accept gifts that are deemed too restrictive in purpose. Gifts that are too restrictive are those that violate the terms of the church’s constitution, gifts that are too difficult to administer, or gifts that are for purposes outside the mission of SJLC. Any decisions to accept a gift which is restrictive in purpose shall be made upon the recommendation of the Gift Acceptance Committee and approval of Council.

### **IV. *The Gift Acceptance Committee***

Acceptance of routine and smaller uncomplicated restricted or unrestricted gifts (generally under \$1,000) may be completed by the church staff.

The Gift Acceptance Committee for larger and complicated restricted gifts shall consist of the Executive Committee of the Council and other members or staff as appointed by the President of SJLC.

The Gift Acceptance Committee is charged with the responsibility of reviewing all proposed gifts to be made to SJLC and recommending acceptance of gifts to the Council.

### **VI. *Types of Gifts***

- A. The following gifts are acceptable:
  1. Cash
  2. Tangible Personal Property
  3. Securities
  4. Real Estate
  5. Remainder Interests in Property
  6. Oil, Gas, and Mineral Interests
  7. Bargain Sales
  8. Life Insurance
  9. Charitable Gift Annuities
  10. Charitable Remainder Trusts
  11. Charitable Lead Trusts
  12. Retirement Plan Beneficiary Designations
  13. Bequests
  14. Life Insurance Beneficiary Designations
- B. The following criteria govern the acceptance of each gift form:

1. Cash: Cash is acceptable in any form. Checks shall be made payable to SJLC and shall be delivered to SJLC's administrative offices, or placed in the offering plate or transmitted electronically or in the mail.

2. Tangible Personal Property: Gifts of tangible personal property shall be examined in light of the following criteria:

- Does the property fulfill the mission of SJLC?
- Is the property marketable?
- Are there any undue restrictions on the use, display, or sale of the property?
- Are there any carrying costs for the property?
- If the gift consists of furniture, is the furniture compatible with long-term demands that will be placed upon it in an institutional setting.
- Are there any physical impracticalities in accepting the gift such as storage, transportation costs, and manpower to move the items?

The final determination on the acceptance of other tangible property gifts shall be made by the Gift Acceptance Committee of the SJLC.

3. Securities: SJLC may accept both publicly traded securities and closely held securities.

**Publicly Traded Securities**: Marketable securities may be transferred to an SJLC account maintained at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. The preferred method used to transfer should be electronically through the Depository Trust and Clearing Corporation (DTC). Donors must notify SJLC in advance to properly identify incoming shares to properly record the gift. As a general rule, all marketable securities will be sold upon receipt unless otherwise directed by the Gift Acceptance Committee. In some cases marketable securities may be restricted by applicable securities laws; in such instance a recommendation on the acceptance of the restricted securities shall be made by the Gift Acceptance Committee to the Council.

**Closely Held Securities**: Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in LLPs and LLCs or other ownership forms, may be accepted upon the recommendation of the Gift Acceptance Committee and approval of Council. However, such gifts must be reviewed prior to acceptance to determine that:

- there are no restrictions on the security that would prevent SJLC from ultimately converting those assets to cash,
- the security is marketable, and
- the security will not generate any liability or undesirable tax consequences for SJLC.

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 decision on acceptance of the gift. The final determination on the acceptance of closely held securities shall be made by Council upon recommendation of the Gift Acceptance Committee and legal counsel when necessary. Every effort will be made to sell non-marketable securities as quickly as possible.

4. Real Estate: Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, SJLC may require an initial environmental review of the property to ensure that the property has no environmental damage. In the event that the initial inspection reveals a potential problem, SJLC shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be an expense of the donor.

A title insurance commitment shall be obtained by SJLC prior to the acceptance of the real property gift. The cost of this title commitment shall generally be an expense of the donor.

Prior to acceptance of the real property, the gift shall be recommended to Council by the Gift Acceptance Committee and by legal counsel. Criteria for acceptance of the property shall include:

- Is the property useful for the purposes of SJLC?
- Is the property marketable?
- Are there any restrictions, reservations, easements, or other limitations associated with the property?
- Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, etc., associated with the property?
- Does the environmental audit reflect that the property is not damaged?

5. **Remainder Interests In Property:** A remainder interest is generally an interest in property which vests after a life estate or a term of years. SJLC will accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions of paragraph 4. above. The donor or other occupants may continue to occupy the real property for the duration of the life estate or term of years. At the termination of the life estate or term of years, SJLC may use the property or reduce it to cash. If SJLC accepts a gift of a remainder interest, expenses for maintenance, real estate taxes, insurance insuring the interest of the life tenant as well as SJLC as the remainderman, and any property indebtedness are to be paid by the donor or primary beneficiary having ownership of the property prior to vesting in SJLC. SJLC shall have the right to sell the remainder interest prior to the termination of the life estate or term of years.

6. **Oil Gas, and Mineral Interests:** SJLC may accept oil and gas property interests, when appropriate. Prior to acceptance of an oil and gas interest the gift shall be recommended by the Gift Acceptance Committee and if necessary, by SJLC's legal counsel and approved by Council. Criteria for acceptance of the property shall include:

- 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 where when there is a plan to minimize potential liability and tax consequences.
- The property should undergo an environmental review to ensure that SJLC has no current or potential exposure to environmental liability.

7. **Bargain Sales:** A bargain sale is generally an agreement to buy and sell property. SJLC will enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission and purposes of SJLC. All bargain sales must be reviewed and recommended by the Gift Acceptance Committee and approved by the Congregational Council. Factors used in determining the appropriateness of the transaction include:

- SJLC must obtain an independent appraisal substantiating the value of the property.
- If SJLC assumes debt with the property, the debt ratio must be less than 50% of the appraised market value
- SJLC 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
- SJLC must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.

8. **Life Insurance:** SJLC must be named as both beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be recorded as a gift. The gift is valued at its interpolated terminal reserve value, or cash surrender value, upon receipt. If the donor contributes future premium payments, SJLC will include the entire amount of the additional premium payment as a gift in the year that it is made.

If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, SJLC may:

- continue to pay the premiums,
- convert the policy to paid up insurance, or
- surrender the policy for its current cash value.

9. **Charitable Gift Annuities:** SJLC may offer charitable gift annuities through the ELCA Foundation. Annuity payments may be made on a quarterly, semi-annual, or annual schedule according to policies of the ELCA Foundation.

10. **Charitable Remainder Trusts:** A charitable remainder trust is generally a trust in which the donor retains certain right to principal or income for the donor's lifetime or a term of years after the trust assets are distributed to the donee. SJLC may accept designation as remainder donee of a charitable remainder trust upon the recommendation of the Gift Acceptance Committee and approval of Council. SJLC will not accept appointment as Trustee of a charitable remainder trust.

11. **Charitable Lead Trusts:** A charitable lead trust is generally a trust in which the certain rights to income are given to the donee for a term of years after the trust assets are distributed to the donor. SJLC may accept a designation as income beneficiary of a charitable lead trust. The Council of SJLC will not accept an appointment as Trustee of a charitable lead trust

12. **Retirement Plan Beneficiary Designations:** Donors and supporters of SJLC will be encouraged to name SJLC as beneficiary of their retirement plans. Such designations will not be recorded as gifts to SJLC 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.

13. **Bequests:** Donors and supporters of SJLC will be encouraged to make bequests to SJLC under their wills and trusts. Such bequests will not be recorded as gifts to SJLC 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.

14. **Life Insurance Beneficiary Designations:** Donors of SJLC will be encouraged to name SJLC as beneficiary or contingent beneficiary of their life insurance policies. Such designations shall not be recorded as gifts to SJLC until such time as the gift is irrevocable. Where 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.

## ***VII. Miscellaneous Provisions***

- A. **Securing appraisals and legal fees for gifts to SJLC:** It will be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel where appropriate.
- B. **Valuation of gifts for reporting purposes:** SJLC will record a gift received by SJLC at its valuation for gift purposes on the date of gift.
- C. **Responsibility for IRS Filings upon sale of gift items:** The Treasurer of SJLC or the Treasurer's designee) is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within two years of receipt by SJLC when the charitable deduction value of the item is more than \$5,000. SJLC must file this form within 125 days of the date of sale or disposition of the asset. Form 8282 with Filing Instructions is available on the IRS Website.
- D. Acknowledgement of all gifts made to SJLC and compliance with the current IRS requirements in acknowledgement of such gifts shall be the responsibility of the Treasurer of SJLC or the Treasurer's designee. **IRS Publication 561 *Determining the Value of Donated Property* and IRS Publication 526 *Charitable Contributions*** are available on the IRS Website.
- E. Donation of Automobiles has special rules for the donor and SJLC and require additional reporting on Form 1098-C by SJLC. Form 1098-C with Filing Instructions is available on the IRS Website.

***VIII. Changes to Gift Policies***

The Gift Acceptance Committee shall recommend changes to these gift acceptance policies as needed.

This Gift Acceptance Policy was a approved by Congregational Council on \_\_\_\_\_, 2014.

Assessing a Gift

Name of Donor \_\_\_\_\_

Date of Gift \_\_\_\_\_ Gift Description \_\_\_\_\_

Understood Intent of Gift \_\_\_\_\_

Restrictions on Use \_\_\_\_\_

Check One: Restricted \_\_\_\_\_ Unrestricted \_\_\_\_\_

To be Deposited in:

\_\_\_\_\_ Current Designated Fund (name) \_\_\_\_\_

\_\_\_\_\_ New Fund (name) \_\_\_\_\_

\_\_\_\_\_ Memorial Fund

\_\_\_\_\_ Current Expenses Fund/Accounts

\_\_\_\_\_ Endowment Fund (verify donor's restrictions, if any)