

CONGREGATIONAL GIFT POLICY
SHEPHERD OF THE HILLS LUTHERAN CHURCH
SHOREVIEW, MINNESOTA

Approved by the Governing Board 11.26.18

Purpose

To encourage, receive and administer gifts in a manner consistent with the loyalty and devotion to our Lord expressed by the grantors and in a manner consistent with the policies of this Congregation.

This policy will answer 2 core questions:

1. How can I provide a gift to the congregation?
2. How will the congregation use my gift?

Elements of a Gift Policy

These policies and procedures govern the acceptance of gifts by our congregation. This policy is designed to ensure that all gifts to our congregation are structured to provide maximum benefits for both the donor and our congregation. These policies will apply to all gifts (above and beyond pledges and plate offerings) received by our congregation for any of its programs or services. These policies and procedures should ensure that adequate care and consideration is employed in evaluating opportunities, assessing risks, dealing with complexities or issues, and determining best use of gifts.

1. Gift Acceptance
 - a. Defines who will decide if a gift is accepted
 - b. Defines what gifts will be considered
2. Gift Use
 - a. Defines who will decide how gifts are used
 - b. Outlines process and guidelines to determine how gifts are used
3. Ways to Make a Gift
 - a. Cash or check
 - b. Asset transfer
 - c. Beneficiary designation
 - d. Deferred gifts
 - e. Bargain sale

Gift Acceptance

In accepting a gift, our congregation accepts in a professional manner the responsibility to the donor to steward the gift properly. This includes administering the gift, providing the donor with accurate, timely financial information about the gift and, when appropriate, reporting to the donor about the use of the gift. The donor will be given assurance that their donation will be handled with respect and confidentiality.

Our congregation does not provide legal, accounting, tax, or other such advice to donors. Each donor is ultimately responsible for ensuring their proposed gifts meet and further their charitable, financial, and estate planning goals. Each donor is encouraged to consult with a professional advisor before making gifts.

The **Gift Team** will be comprised of one person from church leadership (i.e. Finance Committee or Governing Board), one person from church staff and at least 3 members from the congregation at large. The Gift Team will seek the advice of legal and tax counsel and other professional experts as appropriate in evaluating gifts, assessing and addressing risks and potential issues, determining best use, and facilitating complex administrative matters. Final decision on the acceptance or rejection of non-routine gifts, including terms and conditions, administration, and best use will be made by the Gift Team.

1. When an asset is offered to our congregation through an estate (distribution of assets), or from a living individual, family, or other legal entity, that is above and beyond a regular pledge or plate offering, the Gift Team will determine if the gift can be accepted.
2. Our congregation is willing to consider the following types of assets:
 - a. Cash or check
 - b. Publicly traded securities
 - i. Stocks
 - ii. Bonds
 - iii. Mutual funds
 - iv. Options/warrants
 - v. Other marketable securities traded on public exchanges
 - c. Non-publicly traded securities
 - i. REITS
 - ii. MLPs
 - iii. Closely held business interests
 1. Partnership units
 2. Limited liability companies
 3. S-Corp shares
 4. C-Corp shares
 5. Options/warrants
 - d. Life Insurance (assignment of ownership) – typically whole life with cash value
 - e. Real property
 - i. Residential
 - ii. Commercial
 - iii. Farm Land
 - f. Tangible personal property
 - i. Vehicles
 - ii. Jewelry
 - iii. Books
 - iv. Art
 - v. Collections
 - vi. Other
 - g. Other property
 - i. Mineral rights
 - ii. Royalties
 - iii. Notes/mortgages
 - iv. Copyrights
 - v. Patents

- vi. Trademarks
 - vii. Oil and gas interests
3. If the Gift Team accepts an unrestricted gift, which is defined as an asset that a donor has given to our congregation without any limitation of its use, the Gift Team will determine how it will be used as outlined below under **Gift Use**.
 4. If the Gift Team of our congregation decides to decline the gift, the donor or donor's estate will be contacted through written notice, via US Mail, and by direct contact by a designated person from the Gift Committee. Our congregation reserves the right to not accept gifts, including but not limited to:
 - a. Those from which our congregation will realize little or no financial gain.
 - b. Those that are offered for purposes inconsistent with the mission of our congregation.
 - c. Or, those which would be too difficult to administer.

Gift Use

Gifts will be used in accordance with the mission of Shepherd of the Hills Lutheran Church to "reach, ignite and empower people for Jesus". **Our congregation encourages unrestricted gifts, defined as an asset that a donor has given to our congregation without any limitation on its use.** Donations of gifts for unrestricted, general purposes are encouraged because of the flexibility they provide to our congregation.

1. If the gift is unrestricted, and is less than, or equal to, \$20,000, the gift will be used in the current operating budget.
2. If the gift is unrestricted and is more than \$20,000, the Gift Team will recommend an allocation of the gift to various uses and forward the recommendation to the Governing Board for approval. The allocation of uses will be in the range of 0% up to 60% for each of the following: (Note: the sum of all uses must add up to 100%)
 - a. current operating budget
 - b. debt reduction
 - c. church programs
 - d. mission and outreach
 - e. capital improvement
 - f. endowment
3. If the gift is restricted, the Gift Team will make every effort to use the gift as intended by the donor. However, if the restricted gift cannot be used due to the lack of program or need, as determined by the Gift Team, the gift will become unrestricted after 36 months. The gift will then begin the unrestricted gift allocation process, as outlined in 1 and 2 above. The Gift Team will recommend an allocation of use which meets, as nearly as possible, the donor's original intention. This provision will be clearly explained to the donor prior to acceptance of the restricted gift. If a restricted gift is received from an estate, the estate will be notified in writing of this provision.

Ways to Make a Gift

1. Cash is acceptable in any form. Checks and money orders may be made payable to Shepherd of the Hills Lutheran Church, delivered to the church office, 3920 Victoria St. N., Shoreview, MN 55126.
2. Distribution from donor advised fund or named endowment by check as detailed above.
 - a. Living trust
 - b. Will
3. Asset transfer

- a. Publicly Traded Securities: Marketable securities may be transferred to our congregation's brokerage account or delivered physically with the transferor's signature or stock power attached. As a rule, all marketable securities shall be sold upon receipt. In some cases marketable securities may be restricted by applicable securities laws; in such instance the final determination on the acceptance of the restricted securities shall be made by the Gift Team. Transfer instructions are available from the church office to facilitate the transfer.
- b. 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, can be accepted subject to the approval of the Gift Team. However, gifts must be reviewed prior to acceptance to determine that:
 - i. there are no restrictions on the security that would prevent our congregation from ultimately converting those assets to cash,
 - ii. the security is marketable,
 - iii. the security is independently valued at the expense of the donor, and
 - iv. the security will not generate any undesirable tax consequences for our congregation.

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 the Gift Team with review by legal counsel, when necessary. Every effort will be made to sell non-marketable securities as quickly as possible.

- c. Real Estate: Gifts of real estate include undeveloped land, farm land, residential and commercial property. If a gift of real estate is encumbered by a mortgage or lien, the Gift Team will request the donor pay off the debt prior to making the donation. If this is not possible, the Gift Team will review and make a recommendation to the Governing Board as to the acceptance and disposition of the real estate. No property will be accepted that has violations of local, state or federal law. Real estate gifts may be accepted by a variety of ways:
 - i. Outright gift: Donor transfers the property for retention and use by our congregation or for immediate liquidation with proceeds directed according to donor intent.
 - ii. Bargain sale: Donor sells the property to our congregation for less than its appraised fair market value and receives a charitable deduction for the difference between the value of the property and the sale price (i.e. some donors may be willing to sell a property to charity for an amount equal to their cost basis, thereby recovering their original investment and receiving a charitable deduction for the appreciated portion). All bargain sales must be approved by the Gift Team.
 - iii. Bequest: Donor bequeaths the property to our congregation in his or her will or revocable (living) trust.
- d. Life Insurance: A donor may transfer ownership of any life insurance policy, whether 'paid up' or with premium payments remaining. In general, only whole and universal life policies are accepted and they must have a positive cash value. If premium payments remain to be made, the donor will be encouraged to continue making the payments, (Premium notices should be directed to

Shepherd of the Hills Lutheran Church, which would pay the premium once the donor's premium contribution has been received). The entire amount of the additional premium payment is receipted as the gift. If the donor elects not to continue to make gifts to pay the premiums, the Gift Team will decide whether to continue to pay premiums or surrender the policy for its current cash value.

- e. Tangible Personal Property: Gifts such as jewelry, books, art, household goods, or experiences (i.e. airline tickets, condo/timeshare stays, excursions, restaurant/chef tastings, gift cards) can be accepted subject to approval of the Gift Team. The Gift Team will assess if the gift will generate adequate use or revenue for the congregation, and will meet the purposes for which the gift is intended. If the gift cannot generate use within our mission, the Gift Team will request permission from the donor to sell the property (where appropriate). If the Gift Team accepts the property, staff will process the transaction and issue an acknowledgement letter to donor (letter will not assign a monetary value).

4. Deferred gifts

- a. Individual or joint bank accounts – payable on death
- b. Individual or joint brokerage accounts – transfer on death
- c. Beneficiary designations – Donors are encouraged to name Shepherd of the Hills Lutheran Church as a primary or secondary/contingent beneficiary on their retirement plans, including but not limited to: Individual Retirement Accounts (IRAs), 401k, 403b, qualified pension and profit-sharing plans, and life insurance policies. To make a gift of retirement plan assets or a life insurance policy, donors need to complete and send a new beneficiary designation to their insurance company or retirement plan administrator.
- d. Designated distribution from donor advised fund or named endowment
- e. Charitable Gift Annuities and Charitable Remainder Trusts with Shepherd of the Hills Lutheran Church designated to receive the remainder upon death.
- f. Donor advised fund grant designated for funding to Shepherd of the Hills Lutheran Church upon death
- g. Bequests in Wills and Trusts - Donors and supporters of our congregation are encouraged to make bequests to Shepherd of the Hills Lutheran Church through their wills and trusts. Shepherd of the Hills Lutheran Church can be named as a charitable beneficiary for a specific bequest, a residual bequest, or a contingent bequest in a donor's will or trust document.
- h. Endowment – Shepherd of the Hills Lutheran Church may accept a gift directed to the Shepherd of the Hills Lutheran Church Endowment. An "endowment" is a gift for which the capital is preserved and annual expenditures are restricted to a portion of the income from investment. A gift may establish an endowment fund or augment an existing one. An endowment normally exists in perpetuity. Endowment funds are invested and income is distributed in accordance with the Shepherd of the Hills Lutheran Church Endowment Investment Policy.
 - i. Unrestricted Endowment: Unrestricted endowment gifts are added to the general Shepherd of the Hills Lutheran Church Endowment to support the general mission and purpose of our congregation. No minimum amount is necessary for unrestricted endowment contributions. Unsolicited gifts directed to the endowment will be added to the existing unrestricted endowment.
 - ii. Named Endowment: An unrestricted endowment fund may be named for the donor or in honor or memory of someone of the donor's choosing.

The minimum amount necessary to establish a named endowment is \$100,000. Once a named endowment is established, gifts of any size are acceptable for addition to the existing fund. Named endowments are tracked as separate funds within the endowment and receive annual reports on fund balance and income distributions.

- iii. Restricted Endowment: An endowment fund may be restricted to a specific purpose, e.g. to fund a specific program area, building endowment, or endowed staff position. The minimum amount necessary to establish a restricted endowment is \$500,000, and may be higher depending on the annual funds needed to support the restricted purpose. Once a restricted endowment is established, gifts of any size are acceptable for addition to the existing fund. Donors who designate a gift to a specific purpose must be advised of the right of our congregation to revise the gift purpose in certain circumstances according to the Gift Agreement.

Our congregation encourages donors to contact the church office during their lifetime to discuss their charitable intent. Sample bequest language is available from our church office. However, donors are encouraged to consult a professional advisor for additional assistance.

This Congregational Gift Policy will remain in effect until it is changed in writing and approved by the Gift Team, the Finance Committee, and the Governing Board. This Congregational Gift Policy will be reviewed every year. The next policy review is November 2019, one year from the Governing Board approval below and annually thereafter in November. The policy review will be conducted by the Gift Team and any changes will be recommended to the Finance Committee and the Governing Board for approval.

Approval by Shepherd of the Hills Lutheran Church Finance Committee

Date:

Shepherd of the Hills Lutheran Church Finance Committee Chair

Approval by Shepherd of the Hills Lutheran Church Governing Board

Date:

Shepherd of the Hills Lutheran Church Governing Board Chair