

## I. Introduction

### Purpose of this Policy Statement

Gifts often fulfill dual purposes: the donor finds a meaningful way of expressing his or her gratitude, love and remembrance and the gift benefits the First Presbyterian Church and furthers its mission. The First Presbyterian Church is grateful for all gifts.

This Gift Acceptance Policy Statement provides guidelines for accepting gifts of property to the First Presbyterian Church of Cranbury (the “*Church*”), the Brainerd-Westminster Cemetery (the “*Cemetery*”), the First Presbyterian Church of Cranbury Endowment Fund (the “*Church Endowment*”), and the Davis Fund (the “*Davis Fund*”) (in the aggregate referred to herein as “the Church and related entities”). This policy:

- Specifies the criteria for evaluating and accepting different types of gifts including criteria for accepting restricted or designated gifts,
- Defines the responsibilities of the Stewardship & Finance Committee, the Session, and other parties responsible for the management of the Church’s assets.

### Objective

One responsibility of the Session of the Church is:

“... to challenge the people of God with the privilege of responsible Christian stewardship of money and time and talents, developing effective ways for encouraging and gathering the offerings of the people and assuring that all offerings are distributed to the objects toward which they are contributed...”

**[Book of Order G-10.0102 h]**

Consistent with this responsibility, the Session has adopted this Gift Acceptance Policy to encourage and foster gifts to the Church while also providing guidelines to protect the interests of the Church to avoid unwanted encumbrances, expenses, or constraints on its activities or finances in accepting such gifts.

### Definitions

A gift is a voluntary transfer of property without consideration. A gift is made in any circumstance where all of the conditions listed below are satisfied:

1. Some property – usually cash – is transferred by a donor to the Church or its related entities,
2. The transfer is voluntary,
3. The transfer is made without expectation of return. No consideration or benefit of any kind to the donor or to anyone designated by the donor, may result from the payment. The church may not accept “earmarked” gifts;
4. Gifts are irrevocable. No gift may be returned to the donor unless Session concludes, after review of the facts of the gift, that the gift was made as a result of a mistake by the donor.

## II. Amendments and Review

The Stewardship & Finance Committee shall be responsible for reviewing this policy from time-to-time. The Stewardship & Finance Committee shall recommend any changes to these policies to Session for approval. Minor editorial changes need not require review and approval by Session.

To amend this policy, the Stewardship & Finance Committee shall prepare a written amendment for review and approval by Session, to be placed on the agenda of the next Session meeting. Amendments may be approved only by two affirmative votes of the Session in two consecutive months.

## III. Authorization for Negotiations

When a gift is received from a donor, it is the responsibility of the Stewardship & Finance Committee to determine whether or not the gift qualifies as a donation under IRS regulations. When any cash, check, or other property is received by any Church related entity, individual, or Committee, it must be brought to the attention of the Moderator of the Stewardship & Finance Committee for review. No action should be taken by any Church related entity, individual or Committee that might be construed as an acceptance of a gift until the decision to accept has been made.

Furthermore, subject to the oversight of Session,

- The Stewardship & Finance Committee, or their representatives, is authorized to negotiate and accept gift agreements with prospective donors in accordance with these Guidelines and state and Federal laws.
- The Stewardship & Finance Committee shall retain competent legal counsel as appropriate when drafting any gift agreements, and to the extent possible utilize a uniform specimen agreement for gift commitments from donors.
- Any gift agreements that do not conform to an approved specimen agreement or do not otherwise meet the requirements of these Guidelines, may be executed only with the approval of the Session.
- The Moderator of the Stewardship & Finance Committee or the Clerk of Session shall have the authority to sign agreements only when so directed by Session,
- Session must approve any gift regardless of size. In determining whether to recommend to Session the acceptance of any gift, the Stewardship & Finance Committee shall consider the following important factors:
  - any gift which, in the opinion of the Stewardship & Finance Committee, may expose the Church or its related entities to an uncertain and potentially significant liability;
  - any gift which, in the opinion of the Stewardship & Finance Committee, is precedent-setting or involves sensitive issues.

## IV. Type of Property Received

**General Rule.** The Church or related entities may accept undesignated gifts of cash, cash equivalents, fully paid life insurance, listed securities and over-the-counter securities. For all other assets, including gifts that are designated for a specific purpose(s) by the donor, the approval of Session is required. Such approval shall be granted based on the conditions stated below or in Section VII of this policy.

### General Restriction on Liabilities and Expenses

Unless a specific exception is granted by Session for good cause, the Church or related entities will not accept any gift if its ownership:

- (1) Is likely to expose the Church and/or its related entities to litigation or other liabilities,
- (2) Requires the payment of maintenance costs or other expenses (*e.g.* debt service) for which no specific provision has been made, or
- (3) Is likely to generate unrelated business taxable income (UBTI).
- (4) The gift is designated for a purpose that is contrary to the mission, philosophy, and/or policies established by Session, the Presbytery, or State and Federal laws. See Section VII below for information on policies related to designated gifts.

### Specific Rules for Various Classes of Assets

- (1) **Real Estate.** The Church and related entities may accept gifts of real property if it receives (1) a preliminary title report clear of unacceptable encumbrances, performed by a reputable title insurance company, (2) an independent appraisal by a qualified appraiser, and (3) an environmental audit indicating ownership will not expose the Church and related entities to environmental liabilities.
- (2) **Gifts of Personal Property and Special Assets.** The Church and related entities may accept gifts of personal property, unlisted or assessable securities, partnership interests, closely held business interests and other illiquid financial assets subject to the general conditions set forth above, whenever the intended gift asset is marketable or the Stewardship & Finance Committee, Session, or other Committee of the Church and related entities, determines the gift may be appropriately retained and used by the Church or its related entities.
- (3) **Gifts of Real Property with Retained Life Estate.** The Church and related entities may accept gifts of real property with a retained life estate subject to both the general conditions and the guidelines for acceptance of outright gifts of real property as set forth above.

This type of gift allows the donor to make a gift of a personal residence, second home, or farm to the Church while retaining the right to occupy and use the property during the lifetime of the donor.

The agreement creating the life interest must provide that the donor and/or life tenant shall remain responsible for the payment of mortgages, taxes, insurance, utilities and other costs

associated with the property, unless other specific provisions are made for the payment of these expenses.

## Marketability and the Stewardship & Finance Committee Discretion

In accepting any of the assets (of any size) to which these provisions apply, the Stewardship & Finance Committee may consider the intended holding period and the probability of sale in determining the adequacy of the provision that has been made for the payment of mortgages, taxes, insurance, utilities and other costs associated with the maintenance of the property. In no event, however, will the Church accept encumbered or other UBTI-producing property as gifts or other instruments for which such income causes a loss of tax-exempt status.

The Church and related entities shall not act as Trustee for any trusts. The Presbyterian Church (USA) Foundation, however, offers trustee services, see Section VI below.

## V. Administration and/or Disposition of a Gift-in-Kind

For the purposes of this Section, gifts-in-kind are non-cash gifts except for gifts of securities (such as shares of common stock, bonds, or shares in mutual funds). The administration and disposition of gifts of securities (*e.g.* shares of common stock, bonds, or shares in mutual funds) are described in ***Attachment A: "Policy on Treatment of Securities Received in lieu of Cash"***. IRS regulations govern the tax consequences of making a gift-in-kind to a charity or others and the valuation of that gift.

Gifts-in-kind covered by this Section can include capital property, *i.e.* real estate, depreciable property, personal use property (*i.e.* artwork, jewelry, rare books), and inventory of a business. Prior to the acceptance of an in-kind gift, the proposed gift will have to be considered dispassionately from the standpoint of the Church and its mission. Ill-considered gifts may be of limited use to the Church, create an administrative or financial burden, or come at a time when the Church's other needs are much greater and more immediate.

Undesignated gifts will be initially administered by the Stewardship & Finance Committee or another Committee designated by Session. Designated gifts shall be administered by the Committee responsible for the program/mission or budget item for which the gift is intended, unless Session determines otherwise. Any costs associated with a designated gift-in-kind (*e.g.* shipping and setup costs) will be the responsibility of the Committee accepting the gift.

The Stewardship & Finance Committee will, where a receipt for value is issued, acknowledge the gift of the object and, if required, arrange for an appraisal to be made in a manner acceptable to the IRS. The Church, however, will not pay for the cost of the appraisal, since the value of the appraisal may be challenged by the IRS. A receipt, when appropriate, will be issued to the donor by the Church Treasurer for the appraised value of the "Gift-in-Kind", showing the appraiser's name and attaching a copy of the appraisal certificate. Records of such donated objects, their appraised value, and copies of the receipts issued will be maintained by the Church Office on behalf of the Stewardship & Finance Committee. The Church Treasurer shall maintain necessary information on the gift in the appropriate asset accounts and for insurance coverage, as appropriate.

For “Gifts-in-Kind”, whether or not a receipt for value is required by the donor, an acknowledgement will be issued to record the acceptance of the “Gift-in-Kind”. The Stewardship & Finance Committee shall determine which Committee shall be responsible for issuing the acknowledgement to the donor based on the nature and purpose of the gift.

## VI. Administration and Disposition for Estates and Deferred Gifts

The Church welcomes deferred gifts and bequests. Such gifts include:

**Life Insurance** – The ownership of a life insurance policy that is no longer needed for family or business purposes can be transferred during the lifetime of policyholder to the Church as a charitable gift. The charitable income tax deduction is approximately equal to the policy’s replacement value (not its face value). Alternatively, the Church and related entities can be named as the beneficiary of the policy when it terminates, thus qualifying for potential estate tax benefits.

**Policy and Administration:** Only fully paid life insurance may be transferred to the Church or its related entities unless other provisions have been made for the payment of premiums (such as the donor committing to continue making additional donations to the Church to pay the insurance premiums). The Stewardship & Finance Committee shall determine whether to continue to hold the policy or liquidate the policy for cash value.

**Retirement Plan Assets** – The assets in a retirement plan (*e.g.* IRA, 401(k) Plan) can be used to fund a charitable bequest. By naming the Church as the beneficiary of such a plan, both income and estate taxes can be avoided.

**Policy and Administration:** The receipt of bequests received from Retirement Plan assets shall be treated according to the guidelines outlined herein or Attachment A for the receipt of cash and in-kind gifts of securities.

**Charitable Bequests** – Bequests can be made through a will or trust that designates (1) a certain dollar amount, (2) a specific asset or (3) a percentage of the “residuary estate”. A gift through an estate qualifies for the unlimited charitable estate tax deduction.

**Life Income Gifts** – These are gifts that pay income to the donor or other individuals designated by the donor. When the people receiving the payments are no longer living, the remaining funds become the property of the Church to be used as designated by the donor. These gifts are partially tax-deductible for federal income tax purposes because the donor gives up the asset but not the right to receive income.

**Charitable Gift Annuity** – Gifts of cash or publicly traded securities can be made to a trust in exchange for fixed payments from the trust for the lifetime of the donor or another annuitant. Upon the death of the annuitant, the remaining assets in the trust become the property of the Church to be used as designated by the donor.

**Charitable Lead Trust** – Gifts of cash or publicly traded securities can be made to a trust the income from this gift is paid to the Church for a fixed term, after which ownership of the principal reverts to the donor or others designated by the donor. This type of trust is useful for

donors who wish to transfer assets to a younger generation while reducing or eliminating significant gift or estate taxes.

**Policy and Administration:** The administration and custody of Charitable Trusts and Life Income Funds has been delegated to the Presbyterian Church (USA) Foundation, should a donor wish to donate assets through any of these means, the Stewardship & Finance Committee shall assist the donor in obtaining information on the policies and funds offered by the Foundation.

## VII. Administration and Disposition of Designated Gifts

Unrestricted/undesignated gifts are especially appreciated because these gifts allow the Church and its related entities the greatest flexibility, enabling it to fund operations, missions and programs according to the needs as determined by Session.

It is the policy of the Church and its related entities, however, that designated/restricted gifts that otherwise meet the conditions outlined in this policy will be used accurately according to the wishes of the donor. Memorial Funds are typically restricted/designated gifts and as such are subject to this policy and the Memorial Funds policy.

Restricted or Designated Gifts are gifts that otherwise meet the conditions of this Gift Acceptance Policy, that the donor has determined shall be used for a specific purpose, such as funding for a capital project, mission, or program that is supported by the Church or its related entities. Memorial gifts are those made by a donor in memory of, or in honor of, a loved one.

- The Stewardship & Finance Committee has the responsibility for negotiating with prospective donors conditions for acceptance of Restricted or Designated Gifts, with the oversight of the Session.
- Restricted or Designated Gifts, once they have been accepted by the Church, shall be recorded and tracked separately in a Designated Gift Account by the Church Treasurer. The Church Treasurer shall maintain adequate records to describe the value of the gifts and conditions for its use, as well as a record of any disbursements attributable to the designated gift purpose. Contributions and Disbursements in the Designated Gifts Accounts shall be reported to the Stewardship & Finance Committee on a regular basis.

## Conditions for Accepting Designated Gifts

In accepting Designated or Restricted Gifts, the intention is to encourage donors to help fund projects and programs, that Session has determined are important to the mission of the Church. The Stewardship & Finance Committee, with the approval of Session, reserves the right to refuse Designated Gifts whose terms are not considered in the best interests of the Church and its related entities.

Gifts that otherwise meet the conditions for acceptance, as outlined in this policy may be designated and used according to the wishes of the donor. Session recognizes the intent behind most designated gifts is to increase the resources dedicated to a particular mission or program supported by the Church. Accordingly, to the extent possible, monetary gifts are to be used to

enhance budget items already approved by Session. Designated gifts may not be accepted that would obligate the Church for a use Session has not already determined a need.

All gifts in memory or honor of specific persons should be clearly so designated. The Stewardship & Finance Committee shall be responsible for the administration and recording of designated and undesignated gifts, including date received and the gift designation. The Stewardship & Finance Committee shall also be responsible for the appropriate donor acknowledgements of all gifts.

Memorial Fund gifts shall be accounted for separately, but in general will be subject to the same policy and procedures outlined herein with the following exceptions:

Memorial fund balances greater than \$500 – Prior to distribution, the Stewardship & Finance Committee shall solicit information from the family regarding any mission or ministry preference(s) for any undesignated balance;

Memorial fund balances less than \$500 – After a reasonable time following the initial contribution to establish a memorial fund for an individual, if the balance remains undesignated, Stewardship & Finance Committee may distribute the balance for any mission or ministry as approved by Session.

## Review and Renewal of Designated Gifts After Acceptance

If the designated gift(s) received for a particular purpose are not sufficient to fund the intended purpose within 36 months of receipt of the designated gift(s), the Stewardship & Finance Committee shall bring this to the attention of the Session for review. The Session shall determine if the designated gifts remain designated or shall become “undesignated” and be used for other purposes. Upon the acceptance of a designated gift, the donor should be informed of this review and renewal process.

## Attachment A

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### Policy on Treatment of Securities Received in lieu of Cash”.

The purpose of this policy is to describe the administration and disposition of gifts of securities (*e.g.* shares of common stock, bonds, or shares in mutual funds). IRS regulations govern the tax consequences of making a gift-in-kind to a charity or others and the valuation of that gift.

Gifts-in-kind covered by this Section include marketable securities. Policies governing capital property *i.e.* real estate, depreciable property, personal use property are described elsewhere in the church’s Gift Acceptance Policy.

It is the policy of the church that in-kind gifts are expected to be liquidated shortly after receipt so as to minimize the amount of time the security is exposed to market value fluctuations.

Since the administration and deposit of share certificates is cumbersome and insecure, upon notice of the desire to make an in-kind gift of a marketable security, the Endowment Treasurer, or an authorized representative, shall provide the donor with the necessary information needed to electronically transfer ownership of the securities to the church. In-kind gifts of marketable securities will typically be liquidated as soon as practical and the proceeds transferred to church’s operating account or investment account overseen by the Stewardship & Finance Committee.

**Mutual Funds and other Commingled Fund units** – In-kind gifts of shares of mutual funds or units of other commingled investment funds that are readily marketable may be accepted. In-kind gifts of marketable securities will typically be liquidated as soon as practical and the proceeds transferred to church’s operating account or investment account overseen by the Stewardship & Finance Committee. If the shares of the fund may not be transferable, the donor with the Stewardship & Finance Committee’s assistance, may transfer the fund shares to a new account registered under church’s name then liquidated.

Gift acknowledgement to the donor will include a description of the security and such other information as the donor may require for tax reporting purposes. This information typically includes the security name and identifying information (*e.g.* ticker symbol or CUSIP), the date the security arrived in the church’s investment account in a form that was available for sale, and market price information on this arrival date. For common stock and ETFs, this market price information may include the day’s market price range, and the arrival day’s opening and closing price. For mutual funds and commingled funds, this price information will generally be the arrival day’s closing NAV.

The amount of the gift credited to the donor shall be the higher of the sale price or the closing price on the arrival date. Transaction costs associated with the liquidation of in-kind gifts received will be absorbed by the church, and will not be deducted from the value of the gift credited to the donor’s account. Transaction costs will be evaluated prior to the acceptance of an in-kind gift.