

Importance of Policies, Procedures, and People

Consider the following three scenarios, then what comes next?

Giving from Lifelong Abundance: The Smiths

1. Mary & John Smith named their church in their will to receive 10% of the residual amount of their estate. When Mary & John pass away, the executor of their estate will notify the church that the church will receive, for example, \$100,000. The executor will also explain the Smiths did not designate any purpose for the \$100,000, nor did they place any restriction on the gift.

But before the Smiths pass away ...

2. John Smith wants to give a 15-year old passenger van to his local church that, he claims, is worth \$5000; it has 120,000 miles on it. The church has been wanting a van for youth ministry and mission work for many years.

3. Mary & John Smith are retiring and want to simplify. The Smiths have solid retirement savings, a pension, Social Security, and a second home in a real estate market that grew handsomely. They want to unload the vacation home they bought 40 years ago for \$100,000, now worth \$500,000. Their two children are gainfully-employed adults with children of their own and don't need or want the house. The Smiths are curious about their options to support their church with the house they want to unload, facing capital gains tax on \$400,000.

The Smiths are obviously generous people. If your church were blessed by any of these or similar scenarios, what would your church do in response? Do the written policies and operating procedures of your church follow clear standards to guide healthy decision-making?

(Consider a *\$1000 threshold to trigger procedures described in the following pages.)



Contact the UM Foundation to review your policies and procedures:

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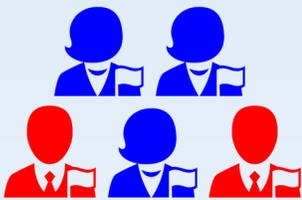
Policies & Procedures for Gift Acceptance

Make decisions according to standards and authorities.

Adopting a Gift Acceptance Policy & Empowering a Special Board



Every church should have a **“Gift Acceptance Policy”** in place. The purpose of this policy is to describe the type of gifts that can be accepted and the manner in which they can be accepted. It is clear in #1 above that the church will accept the \$100,000, but then what happens to the money? It is less clear in #2 that the church should take the van. Who decides for the church to take the van or not? How does the church determine the value? Mr. Smith wants the church to keep the van, but the church wants to sell it after realizing it needs major repairs ... now what? Who does the leg work to facilitate this gift or reject the gift? The circumstance in #3 presents the church with immense potential for ministry, but many issues raised in #1 and #2 are also there, yet magnified. There are tax and legal issues, and there are professional advisors to consult.



It is recommended that every church appoint a **“Special Board”** for gift acceptance, which will then recommend to the larger **“Church Leadership Council”** (CLC) how the church should allocate undesignated, unrestricted special gifts. “Regular” cash giving does not go through the **Special Board** (e.g. pledges and **designated** giving to memorials, youth, missions, building, etc.). The **Special Board** should represent the major areas of the church that deal with money, such as the **Chairpersons** of the Church Council, Trustees, Finance, Memorials, and the **Investment & Planned Giving Chairperson**. For example, in the case of #1, the **Special Board**, knowing the church’s current and future needs, may recommend to the CLC to decide to give to ...

- \$10,000 = “Memorial Funds”
- \$10,000 = “General Operations”
- \$20,000 = “Savings Fund” for “rainy day” (i.e. **“Unrestricted Funds”**)
- \$60,000 = “General Endowment Fund” (i.e. **“Permanent Funds”**),
which has an annual spending rate (prudently 3%-5%)

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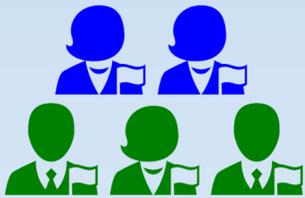
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Donor Intent & the Mission of the Church

Build a lasting legacy by multiplying your church's resources.

Appointing the Proper People to Recommend & Carry Out Decisions



“A charge conference may establish a local church permanent endowment and planned giving ministry committee” (§§ 2533.5, § 2534 *The Book of Discipline of The United Methodist Church*).

This committee may be creatively and more appropriately named the **“Investment & Planned Giving Committee”** because this committee can be given authority by the church to manage non-endowment investments, i.e. **“Unrestricted Funds,”** and endowment and other board-restricted funds, i.e. **“Permanent Funds.”** Investments like stocks, bonds, and mutual funds require special care, handling, and a long-term mindset.

Adhering to the Uniform Prudent Management of Institutional Funds Act



“Donor intent ... is primarily concerned with ensuring that a grantmaking organization understands and acts on the vision of its founding benefactor. Those entrusted with the responsibility of disbursing charitable resources have a moral obligation to distribute the assets in the manner they believe most consistent with the intent of the original donor.” (Jeffrey J. Cain, *Protecting Donor Intent*, 2)

Endowments require special care under state law 760 ILCS 51, UPMIFA.

Donors can serve their charitable purposes and core values through **several giving plans (see back side)** to benefit churches and other nonprofit organizations. Local churches should be prepared to refer donors to the UM Foundation, dedicated to serving donors' purposes, core values, and charitable legacies since 1949.

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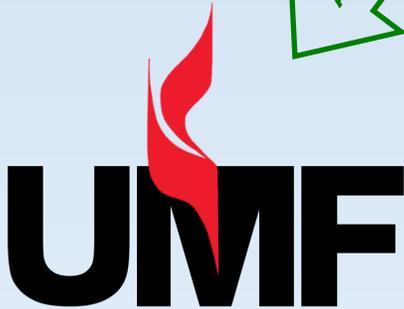
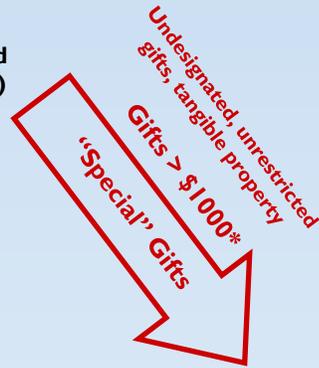
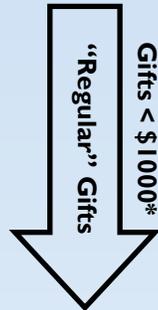
What happens when your local church receives a large undesigned, unrestricted gift?

John 3:16: "This is how much God **LOVED** the world ..."



John 3:16: "... He **GAVE** his Son ..."

Pledges, Memorials, Designated (Youth, Missions, Building, etc.)



United Methodist Foundation of the Northern Illinois Conference, Inc.

Giving Plans

Charitable Remainder Unitrusts (CRUT)

Charitable Gift Annuities (CGA)

Donor Advised Funds (DAF)

Donor-Restricted Endowments

Investment Management

Planned Giving: UMFGift.org
UM Foundation: UMFNIC.org



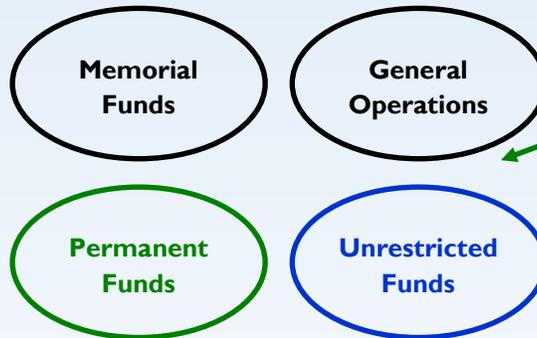
Special Board for *Gift Acceptance Policy



Church Leadership Council



Decides Allocation



Investment & Planned Giving Committee



Oversees Investments & Spending Policy of Permanent Funds

Funding the Ministries of the Local Church

"The mission of the Church is to make disciples of Jesus Christ for the transformation of the world. Local churches and extension ministries of the Church provide the most significant arena through which disciple-making occurs." *Book of Discipline* ¶ 120



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