




CENTER FOR HUMAN SERVICES

CHS POLICY AND PROCEDURE	Policy Title: Policies and Guidelines for Accepting and Reporting Charitable Contributions
	Policy Number: 111
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	Approved: Barbara N. Turner 

Policies and Guidelines for Accepting and Reporting Charitable Contributions

I. Introduction

Center for Human Services (hereinafter referred to as CHS) is a nonprofit 501(c)(3) organization. As a nonprofit organization, CHS encourages the solicitation and acceptance of contributions for purposes that will help the organization to further and fulfill its mission.

CHS's mission is to help clients meet today's challenges and take advantage of tomorrow's opportunities by providing a comprehensive array of education, training, advocacy and health-related programs and services. Since its founding, CHS has been in the forefront of innovation in improving the quality of life, access to social and health services, and the educational and vocational achievements of underserved populations throughout the United States and abroad.

II. Purpose of Policies and Guidelines

The Board of Directors of CHS and its staff solicit current and deferred contributions from individuals, corporations, and foundations to secure the future growth and missions of CHS. The purpose of these policies and guidelines is to govern the acceptance of contributions by CHS and provide guidance to

prospective donors and their advisors when making contributions to CHS. The provisions of these policies shall apply to all contributions received by CHS for any of its programs or services.

III. Defining Charitable Contributions

As a 501(c)(3) nonprofit organization, contributions to Center for Human Services (CHS) are deductible for federal income tax purposes as provided under the Internal Revenue Code. A donor should consult his own tax advisor regarding the deductibility of a charitable contribution. There are some basic requirements that charitable contributions must satisfy in order to be tax deductible:

1. The contribution must be cash or property and not for personal services rendered. The value of personal services is never deductible as a charitable contribution.
2. The contribution must be claimed by the donor as a tax deduction in the year it was made. Generally a contribution is made at the time of delivery. A check that is mailed is considered delivered on the date it is mailed (postmarked).

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3. The contribution must be unrestricted without any personal benefit to the donor. In a legal sense the donor must absolutely and irrevocably divest him/herself of title, dominion and control over the contribution.
 4. The contribution must be made to or for the use of Center for Human Services. Contributions made directly to individuals are not deductible.

IV. Use of Legal Counsel

CHS shall seek the advice of legal counsel in matters relating to acceptance of contributions 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 CHS as Trustee
- c) Contributions involving contracts, such as bargain sales or other documents requiring CHS 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 Contribution Acceptance Committee (see Section VII)

V. Conflict of Interest

CHS will urge all prospective donors to seek the assistance of personal legal and financial advisors in matters relating to their contributions and the resulting tax and estate planning consequences.

VI. Restrictions on Contributions

CHS will accept unrestricted contributions, and contributions for specific programs and purposes, provided that such contributions are not inconsistent with its stated mission, purposes, and priorities. CHS will not accept contributions that are too restrictive in purpose. Contributions that are too restrictive are those that violate the terms of the corporate charter, contributions that are too difficult to administer, or contributions that are for purposes outside the mission of CHS. All final decisions on the restrictive nature of a contribution, and its acceptance or refusal, shall be made by the **Contribution Acceptance Committee** of CHS (see Section VII).

VII. The Contribution Acceptance Committee

The contribution acceptance committee shall consist of:

- The President of CHS
- The Chief Financial Officer of CHS
- Members of the Executive Committee, as appointed by the President

The contribution acceptance committee is charged with the responsibility of reviewing all contributions made to CHS, properly screening and accepting those contributions, and making recommendations to the Board on contribution acceptance issues when appropriate.

VIII. Types of Acceptable Contributions

The following contributions are acceptable:

1. Cash
2. Tangible Personal Property
3. Vehicles
4. Securities
5. Remainder Interests in Property
6. Bargain Sales
7. Retirement Plan Beneficiary Designations
8. Bequests
9. Life Insurance Beneficiary Designations

IX. Criteria to Govern the Acceptance of Cash

Cash is acceptable in any form. Checks shall be made payable to CHS and shall be delivered to Accounts Receivable staff in CHS's Finance Department.

Contributions of \$250 or more are not deductible unless the donor substantiates the contribution by a written acknowledgment of the contribution by CHS. The acknowledgment must include:

- The amount of cash and a description (but not value) of any property other than cash contributed,
- Whether CHS provided any goods or services in consideration, in whole or in part, for the cash or property received, and

- A description and good faith estimate of the value of any such goods or services provided.

The written acknowledgment should be sent to the donor in five business days (See example in Appendix A).

X. Criteria to Govern the Acceptance Non-Cash Property

A. General Rule

When property valued at \$250 or more is received, CHS must issue written acknowledgment for the non-cash contribution. Such receipt should contain the following information:

- Date property was received;
- Complete description of the property including model year, serial numbers;
- Condition of the property.

CHS should not set the value of the property. It is suggested that an individual letter be prepared and sent to the donor for each contribution within five (5) working days upon receipt of the property (see appendix A).

B. Valuation of Non Cash Property

A donor must obtain a **qualified appraisal** for gifts of property worth more than \$5,000, other than cash and publicly-traded securities. A qualified appraisal is defined as an appraisal document that is:

- related to an appraisal made no earlier than 60 days prior to the date of gift or no later than the due date of the donor's tax return;
- prepared, signed and dated by a "qualified appraiser";
- includes all required information; and
- not involve a prohibited appraisal fee.

The IRS law defines a qualified appraiser with respect to any specific appraisal as an individual who:

- regularly performs appraisals for which the individual receives compensation;
- can demonstrate verifiable education and experience in valuing the type of property subject to the appraisal; and
- has not been prohibited from practicing before the IRS at any time during the three years preceding the appraisal.

CHS is required to sign Form 8283 submitted by the donor with his or her tax return. CHS's signature serves as an acknowledgement affirming that the charity received the property. It does not certify the valuation of the property provided by the donor. However, a charity suspecting that the donor is substantially misstating the value of the property should generally not sign.

C. Acceptable Non Cash Contributions

1. Tangible Personal Property: All contributions of tangible personal property shall be examined in light of the following criteria:

- Does the property fulfill the mission of CHS?
- 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?

The final determination on the acceptance of other tangible property contributions shall be made by the Contribution Acceptance Committee of CHS.

2. Vehicle Donations: IRS rules limit the value of the charitable deduction a donor may take for a donated vehicle and places specific receipt requirements on a charity to substantiate the donation of a vehicle. The required content of the receipt depends on the charitable organization's intended use of the vehicle and are outlined below. In general, if CHS intends to sell the donated vehicle without "materially improving the vehicle" or putting it to a "significant intervening use," the receipt must include:

- Donor's name and taxpayer identification number
- Vehicle identification number
- Certification that the vehicle was sold in an arm's-length transaction between unrelated parties
- Gross amount received by the charity for the sale of the vehicle
- Statement that the deductible amount may not exceed the gross amount received by the organization for the sale of the vehicle

CHS must give this acknowledgment to the donor no more than 30 days after the vehicle's date of sale. If, instead, CHS retains the vehicle for its own use, it must give the receipt to the donor within 30 days of the date of the contribution of the vehicle, and it must include:

- Donor's name and taxpayer identification number
- Vehicle identification number
- Certification stating the intended use of the vehicle or any material improvement intended for the vehicle and the intended duration of such use
- Certification stating that the vehicle will not be transferred in exchange for money, property, or services before completion of the intended use or improvement

3. Securities: CHS can accept both publicly traded securities and closely held securities.

Publicly Traded Securities: Marketable securities may be transferred to an account maintained at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. As a general rule, all marketable securities shall be sold upon receipt unless otherwise directed by the Board of Directors. 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 Contribution Acceptance Committee of CHS.

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 Contribution Acceptance Committee of CHS. However, contributions must be reviewed prior to acceptance to determine that:

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

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 contribution. The final determination on the acceptance of closely held securities shall be made by the Contribution Acceptance Committee of CHS and legal counsel when necessary. Every effort will be made to sell non-marketable securities as quickly as possible.

4. Remainder Interests in Property: CHS will accept a remainder interest in an office building, personal residence, farm, or vacation home. The donor or other occupants may continue to occupy the real property for the duration of the stated life. At the death of the donor, CHS may use the property or reduce it to cash. Where CHS receives a contribution of a remainder interest, expenses for maintenance, real estate taxes, and any property indebtedness are to be paid by the donor or primary beneficiary.

5. Bargain Sales: Bargain sale is sale of an asset to a charity at less than fair market value. CHS will enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission and purposes of CHS. All bargain sales must be reviewed and recommended by the Contribution Acceptance Committee and approved by the Board of Directors. Factors used in determining the appropriateness of the transaction include:

- The committee must obtain an independent appraisal substantiating the value of the property.
- The Committee must determine that CHS will use the property, or that there is a market for sale of the property allowing sale within 12 months of receipt
- The Committee must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.

6. Retirement Plan Beneficiary Designations:

Donors and supporters of CHS may choose to name CHS as beneficiary of their retirement plans. Such designations will not be recorded as contributions to CHS until such time as the contribution is irrevocable. When the contribution is irrevocable, but is not due until a future date, the present value of that contribution may be recorded at the time the contribution becomes irrevocable.

An Irrevocable trust is a type of trust that cannot be changed after the agreement has been signed.

7. Bequests: The act of giving personal property or money such as stocks, bonds, jewelry and cash left to an individual or organization through the provisions of a will or estate plan. Donors and supporters of CHS may choose to make bequests to CHS under their wills and trusts. Such bequests

will not be recorded as contributions to CHS until such time as the contribution is irrevocable. When the contribution is irrevocable, but is not due until a future date, the present value of that contribution may be recorded at the time the contribution becomes irrevocable.

8. Life Insurance Beneficiary Designations: Donors and supporters of CHS may choose to name CHS as beneficiary or contingent beneficiary of their life insurance policies. Such designations shall not be recorded as contributions to CHS until such time as the contribution is irrevocable. Where the contribution is irrevocable, but is not due until a future date, the present value of that contribution may be recorded at the time the contribution becomes irrevocable.

XI. Quid Pro Quo Contributions

A quid pro quo contribution is a payment made to CHS which is partly for a contribution and partly in exchange for goods and services. Any such contribution of insubstantial value does not require a written acknowledgment from CHS setting forth the value given in exchange for a contribution.

According to IRS's rules, benefits received in connection with a payment to a charity will be considered to have insubstantial fair market value if both of the following are met:

1. The payment occurs in the context of a fund-raising campaign in which the charity informs patrons how much of their payment is a deductible contribution, and
2. The fair market value of all of the benefits received in connection with the payment is not more than 2 percent of the payment, or \$50, whichever is less.

Any contribution more than insubstantial value in exchange for goods and services requires a written acknowledgement to the donor providing a "good faith estimate," stating the amount of the goods and services given to the donor. Such acknowledgement must further inform the donor that the tax-deductible portion of the contribution is the excess of the value of such goods and services.

Token Contributions: The above is rule does not apply if only small token items with a low cost are provided to

the donor. Under certain circumstances, when donors receive a small item or a benefit of token value, the entire amount of the contribution is fully deductible. A benefit is considered a token if:

- The payment occurs in the context of a fundraising campaign in which CHS informs contributors what amount constitutes a deductible contribution; and
- The fair market value of the benefits received is not more than 2 percent of the payment, or \$99, whichever is less; or the payment is \$49.50 or more and the only benefits received are token items bearing the organization's name (such as a mug or T-shirt).

XII. Acknowledgment of Receipt of Contributions

A. General IRS Rules

The IRS adopted requirements for documenting tax-deductible charitable contributions. These rules govern the type of documentation an individual or corporation must keep to substantiate a gift to a charitable organization. If an individual makes a charitable contribution of more than \$250 to an organization, that person may not claim a tax deduction for the contribution unless the required receipt is received by the time the tax return is filed.

Under IRS rules, it is critical that the gift acknowledgment indicate whether the donor received goods or services in return for the gift. An individual authorized by CHS to issue tax receipts should sign the receipt. Donors must have the receipt by the time they file a tax return for the year in which the gift was made (See Appendix A).

In the event that CHS receives contributions in excess of \$10,000 in the form of cash, foreign currency, cashier's checks, money orders, bank drafts, or traveler's checks, the **IRS Form 8300** must be completed by the recipient. This form requires the recipient to report the amount and method of payment, to describe the transaction (an unrestricted charitable contribution or other type of transfer), and to verify the donor's identity. This can be done by examining a document normally accepted for identification, such as a driver's license, passport, or other official document. CHS must provide the donor with a copy of Form 8300 as filed with the IRS.

B. Processes for Acknowledgement Receipts

1. The Contribution Acceptance Committee of CHS is responsible for issuing gift receipts to donors who make charitable contributions in the form of cash, check, securities, real estate or personal property to Center for Human Services.
2. If goods are received as a donation, the Contribution Acceptance Committee delegates to a staff member the responsibility to complete a "Donation-Tax Receipt Form". The completed form should be turned in to the Finance Department and Contribution Acceptance Committee (See Appendix B).
3. Cash/Check donations will be deposited at the bank account of Center for Human Services. When a cash donation is received, it is receipted and a copy of the receipt forwarded with accompanying documentation to the Finance Department to be recorded and acknowledged. After receipt of the gift, the acknowledgment letter must state the amount of the tax-deductible contribution (See Appendix A).
4. If a transfer of stock is involved, the acknowledgment letter must state the value of the stock on the day it is transferred as the amount of the tax-deductible contribution.

The Finance Department of URC-CHS will retain a copy of all donation receipts. The Contribution Committee will retain original receipts and other required information available in the event of an IRS audit.

XIII. Financial Statement Reporting of Contributions Received

The Finance Department of URC-CHS shall distinguish between contributions received with **permanent restrictions**, those received with **temporary restrictions**, and those received without donor-imposed restrictions. A restriction on an organization's use of the assets contributed results either from a donor's explicit stipulation or from circumstances surrounding the receipt of the contribution that make clear the donor's implicit restriction on use. Contributions with donor-imposed restrictions shall be reported as restricted; however, donor-restricted contributions whose restrictions are met in the same reporting period may be reported as unrestricted provided that an organization reports consistently from period to period and discloses

its accounting policy. Restricted support increases **permanently restricted net assets** or **temporarily restricted net assets**. Contributions without donor-imposed restrictions shall be reported as unrestricted support that increases **unrestricted net assets**.

XIV. Other Miscellaneous Provisions

- A. **Securing appraisals and legal fees for contributions to CHS:** It will be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all contributions made to CHS. Copy of approval should be provided to CHS.
- B. **Valuation of contributions for development purposes:** CHS will record a contribution received by CHS at its valuation for contribution purposes on the date of contribution.
- C. **Responsibility for IRS Filings upon sale of contribution items:** The Contribution Acceptance Committee of CHS are responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within two years of receipt by CHS when the charitable deduction value of the item is more than \$5,000. CHS must file this form within 125 days of the date of sale or disposition of the asset.
- D. Acknowledgement of all contributions made to CHS and compliance with the current IRS requirements in acknowledgement of such contributions shall be the responsibility of the Contribution Acceptance Committee of CHS.

XV. IRS Reference Materials

Additional information regarding charitable contributions can be found from the following IRS Publications that can be downloaded from www.irs.gov:

- Publication 1828 – Tax Guide for Churches and Religious Organizations
- Publication 526 – Charitable Contributions
- Publication 561 – Determining the Value of Donated Property
- Publication 1771 – Charitable Contributions: Substantiation and Disclosure
- Publication 4221-PC – Compliance Guide for 501(c)(3) Public Charities

The above publications and others can be downloaded at www.irs.gov.

XVI. Changes to Contribution Acceptance Policies

These policies and guidelines have been reviewed and accepted by the Contribution Acceptance Committee of CHS. The Contribution Acceptance Committee of CHS must approve any changes to or deviations from these policies.

An irrevocable trust is simply a type of trust that can't be changed after the agreement has been signed, or a revocable trust that by its design becomes irrevocable after the Trustmaker dies.

Approved on the _____ day of _____, 20_____.

Chairman, Board of Directors, CHS



APPENDIX A

A Sample of Contribution Acknowledgment: For Cash or Equivalent

April 26, 2012

Mr. Jon Doe
1234 Maple St
Maple, NJ 00000

Dear Mr. Doe,

Thank you for your generous contribution to Center for Human Services. Your support will help us achieve our continued effort of innovation in improving the quality of life, access to social and health services, and the educational and vocational achievements of underserved populations throughout the United States and abroad.

This letter serves as confirmation of your donation for income tax purposes. Center for Human Services gratefully acknowledges your contribution of \$X,XXX.XX. There were no goods and services provided for this donation. Center for Human Services is a 501 (c)(3) organization with employer identification number 52-0887367.

Thank you for supporting Center for Human Services. For questions please contact _____
at _____ or you can reach him/her via email _____.

Sincerely,

Barbara Turner
President

APPENDIX B

Donation - TAX RECEIPT FORM

Date _____

Name (please print) _____

Address _____

City _____

State _____ Zip _____

Phone Number _____

Center for Human Services does not estimate the value of donations. You may fill in the fair market value of your donations and keep this receipt for tax purposes.

Quantity	Items Donated	Value
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
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_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Received by: _____

As required by the Internal Revenue Code, there were no goods or services provided to you in consideration for this gift.

EIN 52-0887367

Thank you



CENTER FOR HUMAN SERVICES

7200 Wisconsin Ave., Suite 600
Bethesda, MD 20814

301-941-8550
FAX 301-941-8427

www.chs-urc.org