

Gift Acceptance Policies and Procedures

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Gift Policies and Procedures

Introduction

HOPEWORKS welcomes gifts from private sources which include individuals, corporations, and foundations. These are the policies and procedures for accepting various types of gifts for HOPEWORKS. These policies have been established to maximize donor intent and minimize risk to HOPEWORKS. They are designed to provide guidance to the HOPEWORKS community and the general public so as to facilitate the gift giving and acceptance process.

HOPEWORKS is a donor-focused culture to the extent made possible by law and strives to provide prospective donors with the greatest freedom possible in formulating their gifts within governing programmatic and legal parameters. In all situations, HOPEWORKS recognizes that individuals who make gifts, either outright or deferred, are committed to helping HOPEWORKS achieve its mission. It is in that context that these guidelines have been developed.

HOPEWORKS adheres to the ethical standards of the Association of Fundraising Professionals, Model Standards of Practice as adopted by the National Committee on Planned Giving, and the American Council on Gift Annuities. Additionally, HOPEWORKS is required by law to adhere to IRS regulations regarding gift substantiation, benefit and disclosure and to uphold the standards of the Financial Accounting Standards Board (FASB) in order to maintain its 501(c)(3) status.

These policies and procedures are intended as an internal document to serve the needs of the Board of Directors, Development Department, Finance Department, and the Administration.

Authorizations

This document constitutes the HOPEWORKS Gift Acceptance Policies and governs the acceptance and crediting of gifts. Thus, certain gifts of real property, tangible personal property, non-publicly traded securities, and other types of non-liquid assets, prior to acceptance, may require the approval of the Co-Chief Executive Officers (Co-CEOs), CFO, or Development Director. Additionally, the Board's

Development Committee (or if no Committee, the actual Board) will represent HOPEWORKS regarding questions about specific major gifts and the interpretation of HOPEWORKS gift policies.

General Policies for Gift Solicitations

The Development Department is responsible for the coordination of all gift solicitations and the entering and acknowledging of all gifts. The Finance Department will officially record all gifts in the financial system.

- Following approval by the Co-CEOs, authorized representatives and staff of HOPEWORKS will be the only people to make formal gift solicitations.
- Employees, representatives, Board members, and friends of HOPEWORKS are encouraged and expected to refer any prospective donors to the Development Director.
- Any staff member having substantive contact with an individual who could be considered a donor prospect to HOPEWORKS is required to enter this information into the donor management software. The Development Department conducts regular prospect/solicitation review meetings during which all contacts and solicitation plans are updated and reviewed.
- The Development Department negotiates the explicit terms of all donated assets or funds and documents their receipt in writing whether the gift is unrestricted or intended for a restricted purpose. If a different use of restricted gifts above \$10,000 is needed, due to a condition change or program cancellation for example, HOPEWORKS will communicate this with the donor immediately to confirm permission to change the use of funds. Such a change would be reviewed and approved by the Co-CEOs of HOPEWORKS. (This does not pertain to unrestricted gifts.)
- Both outright and deferred gifts will receive appropriate recognition (if available).

- Restrictive clauses in gift agreements that discriminate on the basis of race, creed, color, nationality, or sexual orientation will not be permitted.

Note: Charitable tax deduction rules for gifts will adhere to the IRS tax regulations in which full benefit disclosure (quid pro quo) is required. Should the donor receive goods and/or services representing more than the amount allowable by IRS regulations, the donor will be notified. If the donor wishes their entire gift to be tax deductible, they may either decline all benefits or pay for the value of benefits (i.e., I/We decline all benefits so that 100% of my/our donation is tax deductible).

Principles Governing Gift Counting/Recording

Gifts and commitments may be counted only once and should be allocated based on the donor's designation.

Unrestricted gifts (gifts not designated to a specific capital, program, or endowment purpose) will be recognized within the appropriate gift level as an unrestricted gift but will be allocated to the highest priority as determined by HOPEWORKS and the Co-CEOs, as required.

The value of any cancelled or unfulfilled pledges will be subtracted from pledge totals when it is determined they will not be realized. HOPEWORKS is responsible for ensuring the viability of pledges and will cancel, write-off, or modify a nonperforming pledge that does not accurately reflect donor obligations. The Finance and Development teams regularly review pledges to ensure that they accurately reflect the outstanding commitments to HOPEWORKS as of the June 30 fiscal year end. In general, HOPEWORKS will strive to resolve delinquencies within one year of the payment due date.

Development will review outstanding donor commitments, to communicate with donors regarding delinquent pledges and notify Finance staff when pledge circumstances change.

A case-by-case review is made of all delinquent pledges and a determination is rendered to write-off, adjust, or defer write-off of the pledge. Pledge write-off requests above \$5,000 must be approved by the Director of Development.

Cash and Pledges

Cash and credit card gifts will be credited at full value upon the date the gift is received.

All gifts by check shall be accepted by HOPEWORKS regardless of amount. Checks shall be made payable to HOPEWORKS or to a particular program or project of HOPEWORKS. In no event shall a check be made payable to an individual who represents HOPEWORKS.

Pledge agreements will utilize a standard form and should specify a dollar amount that will be paid according to a pre-determined payment schedule. The pledge payment period, regardless of when the pledge is made, shall not exceed five years (unless by prior approval by the Co-CEOs).

It is understood that a donor may revise their pledge payment schedule should circumstances warrant. Any revisions must be documented in writing and updated by the Development Department.

Pledges NOT confirmed in writing will NOT be counted. On the rare occasion when special circumstances may warrant an exception, a HOPEWORKS representative should write to the prospective donor to document the commitment.

Verbal Pledges will NOT be reported in pledge totals.

Publicly Traded Securities

HOPEWORKS can accept readily marketable securities, such as those traded on a stock exchange. Gifts of securities may be made by electronic transfer to HOPEWORKS account or may be made by stock certificate, in which case the stock certificate should be either duly endorsed or accompanied by a stock power and in each circumstance accompanied by an appropriate signature guarantee. It is the policy of HOPEWORKS that all readily marketable securities are sold upon receipt. For HOPEWORKS' internal gift crediting, gift acknowledgment, and accounting purposes, the value of the securities is determined upon its sale and completed transfer to HOPEWORKS.

Closely Held Stocks

The acceptance and crediting of gifts of closely held stocks are decided upon by the Board's Development Committee in consultation with

other HOPEWORKS leadership. Closely held stock will generally be accepted if:

- There is written documentation indicating the donor's intention to make the gift and its purpose.
- The donor has provided financial/valuation information on the stock, including appraisals and/or statements of value provided by a qualified independent appraiser.
- Copies of any shareholders agreements/buy-sell agreements that they would be subject to as shareholders are provided, especially those that include any restrictions on the transfer of the stock (i.e., rights of first refusal, formulas for determining stock price).
- The donor has provided a written copy of any related offer to purchase the stock, including purchase price per share.
- The donor must provide a ready buyer for the stock that can be sold within 30 days of the gift at the then current value.
- The Development Committee has reviewed and approved the proposed gift of privately held stock.

Gifts of closely held stock exceeding \$10,000 in value will be credited at the fair market value placed on them by a qualified independent appraiser as required by the IRS for valuing gifts of stock that are not publicly traded. Gifts of closely held stock of \$10,000 or less may be valued at the per-share case price purchase of the most recent transaction. Normally, this transaction is the redemption of the stock by the corporation, and its value determined therein. If no redemption has recently been made, the gift may be credited at the value determined by a qualified independent appraiser. No commitment for repurchase of closely held securities shall be made prior to completion of the gift of securities.

Planned Gifts

Bequest and other Testamentary Gift Intentions

Staff shall encourage giving through bequests of assets that have immediate value or of assets that can be readily liquidated. Staff shall discourage or reject gifts that appear to require more cost than benefit.

Sample language may be provided by representatives of the Development Department to an individual inquiring about naming HOPEWORKS as a beneficiary in the donor's will or trust. If an

individual provides a copy of the relevant section from their will or trust naming HOPEWORKS as a beneficiary, a confidential copy shall be sent to the Development Department and reviewed by the Co-CEOs and Finance Department. Any person to whom an individual's will or trust is furnished must protect the confidentiality of its contents.

HOPEWORKS will NOT serve as executor or administrator of an estate because of the potential for conflicts of interest and the scope of the required duties. HOPEWORKS employees or volunteers should not knowingly act as witnesses to wills in which HOPEWORKS is named as a beneficiary because their doing so may jeopardize the receipt of the bequest. HOPEWORKS will not, however, budget on the basis of a bequest intention.

Bequests will be reviewed by the Development Department and will be handled on a case-by-case basis. Restricted bequests will be designated based on the intent of the donor.

Life Income Gifts

For Charitable Lead Trusts whose term is five years or less, the aggregate total of annual distributions for the trust period will be counted as "current use gifts and pledges."

For those lead trusts that extend beyond five years, HOPEWORKS will include amounts beyond the first five years at the "gifts and pledges" (IRS) discounted present value for counting purposes, but the donor will receive credit for the remaining face value for recognition purposes.

For this purpose, face value of the charitable lead annuity trust is the aggregate of annuity dollars to be received by the institution for the terms of the charitable lead annuity trust. Face value for Charitable Lead Uni-trusts is determined using the Applicable Federal Rate (AFR) for the month in which the trust was founded or the rate for either of the two months preceding the month of the gift.

Deferred Life Income Plans

For Deferred Life Income Plans, HOPEWORKS adheres to rates and regulations set by the American Council of Gift Annuities and the National Committee on Planned Giving. These planned/deferred gifts are general obligations of HOPEWORKS and are not backed by any particular assets of HOPEWORKS.

Since HOPEWORKS will not receive the gift portion until the death of the final income beneficiary, irrevocable planned gifts will be counted as deferred gifts, i.e., discounted to the present value. However, the donor will receive credit for the full face value of the gift for recognition purposes in HOPEWORKS publications and giving societies. There shall be no more than two income beneficiaries on a charitable gift annuity.

Charitable Trusts

Charitable trusts wholly administered by others – (i.e. outside managed trusts) in which all interests in income and principal are irrevocably dedicated to HOPEWORKS will receive credit as reviewed and approved by HOPEWORKS staff. Existing revocable trusts of this type that are made irrevocable by virtue of HOPEWORKS solicitation effort will also receive credit provided that:

- (a) HOPEWORKS receives a copy of the gift instrument and
- (b) The gift instrument clearly indicates that the gift is irrevocably in favor of HOPEWORKS.

Charitable Remainder Trusts

Donors receive recognition and credit for the amount of the charitable income tax deduction (but only if HOPEWORKS is named as an irrevocable beneficiary).

Life Insurance

Gifts of paid up permanent life insurance will be encouraged. Fully paid life insurance policies, the ownership of which is transferred to HOPEWORKS and as to which HOPEWORKS is the sole irrevocable beneficiary, will be credited at their fully paid face/death value at the time the gift is made to HOPEWORKS.

A life insurance policy that is not fully paid up on the date of contribution will be credited at the existing cash surrender value. If the donor continues to make donations to HOPEWORKS, who then makes annual payments, those donations will be credited as cash donations.

The insurance company's settlement amount for an insurance policy, whose death benefit is realized, whether or not the policy is owned by HOPEWORKS, will be credited for the amount received by HOPEWORKS, less any amounts previously credited.

Real Estate and Tangible Personal Property

The Development Committee of HOPEWORKS must review gifts of real estate before acceptance. Prior to presentation to the Development Committee and/or Board, a local real estate broker must conduct a visual inspection of the property.

Prior to presentation, the donor must provide the following documents:

- Real estate tax bill
- Current plot or survey
- Current owner's title policy or title commitment
- Substantiation of zoning status
- Environmental site assessment (if requested by staff)

The donor *may* be asked to pay for all or a portion of the following:

- Costs of environmental remediation
- Maintenance costs
- Real estate taxes
- Insurance
- Title insurance premiums
- Survey costs
- Real estate broker's commission or other costs of sale
- Appraisal costs

The amount of the donor's charitable income tax deduction is dependent on adequate documentation of value. It is between the donor and the IRS to determine whether a realtor's value analysis is sufficient or if a complete appraisal is needed.

Gifts of tangible personal property will be credited at their appraised value. If the gift is made with the understanding that it is saleable and that HOPEWORKS may sell it to realize the proceeds, the gift will be credited at the amount HOPEWORKS nets after sale.

Donors should discuss the charitable income tax deduction amount, if any, for gifts of tangible personal property with their own accountant or other trusted advisor of their choice. Outright gifts of real estate will be credited at the amount HOPEWORKS nets after sale.

HOPEWORKS will not itself appraise or assign a value to real or personal property for the donor's valuation purposes, nor will HOPEWORKS, as a condition of receiving a gift of real estate, enter into any agreement that legally obligates HOPEWORKS to sell the real

estate. IRS requirements for gift substantiation note that the donor has the responsibility for valuing property for tax deduction purposes.

All forms of real estate and tangible personal property will be considered by HOPEWORKS, however, these types of gifts can be costly to maintain and can prove to be illiquid. Therefore, HOPEWORKS will make a thorough review of the criteria prior to acceptance of a potential gift of this type, and will normally sell these types of gifts as soon as is feasible. The donor will bear all associated costs in regard to the sale of both real estate and tangible personal property (appraisals, environmental audits, etc.).

Acceptance of any gift in kind, including real estate, which is not directly relevant to the mission of HOPEWORKS, utilized for the purposes of HOPEWORKS, or held by HOPEWORKS for a minimum of three years may have significant tax implications to the donor. Donors will be notified in writing of the ultimate sale of the property. While HOPEWORKS will make every effort to sell the property at or above Fair Market Value, no such guarantee is made or implied.

Other Gift Types

Matching Gifts

Corporate (or other) gifts matching a donor's gift or pledge payments will receive full credit toward the same fund as the donor's gift but the matching gift will not count towards the payment of the donor's personal commitment, nor will it contribute to affect the donor's recognition level. Anticipated matches will not be credited until HOPEWORKS receives the matching gift.

Private Grants

Private corporate and foundation gifts will be accepted when the gift is bestowed voluntarily and without expectation of any tangible compensation or contract.

In-Kind Gifts

The donor of an in-kind gift is responsible for providing the fair market value of the gift, and the donor must fully complete the Gift-In-Kind Donation form (available online). HOPEWORKS will enter the gift into its donor database once the Gift-In-Kind Donation form and all backup paperwork has been submitted. In the event that it is not feasible for

the donor to submit a Gift-In-Kind Donation form, HOPEWORKS will document in written form or email the details of the contribution. HOPEWORKS will not issue an acknowledgement for gifts that cannot be used. Examples may include outdated computer equipment or school/office supplies. After the donation has been recorded, HOPEWORKS will then issue an acknowledgement to the donor that contains a description of the contribution and the donor assigned value. The acknowledgement will also contain a statement as to what, if any, goods or services were given in exchange for the contribution.

Donor Advised Funds

Donor Advised Funds are those contributions given in a donor's name through a third party organization, such as the Albuquerque Community Foundation or United Way, on the donor's recommendation or designation.

In some cases, third party organizations stipulate that the donor advised funds may not be used to pay off an existing pledge or result in the granting of benefits to the individual donor. Donors making gifts through donor advised entities must comply with the rules of that entity. HOPEWORKS will acknowledge, without the standard tax deduction language, the donor who recommended or designated the gift. A receipt will be sent to the third party organization upon request.

When to Record Gifts

Outright gifts should be recorded only when assets are transferred irrevocably to HOPEWORKS.

Deferred gifts should be recorded only when assets are transferred or, in cases where no assets are transferred, when a legally binding deferred pledge agreement or other irrevocable document is executed with HOPEWORKS.

Memorial Funds

A memorial fund is a fund set up under the direction of a primary donor(s) in memory of a loved one. Upon establishing the fund, the

primary donor(s) will indicate whether the memorial funds are to remain unrestricted or will be designated to support a specific priority at HOPEWORKS. Memorial funds with specific, named designations may be set up for gifts of \$100,000 or more and are on a case-by-case basis.

Establishment of an Endowment for HOPEWORKS

An endowment fund is a fund not wholly expendable on a current basis under the terms of a donor's gift agreement. Endowment funds are those in which the principal is included and maintained as part of HOPEWORKS's overall consolidated investment portfolio to maximize long-term growth and earnings for HOPEWORKS. The net appreciation, as dictated by the enabling document, of any endowment may be appropriated for the uses and purposes for which the fund was established. Otherwise, the net appreciation will be returned to principal.

A new restricted named endowment fund with a minimum gift of \$1,000,000 or greater, payable over a consecutive three to five year period requires the approval of the Development Committee and the Board of Directors. This amount may be increased based on the specific needs of the funded endowment.

Restricted named endowment funds that do not reach \$1,000,000 will be considered general endowment funds. A general endowment fund may be established with a minimum gift of \$500,000 and at the discretion of the Co-CEOs.

Spending from any named endowed fund will commence only when a minimum of 75% of the fund has been paid in full.

A donor may add to an existing endowment at any time. The document to create an endowment will be drafted by or in consultation with the Development Department and is signed by the donor and appropriate HOPEWORKS representatives. The Development Director must be alerted of a donor's intention to create an endowment fund.

Designation Pending

Designation pending may also be used to secure a gift prior to a HOPEWORKS decision, with the donor's agreement, as to its usage. A

gift in designation pending for more than two years will, upon discussion with the donor, revert to general institutional purposes unless specific arrangements have been made with the donor and have been approved by the Development Committee.

Naming Opportunities

Naming Opportunities have been identified and approved by the Development Department. These Naming Opportunities represent HOPEWORKS's best estimates of current costs and are also valued based on marketability (public visibility and exposure, etc.). Development Department staff are prepared to explain these opportunities to donors to help guide the donor in making the decision on where to direct donor gifts.

Naming opportunities are a means to recognize a donor's generosity to HOPEWORKS and are utilized by the Development Department to encourage donors increase their financial support of HOPEWORKS in a manner that will have a significant impact on an area of personal significance to the donor within HOPEWORKS.

There are currently no Naming Opportunities available.

Donor/Gift Acknowledgement

HOPEWORKS will provide a gift receipt in accordance with current IRS guidelines. Neither HOPEWORKS, nor its Board, Committees of the Board, or staff will give accounting, legal and/or tax advice to their donors.

HOPEWORKS recommends that its donors confer with their own accounting, legal and/or tax advisors to:

- Determine whether and how much of a charitable contribution is deductible.
- Provide instructions on how to substantiate gifts of \$250 or more.
- Provide disclosure requirements for quid pro quo contributions over \$75.
- Advise donors on their deductions.

- Provide calculations that show the value of the asset donated and the remainder value (the donor's charitable income tax deduction).
- Provide a computation showing how the remainder value was calculated to the donor.

Gifts will generally be acknowledged within 10 business days of a signed pledge commitment. HOPEWORKS will personalize its acknowledgements to donors (as available donor information allows) at every level of giving as a means to enhance relationships. Gifts, including corporate and foundation gifts, will be acknowledged according to internal processes created by the Development Department.

Gift Crediting & Acknowledgement – External

All donors who make a designated gift will be asked to confirm in writing how they would like their gift recognized. Unless the donor informs HOPEWORKS otherwise, gifts may be listed in official HOPEWORKS publications, annual reports, media releases and other appropriate opportunities. If a donor expresses their wish not to be included in these publications, HOPEWORKS will accommodate this request.

In cases where a donor is personally directing a gift from a family foundation or corporation, the individual and the foundation and/or corporation together, will be credited and recognized for the full value of the gift in accordance with existing policies.

Gift Crediting & Acknowledgement – Internal

All gifts will be credited to the source of the gift for the purposes of internal accounting and IRS reporting. For example, if an individual makes a gift through a family foundation, then the gift will be credited as foundation support but with a "soft credit" to the individual. "Soft credit" refers to the full value for recognition purposes only.

Terms and Definitions

Annual Fund:

The Annual Fund is an organized effort by HOPEWORKS to obtain unrestricted and restricted gifts on a yearly basis in support of the Annual Operating Budget. Annual Fund gifts are considered current use gifts and are expended within a budgetary cycle.

Bequest:

A bequest, also known as a testamentary gift, is a gift through an estate or trust.

Challenge Gift:

A challenge gift is for a set amount that is determined by the donor. It is contingent upon being "matched" by other sources. The challenge can be set up as a dollar-for-dollar match, 50 cents for every dollar raised, or some other matching amount. The purpose of the challenge is to bring in "new" money and encourage others to donate by leveraging their money.

Non-budgeted Restricted Gift:

A non-budgeted restricted gift for current operating funds (whether gifts or grants) received for purposes outside a given fiscal year's Board-authorized operating budget. Usually such funds are expended in the year in which they are received.

Designation Pending:

Designation Pending describes a gift that is held in a temporary fund while discussions continue with the donor to determine the purpose for which the gift may be used.

Discretionary Gift:

A discretionary gift made to HOPEWORKS to be used at "the discretion" of a specified individual such as a member of the staff, or the Co-CEOs. This is counted as an unrestricted gift to HOPEWORKS and must have the prior approval of the Co-CEOs.

Endowment:

An endowment fund is a permanent fund established in response to an irrevocable contribution of assets to HOPEWORKS. The fund principal is invested "in perpetuity" and a portion of the earnings, based on the

spending policy approved by HOPEWORKS' Board of Director's Development Committee (or Board), is available for support of HOPEWORKS programs or projects. Endowments may take several forms:

- Unrestricted endowment: a permanent fund designated by the donor for endowment purposes from which earnings may be applied at the discretion of HOPEWORKS.
- Restricted endowment: a permanent fund designated by the donor for endowment purposes from which earnings may be applied only for a specific purpose, such as salaries.
- Quasi-Endowment: a fund sequestered and invested with other HOPEWORKS endowments, but whose principal may be utilized at the discretion of the HOPEWORKS Board of Directors. Although usually unrestricted, a quasi-endowment may be established as a restricted fund. It is not, however, designated by the donor for general endowment purposes.

Gift:

A gift is a voluntary, irrevocable transfer of cash or other assets to HOPEWORKS without consideration of compensation at the time of transfer or any time in the future.

Gift-in-Kind:

A gift-in-kind is an irrevocable non-cash contribution of tangible property. It may consist of, but is not limited to services, equipment, art, books, collectibles, antiques, or other tangible property.

Grant:

A grant is an allocation of assets to HOPEWORKS from a foundation, corporation, or non-federal government agency. Usually, a grant is made for a specific purpose, for a defined period of time, and delineated by a formal agreement between HOPEWORKS and the donor. It is usually subject to reporting requirements.

Corporate Matching Gift Program:

A matching gift is designed to increase philanthropic support among employees of a given company and is usually provided by corporations as a community service to its employees and to non-profit organizations. They are most frequently dollar for dollar, but at times may include other ratios to further the impact of an employee's gift to a non-profit organization. Matches are most commonly found within

the Annual Fund but may follow donor intentions should corporate guidelines permit.

Planned Gift:

A planned or deferred gift is a commitment established legally during the donor's lifetime, but whose principal benefits usually do not accrue to the charitable recipient until some future time. Annuities, gifts of insurance, trusts, and commitments through estate plans are all usually referred to as planned gifts.

Pledge:

A pledge is a signed and dated commitment to make a gift over a specified period, generally three to five years, payable according to terms set by the donor and accepted by HOPEWORKS.

Restricted Gift:

A restricted gift is made with conditions imposed by the donor; such a gift may be for current, endowment, or capital use. Undue conditions may require that HOPEWORKS decline a restricted gift.

Unrestricted Gift:

An unrestricted gift is made with no condition imposed by the donor and may be used for the general or operating priorities of HOPEWORKS.