

Donation of Stocks, Bonds & Mutual Funds to NewDay

Purpose:

This document defines the policy and process for individuals wishing to donate stocks, bonds or mutual funds to NewDay.

Definitions:

Stock: Businesses issue stock as a means of obtaining equity financing (as opposed to debt financing). In so doing, the business gives up sole ownership by allowing others to invest money and thus (virtually) buy a fractional part of the company.

Bond: A bond is a debt security (i.e. debt financing) in which the issuer owes the bondholders a debt and is obligated to pay them interest at various intervals and to repay the principal at the designated maturity date.

Mutual Fund: A mutual fund is a collection of stocks and bonds in which investors pool their funds to own shares of the mutual fund portfolio.

Shares: Shares are usually associated with stocks and represent the unit of investment in the business by an individual shareholder. The business decides how many shares will be made available for sale and the initial price per share.

Brokerage Account: A brokerage account is an arrangement between an investor (or an organizational entity like NewDay) and a licensed brokerage firm that allows the investor to deposit funds with the firm and place investment orders through the brokerage including the buying and selling of investments for which the brokerage firm typically receives a commission.

Background:

Stocks, bonds and mutual funds (hereafter referred to collectively as "investments") are purchased by individuals with the hope that their investment will grow in value over time. Eventually the investments are sold and any growth in their value (called capital gains) is often subject to tax. If, instead of selling part or all of the investment, it is donated to a not-for-profit organization like NewDay, the tax on the gains can be reduced or eliminated per current IRS rules. In addition, the donor can claim the donation as a charitable contribution.

In order to avoid the capital gains tax, potential donors need to be aware that:

- a) The investment of stocks, bonds or mutual funds must be donated as such. If the donor sells the investment and gives the proceeds to the not-for-profit organization, the donation is subject to capital gains tax.
- b) The portfolio must be held by the owner for at least one year from the time of purchase and have a current value greater than their original purchase price.

Potential donors who are unsure of how to achieve the greatest tax advantage should always be encouraged to consult with a tax or investment professional before making any donation of their investments to NewDay.

A not-for-profit organization like NewDay is not prohibited from owning donated investment nor is NewDay's not-for-profit status necessarily jeopardized by doing so (unless the investment consists of a wholly owned for-profit business). However, retaining the donated investment as stocks, bonds or mutual funds would require NewDay to have a brokerage account and take on the responsibility and risk of managing the investments. Most literature strongly encourages churches to sell donated investments as soon as they are received.

In order for NewDay to receive and sell donated investments, a brokerage account is still required however Covenant Trust Company has agreed to receive and sell donated investments on behalf of NewDay. The proceeds of the sale will be forwarded to NewDay and the donor will be provided with the required tax documentation. Covenant Trust Company was chartered in 1988 and provides investment management, trust services, IRAs & retirement investing, endowments, estate planning and legacy gift planning to its clients. Its shareholders are the Evangelical Covenant Church, Covenant Ministries of Benevolence, and North Park University.

Policy:

The NewDay Leadership Team has determined that:

- a) NewDay will accept donated investments from any individual wishing to donate them as an unrestricted charitable contribution. (Restricted contribution will be considered on a case-by-case basis.)
- b) NewDay will utilize the brokerage services of Covenant Trust Company to receive the investments on behalf of NewDay.
- c) The investments will be sold by Covenant Trust Company as soon as it is received and the proceeds sent to NewDay for deposit.
- d) Covenant Trust Company will provide the donor with all of the required documentation resulting from the receipt and sale of the donated investment.

Processes:

1. Upon receiving an inquiry about donating investment to NewDay, the potential donor will be directed to the NewDay Office Manager or a member of the Leadership Team who will share with them NewDay's policy on investment donations including the process for implementing the donation. Information about donating investments may also be available in electronic and printed formats.
2. Unless otherwise stated by the donor, the donation will be considered an unrestricted charitable contribution to NewDay. If the donor communicates their desire to restrict how the donation is to be used, the Leadership Team will need to review the request before the investment donation is accepted. If the team does not feel that the restricted use can be honored, the donor will be contacted and an attempt made to change or remove the restriction. If unsuccessful, the proposed donation will be respectfully declined.

3. If the donation is unrestricted or the restrictions are acceptable, the donor will be asked to contact the Trust Administrator or Financial Services Representative for Minnesota at Covenant Trust Company and communicate their desire to donate an investment to NewDay. www.covenanttrust.com 800-483-2177. The representative at Covenant Trust will provide the donor with all of the information needed to transfer the desired investment from the donor to the Covenant Trust Company.
4. The donor will use the information provided by Covenant Trust to initiate the investment transfer. The actual transfer typically takes approximately 5 days.
5. Once the investments are received by Covenant Trust, they will all be sold at the earliest possible time. The proceeds will be sent to the NewDay office as a check. The information sent from Covenant Trust to NewDay may not include the name of the donor depending on the wishes of the donor.
6. Covenant Trust Company will send the donor a letter confirming the name of the investment, the number of shares and the gift date. The sale price will typically not be communicated in this letter because the donor or the donor's tax consultant will use the gift date to determine the value of the donation for tax and contribution purposes.
7. Since the donor may be anonymous and because it is the donor's responsibility to determine the actual value of the donation, the amount received by NewDay will be recorded in the accounting system but will not be attributed to a specific donor.

Communication:

Periodically, the congregation should be made aware that NewDay has the ability to accept donated investments as charitable contributions. The staff and the Leadership Team members should refer potential donors to this policy.

Authority:

The Leadership Team has the authority to modify any provision of this policy and has the responsibility to communicate those changes as appropriate.