

Neighborhood Services Organization (NSO)

Donation Acceptance, Donation Acknowledgment & Donor Recognition Policy

INTRODUCTION

For the purpose of having sufficient revenues necessary to deliver its mission, both now and in the future, **Neighborhood Services Organization hereinafter referred to as “NSO,”** regularly requests and receives charitable donations (“donations”) which includes gifts, grants, and contributions from individuals, businesses and organizations, and governmental entities and charitable foundations, as examples.

This policy outlines the specific types of donations NSO encourages and has the operational capacity to accept, how it provides donation acknowledgements to donors and how it recognizes donors.

Based on the NSO mission, its tax-exempt status and the specific needs of its clients, volunteers, staff and donors, each contribution offered to the organization must fit within this policy’s parameters. NSO is not in a position to accept every type of donation that might be offered and this is based on the organization’s size, tax status, mission, public image and any financial and legal liability that may apply.

Depending on the type of donation offered, and the donor’s specific interests and needs, NSO may seek from time to time the assistance of outside experts for donation planning and donation management purposes, which includes but is not restricted to the Oklahoma United Methodist Foundation, Oklahoma City Community Foundation, Heritage Trust, Communities Foundation of Oklahoma, tax attorneys, trust companies and accountants.

NSO GIFT ACCEPTANCE TASK FORCE

The NSO Board of Directors reserves the right to refuse any donation offer.

Those offers falling outside this policy’s parameters or that require special consideration will be reviewed by the **NSO Gift Acceptance Task Force**, whose members include: the NSO Board Chair, NSO Board Treasurer, NSO President & CEO and two additional NSO Board members, who are appointed each year by the Board Chair at the time the Board of Directors holds its election of officers.

The NSO Gift Acceptance Task Force may from time to time engage outside counsel from the legal, accounting, real estate, and oil and gas professions, as examples, to better understand the ramifications for accepting a particular donation, for help in determining its value and how accepting it might impact NSO both in the short-term and long-term.

The Gift Acceptance Task Force is also responsible for ordering and/or reviewing the results from any environmental impact study necessitated by an offer of undeveloped land and/or real estate.

In those situations where a gift/grant requires a professional appraisal to determine its value, the costs associated with the process will be borne by the donor.

PERMANENT NSO PROGRAM FUNDS

NSO maintains at least three different funds that provide donors with donation placement options: General Operating, Capital and Endowment.

General Operating – This non-endowment fund is spent down whenever necessary and for whatever amount in order to help NSO with its day-to-day program operating needs.

Capital – This fund assists NSO with building and remodeling projects and for ongoing maintenance purposes. This is not an endowment fund.

Endowment – NSO has two Endowment Funds. The Oklahoma City Community Foundation (“OCCF”), whose address is 1000 N. Broadway Ave., Oklahoma City, OK 73102, manages the “Organization Endowment Fund” (OEF). Its corpus cannot be accessed nor spent down. On an annual basis, NSO receives a distribution check representing the fund’s appreciation during a one-year period of time. The second Endowment Fund is managed by the Oklahoma United Methodist Foundation (“OUMF”), whose address is 4201 N. Classen Blvd., Oklahoma City, OK 73118. Gifts can be given directly to either of these Endowment Funds.

DONATION PAYMENT TYPES

Cash, Credit Cards & Securities

NSO has procedures in place to accept charitable donations made through cash, checks, credit cards and appreciated securities (stocks).

Checks are made payable to NSO.

Credit card gifts can be made in person, on contribution forms that accompany written fundraising appeals or via the website: www.nsookc.org. At the current time, NSO accepts Visa, MasterCard and American Express.

Publicly-traded securities can be gifted through a donor’s brokerage firm directly to NSO’s Ameritrade account. You may contact NSO directly for Ameritrade account number and DTC codes. Securities are sold upon receipt and the proceeds utilized for general operations purposes unless otherwise specified. Each gift will be valued, based on the market value on the date of contribution.

Pledges / Multi-year Payments

NSO encourages and allows donors to make a contribution that is payable over several months or years.

All pledges must be in writing and signed by the donor and illustrate in detail the total amount pledged, the payout period, the payment amounts and when they are due.

GIFT TYPES

In-kind

NSO may from time to time solicit and accept new and or used items that are in turn offered for sale at a silent or live auction fundraising event. NSO will request and the donor is responsible for establishing the fair market value of the donation, which is how the donation will be credited for tax receipt purposes.

NSO will also consider lightly used (with the exception of used mattresses) and new items that are in excellent condition including office and home furniture, computers and printers, and paper products, as examples, that can be used to help in its day-to-day operations and, thus, are related to NSO's mission. The donor is responsible for establishing the fair market value of each item for tax receipt purposes.

Bequests

Individuals are encouraged to name NSO in their estate plans, including Wills and Trusts.

For safekeeping, accounting and donor recognition purposes, NSO encourages individuals to submit copies of their Will/Trust in full or at the least the portion of the Will/Trust that states what they plan to donate to NSO.

The following clauses provide examples of specific language to incorporate in a Will or Trust for the purpose of discussion with an individual's attorney.

- ***Unrestricted Legacy*** - "I hereby give, devise, and bequeath to Neighborhood Services Organization, Inc. ("NSO"), 431 SW 11th Street, Oklahoma City, Oklahoma 73109, the sum of \$ _____ for its general purposes."
- ***Gift for a Specific Purpose*** - "I hereby give, devise, and bequeath to Neighborhood Services Organization, Inc. ("NSO"), 431 SW 11th Street, Oklahoma City, Oklahoma 73109, the sum of \$ _____ for _____ (insert specific program name or endowment fund)."
- ***Gift of Residuary Estate*** - "I hereby give, devise, and bequeath to Neighborhood Services Organization, Inc. ("NSO"), 431 SW 11th Street, Oklahoma City, Oklahoma 73109, the residue of the property owned by me at my death, real and personal and whatever situate."
- ***Contingent Gift of Residuary Estate*** - "I hereby give, devise, and bequeath the residue of my real and personal property owned by me at my death, wherever situate, to my spouse, _____ if (he/she) survives me. If my spouse does not survive me, I hereby give, devise, and bequeath my residuary estate to Neighborhood Services Organization, Inc. ("NSO"), 431 SW 11th Street, Oklahoma City, Oklahoma 73109."

Additional helpful information for Will planning purposes:

- Organization's Official Name: Neighborhood Services Organization, Inc. ("NSO")
- Organization's Administrative Address: 431 SW 11th Street, Oklahoma City, Oklahoma 73109

- IRS EIN number: 73-0785944

Real Estate

NSO may accept donations of real estate where there is a possibility of sale within a reasonable period of time, or where there is significant charitable value, and/or income stream that supports any tax and maintenance liability. The following conditions of acceptance should be considered as guidelines rather than as firm policy requirements.

The property should not be subject to mortgages or other financial liens or obligations, should not have any environmental, health, safety or building code issues, and should not be subject to ordinances that would restrict the sale or use of the property. The charitable value of the property should be sufficient to justify the management expense. The donor should be able to give clear title to the property and indemnify NSO for any liability related to the property. A qualified appraisal of the property is the responsibility of the donor and should be provided with the offer of the donation. An environmental review and title insurance policy may also be required.

Real Estate Subject to a Retained Life Estate (“RLE”)

NSO may accept a remainder interest in a residence or agricultural property under conditions similar to those of other real estate gifts. This type of gift allows the owner (“life tenant”) to continue to utilize the property for a specified number of years.

The life tenant shall be responsible for insurance, taxes, utilities and maintenance sufficient to maintain the value of the property. NSO will have a written agreement with the life tenant regarding these responsibilities and other issues that would affect the value of the property.

The donor(s) will be required to provide a qualified appraisal (prior to agreement) and arrange for the Warranty Deed with reservation of life estate to be recorded, both at the donor’s expense. If warranted, NSO may also acquire an additional appraisal at their expense. The donor will be required to sign a Maintenance, Insurance and Taxes (MIT) agreement upon transfer of the deed which meets the following criteria:

- Donors, jointly or severally, shall have the sole responsibility for maintaining the property, insuring the property against loss and liability, and paying real estate taxes, and shall not, without the consent of NSO, permit the amount of any lien or mortgage now existing to increase.
- The donor(s) shall, during their respective lifetimes, have the sole right to occupy and utilize the premises as their residence and to lease the premises to any other person for use as a personal residence. NSO shall join in any lease of the premises to another in order to permit the lease term to continue beyond the death of the surviving donor, provided that such term shall not continue for more than one (1) year beyond the date of the surviving donor and provided further that NSO shall be entitled to the rent from the property from the date of death of the surviving donor.
- In the event of any damage to the property, the donor(s) at their sole expense, shall cause such damage to be repaired unless the donor(s) and NSO shall agree that it is impractical to do so, in which case, any insurance proceeds resulting from such damage shall be

divided between NSO and the donor(s) in accordance with the value of their respective interests as of the date such damage occurred. For purposes of determining the value of NSO's interest in the event of such loss, the value shall be determined in the same manner as is used to value a remainder interest in a personal residence as is provided in U.S. Treasury Regulations Sections 1.170 et seq.

- The donor(s), jointly and severally, agree to hold NSO harmless against any and all liability arising from the property during their lifetimes. The donor(s) may at any time or times at their sole expense make improvements to the property, provided that such improvements shall not result in a reduction of the value of the property.

Mineral Interests

NSO may accept royalty interests in producing properties and other non-producing mineral interests. Valuation of properties is the responsibility of the donor. NSO will assign income from any producing property to a specific fund only if the amount of the income is material.

Working interests are generally not directly accepted unless part of a partnership or corporation where the operation and tax liability can be isolated.

Royalty and Intellectual Property Rights

NSO may accept donations of royalties or distribution rights for published works such as books, music, films or other intellectual property. An independent valuation by a qualified appraiser should be provided by the donor. NSO generally will not be responsible for the costs of publishing or reproducing intellectual property.

Tangible Personal Property

NSO may accept gifts of artwork, livestock, vintage cars, jewelry or other household or personal property (except for time shares) that is not of use to NSO if the property can be sold for charitable benefit or transferred to another organization for use in its charitable purpose. For any donation in excess of \$5,000, the donor will provide a qualified appraisal. For any donation with costs related to handling, storage or insurance, provision shall be made by the donor to cover these costs until the property is sold or converted to charitable use.

Insurance

Paid-up Policies - Ownership of paid-up life insurance policies will be accepted with the understanding that NSO will be both the owner and the beneficiary. Typically, donors receive a tax deduction for the face value of a paid-up policy

New or Existing Policies - Life insurance policies with premiums due will be accepted with the understanding that the donor will provide tax-deductible donations to pay the premiums or otherwise arrange for premiums to be paid from accumulated dividends or cash value. NSO may surrender any policy for its cash surrender value at any time. Typically, donors can deduct the cost of premium payments.

Charitable Remainder Trusts

An individual/couple can establish a charitable remainder trust (“trust”) that names NSO as the “remainder beneficiary,” of the trust, or the trustee and remainder beneficiary.

In order for NSO to be the trustee of a trust, the following guidelines must be met: The trust must be funded with an initial minimum contribution of \$100,000. The initial contribution may be funded with cash or property. Charitable remainder trusts funded with property are reviewed and accepted on a case-by-case basis. If real property is used to fund the trust, then the appraisal must be equal or greater than \$100,000.

NSO, its component funds or its supporting organizations as defined by I.R.C. Section 509(a) (3) must be the remainder beneficiary of the charitable remainder trust. At the time of funding, the estimated remainder portion must be estimated to be at least 25 to 50 percent of the trust assets or \$100,000.

The income distributions from the trust can be made no more frequently than quarterly without approval by the Gift Acceptance Task Force.

The trust document used may be the standard trust document developed by NSO’s counsel. If the donor uses outside counsel to draft the trust document, NSO’s counsel may review the document prior to its execution. The donor should seek outside counsel for consultation and review of the trust document and determination of the income, gift and estate tax consequences of the trust.

The trust must comply with all relevant sections of the I.R. C. including Section 664 and the Regulations thereunder. The trust document must contain a provision permitting subsequent revisions to the trust agreement as required by Internal Revenue Code and Regulations thereunder.

The trust can be either a charitable remainder annuity trust or a charitable remainder unitrust.

NSO will charge an annual administrative fee of one (1) percent of the fair market value of the trust assets, plus the tax return preparation costs. The fee is to be paid from the trust’s assets. The fee may be reduced to 0.5 percent if the charitable remainder is left to unrestricted funds at NSO.

Charitable remainder trusts for which NSO acts as trustee can distribute the remainder interest to multiple charitable interests as long as a minimum 50% of the funds remain in permanent funds at NSO, which include donor advised legacy funds, affiliated funds, scholarship funds, charitable organization endowment funds and field of interest funds.

Charitable Lead Trust with NSO as Trustee

NSO will work with donors and their independent counsel to establish a charitable lead trust (“CLT”). In order for NSO to act as the CLT trustee, the following guidelines must be met: The CLT must be funded with an initial minimum contribution of \$500,000. The initial contribution may be funded with cash or property. CLTs funded with property are reviewed and accepted on a case by case basis. The sole exception to the minimum contribution amount is limited to grantor charitable lead trusts in which the minimum is \$250,000.

Fifty (50) percent of the CLT's charitable distributions must go to permanent funds at NSO. The remaining balance can be distributed through an NSO escrow account.

NSO's counsel shall review the CLT document prior to its execution. The donor should seek outside counsel for drafting and review of the CLT and the determination of the income, gift and estate tax consequences of the charitable lead trust.

The CLT must comply with all relevant sections of the I.R.C. and Regulations thereunder. The CLT document must contain a provision permitting subsequent revisions to the trust agreement as required by the I.R.C. and Regulations thereunder.

NSO will charge an annual administrative fee of one (1) percent of the fair market value of the CLT assets, plus the tax return preparation costs. The fee is to be paid from the CLT assets. The fee may be reduced to 0.5 percent if all charitable distributions are to unrestricted funds at NSO.

IRAs

Individuals who are 70 ½ years of age or older may use distributions from their IRAs for the purpose of making gifts to NSO without incurring tax liability.

Charitable Gift Annuities (CGA)

Working with Oklahoma City Community Foundation ("OCCF"), NSO can help a donor establish a charitable gift annuity contract with a minimum value of \$20,000 and a maximum amount of \$250,000. Donors can choose from three versions of charitable gift annuities:

- "Single Life" - paid to only one person during their lifetime,
- "Two Lives" - in succession (annuity paid to person "A" and then if person "B" survives person "A", pay person "B"), and
- "Joint and Survivor" (pay annuity to two simultaneously with both names on the annuity payment check, and at the demise of the first annuitant, the survivor is paid the full annuity amount).

Annuities can be immediate or deferred. If deferred, payments are not made for at least one year following the establishment of the contract. The contribution may come from one donor or two, if spouse is the second donor. The contribution may be funded with cash or property. Charitable gift annuity contracts funded with property are reviewed and accepted on a case-by-case basis. If real estate is accepted to fund the contract, the contract must be in the form of a deferred contract.

A CGA contract may be payable for no more than two lives. For immediate CGAs, at the time the contract is established, the younger of the two annuitants must be at least age 55. For deferred CGAs, payments cannot begin until the youngest of annuitants reaches the age of 60.

OCCF uses the American Council on Gift Annuities rates for CGA contracts.

CGA payments on a contract will be made no more frequently than quarterly.

A CGA contract with NSO is a contract between NSO and OCCF and any charitable proceeds exclusively benefit NSO's OEF with OCCF. The contract will adhere to the American Council on Gift Annuities recommended language required by individual state requirements. The

annuitant should seek outside counsel for determining the income, gift and estate tax consequences of the annuity contract.

Endowment

NSO encourages and accepts gifts in support of its current OEF at OCCF, as well as gifts in support of NSO's Endowment Fund managed by the OUMF.

Contributions made to either of these Endowment Funds are irrevocable, tax deductible and non-refundable.

Contributions made to these endowment funds, are for endowment purposes, so they are not retrievable by NSO because they are invested to produce an annual return.

DONATION VALUATION

The valuation of a donation for the donor's tax reporting purpose is the responsibility of the donor, who is urged to have an independent and qualified appraisal that meets the acceptable standards of the IRS.

Valuations for donations of cash, marketable securities and other gifts that can be readily converted to cash, will be generally determined by NSO through its standard gift acknowledgement procedures.

DONATION ACKNOWLEDGEMENT PROCESS

NSO acknowledges a donation within 10 business days following receipt of the donation with a personalized letter from the President & CEO. This letter also serves for tax purposes and includes the donation amount and a qualifying statement about any benefit received by the donor.

The President & CEO's letter shows appreciation for the donor's donation and his/her intent. Additional details can include mention of future pledge payments and when they are anticipated, donor recognition opportunities and other pertinent details.

Other less formal thank you letters to donors in addition to the above, written by the Board Chair, Board Members and/or Campaign Chairs, as examples, are encouraged.

Donor will also receive an end of year contribution statement which includes all donations given during the respective calendar year.

DONOR RECOGNITION

NSO Leave a Legacy Society – Through the *Leave a Legacy* designation, NSO publicly recognizes individuals or couples who have made a contribution and/or made future plans to give in one or more of the following ways:

- Bequest
- Charitable Gift Annuity
- Life Insurance

- Trust
- Life Income Agreement

NSO Good Samaritan – This designation recognizes individuals and other donors who have made an annual cash donation of \$500 or more during NSO’s calendar year, which ends on December 31.

An *NSO Good Samaritan* is invited to special activities held throughout the year. Public acknowledgement of the donor’s gift is offered in the organization’s official print publications including its newsletter, on a donor wall at NSO headquarters and on its website.