

DESIGNATED OR RESTRICTED GIFT POLICY

I. Introduction

This policy establishes procedures for handling contributions to Shepherd's Hill, International (SHI) that have been designated for specific individuals or purposes. By establishing this policy, we believe that SHI operates consistently with the Internal Revenue Code and Regulations that prohibit tax-exempt organizations from acting as a "conduit" for otherwise non-deductible contributions.

II. Tax Deductible Contributions

In order to qualify as tax-deductible contributions, gifts must be (i) given to a qualified charity (SHI qualifies under Section 501(c)(3) of the Internal Revenue Code), (ii) be used for the exempt purposes of the charity, (iii) be under the full control of the charity, and (iv) be used in the discretion of the charity. Generally the following gifts to SHI qualify for the charitable income tax deduction:

- (a) gifts with no restrictions or designations (i.e., unrestricted gifts);
- (b) gifts designated for an existing program under the control of SHI and for its tax-exempt purposes;
- (c) gifts designated to help SHI pay the taxable compensation of an individual who is unrelated to the donor; and
- (d) in all such gifts, there must be no benefit to the donor (beyond a *de minimus* token benefit), or the value of the benefit reduces the amount of the tax deduction.

III. Gifts Designated for Individuals

From time to time, individuals will choose to make gifts payable to SHI that have been designated for specific individuals. SHI assumes that such gifts were prompted by good intentions and that the gifts were directed through SHI in order to either: (i) facilitate individual anonymity, and/or (ii) assure tax deductibility. ***Unless the designation is clear otherwise, it will be assumed that the designation is a recommendation, but not a legal restriction.*** In order to maintain a high level of consistency and compliance with the law, all gifts for an individual will be handled in the following manner:

A. Gifts Designated to An Employee or Independent Contractor of SHI or Arapal.

Upon receipt of a designated gift to an employee or independent contractor from a non-related donor, SHI will assume that the gift may be used by SHI or Arapal to pay the already budgeted taxable compensation of the designated party. If the donor's intention is for the gift to be incremental compensation, then it will only be so used upon approval and in the full discretion of the Board of Trustees. If the Board does not agree to the incremental compensation, then it shall, as a courtesy, contact the donor by telephone, letter, or email to remind the donor of the tax ramifications of such a gift, and the donor will be given three options from which to choose:

- 1. SHI will return the check to the donor; or
- 2. SHI will complete the gift as designated by the donor with the understanding that the gift is NOT tax deductible and that the donor will not receive a gift receipt from SHI; or
- 3. SHI will consider the gift as unrestricted to be used at its sole discretion.

If the gift is designated for expenses of a person that would not be taxable to that person (e.g., travel, meals, lodging, work fund, tools, business expenses, etc.), then the gift will be retained and be under the control and discretion of SHI such that it can be redirected by SHI if it is felt there is a higher priority need.

B. Gifts Designated to Other Individuals Receiving Support or Services from SHI.

Gifts designated for other individuals will be accepted by SHI and be tax deductible only with the *understanding that the gifts become the property of SHI and that SHI has the discretion to use all contributions in the best manner to carry out its exempt functions.* However, so long as it fits within the scope and purposes of the organization and does not otherwise violate the law, ***SHI will make reasonable effort to honor the gift designation as a recommendation.*** Donors will be discouraged from designating gifts for individuals to minimize the potential for challenge by the IRS, but instead may indicate an interest or preference, while leaving the final determination to the discretion of SHI. The attached Designated Gift Response Letter (or a similar communication) may be used as needed.

IV. Gifts Designated for Specific Programs and/or Purposes.

Gifts designated for specific programs or purposes will be accepted by SHI and be tax deductible only with the *understanding that the gifts become the property of SHI and that SHI has the discretion to use all contributions in the best manner to carry out its exempt functions.* This is even true of gifts designated for Arapal or any other non-U.S. charitable entity. However, so long as it fits within the scope and purposes of the organization and does not otherwise violate the law, ***SHI will make a reasonable effort to honor the gift designation as a recommendation.*** SHI understands its responsibility to provide oversight and accountability for funds that are expended overseas.

V. All Other Designated Gifts.

All other designated gifts that do not fall within the categories described above will be reviewed by the Board of Trustees on a case-by-case basis.

All gift designations are listed as examples which are symbolic of our efforts to help support the entire mission of Shepherd's Hill. SHI will use donations where it can do the most good, often pooling donations with other gifts received to help break the cycle of poverty and provide spiritual development to the people of the Philippines.