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Policy on cash. 16 November 1981.

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Date: November 16, 1981

To: Federation Presidents, Campaign Chairmen
Cash Chairmen, Executive and Campaign Directors

From: Ed Cadden
National Vice Chairman for Cash

Subject: Israel Bonds and Other Gifts-in-Kind

As National Chairman Herschel Blumberg wrote you recently, the National Officers of UJA at their last meeting took two important steps that will have significant impact on National UJA policy governing acceptance of Israel Bonds and other gifts-in-kind as payment of pledges in our annual campaigns.

First, the Officers resolved that as of January 1, 1982, UJA no longer will accept State of Israel Bonds less than two years old.

Second, the Officers amended the "Guidelines for Gifts-in-Kind" adopted in February, 1979 and first amended in December, 1980, to provide greater control over acceptance and conversion of such gifts while realizing maximum cash return to the campaign.

It is important that you, the leadership of our UJA/Federation campaigns, understand fully the reasons for these actions. We want to share with you the statistics that support these decisions and the process by which they were reached.

In recent years the leadership of UJA has recognized the increasing importance of adequate and timely cash flow to our beneficiary agencies in Israel and worldwide. The appointment of a National Cash Chairman, implementation of special cash collection programs, emphasis on monthly payment of allocations by communities, the development of a program to collect accumulated accounts receivable and the creation of a cash structure at the regional and local levels all underscore the importance of UJA's national cash collection policy.

Yet, at the same time, UJA had not resolved a fundamental policy issue which had immediate and ongoing negative impact on the success of our cash collection efforts. That issue was the question of our acceptance and disposal of gifts-in-kind generally, and specifically, the disposition of Israel Bonds, both those that have reached maturity and "green" bonds two years old and younger.

Analysis of our current inventory of such bonds, and the continuing pattern among communities in their use of Israel Bonds to fulfill allocations to UJA, demonstrated that our policy must be clarified and strengthened and existing guidelines revised extensively.

UJA receipts for the first nine months of 1981 totaled \$178,771,079 of which 13.9 percent or \$24,479,258 was in Israel Bonds. (See Attachment A and B.) This compares with receipts in the same period of 1980 totaling \$166,779,702 of which 14.1 percent or \$23,523,434 was in Bonds. Twelve communities submitted Bonds valued at \$9,044,750 or 26 percent of allocations totaling \$34,399,319 in the first three quarters of the year.

The percentage of Bonds received in the first nine months of 1981 that were two years old or less, however was 61 percent, compared to just 59 percent in the first nine months of 1980.

UJA's current total inventory of Israel Bonds in hand is valued at \$32,530,277. (See Attachment A.) Of these 81 percent or \$26,536,345 are two years old or less, and 55 percent are six months old or younger. This compares with a 1980 inventory totaling \$29,023,555 of which 82 percent or \$23,811,160 were two years old or younger and which included 54 percent which were six months old or less.

These figures suggest a trend in fewer, but younger Bonds being forwarded by communities to UJA, a trend which has serious implications for our ongoing cash collection program.

Clearly, if we are to achieve optimum success in our cash collection program and fully meet our obligations to those served by UJA's beneficiary agencies, it was essential that National UJA policy on Israel Bonds reflect these concerns and be brought into line with overall policy on cash collection.

Through the review process implemented by the UJA Transaction Committee, we have been meeting with communities to achieve greater selectivity in the valuation and acceptance of all gifts-in-kind. Control over such assets is exercised through guidelines under which donors are credited for their stated valuation of their gifts only for the amount and at such time as they are converted to cash. Donors seeking immediate credit for their gifts are required to provide a "downside guarantee" that they will make up any difference between their valuation of their gifts and actual cash realized at conversion. A concerted and successful effort is being made by the UJA Assets Realization Committee to help communities liquidate all gifts-in-kind currently in hand.

Guidelines for gifts-in-kind were amended to reflect these efforts and to encourage better management of acceptance and conversion of such gifts to ensure the greatest possible cash return to campaigns.

Here are highlights of the amended guidelines:

1. Cash contributors should not be converted to contributors of gifts-in-kind. When a cash contributor desires to make a gift-in-kind, the gift-in-kind should be substantially greater than the previous several years' annual average record of cash gifts.
2. Every attempt should be made to have a contributor of a gift-in-kind make an additional cash contribution at least equal to previous levels of cash contributions, resulting in increased total gift.
3. No gift-in-kind should be accepted without a guarantee from the contributor of the payment of all carrying costs, where such costs will be incurred such as taxes and insurance on gifts of land. The contributor will be credited only with the net value of the gift-in-kind after such charges are deducted.
4. No gift-in-kind is to be accepted unless the contributor provides a downside guarantee in which (s)he agrees to pay the difference if the proceeds of the sale are less than the value of the gift-in-kind indicated by the donor.

5. When a gift-in-kind is received it should be determined from the donor whether (1) the gift is a specific monetary amount to which the proceeds of the gift-in-kind should be applied or (2) the gift-in-kind is being made without a downside guarantee. A gift-in-kind should not be accepted unless such a guarantee is made by the donor and an appropriate commitment executed.
6. If a gift-in-kind is accepted to apply to a prior pledge, the contributor must agree in writing to pay all carrying costs of the gift-in-kind and will be credited only with the net value of the gift-in-kind at conversion. No gift-in-kind will be accepted to apply to a prior pledge unless the contributor provides a downside guarantee to pay the difference if the proceeds of the sale are less than the value of the gift-in-kind indicated by the donor.
7. Any appraisals of gifts-in-kind given to UJA shall be the responsibility of the donor. UJA cannot obtain appraisals for donors. Provisions relating to downside guarantees incorporated in the guidelines shall apply to all such appraisals by donors.
8. Upon receipt of restricted securities, every attempt should be made to obtain the information and forms necessary to facilitate the sale of these securities as soon as possible. No restricted securities can be accepted by UJA if the best information available indicates they cannot be sold in a reasonable period.
9. If the sale of a gift-in-kind secured by a downside guarantee results in cash in excess of the indicated value, the contributor will be credited with the excess.
10. Each federation shall be asked to obtain approval of UJA before final acceptance of any gift-in-kind with an indicated value in excess of \$50,000 if it is to be credited to the federation's UJA allocation.
11. Federations should not include gifts-in-kind in campaign achievements subject to allocation until disposed of and reduced to cash consistent with standard accounting procedures now in effect in all federations and the UJA.

The National UJA policy on Israel Bonds and amended gifts-in-kind guidelines are scheduled to become effective on January 1, 1982. It should be emphasized that these are guidelines, developed over a period of months in consultation with community leadership as an effective means of increasing the flow of cash to our beneficiary agencies. Some communities may find it desirable to phase in a new gifts-in-kind policy, including provisions on acceptance of State of Israel Bonds, as their campaigns unfold and donors are informed of these changes.

You will be interested to know that our sister organizations in Canada historically have not accepted Israel Bonds -- regardless of age -- in payment of annual pledges. The Canadian Federations and United Israel Appeal report that are exceptions to this procedure are made in cases of extenuating circumstances, such as bankruptcies and estate settlements. Slightly less than three percent of remittances to annual campaigns in Canada are in the form of State of Israel Bonds.

If you have any questions about the new National UJA Bonds policy or the other gifts-in-kind guidelines, please call Al Eller at 212-757-1500, extension 331.



Attachment A

State of Israel Bonds Received By UJA

January 1 - September 30, 1981

Compared To

January 1 - September 30, 1980

<u>Age of Bonds</u>	<u>Value</u>		<u>% Total Allocations</u>	
	<u>1981</u>	<u>1980</u>	<u>1981</u>	<u>1980</u>
0 - 6 months	\$ 7,822,255	\$ 6,720,090	32	29
7 - 12 months	2,776,285	2,363,600	11	10
13 - 18 months	3,098,815	2,840,125	13	12
18 months - 2 years	1,279,895	1,838,490	5	8
2 - 3 years	2,202,835	2,338,235	9	10
3 - 4 years	1,549,860	1,523,285	6	6
Over 4 years	5,689,313	5,899,609	24	25
0 - 2 years	15,037,250	13,762,305	61	59
Over 2 years	<u>9,442,008</u>	<u>9,761,129</u>	<u>39</u>	<u>41</u>
GRAND TOTAL	\$24,479,248	\$23,523,434	100	100

ATTACHMENT B

PERCENT OF BONDS IN TOTAL MONIES RAISED FOR UJA/FEDERATION CAMPAIGN

'75	13.1%	\$35,698,000 Bonds \$272,003,000 Total
'76	11.4%	\$31,671,000 Bonds \$277,893,000 Total
'77	12 %	\$32,634,000 Bonds \$272,079,000 Total
'78	11.8%	\$32,632,000 Bonds \$277,446,000 Total
'79	12.4%	\$34,700,000 Bonds \$280,000,000 Total
'80	13 %	\$37,400,000 Bonds \$287,500,000 Total
'81	13.9% - 9 mos.	Should go <u>down</u>



ATTACHMENT C

BOND INVENTORY

<u>January - September 1980</u>			<u>Green Bonds</u>	
0 - 6 mos.	54%		\$15,613,020	
7 - 12 mos.	16%	82%	4,729,755	\$23,811,160
13 - 18 mos.	10%		2,800,715	82%
1½ - 2 yrs.	2%		667,670	
2 - 3 yrs.	4%		1,281,395	
3 - 4 yrs.	2%	18%	716,895	\$5,212,395
Over 4 yrs.	12%		3,214,105	18%
		TOTAL	\$29,023,555	100%

<u>January - September 1981</u>			<u>Green Bonds</u>	
0 - 6 mos.	55%		\$17,729,610	
7 - 12 mos.	15%	81%	5,011,790	\$26,536,345
13 - 18 mos.	9%		3,017,005	81%
1½ - 2 yrs.	2%		777,940	
2 - 3 yrs.	4%		1,351,395	
3 - 4 yrs.	3%	19%	915,240	\$5,993,932
Over 4 yrs.	12%		3,727,297	19%
		TOTAL	\$32,530,277	100%