THE SALVATION ARMY USA EASTERN TERRITORY

ALLOCATION POLICY

FOR ESTATES, TRUSTS, OR SIMILAR INSTRUMENTS
THE SALVATION ARMY USA EASTERN TERRITORY

Command Headquarters: 13

- College for Officer Training: 1
- Corps Community Centers: 353
- Outposts: 1
- Service Centers: 27
- Harbor Lights Centers: 2

Permanent Residences:
- Senior Citizens’ Housing: 5
- Other: 9
- Senior Citizen Centers/Clubs: 113

Rehabilitation Centers:
- Adult Rehabilitation Centers: 36

Camps: 11
- Boys/Girls Clubs, Community Centers: 79
- Children’s Residential Care: 3
- Child Day Care Centers: 27
- Adult Day Care Centers: 2
- Group Homes - Temporary Housing: 59

Medical Facilities/Clinics: 5

Service Units: 1,132
- Family Stores: ARC - 267, Others - 41: 308
- Other Units of Operations: 59

Total Centers of Operation: 2,245
Dear Constituents and Friends:

The Salvation Army Eastern Territory continues to be the beneficiary of very generous gifts. These gifts enable the organization to fund its programs and services to those in need throughout the Territory.

From time to time, people ask how these funds are allocated and used by The Salvation Army. We want to assure you that The Salvation Army takes its fiduciary responsibility seriously in allocating the funds and has developed its policy over a long number of years, with the advice of legal counsel.

We are pleased to present for your reading and understanding this Allocation Policy brochure which will help clarify the allocation of gifts arising from estates, trusts or similar instruments to The Salvation Army.

The Board of Trustees of The Salvation Army, a New York corporation, as part of its fiduciary responsibility, carefully processes each gift to determine the intent of the donor based upon the wording of the gift document. In the case of a bequest, it is the position of the Board of Trustees that “the will speaks.” With the guidance and opinion of legal counsel, the written allocation policy has been refined through years of experience.

This document is intended to be used by Salvation Army Officers, Advisory Board members and other interested individuals in nurturing potential donors, and in educating executors, trustees and attorneys. The Salvation Army is grateful to all those who desire to support and extend its message, ministry and mission.

May God bless you.

Sincerely,
Commissioner William A. Bamford, Territorial Commander
INTRODUCTION
The Salvation Army, a New York corporation and primary operating company of the “Eastern Territory,” USA; “The Salvation Army” is a religious and charitable nonprofit corporation organized and operated on a quasimilitary pattern and constituting a branch of the Christian church. It is exempt from Federal income tax under Internal Revenue Code 501 (a) as an organization described in IRC 501 (c) (3). It is not a “private foundation;” rather, it is an organization as described in IRC 509 (a) (1): a “church, a convention or association of churches” as that term is used in IRC 170 (b) (1) (A) (i) and elsewhere in the Internal Revenue Code.

Under its certificate of incorporation filed May 12, 1899, and pursuant to the provisions of Section 1 of Chapter 468 of the Laws of New York of 1899 and its by-laws, the corporation is governed by a Board of Trustees charged with general responsibilities regarding temporalities and property, real and personal, and the revenues therefrom, belonging to the corporation and shall administer the same in accordance with the discipline, rules and regulations, and usages of The Salvation Army. This includes assets received from estates, trusts and similar instruments.

The local branch, whether it be corps community center or institution, is not an autonomous or separate legal entity, nor could it exist independently of command headquarters. At the same time, however, command headquarters cannot provide the backup support needed by the local branches without their financial assistance. Each is an integral part of the other and necessary to the existence and effectiveness of the other.

CORPORATE NEEDS
Visibility of The Salvation Army and its religious and charitable work is more evident in its local branches and service arms than in its legal and administrative structure. Many aspects of Salvation Army service are necessary benefits for local operations, but are not practically provided for by local communities and their annual operating budgets. The Salvation Army uses various methods of funding to address these needs. Because needs fluctuate, it is most advantageous if a donor does not unduly encumber a gift with restrictions that may hinder its use, especially in the event that the purpose for which the gift was given no longer exists or may not require the total amount of the gift. Because it is The Eastern Territory’s policy to allocate a portion of an unrestricted gift to the community in which the gift was cultivated, it may be desirable in some cases to allow the Board of Trustees some latitude in tailoring the gift to community needs.
RESTRICTED GIFTS
If the donor of an estate, trust, or similar instrument specifies that it should aid a Salvation Army activity or service program, whether in a particular community or as conducted by the organization generally, the gift will be allocated accordingly. A donor-restricted gift must be accompanied by a statement that names the purpose of the gift.

Donor-restricted gifts are of two primary categories:
- For a specific purpose or to be used in a specific community for the purpose stated by the donor.
- To endow either general operations or a specific activity or service program.

Earnings are spent in compliance with Eastern Territory policy and applicable law.

*Guidelines for restrictive gift language are available from The Eastern Territory planned giving directors.*

UNRESTRICTED GIFTS
Even when a gift is not donor-restricted, the Board of Trustees nevertheless assumes that acceptance of the gift imposes certain obligations and rights including prudent use for the purposes of the organization to which it was given. The Board of Trustees therefore exercises its right to apply the gift to such purposes as in its judgment it deems most appropriate.

*It should be noted that a gift to The Salvation Army of a named community with or without an address is considered an unrestricted gift as mandated by the Financial Accounting Standards Board (FASB).*
### CURRENT ALLOCATION OF UNRESTRICTED GIFTS

<table>
<thead>
<tr>
<th>Fund</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Reserve*</td>
<td>25%</td>
</tr>
<tr>
<td>Board Designated Endowment Reserve*</td>
<td>25%</td>
</tr>
<tr>
<td>Divisional Field Incentive Reserve</td>
<td>10%</td>
</tr>
<tr>
<td>Officer’s Health Care Reserve</td>
<td>5%</td>
</tr>
<tr>
<td>Officer’s Retirement Reserve</td>
<td>10%</td>
</tr>
<tr>
<td>Planned Giving Reserve</td>
<td>5%</td>
</tr>
<tr>
<td>Territorial Capital Reserve</td>
<td>5%</td>
</tr>
<tr>
<td>Adult Rehabilitation Centers Command Capital Reserve</td>
<td>15%</td>
</tr>
</tbody>
</table>

*In the name of originating community or area, or center of operations.

**ALLOCATION POLICY 2017**
DEFINITIONS AND USAGE OF VARIOUS RESERVES

1. **Capital Reserves**: Funds used for major capital expenditures as determined by the Board of Trustees.

2. **Board-Designated Endowment Reserves**: Funds approved by the Board of Trustees to be placed in a quasi-endowment reserve. Earnings from the principal balance may be used by the local unit for operational and program expenses. If there are specific capital needs for the local unit, principal and undistributed earnings may be allocated to the respective capital reserve of the local unit.

3. **Divisional Field Incentive Reserve**: A fund available to the division for opening new corps, debt reduction, corps capital projects, or program enhancement. The divisional headquarters has the option to recommend allocation of the divisional field incentive reserve to the capital reserve of the local unit.

4. **Officers’ Health Care Reserve**: A fund maintained for officers’ health plan benefits.

5. **Officers’ Retirement Reserve**: A fund maintained for officers’ retirement benefits. In addition, the reserve account balance is considered part of the assets needed to offset the liability for post-retirement benefits.

6. **Planned Giving Reserve**: A fund maintained to assist with funding the territorial and command planned giving programs.

7. **Territorial Capital Reserve**: A fund set aside for Eastern Territorial Headquarters used for major capital expenditures as determined by the Board of Trustees.

8. **Adult Rehabilitation Centers Command Capital Reserve**: A fund set aside for projects of Adult Rehabilitation Centers.
Mission of the Salvation Army

The Salvation Army, an international movement, is an evangelical part of the universal Christian church. Its message is based on the Bible. Its ministry is motivated by the love of God. Its mission is to preach the gospel of Jesus Christ and to meet human needs in His name without discrimination.

The Salvation Army not only provides for basic needs such as food, clothing and shelter but also invests its time in the human spirit by offering counseling, education programs, recovery/support programs, and spiritual support for those willing to accept it.

The Salvation Army
Southern New England Division

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