

CHARITABLE GIFT ACCEPTANCE AND MANAGEMENT POLICIES AND GUIDELINES

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Moving ministries forward, *together.*

INTRODUCTION

The Moravian Ministries Foundation in America (Foundation) is responsible for promoting planned giving among Moravians in the Northern and Southern Provinces of the Moravian Church in America. To perform these responsibilities the policies and guidelines contained in this document have been drafted, reviewed, and approved by the Trustees. Implementation and day-to-day management of these policies and guidelines are the responsibility of a professionally staffed Foundation, led by a President who reports to the Trustees.

Underlying these policies and guidelines are three principles:

- 1. There are many committed Moravians who possess a deep personal and spiritual interest in supporting the Church's vital ministries (the ministries include all Church-owned, operated, related, and affiliated organizations sharing in the belief and/or heritage of the Moravian Church).*
- 2. The Foundation will focus attention on working with these charitably motivated Moravians in order to explore, with them, the right opportunity to give, inspired by their faith, and influenced by their personal and financial needs, goals, and interests.*
- 3. The standard of performance in the work with donors is in the application of the 'Grandparent Principle.' (The **Grandparent Principle** states: in proposing a gift and managing it thereafter, does the staff person believe, if the donor was his /her grandparent, the gift and its management would be serving his /her interests.)*

Finally, while the Trustees are responsible and have the authority to oversee the development of the Foundation, the Northern and Southern Provinces of the Moravian Church in America retain their fiduciary authority. Therefore, these policies and guidelines are in no way intended to usurp the Provinces' authority.

GENERAL POLICIES

1. PROTECTION OF DONOR'S INTERESTS

The Trustees, staff and volunteer representatives of the Foundation shall:

- 1.1. Always consider the interests of the donor as the priority in planned gifts, which include, but are not limited to the donor's , charitable

goals, tax considerations, and legal issues expressed by the donor and/or discovered by any representative of the Foundation during the lead identification, donor cultivation, and gift-giving process.

- 1.2. Avoid entering into a gift arrangement that does not reflect some level of charitable intent on the part of the donor.
- 1.3. Encourage the donor to notify the designated Moravian ministry(ies) of their revocable and/or irrevocable planned gift(s); however, unless directed by the donor and/or his/her legal counsel, all information pertaining to the designation and gift amount(s) shall be kept in confidence, unless authorized in writing to release any information.
- 1.4. Disclose to the donor, in writing, all information pertaining to irrevocable charitable gifts required under the Philanthropy Protection Act of 1995 (P.L. 104-62).
- 1.5. Disclose to the donor in writing, if so requested, the net asset value of the asset(s) in charitable trust and/or gift annuity contract, no less than annually.

2. LEGAL COUNSEL

- 2.1. Only planned gift agreements, reviewed and approved by legal counsel to the Foundation, shall be provided to donors.
- 2.2. The Foundation may seek the advice of legal counsel in matters related to the acceptance of gifts when appropriate.
- 2.3. Prospective donors shall be urged to seek independent counsel, as part of their gift planning process.
- 2.4. No Foundation representative shall offer or otherwise provide legal counsel to a prospective donor on matters relating to a planned gift; However, a representative of the Foundation may discuss with the donor and/or his/her legal counsel the potential ramifications of a particular gift to the donor.

3. AUTHORITY FOR NEGOTIATION

- 3.1. The President is authorized by the Trustees to negotiate planned gift arrangements on behalf of the Foundation.

- 3.2. The President may delegate such authority to a staff representative of the Foundation without prior authorization of the Trustees. The President, however, must seek approval from the Trustees for any volunteer representative to negotiate a planned gift.
- 3.3. No individual member of the Trustees is authorized to negotiate a planned gift on behalf of the Foundation without the approval of the entire Board of Trustees. When a vote is cast on the issue, the individual Trustee will declare a conflict of interest and excuse him/herself from the meeting while the vote is taken.
- 3.4. The Foundation may enter into planned gift arrangements as trustee and/or under contract of which 50% plus \$1.00 of the residual is dedicated to a ministry(ies) of the Moravian Church.

4. AUTHORITY FOR APPROVAL

It is the intent of this section to establish reasonable limits for the approval of planned gifts so as to protect the Trustees, the staff and volunteers, the Provinces, the Moravian Church in America, and the charitable interests of donors.

- 4.1. All planned gift agreements must conform to the Internal Revenue Code and subsequent regulations governing charitable gifts, and applicable state laws.
- 4.2. All conforming planned giving vehicles listed in Attachment A, funded with assets listed in Section 4.7, shall be used by the President, staff and authorized volunteers as necessary to process and complete the receipt of the donor's planned gift.
- 4.3. All conforming planned giving vehicles listed in Attachment A, funded with assets listed in Section 4.8, must be brought before the Governance Committee for review and vote prior to finalizing the agreement with the donor.
- 4.4. The President of Moravian Ministries Foundation in America or his/her designee is authorized to sign all planned gift agreements that are drafted in accordance with the policies provided herein.
- 4.5. Under no circumstance shall the President sign a planned gift agreement in which s/he has an actual or perceived conflict of interest regardless of 4.4 above.

- 4.6. The Foundation, the Provinces or any designated representative of the Moravian Church in America may act as Trustee or Successor Trustee for any charitable remainder or charitable lead trust in which any ministry(ies) of the Church has a remainder interest.
- 4.7. In accordance with Section 4.2, the following is a list of assets, in any combination, which can be used to make a planned gift without approval of the Governance Committee:
 - 4.7.1. cash;
 - 4.7.2. publicly traded securities;
 - 4.7.3. other instruments with a ready market;
 - 4.7.4. any planned gift in which a ministry(ies) of the Moravian Church will receive the charitable interest, or portion thereof, and in which the ministry(ies) is neither named trustee nor has other fiduciary responsibilities or liability;
 - 4.7.5. charitable gift annuities of an amount greater than \$10,000, as defined in the Internal Revenue Code, with annual payments not to exceed the rates recommended by the American Council on Gift Annuities; the Foundation will not issue gift annuities unless the beneficiary is at least 70 years old either at issue for current gift annuities or for deferred gift annuities at the scheduled start of payments to said beneficiary; the Foundation will not accept real estate, tangible personal property, or any other illiquid asset in exchange for current charitable gift annuities; the Foundation may accept such types of property in exchange for deferred gift annuities so long as there is at least a 5-year period before the commencement of the annuity payment date, the value of the property is reasonably certain, and the President of the Foundation approves the arrangement.
 - 4.7.6. gifts by contract, such as retirement plan beneficiary designations or life insurance, through which a ministry(ies) of the Church is a future beneficiary, so long as the Foundation, Province or the ministry(ies) is not required to expend funds from sources other than from the donor to maintain the contract;

- 4.7.6.1. If the donor elects to let the contract lapse, the President is authorized to seek the advice and counsel of a trained and certified independent advisor and to decide an appropriate course of action concerning the disposition of said contract;
- 4.7.7. charitable remainder unitrusts, in which the Foundation, Province or ministry(ies) are named trustee (see Section 5, Trusteeship) and which are funded with cash, publicly traded securities, or other financial instruments with a market value and where the unitrust percentage conforms to the IRS Code and regulations thereunder. Further, charitable remainder unitrusts must be funded with assets valued at \$100,000 and more, or are intended by the donor to be funded at said amount within a five-year period with additional contributions.
- 4.7.8. charitable remainder annuity trusts in which the Foundation, Province or ministry(ies) are named as trustee and which are funded with cash, publicly traded securities, or other financial instruments with a market value and where the annuity trust percentage conforms to the IRS Code and regulations thereunder and qualifies under the so-called "five percent probability test";
- 4.7.9. charitable lead trusts in which the Foundation, Province and ministry(ies) are named trustee and funded with cash, publicly traded securities or other instruments with a ready market and which otherwise meet the requirements of the IRS Code and regulations thereunder; and,
gifts of real property, including remainder interests in real property, so long as the President exercises full due diligence in regards to the value, marketability, environmental, and other pertinent factors as to not subject the Trustee to undue risk. As part of this due diligence, the President shall request an environmental assessment of the property, unless said property has been exclusively used as a personal residence, as well as sufficient information, including but not limited to a

title search of the real property, to accurately determine its ownership and the number and amount of any encumbrances affecting the real property.

4.7.10. In all the above cases, the President shall report their receipt at the next business meeting of the Trustees.

4.8. The Governance Committee of Moravian Ministries Foundation in America is authorized to approve agreements, as listed above, which are funded with assets other those listed in Section 4.7, above, so long as the President provides:

4.8.1. Proof of value – by a qualified appraisal obtained at the donor's expense.

4.8.2. A statement that the property is readily marketable. This statement may be based upon an independent appraisal or knowledge of qualified interested buyer(s). If prospective buyers require financing to acquire the property, then under no circumstances should the Foundation extend credit and/or financing without full approval of the Board of Trustees.

4.8.3. Assurance from the donor that s/he will act, as required by applicable laws and regulations, to ensure the resulting planned gift will qualify as a charitable gift.

4.8.4. The gift is the entirety (100%) of the property, or there is a written commitment from the donor(s) or other owners to immediately sell the non-gifted interest in the property in concert with the Foundation or trust.

4.8.5. Agreements funded by a gift of business interest, or portions thereof, so long as:

4.8.5.1.the gift is consistent with law;

4.8.5.2.the business is not engaged in activities or practices that might cause harm to the image and purpose of the Church;

4.8.5.3.the donor has offered adequate assurance or there is independent information that establishes that there are no environmental hazards present;

- 4.8.5.4. There is a reasonable expectation that the business or the portion donated can be readily sold at fair market value;
- 4.8.5.5. The interest will not generate any undesirable tax consequences for the Foundation.
- 4.9. The President may request consideration of any planned gift not provided for in these policies (provided it is permitted under law and regulations) by the Committee at a regular or special meeting called for the purpose of consideration of the request.
- 4.10. It is not the intent or purpose of the Foundation, Province or ministry (ies) to hold or own an interest in any operating business not directly associated with the Church for any period of time other than required for the expedient sale and disposal.

5. **TRUSTEESHIP AND MANAGEMENT RESPONSIBILITY**

- 5.1. The Foundation may act as Trustee for charitable remainder trusts and may manage other planned gifts provided at least one ministry of the Church has a 50% plus \$1.00 interest in the residual.
- 5.2. The management and investment fees charged shall be determined by the net asset value on December 31st of the trust or annuity contract, shall not exceed 1.5% per annum, and shall be assessed monthly. In the event the gift matures during the course of the year, the assessment paid on the month preceding maturity shall be final.
- 5.3. The assets in trusteeship and under contract are invested in accordance with the investment policies of the respective Province.
- 5.4. At the regular mid-year meeting of the Trustees, reports from each Province shall be presented which detail the original gift amount for all gifts under trusteeship and management, their net asset value on the date of the most recent annual appraisal, their current market value, the stated pay-out rate, the amount paid to date, and any outstanding issues that may impact the fiduciary responsibilities of the Foundation or the Province. The confidentiality of the donor shall be protected in the presentation of these reports.

- 5.5. At the regular meeting of the Trustees, a report on all new gifts will be made detailing the amount given, gift type, and terms.

6. DESIGNATED AND RESTRICTIVE GIFTS

- 6.1. Donors may choose to designate the entire share of their gift to any Moravian ministry, or as the PECs may otherwise designate.
- 6.2. The Foundation, a Trustee, and paid or designated staff shall not promote any particular ministry(ies) over others. The proceeding does not, however, preclude providing information to donors about Provincial priorities and needs.
- 6.3. In all trusts and gift contracts, wording shall be inserted which instructs the Foundation, in the event the cited ministry ceases to exist, to designate the residual to an operating ministry(ies) that most closely resembles in program and operation the original beneficiary.
- 6.4. Donors may choose to restrict the use of their planned gift to support an activity or need of a particular ministry(ies). However, the Foundation will not accept any restrictions that may burden or impede the daily operation and mission of the ministry.
- 6.5. In the event a donor wishes to place burdensome restrictions on their gift, the President has the sole and exclusive right to cease proceeding with the planned gift. A letter to the donor will be prepared and forwarded to the donor within ten business days, detailing the causes for terminating the gift planning process. The President will file a complete report on each situation at the next regularly scheduled meeting of the Trustees.
- 6.6. Any restrictions placed on a gift that are no longer appropriate after the donor's death, provided said agreement allows for such, shall be redirected to a mission and work that most closely resembles the original. The decision to redirect the restricted gift rests with the respective PEC(s) in consultation with the Foundation. Any known living heirs and/or executors shall be notified by the Foundation of the change within 30 business days of the action.

7. DONOR RECOGNITION

- 7.1. To express appreciation for the generosity of benefactors, the Foundation will design a donor recognition program that is appropriate, tasteful and in keeping with the wishes of the donors. Donors wishing their giving to remain confidential shall be called "Anonymous."
- 7.2. After the close of the Foundation's fiscal year, an annual report will be published which highlights the activities and accomplishments, discloses the investment practices and performance, and recognizes the gifts received from donors.
- 7.3. Charitable remainder trusts and charitable gift annuities shall be recognized at the full value of the initial amount given to fund the gift. In the case of additional contributions to an existing unitrust, recognition will be based upon the initial amount plus the contribution(s).
- 7.4. Charitable lead trusts shall be recognized at the value of the projected income stream to the ministry(ies) over the life of the trust.
- 7.5. Other irrevocable gifts, such life insurance distributions, bequests, gifts from trust, etc., are recognized at their full value at the time the asset is distributed to the ministry.
- 7.6. Out-right gifts received by the Foundation shall be recognized at the full value of the asset on the day the gift is made.
- 7.7. Gifts from wills and revocable trusts shall be recognized at the full value of total amount bequeathed to the designated ministry(ies), at the time the asset is distributed to the ministry.

Attachment A

LISTING & BRIEF DESCRIPTION OF APPROVED PLANNED GIFTS

- **OUTRIGHT GIFTS:** Outright gifts may take the form of cash and gifts of real and personal property. They provide the donor's designated ministry(ies) with immediate benefits and require no life estate agreement or trust. The donor may be eligible for a tax deduction equal to the full value of donated asset.
- **BARGAIN SALES:** This gift type is considered an outright gift of part of the value of property because the donor's sale price to the Foundation/Province is less than its fair market value. A Bargain Sale is a gift-giving strategy used in rare circumstances because of the high degree of financial exposure and risk to the Foundation/Province.
- **CHARITABLE REMAINDER TRUSTS (CRT):** CRTs allow donors to give cash, securities, real and personal property used by the Trustee to generate earnings paid to the income beneficiaries for life or a period of years, up to twenty. At the end of the income payment period or following the death of the surviving income beneficiary, the residuum in the Trust is distributed to the donor's designated ministry(ies). Donors are entitled to a tax deduction, considering a number of variables - age, asset value, expected duration of trust, etc. There are currently two forms of CRTs:
 - **CHARITABLE REMAINDER UNITRUST (CRUT):** a CRUT provides annual income to the beneficiary based upon a *fixed percentage* of the Net Asset Value (NAV) of the assets held by the Trust. Annually the Trustee multiplies the NAV of the Trust by the set percentage to determine the amount paid - annually, semi-annually or quarterly - to the income beneficiary. With a CRUT, the annual payment may increase, decrease, or remain the same, because the amount paid is based upon the annual NAV of the assets held in Trust.
 - **CHARITABLE REMAINDER ANNUITY TRUST (CRAT):** a CRAT provides a *fixed annual dollar amount payment* for life determined at the time the Trust is created. The amount of the annual payment never changes, regardless of the NAV or whether the residuum is used to make any portion of the payment to the income beneficiary. Payments are made annually, semi-annually or quarterly.

- **CHARITABLE LEAD TRUST (CLT):** a CLT pays a set dollar amount or percent of the trust's assets to the donor-designated ministries for the life of the Trust. During the period of time the Trust exists, the donor relinquishes control over the assets; however, at a pre-established date prescribed in the agreement, the Trust ceases to exist and the residuum is distributed to one or more of the non-charitable beneficiaries. The CLT provides the donor with a tool to help the ministry(ies) of his/her choosing and pay on to designated heirs a greater share of the estate at a lesser tax rate. Donors are entitled to tax deduction, considering a number of variables - age, asset value, expected duration of trust, etc.
- **CHARITABLE GIFT ANNUITY (GA):** a GA is a contract between the Foundation and the donor in which a donor makes an irrevocable gift and in return receives an annuity payment for life. The payment rate is determined by the age(s) of the donor(s) and recommended by the American Council on Gift Annuities, a national advisory body composed of actuaries, gift planners, and attorneys. The GA contract obligates the Foundation/Province to make the prescribed annual payments, regardless of the market value or status of the original assets donated. Donors are entitled to tax deduction, based upon a number of variables - age, life expectancy, asset value, appreciated value of assets, etc.
- **DONOR-ADVISED FUND (DAF):** a DAF is a charitable giving vehicle sponsored by a public charity that allows the donor to make a contribution to the Foundation and be eligible for an immediate tax deduction, and then to recommend grants over time to any Moravian Church, agency and charitable organization, in accordance with the Foundation's policies governing non-Moravian charitable distributions

Note: From time-to-time, new irrevocable gift giving vehicles may emerge that allow donors to experience the joy of giving. As these vehicles emerge and as existing ones evolve, the Foundation will incorporate these into its gift-giving repertoire.