



# Gift Acceptance Policies and Guidelines

Lutheran Legacy Foundation, a not for profit corporation organized under the laws of the State of Illinois encourages the solicitation and acceptance of gifts to Lutheran Legacy Foundation (hereinafter referred to as the Foundation) for purposes that will help the Foundation to further and fulfill its mission to benefit the Lutheran Community. The following policies and guidelines govern acceptance of gifts made to the Lutheran Legacy Foundation for the benefit of the Lutheran Community.

The mission of Lutheran Legacy Foundation is as follows:

Lutheran Legacy Foundation exists to help Lutheran churches and institutions establish endowments and provide the needed services to preserve them and help them grow. The Foundation wants dreams for mission and ministry to be realized by providing a way for God’s people to give enduring gifts that will be used to preserve Lutheran heritage and expand the horizons of God’s Kingdom in the world.

## I. Purpose of Policies and Guidelines

The board of directors of Lutheran Legacy Foundation and its staff solicit current and deferred gifts from individuals, corporations, and Foundations to secure the future growth and missions of the Foundation. These policies and guidelines govern the acceptance of gifts by the Foundation and provide guidance to prospective donors and their advisors when making gifts to the Foundation. The provisions of these policies shall apply to all gifts received by the Foundation for any of its programs or services.

## II. Use of Legal Counsel

Lutheran Legacy Foundation shall seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by counsel is recommended for:

- a. Closely held stock transfers that are subject to restrictions or buy-sell agreements.
- b. Documents naming Lutheran Legacy Foundation as Trustee.
- c. Gifts involving contracts, such as bargain sales or other documents requiring the Lutheran Legacy Foundation to assume an obligation.
- d. Transactions with potential conflict of interest that may invoke IRS sanctions.
- e. Other instances in which use of counsel is deemed appropriate by the gift acceptance committee.

## III. Conflict of Interest

Lutheran Legacy Foundation will urge all prospective donors to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences. The Foundation will comply with the *Model Standards of Practice for the Charitable Gift Planner* promulgated by the National Committee on Planned Giving, shown as an appendix to this document.

#### **IV. Restrictions on Gifts**

The Foundation will accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are not inconsistent with its stated mission, purposes, and priorities. The Foundation will not accept gifts that are too restrictive in purpose. Gifts that are too restrictive are those that violate the tenants of the corporate charter, gifts that are too difficult to administer, or gifts that are for purposes outside the mission of the Foundation. All final decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the gift acceptance committee of the Foundation.

#### **V. The Gift Acceptance Committee**

The gift acceptance committee shall consist of:

The Manager of the Foundation, with the consultation of The President of the BOD, the Investment Committee of the Lutheran Legacy Foundation, or legal counsel as necessary.

The gift acceptance committee is charged with the responsibility of reviewing all gifts made to Lutheran Legacy Foundation, properly screening and accepting those gifts, and making recommendations to the board on gift acceptance issues when appropriate.

#### **VI. Types of Gifts**

The following gifts are acceptable:

- Cash
- Tangible Personal Property
- Securities
- Real Estate.
- Remainder Interests in Property.
- Oil, Gas, and Mineral Interests.
- Bargain Sales.
- Life Insurance.
- Charitable Gift Annuities.
- Charitable Remainder Trusts.
- Charitable Lead Trusts.
- Retirement Plan Beneficiary Designations.
- Bequests.
- Life Insurance Beneficiary Designations.

The following criteria govern the acceptance of each gift form:

1. Cash. Cash is acceptable in any form. Checks shall be made payable to Lutheran Legacy Foundation with no restrictions and shall be delivered to the Manager in the Foundation's administrative offices. The Director will notify the Board of Directors on a quarterly basis and his or her designate will deposit the cash.
2. Tangible Personal Property. All gifts of tangible personal property shall be examined in light of the following criteria:

(a) Does the property fulfill the mission of the Foundation?

- (b) Is the property marketable?
  - (c) Are there any undue restrictions on the use, display or sale of the property?
  - (d) Are there any carrying costs for the property?
3. Securities. Lutheran Legacy Foundation can accept both publicly traded securities and closely held securities.
- (a) Publicly Traded Securities. Marketable securities may be transferred to an account maintained at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. As a general rule, all marketable securities shall be sold upon receipt unless otherwise directed by the Investment committee. In some cases marketable securities may be restricted by applicable securities laws; in such instance the final determination on the acceptance of the restricted securities shall be made by the gift acceptance committee of Lutheran Legacy Foundation.
  - (b) Closely Held Securities. Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in limited partnerships and limited liability companies, or other ownership forms, can be accepted subject to the approval of the gift acceptance committee of Lutheran Legacy Foundation. However, gifts must be reviewed prior to acceptance to determine:
    - There are no restrictions on the security that would prevent Lutheran Legacy Foundation from ultimately converting those assets to cash.
    - The security is marketable.
    - The security will not generate any undesirable tax consequences for Lutheran Legacy Foundation.If potential problems arise on initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on acceptance of the gift. The gift acceptance committee and legal counsel shall make the final determination on the acceptance of closely held securities when necessary. Every effort will be made to sell closely held securities as quickly as possible.
4. Real Estate. Gifts of real estate may include developed property, underdeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, Lutheran Legacy Foundation shall require an initial environmental review of the property to ensure that the property has no environmental damage. In the event that the initial inspection reveals a potential problem, Lutheran Legacy Foundation shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall be an expense of the Donor unless otherwise agreed by the gift acceptance committee. When appropriate a title policy shall be obtained by Lutheran Legacy Foundation prior to the acceptance of the real property gift. The cost of the binder shall be the cost of the donor unless otherwise agreed by the gift acceptance committee. Prior to the acceptance of the real property, the gift shall be approved by the gift acceptance committee and by legal counsel for Lutheran Legacy Foundation. Criteria for acceptance of the property shall include:
- Is the property useful for the purposes of Lutheran Legacy Foundation?
  - Is the property marketable?
  - Are there any restrictions, reservations, easements, or other limitations associated with the property?
  - Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, etc., associated with the property?
  - Does the environmental audit reflect that the property is not damaged?
5. Remainder Interests in Property. The Foundation will accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions of paragraph 4 above. The donor or other occupants may continue to occupy the real property for the duration of the stated life. At the

death of the donor, the Foundation may use the property or reduce it to cash. Where the Foundation receives a gift of a remainder interest, expenses for maintenance, real estate taxes, and any property indebtedness are to be paid by the donor or primary beneficiary during the period of the life estate.

6. Oil, Gas, and Mineral Interests. The Foundation may accept oil and gas property interests, when appropriate. Prior to acceptance of an oil and gas interest the gift shall be approved by the gift acceptance committee, and if necessary, by the Foundation's legal counsel. Criteria for acceptance of the property shall include:
  - Gifts of surface rights should have a value of \$20,000 or greater.
  - Gifts of oil, gas, and mineral interests should generate at least \$3,000 per year in royalties or other income (as determined by the average of the three years prior to the gift).
  - The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate
  - A working interest is rarely accepted. A working interest may only be accepted where there is a plan to minimize potential liability and tax consequences.
  - The property should undergo an environmental review to ensure that the Foundation has no current or potential exposure to environmental liability.
  
7. Bargain Sales. Lutheran Legacy Foundation will enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission and purposes of the Foundation. All bargain sales must be reviewed and recommended by the gift acceptance committee and approved by the board of directors. Factors used in determining the appropriateness of the transaction include:
  - The Foundation must obtain an independent appraisal substantiating the value of the property.
  - If the Foundation assumes debt with the property, the debt ratio must be less than 50% of the appraised market value.
  - The Foundation must determine that it will use the property, or that there is a market for sale of the property allowing sale within 12 months of receipt.
  - The Foundation must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.
  
8. Life Insurance. Lutheran Legacy Foundation must be named as both beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be recorded as a gift. The gift is valued at its interpolated terminal reserve value, or cash surrender value, upon receipt. If the donor contributes future premium payments, the Foundation will include the entire amount of the additional premium payment as a gift in the year that it is made. If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, the Foundation may:
  - continue to pay the premiums;
  - convert the policy to paid up insurance; or
  - surrender the policy for its current cash value.
  
9. Charitable Gift Annuities. Lutheran Legacy Foundation may offer charitable gift annuities through another Lutheran church organization. The minimum gift is \$5,000. Lutheran Legacy Foundation President may make exceptions to this minimum. The minimum age for life income beneficiaries of a gift annuity shall be 55. Where a deferred gift annuity is offered, the minimum age for life income beneficiaries shall be 45. No more than two life income beneficiaries will be permitted for any gift annuity.
  
10. Charitable Remainder Trusts. The minimum gift to create a charitable remainder trust at Lutheran Legacy Foundation is \$200,000.00. The Lutheran Legacy Foundation President and an officer of the

Lutheran Legacy Foundation Board of Directors may make exceptions to this minimum. The Foundation may accept designation as remainder beneficiary of a charitable remainder trust with the approval of the gift acceptance committee of the Foundation. The Foundation will accept appointment as trustee of a charitable remainder trust only for such trusts that leave a substantial remainder of at least 55% for the benefit of the Lutheran Legacy Foundation or a Fund that is a part of the Lutheran Legacy Foundation.

11. Charitable Lead Trusts. The Foundation may accept a designation as income beneficiary of a charitable lead trust. The board of Lutheran Legacy Foundation will not accept an appointment as Trustee of a charitable lead trust.
12. Retirement Plan Beneficiary Designations. Donors and supporters of Lutheran Legacy Foundation will be encouraged to name the Foundation as beneficiary of their retirement plans. Such designations will not be recorded as gifts to the Foundation until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.
13. Bequests. Donors and supporters of Lutheran Legacy Foundation will be encouraged to make bequests to the Foundation under their wills and trusts. Such bequests will not be recorded as gifts to the Foundation until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.
14. Life Insurance Beneficiary Designations. Donors and supporters of Lutheran Legacy Foundation will be encouraged to name the Foundation as beneficiary or contingent beneficiary of their life insurance policies. Such designations shall not be recorded as gifts to the Foundation until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

## VII. Miscellaneous Provisions

Securing appraisals and legal fees for gifts to the Foundation. It will be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts made to the Foundation.

Valuation of gifts for development purposes. The Foundation will record a gift received by the Foundation at its valuation for gift purposes on the date of gift.

Responsibility for IRS Filings upon sale of gift items. The gift acceptance committee of the Foundation is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within two years of receipt by the Foundation when the charitable deduction value of the item is more than \$5,000. The Foundation must file this form within 125 days of the date of sale or disposition of the asset. Form 8282 with Filing Instructions is attached as an appendix to these policies.

Acknowledgement of all gifts made to the Foundation and compliance with the current IRS requirements in acknowledgement of such gifts shall be the responsibility of the board of the Foundation. IRS Publication 561 *Determining the Value of Donated Property* and IRS Publication 526 *Charitable Contributions* are attached to these policies as an Appendix.

## VIII. Changes to Gift Acceptance Policies

These policies and guidelines have been reviewed and accepted by the Board of Directors of the Lutheran Legacy Foundation. The Board of Directors of Lutheran Legacy Foundation must approve any changes to, or deviations from, these policies.

Approved on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

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Chairman, Board of Directors, the Lutheran Legacy Foundation

## IX. Attachments

A. *Model Standards of Practice of the Charitable Gift Planner*

B. Environmental Review Forms

1. IRS Form 8282 and Instructions
2. IRS Publication 561 Determining the Value of Donated Property.
3. IRS Publication 526 Charitable Contributions.