

## **GIFT ACCEPTANCE POLICY**

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It is the policy of Arkansas Baptist Foundation (“ABF”) to provide the infrastructure in which ministry supporters can make gifts of cash and non-cash assets in a manner that is beneficial to the ministry partners and in keeping with the purpose, character, and integrity of ABF. ABF reserves the right to refuse any and all gifts that it believes are not in the best interest of ABF or the ministry partners.

### **I. General Procedures**

- A. Board of Trustees Involvement – Gifts that are consistent with the purposes of ABF which are considered ordinary or of reasonable risk will not require the review of the ABF Executive Committee. Gifts that are not ordinary and which pose unreasonable risks to ABF shall be reviewed by the ABF Executive Committee.
- B. Confidentiality – All information concerning prospective ministry supporters shall be confidential. Employees of ABF will sign non-disclosure agreements to maintain the security of ministry supporter information. Information will not be released to the public, whether individual beneficiaries or charities, unless there is a need to know, or permission has been obtained from the ministry supporter. While the Board of Trustees does not normally involve itself in individual ministry supporter situations, the Board of Trustees will also sign non-disclosure agreements. See Privacy Policy (Appendix F)
- C. Ethics – ABF will accept gifts with these understandings:
  - 1. The ministry supporter has charitable intent, i.e., he or she wishes to make a gift.
  - 2. The gift is in the best interest of both the ministry supporter and ABF (or its various beneficiaries).
  - 3. Disclosure of the known tax, legal, and other ramifications of the gift are made to the ministry supporter.
  - 4. The ministry supporter has been advised to consult his/her own legal, tax, or financial advisors as to the appropriateness of the gift.
  - 5. The gift does not jeopardize the financial, legal, or moral integrity of ABF.
- D. Restrictions – ABF will accept gifts with designations and restrictions as to which charity or charities will benefit from the gifts and for what purposes, provided the designation does not prevent ABF from freely and effectively employing the transferred assets, or the income derived therefrom, in furtherance of its exempt purposes. The majority of each gift must be for Evangelical Christian purposes that are consistent with those of the Southern Baptist Convention, Arkansas Baptist State Convention and The Baptist Faith and Message (Appendix A).
- E. Valuations – Gifts will be valued in an appropriate manner and consistent with sound accounting principles, as well as current IRS regulations. Full responsibility rests on the ministry supporter for claiming any amounts for non-cash gifts, including filing IRS Form 8283, and for any needed appraisals or other needed documentation. Full responsibility also rests on the ministry supporter for the value given to tangible personal property or services, and the ministry supporter will provide ABF with a copy of any required qualified appraisal.
- F. If, in the gifting or sale of assets, it is necessary to obtain appraisals or other such items of expense, such costs shall be paid by the ministry supporter. In the case of an existing account, the expenses may be charged to the account that owns the asset or against the sale proceeds if an actual sale materializes.
- G. Normally, ABF serves as the trustee for such non-charitable interests only when the life expectancy for the non-charities does not exceed 40 years. Exceptions are made only by the President or Vice President when there are prudent reasons for accepting such gifts.

## II. Unrestricted Gift Policy

- A. ABF's first and foremost objective in receiving gifts is to fulfill the ministry supporter's charitable intent. Normally, ministry supporters make gifts to ABF with designations for net income or principal to be distributed to certain charities in specified amounts or percentages.
- B. If, however, ABF receives a gift without any such designation, it is the policy of ABF that these funds shall be forwarded to the ABSC for inclusion in the Cooperative Program.

## III. Types of Assets

The following assets are acceptable as described. All gifts are subject to approval by ABF's Officers. ABF may decline a gift for any reason.

- A. Cash – Cash, check, money orders, bank drafts, electronic transfers, or gifts via credit card or online transactions are acceptable.
- B. Marketable Securities – Shares of publicly traded stocks, mutual funds, or bonds may be given to ABF. ABF will then consider whether it is more prudent to sell or maintain the donated asset(s).
- C. Real Estate – Real estate gifts must be approved by ABF and normally be unencumbered (without any mortgage). Ministry supporters will be expected to pay for necessary appraisals, surveys, and environmental audits as needed for the safe conveyance of the property. Full interests, partial interests, and remainder interests are all appropriate real estate gifts.
  - 1. In the case of remainder interests, the ministry supporter will be expected to pay for all property taxes, maintenance on the property, and insurance until their interest in the property ceases.
  - 2. Ministry supporters may be asked to sign a statement regarding liability for previous and current environmental or other conditions if ABF deems it appropriate.
  - 3. Gifts of real estate will be accepted only after: (1) personal inspection by an appropriate ABF officer or representative; (2) a determination has been made that the property has not been utilized in a manner inconsistent with current The Baptist Faith and Message; (3) ABF and the ministry supporter have reached an understanding as to the valuation of the property based upon a qualified appraisal; (4) an assessment of the propriety and feasibility of accepting the gift has been made, taking into account any and all fees, expenses, and costs associated with ownership of the property (e.g., debt, insurance, homeowners' association fees and other carrying costs) , and (5) when appropriate steps have been taken to determine if any other liabilities might attach to the property.
  - 4. Gifts of real estate are ordinarily acceptable only after it has been determined that ownership of the property would not subject ABF to liability or risk of liability under any federal, state, or local law, rule, or regulation concerning the use, storage, production, or disposal of chemical wastes, compounds, or substances or of any federal, state, or local law, rule, or regulation concerning the use of, occupation of, or construction upon the property. Valid and proper environmental audits and assessments may be completed and analyzed. After due consideration of all other relevant factors, it is determined that the liability or risk of liability to ABF outweighs the value of the gift, the property shall not be accepted.
  - 5. Gifts of real estate must have a fair market value of \$25,000 or greater, be marketable in a reasonable length of time if ABF intends to sell such property, and meet other standards of safety, use, and liability so as not to unreasonably expose ABF to risk of loss or harm.
  - 6. ABF shall take into account the depreciation of real estate in considering gift proposals. If the ministry supporter has taken accelerated depreciation in excess of straight-line prior to making the gift, the ministry supporter will be responsible for making any required recapture payments to the IRS.
- D. Closely-held corporate stock -- Gifts of stock in closely-held corporations will be accepted only where investigation reveals no significant potential liability or risk of harm for ABF in receiving the gift, and where the likelihood of a sale or redemption within a reasonable time is substantial. Shares of closely-held corporations which, when given, pass controlling interest in the corporation to ABF, are accepted only when potential benefits from the gift outweigh potential liabilities; where the company involved is not engaged in activities inconsistent with The Baptist Faith and Message (Appendix A); where the

- demands of staff time regarding the management of the company are acceptable; and, where the prospects for sale is within a reasonable time period are substantial if ABF intends to sell such stock.
- E. Oil & Gas Interests -- Gifts of oil and gas property (or working interests) may be received absent extenuating circumstances such as extended liabilities or other considerations making receipt of the gift inadvisable.
  - F. Partnership Interests or LLC/FLP Interests – ABF does not accept gifts of general partnership interests. Prior to approval of gifts of these interests, all relevant partnership, LLC, or FLP agreements will be reviewed by ABF staff and legal counsel with particular attention to the activity of the partnership/LLC/FLP and how allocations are made. Further, the underlying assets and liabilities of the partnership/LLC/FLP will be reviewed.
    - 1. Generally, a minimum discounted value of \$25,000 is required, as established by a qualified appraisal.
    - 2. ABF may encounter certain costs in holding the interests such as administrative responsibilities, tax return preparation, and unrelated business taxable income. The ministry supporter may be asked to cover all or some of these costs
    - 3. ABF will also carefully consider the liquidity and salability of the interests before acceptance.
  - G. Insurance – ABF may be named as a primary or contingent beneficiary for a portion or all of a life insurance policy. In addition, ABF accepts life insurance policies for which the ministry supporter has relinquished ownership by assigning all rights, title, and interest in the policy to ABF. If the insurance policy is not fully paid up or self-sustaining, ABF may choose either to cash it out for the current cash surrender value or continue the policy with premiums paid as charitable contributions each year by the ministry supporter. ABF does not participate in charitable split dollar insurance plans.
  - H. Tangible Personal Property – Gifts of tangible personal property are acceptable. Conditions for accepting gifts include salability, whether the items are use-related, physical condition of the property, cost of storage or insurance, and any other unusual feature or condition in the transfer. Most personal property transfers are received through estate gifts, and the property is then transferred pursuant to a personal property memorandum or sold if not use-related.
  - I. Bargain Sales – Normally, ABF does not directly participate in bargain sales (other than charitable gift annuities which are a type of bargain sale). A bargain sale is one in which ABF is provided the opportunity to purchase property at less than its fair market value. The charitable gift is the difference between the sales price and the market value. The ABF Executive Committee may consider a special situation where such a purchase is prudent, or the beneficial charity may instruct ABF to transact the purchase with the charity's money.
  - J. Retirement Plan Assets – ABF may be named as a beneficiary of any retirement plan. If ABF is a partial beneficiary, it shall seek to withdraw its portion of the plan as soon as possible after notification so that the remaining parties may be free to “stretch” the account, if desired.
  - K. Estate Gifts – ABF receives bequests and other gifts as a result of a ministry supporter's death. These may be structured in a will, trust, TOD/POD beneficiary, life estate deed, or other such technique.
  - L. Other Gift Types – ABF may consider other types of gifts. ABF will use fiscally and legally sound rationale for acceptance and will defer to the ABF Executive Committee when appropriate. These policies are intended to cover the normal operations of ABF.

#### **IV. Types of Planned Giving Structures**

- A. Charitable Gift Annuity Agreements
  - 1. ABF issues annuities as allowed under state regulations when the remainder will benefit Evangelical Christian causes. If the recipient ministry has agreed to pay annuity payouts that exceed account holdings and has sufficient assets at the Foundation to honor such a commitment, the Foundation will agree to pay out the entire balance upon the annuitants' deaths. Otherwise, 10% of the account value will be withheld at the payout for the Foundation's Charitable Gift Annuity Reserve Fund that helps further insure all future life income payments for Charitable Gift Annuities.
  - 2. A single life gift annuity must be \$1,000 or more.
  - 3. Two-life gift annuities must be \$5,000 or more.

4. No gift annuities for more than two lives will be issued.
  5. All assets funding Charitable Gift Annuities shall be readily marketable, unless special approval is secured from the ABF Executive Committee.
  6. Gift annuities will not be entered into at a rate higher than that recommended by the American Council on Gift Annuities.
  7. The Foundation will adhere to the attached resolution concerning "Segregation of Gift Annuity Reserve Fund." (See Appendix E)
  8. As long as required by law, a permit will be maintained from the Arkansas Insurance Commission for the issuance of gift annuities. The Foundation will adhere to registration requirements for charities in other states where the Foundation issues charitable gift annuities.
- B. Charitable Remainder & Lead Trusts
1. Assets funding the trust shall have a minimum appraised value of \$50,000.
  2. The rates, terms, and procedures of qualified Charitable Trusts will be adhered to by the Foundation.
  3. A majority of the trust assets must immediately or ultimately be for the benefit of Evangelical Christian causes or fund a charitable instrument.
- C. Pooled Income Funds (See Appendix I)
1. Assets contributed to the Pooled Income Fund shall have a fair market value of at least \$50,000.
  2. The Pooled Income Fund shall be managed, operated, and invested in such a manner as to comply with then current Internal Revenue Service rules and regulations concerning Pooled Income Funds.
  3. Contributions will be accepted into the Pooled Income Fund only if the entire remainder interest will benefit Evangelical Christian causes.
- D. Charitable Giving Funds (Donor-Advised Funds)
1. See Charitable Giving Fund Policy (Appendix F)
- E. Gifts with Life Estate Reservation
1. A ministry supporter may make a gift of real property by deeding it to the Foundation as trustee and retaining a life estate interest. This means that the individual has the right to use the property during life and is responsible for the upkeep, property taxes, insurance, and other related expenses.
  2. The property passes to the Foundation at the death of the person named in the instrument for the benefit of the Evangelical Christian cause(s) chosen by the ministry supporter. The property may also be gifted to the cause prior to the ministry supporter's death when the ministry supporter no longer needs the property, and the Foundation has appropriate Durable Power of Attorney or trust powers in such matters. As, well, the ministry supporter may transfer the property prior to death by proper legal documentation or by disclaimer.
- F. Other Trusts
1. ABF may agree to manage a trust, whether revocable or irrevocable, provided the majority or remainder of the trust will eventually benefit Evangelical Christian causes or fund a charitable instrument.
  2. Accounts shall be funded with a minimum value of \$25,000
  3. Evangelical Christian causes shall receive a minimum of 10% of the account value upon termination of the trust term or death of the ministry supporter(s). The Foundation will serve as Trustee only when a majority of the principal will one day ultimately benefit Christian causes.
  4. Revocable accounts will be written with the understandings that:
    - a. The assets of the trust will be maintained in a segregated account by the Foundation and not commingled with other charitable assets the Foundation administers.
    - b. Expenses related to the management of the assets will be charged to the account.
    - c. The value of the assets may rise and fall with the economic changes in the country, and the Grantor will assume the risk of losses in the event of an early forced sale.

- d. Should a Grantor dissolve an account or request a distribution, the assets may, at the option of the Foundation, be returned “in kind” rather than in cash.
  5. The Grantor will be responsible for the preparation of all tax returns, except those required by the Foundation as trustee of revocable trusts. The Grantor will bear full tax responsibility for any tax liability generated by the income and/or capital gains and losses of the trust.
  6. In limited circumstances, the Foundation, in its sole discretion, may agree to assist the Grantor in the care of his or her financial affairs, when such care is needed by the Grantor. In these situations, the Foundation will charge Ministry Support Services Fee as described in the ABF Operating Policy to the Grantor.
  7. Upon death of the ministry supporter(s) or by request of the ministry supporter(s), the gift portion will become irrevocable and made available to Evangelical Christian causes as designated by the ministry supporter(s).
- G. Endowment Funds
1. See Endowment Fund Policy (Appendix G)

## **V. Policy Exceptions**

- A. General exceptions – Exceptions to these policies must be approved by the ABF Executive Committee.
- B. Exceptions for completed gifts and gifts under negotiation – Gifts made through estate plans that have been properly executed prior to the date of these policies, and gifts already received by ABF are grandfathered under these policies. Gifts under negotiation at the time these policies are adopted need not conform to the policies, but will be accepted based upon the spirit of these policies and the specific terms negotiated with the ministry supporter.

## **VI. Authorization**

- A. The President and the Vice President will have the overall authority to handle inquiries, negotiations with ministry supporters, assemble documentation, and execute agreements on behalf of ABF. Assuming such activities follow approved procedures and assuming such agreements are approved by the ABF’s legal counsel or Executive Committee if required, this authority to act will not require review or further approval by the Board of Trustees.