

Badlands Ministries
Gift Acceptance Guidelines
Acceptance, Counsel, Gift Restrictions, Gift Valuation

Badlands Ministries has been operating in the badlands of North Dakota since 1928 and our mission is to witness to the love and power of Jesus Christ, providing life, hope, vitality, and renewal to all. Badlands Ministries:

- Solicits, receives, holds, invests and manages funds consistent with its Bylaws in accordance with the Gift Acceptance Policies outlined in this document.
- Makes expenditures according to the wishes of the private donors of Badlands Ministries and to the extent permitted by law, protects the confidentiality and privacy interests of its donors.

Purpose of Policies and Guidelines

Badlands Ministries, its staff, board of directors and/or representatives may solicit current and deferred gifts from individuals, corporations and other foundations to secure current and future funding needs of Badlands Ministries. These policies shall serve as guidelines for Badlands Ministries acceptance of gifts and provide guidance to prospective donors and their advisors when making gifts to Badlands Ministries. The provisions of these policies shall apply to all gifts received by Badlands Ministries for any of its programs or services.

Gift Acceptance

Badlands Ministries Board of Directors is charged with the responsibility of reviewing gifts, properly screening the gifts, and accepting or denying the gifts made to Badlands Ministries Board or it's trust fund. Badlands Ministries is appreciative of its many generous benefactors and contributors. We wish to be respectful of individual donor's wishes however, if for any reason it becomes impossible to utilize the gift for the purpose(s) originally intended, Badlands Ministries reserves the right to redirect the gift. 90% of the funding must be received in account by Badlands Ministries before any specific project is initiated. Badlands Ministries also reserves the right to sell, trade or convert any gift received.

Professional Counsel

Badlands Ministries shall seek the advice of professional counsel in matters relating to acceptance of gifts when appropriate. Review by counsel is recommended for:

1. Closely held stock transfers that are subject to restrictions or buy-sell agreements.
2. Gifts involving contracts that require Badlands Ministries to assume an obligation. (Examples: trusts, annuities, bargain sales)
3. Transactions with potential conflict of interest that may invoke IRS sanctions.
4. Other instances in which use of counsel is deemed appropriate by Badlands Ministries.
5. Badlands Ministries will, as much as possible, utilize the ELCA Foundation to plan, secure and administer charitable gift annuities, charitable lead trusts and other trust agreements and other gifts with retained life interest.

Conflict of Interest

Badlands Ministries will encourage 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.

Restrictions of Gifts

Badlands Ministries may accept unrestricted and restricted gifts, and gifts for specific programs and purposes, provided such gifts are consistent with its stated mission, purpose and priorities. Badlands Ministries may not accept gifts that are too restrictive in purpose, gifts that are too difficult or deemed too expensive to administer, or gifts that are for purposes outside the stated mission. It is recommended that donors consult with Badlands Ministries before designating a restricted gift. Gifts with no stipulation or restrictions shall be considered unrestricted gifts.

Unrestricted and restricted funds will be accepted for the use of capital construction projects, program funding and scholarships as long as the criteria established meets the priorities of Badlands Ministries.

1. Spending from these funds should consider current fund balances and projected program disbursements.
2. If a gift is not restricted, then the gift will be used first for a capital campaign if in existence, otherwise it will be accepted and managed by the trust fund.

Types of Acceptable Gifts and Criteria Governance

- **Cash**
Cash gifts are recognized at full face value and are recorded on the donor's personal gift history for the same amount. Checks should be made payable to Badlands Ministries. Credit card gifts will be accepted and recognized at the net realized value.
- **Pledges**
Gifts may be made by pledges to Badlands Ministries. Gift pledges must be in writing and include the donors signature.
- **Tangible Personal Property**
The Gift Acceptance Committee in light of the following criteria shall examine all gifts of tangible personal property:
 1. Does the property fulfill Badlands Ministries's mission?
 2. Is the property marketable?
 3. Are there any undue restrictions on the use, display or sale of property?
 4. Are there any carrying costs for the property?

Valuation of tangible personal property gifts is to be provided by an independent appraiser selected and paid for by the donor. The appraised value will be used for purposes of the donor's personal gift history.

- **Publicly Traded Securities**

Publicly Traded 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. All marketable securities may be sold and reinvested or converted to cash. Valuation of the gift for the donor's personal gift history is the daily average value of the securities when the transfer was made to Badlands Ministries.

- **Closely held Securities**

Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interest in limited partnerships and limited liability companies, or other ownership forms, can be accepted subject to approval. However, gifts must be reviewed (internally or externally) prior to acceptance to determine:

1. If the security is restricted.
2. If the security is marketable.
3. If the security will generate undesirable tax consequences for Badlands Ministries.

Valuation of the gift for purposes of the donor's personal gift history will be the responsibility of the donor.

- **Real Estate**

Real estate gifts may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate an initial environmental review of the property to ensure that the property has no environmental hazard may be required. In the event the initial inspection reveals a potential problem, Badlands Ministries may retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be a donor expense. Badlands Ministries may also require a physical and structural inspection of the property to ensure the property's short and long-term viability. The donor shall generally pay the cost for these services. When appropriate, a title binder shall be obtained by Badlands Ministries prior to the acceptance of the real estate gift. The cost of the title binder shall generally be a donor expense. Properties with mortgages may be accepted. Prior to the acceptance of the real property, the following criteria should be considered:

1. Is the property useful for Foundation purposes?
2. Is the property marketable?
3. Are there any restrictions, reservations, easements, or other limitations associated with the property?
4. Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, etc. associated with the property?
5. Does the environmental audit reflect that the property is not a hazard?

6. Does the physical and structural inspection reflect positively on the property?

Valuation of real estate property gifts is to be provided by an independent appraiser selected and paid for by the donor. All other costs of inspection, title and transfer costs are also to be paid for by the donor. The appraised value, less outstanding debt & taxes assumed by Badlands Ministries, will be used for purposes of donor's personal gift history.

- **Remainder Interests in Property**

Badlands Ministries may accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions outlined under the Real Estate information listed 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, Badlands Ministries may use the property or convert it to cash. Where Badlands Ministries receives a gift of a remainder interest, the donor or primary beneficiary generally pays expenses for maintenance, real estate taxes, and any property indebtedness.

Valuation of remainder interest gifts is to be provided by an independent appraiser selected and paid for by the donor. The appraised value will be used for purposes of the donor's personal gift history. Badlands Ministries will not ordinarily serve as sole trustee or co-trustee of a charitable lead trust. The trust term may be at the discretion of the donor.

- **Oil, Gas and Mineral Interests**

Badlands Ministries may accept oil, gas and mineral property interests when appropriate. Prior to acceptance of oil, gas and mineral interest gifts, the following criteria should be reviewed:

1. The potential amount of the gift versus expenses to receive the gift and ongoing administrative costs.
2. The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate.
3. A working interest generally should be accepted only when there is a plan to minimize potential liability.
4. The risk of environmental hazard must be considered to ensure that Badlands Ministries has no current or potential exposure to environmental liability.

Valuation of oil, gas and mineral property gifts is generally provided by an independent appraiser selected and paid for by the donor. The appraised value will be used for purposes of the donor's personal gift history.

- **Bargain Sales**

Badlands Ministries may enter into a bargain sale arrangement in instances in which the bargain sale furthers its mission and purpose. Factors for acceptance of the gift should include:

1. Will Badlands Ministries use or sell the property?
2. Results of the environmental review?
3. Results of the physical and structural inspection of the property?
4. The ratio of debt to equity, if a mortgage is assumed?
5. The ability to cash flow the debt, if a mortgage is assumed?
6. The ability to cash flow the carrying costs of the property including taxes, insurance and maintenance of the property?

Valuation of bargain sale gifts is to be provided by an independent appraiser selected and paid for by the donor. The appraised value will be used for purposes of the donor's personal gift history.

- **Life Insurance**

Badlands Ministries will accept any gift of a life insurance policy provided that it is under no prearranged obligation to expend its assets to maintain the policy. No portion of the proceeds may be paid to anyone or any organization that is not qualified as a tax-exempt entity under IRS Code Section 501 (C) (3).

Badlands Ministries has the unrestricted right to fully exercise its powers as the owner, including the power to surrender, select payment options, designate beneficiaries and withdraw or borrow cash values.

In the event a policy is contributed, on which premiums remain to be paid, the donor must pledge to continue paying premiums or give Badlands Ministries permission to surrender the policy for cash value.

Badlands Ministries will not participate in split dollar or reverse split dollar plans, or other partial interest programs. Any charitable insurance program, such as those promoted by the life insurance industry, or individual insurance agent(s), shall be entered into only after a thorough explanation has been provided to the Board and the Board has voted to proceed with the program

Badlands Ministries will accept deferred gifts of life insurance. Deferred gifts of life insurance will be counted toward the financial goals of Badlands Ministries provided Badlands Ministries is named as the irrevocable beneficiary and owner of the policy. If the donor is 70 years of age or older on the date of the gift, the full projected death benefit shall be used as the value for purposes of donor's personal gift history. A decreasing percentage of the projected death benefit shall be counted for insured donors younger than 70 years of age as follows:

- Age 65 to 70—90%
- Age 60 to 65—80%
- Age 55 to 60—70%
- Age 50 to 55—60%
- Age 45 to 50—30%
- Age 45 & less—10%

In the event Badlands Ministries receives contributions for future premiums payments, Badlands Ministries will include the entire amount of the premium payments as a gift in the year that it was made. Badlands Ministries should have an agreement regarding the pledge of payments to maintain the policy in addition to Badlands Ministries permission to surrender the policy for cash value if the need should arise.

Under extraordinary circumstances Badlands Ministries may choose to provide for a payment of premium or premiums for the policy.

- **Charitable Gift Annuities**

A charitable gift annuity is a contract between Badlands Ministries and the donor. Badlands Ministries agrees to pay the donor or person named by the donor a lifetime annuity in return for a gift of cash, securities, or other property. The payment may continue for the life of a second individual, such as a spouse. The preliminary minimum amount for an annuity agreement is \$10,000.00.

For new contracts Badlands Ministries will be guided, although not bound, by the suggested payout rates recommended by the American Council of Gift Annuities.

Agreements shall be limited to one or two lives, and ordinarily the minimum age for the annuitants shall be 65 for immediate payment annuities and 50 for deferred payment annuities. In the case of deferred payment charitable gift annuities, the donor(s) shall be age 65 before the annual income payments may commence. Exceptions may be made subject to the prior approval of the Board.

Gift annuities may be managed by Badlands Ministries and/or Badlands Ministries may employ agents and advisors to assist with the administration and investment of gift annuity assets. Gift annuities must meet the North Dakota state laws governing gift annuities. Badlands Ministries prefers to provide annual payments to gift annuity donors.

Badlands Ministries generally should not accept real estate, tangible personal property, or other illiquid assets in exchange for current charitable gift annuities. If real property is contributed in exchange for a gift annuity, and the property does not produce income or the income produced is insufficient, consider whether Badlands Ministries wants to contribute resources to pay the income stream in the period before the property is sold.

Valuation of charitable gift annuities for purposes of donor's personal gift history will be the face value of the gift.

- **Deferred charitable gift annuities**

The same guidelines as for charitable gift annuities should be taken into consideration.

- **Charitable Remainder Trusts**

The charitable remainder trust is a separately administered trust established by the donor. It provides for payments to the donor and/or other named beneficiary (ies) either for life or a term of years (not exceeding twenty), where upon the remaining trust assets are distributed to one or more charities.

Where Badlands Ministries is named as trustee or co-trustee, the minimum amount for funding a charitable remainder trust will ordinarily be at least \$25,000, but the Board may fund a trust with a smaller amount subject to prior approval. If the donor selects an external trustee, the minimum will be whatever amount is acceptable to that trustee. Badlands Ministries will provide full disclosure to the donor on the investment portfolio as required by law.

Badlands Ministries requires that beneficiaries must be age appropriate unless the trust is for a term of years.

Badlands Ministries ordinarily recommends limiting the number of beneficiaries to two where payments are to be made for the life of the beneficiaries.

Ordinarily Badlands Ministries will not accept responsibility as a trustee, unless the Board has given specific approval, of a charitable remainder trust instrument that is or will be funded with the following assets:

- Encumbered real estate
- Margined securities
- Sole proprietorships
- Limited partnerships
- Working interests in oil and gas fields
- General partnership interests.

This is not an inclusive list.

- **The Charitable Lead Trust**

A charitable lead trust is a trust in which the income, or “lead” interest, is paid to Badlands Ministries, and the “remainder” interest is given to one or more non-charitable beneficiaries, who could be either the donor or family members.

Badlands Ministries prefers not to serve as trustee of charitable remainder trusts except when it is in the best interest of the donor and Badlands Ministries or when it is impractical to name another trustee. Agreement to act as trustee shall be subject to prior approval of the Board and/or the Board in consultation with the donor’s professional counsel. Badlands Ministries is authorized to arrange for a trust institution to manage charitable remainder trusts where the donor is the remainderman.

Badlands Ministries will not ordinarily serve as sole trustee for charitable lead trusts or will not serve as trustee for irrevocable life insurance trusts.

- **Other Charitable Gifts**
The acceptance of charitable gifts such as livestock, frequent flyer miles, gold coins, leased property, or time share interests will be considered on a case-by-case basis.
- **Bequests**
Badlands Ministries encourages alumni and friends to make bequests under their wills and trusts. Such bequests will not be recorded as gifts to Badlands Ministries 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. Unrestricted bequests that are received by Badlands Ministries will be deposited in the Trust Fund unless otherwise noted or specified. These funds will generate revenue for Badlands Ministries.
- **Individual Retirement Beneficiary Designation**
Badlands Ministries encourages alumni and friends to name Badlands Ministries as beneficiary or contingent beneficiary of their individual retirement funds.

Professional Fees, Appraisals, Abstracts and other Costs

Professional fees, appraisals, abstracts and other costs for completion of the gift are usually the responsibility of the donor, however, Badlands Ministries may take on this responsibility.

Valuation of Gifts on Badlands Ministries Books

The valuation of the gift for tax purposes should be done in consultation with the donor's personal tax advisor. The valuation of the gift for gift credit purposes shall be determined by Badlands Ministries.

Appraisals

It will be the donor's responsibility to secure an appraisal where required and should seek independent legal counsel for all gifts made to Badlands Ministries. Badlands Ministries may request an independent appraisal, which will be paid for by Badlands Ministries.

Filing of IRS Forms on Sale

Badlands Ministries shall file all required forms.

Acknowledgement of gifts

Badlands Ministries will acknowledge the gift in writing within one week of receipt.

Changes to policy

This policy can be reviewed and revised as necessary by the Badlands Ministries Board of Directors.

Initial draft, September XX, 2004

Revised draft,

Presented to the Board,

Approved