Commentary and Suggestions

for completing the

Gift Acceptance and Use Policy

Preamble

Up until now, few congregations have ever considered the necessity of creating a gift acceptance policy, much less a gift "use" policy. Yet, many of us have heard stories of congregations who've experienced a significant period of discord due to receiving an unexpected, large monetary gift from a deceased congregational member. Too often there are unyielding, differing opinions on how the gift should be used, exacerbated due to having the money 'in hand'.

Due to current age demographics, it's apparent that over the next 10-15 years there will be a significant increase in the passing of congregational members through heaven's door. As such, not only can we anticipate an increase in the frequency of memorial gifts being made, but Lutheran Foundation Canada also tells us to expect a significant increase in the number of larger estate gifts. For this reason, congregations are encouraged to create policies now, in anticipation of, but prior to receiving such gifts. It is hoped that strategic, clear thinking in advance of receiving such gifts, will allow your policy to be "mission-driven" rather than "money-driven".

Some congregations are already anticipating such gifts, and have requested sample gift acceptance policies on which to base their own. Unfortunately, of the few policies found within LCC, none sufficiently cover all aspects of gift acceptance and use. To assist congregations wanting to have a policy of their own, Lutheran Foundation Canada has written a comprehensive policy that congregations could simply adopt, after a few edits and additions. Many sections are boilerplate (complete), although some will require significant decisions and further writing by the congregation. Congregations are free to use the suggested policy in its entirety, or edit as they feel necessary.

The purpose of this document is to provide commentary, rationale, and guidance for each section of the suggested Gift Acceptance and Use Policy, attempting to address issues in a plain and practical manner.

Also provided as an appendix, is a sample policy in its completed form, with those sections requiring congregational decision and input having also been incorporated.

It is our prayer that this process and the completed policy will be a blessing to your congregation.

Introduction

From time to time congregations have been blessed to receive a special, extraordinary gift from a congregational member or member family. In anticipation of future gifts, this policy will outline possible concerns related to accepting gifts and provide solutions to alleviate these concerns. In all cases, the wellness of the congregation is foremost in mind, as is concern for the individual member. It is hoped that by having an approved "Gift Acceptance and Use Policy" in place, members will be better informed and have a guideline on which to base future gifts.

Included in this section are facts related to current gift giving practices within Lutheran Church Canada, as reported by Lutheran Foundation Canada. It is hoped that if congregational members are made aware of future gift potential, they will see the value in creating a policy in advance of receiving such gifts.

Fund Definition

Although this section outlines how the fund will be established, that is, using memorial and planned gifts, this is also your opportunity to name the fund. The name could include the name of the congregation or use a biblical reference. Examples include:

- The St. Paul Lutheran Fund
- The Trinity Lutheran Planned Gift Fund
- The Ministry and Outreach Opportunity Fund

Planned Gifts are received from the estate of a single individual who specified "their plan" within their will or other documents while they were still living. The average size of these gifts is about $50,000, although some are much higher.

Memorial Gifts are received from numerous people, either family or friends, in memory of a deceased individual. These gifts are usually under $100 each, although occasionally, family members may provide a larger gift (rarely over $10,000) in honour of their loved one, due to their history with the church.

Fund Benefits

The primary benefit of having such a fund, is to allow the congregation to share the gospel of Jesus Christ in ways they were previously unable to do. As a congregation, you are called to share the gospel of Jesus Christ within your community and the world. But how do you do that when so many things you'd like to do require funding? A fund such as this will allow the congregation to provide services they previously could not have considered, such as providing transportation for seniors to congregational events, funding or hosting a community program, or giving funds for international missions through LCC.

There is also compelling rationale for creating a fund to which all members may contribute. Addressing this in practical terms, the following may be said. Each of God's children is special, whether young or old, rich or poor, shy or out-going. As a consequence of each person's circumstance, some people have a large circle of friends or family, whereas others do not, some are actively involved within the life of the congregation and others are not. There are even those associated with the congregation that are rarely seen because they live in a nearby care home. Yet each is a valuable member of the congregation, as a forgiven and cherished child of God.
When a gift is received by a congregation, either a lifetime or estate gift, each of the above attributes may in some way affect the monetary value of a gift. Often a gift is larger from a wealthy individual, from someone with no surviving family, or from a person well-connected within the congregation due to a significant number of memorial gifts from extended family and friends. This in no way lessens the intrinsic value of a smaller gift. We read in Mark 12,

"Calling his disciples to him, Jesus said, "Truly I tell you, this poor widow has put more into the treasury than all the others. They all gave out of their wealth; but she, out of her poverty, put in everything—all she had to live on." (Mark 12:43,44)

God's Word tells us that it is not the size of the gift that is important, but how or why the gift is given.

With this in mind, it seems unjust that a gift from one person may be sufficient to purchase a sofa set for the fireside room, whereas another's gift may only purchase a side table or coffee urn. As sinful beings, we naturally think that one gift is of greater worth or merit than another, while knowing in our hearts we should be equally appreciative and thankful for every gift. This problem is further compounded when memorial nameplates are attached to gifts purchased with specific memorial funds, or families provide gift items with memorial nameplates attached.

(Consider the implications of this scenario.....A family decides to replace the "make-shift" tables used in the congregation's board room, and unbeknownst to the church council, purchases a beautiful, solid oak conference room table which they present at the next board meeting. The church would feel strongly compelled to accept it, even though the board room was previously used for other activities that required the rearrangement of the old "make-shift" tables.)

One final issue associated with specific monetary gifts being used to purchase specific items, is the purchased items must be of the appropriate value to match the amount of each monetary gift. This causes two problems - items are purchased simply because their cost matches the amount of the monetary gift, and, when more expensive items must be purchased for the congregation, there is no source of funds from which to make such a purchase.

Given the above concerns, when a memorial gift is being considered by a member or a member family, they should be discouraged from making outright purchases on their own accord, and should instead discuss their plan with congregational leadership or consider a cash gift. The church council will then have a source of funds from which to purchased special items for the church.

Sources of Funding

It is a common enough occurrence for congregations to receive memorial gifts from family and friends given in honour of deceased members, and as such, we can anticipate that the frequency of such gifts will increase substantially over the next 10-15 years simply due to an aging demographic.

Contrarily, many congregations are very surprised when they receive a large estate gift from a departed member. Encouraging such gifts is the primary mandate of Lutheran Foundation Canada, and over the last 7 years the Foundation has reported over $14 million in such future estate gifts designated for LCC congregations. Congregations should be aware that the average amount of an estate gift is $50,000, although some estate gifts are much larger.

Estate gifts are a wonderful opportunity to thank God for the many blessings a person receives over their lifetime. For many, the thought of giving from their estate has never occurred or been suggested to them, and they are excited by the opportunity once they're aware of it. Congregations are encouraged to invite the Foundation to present their seminar on Christian Estate Planning, which promotes planned giving, as well as many other important aspects of estate planning.

Gift Acceptance

The old adage of "Never look a gift horse in the mouth" is all too often the common response by congregations when being offered, or having received, an extraordinary gift from a member. Obviously this is not in reference to the Sunday morning offering, but rather, related to gifts that have "conditions" attached to them. In fact, Canada Revenue Agency reserves the right to revoke the charitable status of a congregation if they accept and receipt gifts that CRA deems inappropriate. As a registered charity there are certain guidelines that must be followed in order for charities to retain their charitable status. Examples of such gifts that are either inappropriate or problematic are as follows:

- A member suggests their congregation provide a bursary to a student attending Concordia University, and gives a gift of $5000 towards establishing the bursary. The donor's daughter is the first student designated by the congregation to receive the bursary gift. (This would not be viewed as a gift by CRA.)

- A member donates a parcel of land on which significant drilling has occurred over the years. Prior to the land being used or sold by the church, it may require a certified Environmental Assessment and Remediation Plan followed by removal of hazardous contaminants, which could be costly. (It would be better to have the member sell the property and donate the cash.)

- At the time a member wrote his will, there was a need for a new roof on the sanctuary. His will stipulated a gift of $40,000 “to replace the roof on the sanctuary”, but unfortunately the roof was replaced two years prior to his death. (The congregation may only accept the gift if they plan on holding the gift for 20 or 30 years until a new roof is once again needed, or they get a ‘variation’ from the court to accept and use the money for other purposes.)

-   A book collection is made to the congregation, with a stated value of $15,000. As it turns out, the collection is only of interest to very few individuals, only one of whom is willing to pay $2000. (Although this may not be the Fair Market Value in the eyes of the donor, according to CRA, given a free and open market, this would appear to be the value for receipting purposes.)

-   A gift of $500,000 is made to the congregation, provided construction of a new sanctuary begins within three years; otherwise they keep $100,000 and $400,000 must be returned. (This would be deemed a revocable gift and therefore be unacceptable by CRA.)

Gifts such as described above may be unusual, but are not as rare as you may think. If there is some question as to the monetary value of a gift, this should be agreed upon before accepting the gift. There are rules to which charitable organizations must adhere, or they risk CRA revoking their charitable status.

Gift Recognition

Consider this situation:-

A beautiful metal art sculpture is purchased for $1500 in memory of a loved one, and the surviving family provides a small plaque with a memorial inscription for mounting on the wall beside the artwork. Everyone knows the plaque is not to highlight they’ve purchased a gift, but rather to keep the memory of the departed soul ‘alive’ in the minds of surviving family members and others.

Unfortunately, mounting such a plaque could initiate further requests for memorial plaques, for either past or future gifts given to the congregation. Scripture also tells us that gifting should not be publicized, but done privately. For this reason, memorial plagues should not be used.

Receipts should be issued for the Fair Market Value (FMV) of a received gift as soon as possible. For cash gifts the FMV is obvious, but for many other gifts the FMV may not be so obvious. For example, when someone gifts a fully paid-up insurance policy, do you receipt the payout amount, the listed Cash Surrender Value on the policy’s statement, or the Fair Market Value as determined by an actuary? If there is a question regarding the receipt value, congregations are encouraged to call a Foundation Gift Coordinator, CRA, or the Canadian Council of Christian Charities for an answer.

Fund Management

"Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things." (Matthew 25:21)

The money within your congregational fund has been entrusted to your congregation by donors or donor families. This thank offering to God, made to your congregation, comes with a great responsibility. This money is not to be simply placed into an account for safe keeping, but rather, it should either be used or invested for God's purposes. As considerable thought and planning should be exercised to determine how to effectively make the best use of these gifts, it's suggested a committee of 4-5 people be created to develop and propose recommendations for approval by the congregation, for each of these fund management issues:

Fund Allocation

The first question most people ask when a large, undesignated, monetary gift has been received by a congregation is usually, "What will we do with the money?" Congregational needs differ greatly, and so too will policies on how gifted funds should be used. For congregations with large mortgages, there may be an expectation that the entire gift should go to reducing the mortgage. Hopefully, most would agree that paying down a mortgage doesn't directly contribute to the mission and ministry of a congregation.

There's a great advantage to planning the fund allocation percentages in advance, as you can focus on the percentages rather than on the dollar amounts. Usually this leads to clearer, mission-driven thinking, rather than money-driven decisions. It's suggested that congregations consider what mission or ministry areas gift funds could be used, and allocate a percentage of every gift to these areas. It's strongly recommended gift funds NOT be used to cover operating expenses, as this should be a function of the congregation's normal stewardship.

If the congregation has a mortgage, a portion of every gift could go towards paying the mortgage down. If there is no mortgage, funds could be invested into a Capital Fund, with the earnings reinvested or used to fund other programs, until such time the money is needed.

For each ministry need to which funds will be allocated, it would be proper to indicate the target percentage approved by the congregation, then perhaps a range also approved by the congregation, allowing leadership to allocate any gift within that range. As the needs of the congregation vary over time, more or less could be given to each ministry area, while still maintaining the general goals of the policy.

In the same way that congregations encourage their membership to return a portion of all God's blessings to His church, congregations should lead by example. For every gift received, a portion should be allocated for use beyond the local ministry, either in support of District or Synod missions, or for any of the affiliated organizations of LCC. If the mortgage is small, or non-existent, congregations are encouraged to allocate a larger portion of funds to external missions.

Detailed Spending Policy

It's well and good to have money allocated to different ministry uses, but each use should be clearly defined, so everyone has the same understanding of how those funds will be used, AND who has the authority to make a decision to spend from a particular fund.

One of the greatest benefits of such gifts is to provide services to the community that your congregation may not otherwise be able to support. Annual gifts to a community group, seminary student support, international or domestic missions, other congregations through allocations to the District office, and an emergency capital fund for upgrading your facility are a few options to consider.

Keep in mind, that if the congregation has a large capital fund that's invested wisely, it has the potential to generate significant earnings as well. These earnings could either be distributed in the same proportion as memorial and planned gift funds or be reinvested into the capital fund and used when needed. With only a 4% return on $100,000, that's a $4000 in earnings annually.

Fund Investment Policy

With one or two larger estate gifts, and no mortgage, it's possible the congregation could have a significant amount of money allocated to the Capital portion of their Planned Gift Fund. How and where should these funds be invested?

The goal of any investment is to minimize risk while maximizing investment return, usually two mutually exclusive goals. In some cases, the funds could be deposited in term deposits with your congregation's local bank and earn a small return. For those congregation's with financial planners as members, there may be a desire to invest with an investment manager, possibly even through a church member. The later of these options is strongly discouraged. With failing financial markets, congregational members may "blame" the Fund Committee for not "seeing the writing on the wall" before a significant financial downturn, and the subsequent loss of capital.

With a minimum deposit of $25,000, Lutheran Foundation Canada can pool and invest your funds with other "custodial funds" they already manage for other congregations and LCC institutions. Using the combined expertise of the Foundation's Investment Committee, coupled with our detailed Investment Policy Statement (IPS) and our investment manager's own team, it's possible to get a "decent" investment return with an acceptable level of risk. Not only that, but because the churches funds are pooled with other funds, the overall management fees are far lower than when congregations invest smaller amounts on their own.

The Foundation's Investment Policy Statement details restrictions on the types of investments allowed, sets return benchmarks to be achieved, and gives detailed instruction on the allowable portions of equity to fixed income type investments, thereby managing overall risk. Congregations have two options to choose from, an equity/fixed income mix of 50/50 or a more conservative 25/75. Returns over the past years are as follows:

2009 - 12.65 %,
2010 – 5.73 %,
2011 – 1.16 %,
2012 – 6.74 %,
2013 – 11.82 %,
2014 – 9.3 %,
2015 – 1.54%
2016 – 6.5%
2017 – 4.0 %

The above earnings are NET, after investment manager fees of about 0.5%, and Foundation administrative fees of 0.5%. Administration includes quarterly reviews by our Investment Committee, regular reporting and annual disbursements to the congregation, and full auditing and annual reporting. Congregations are encouraged to review the Foundation's IPS, and consider the custodial fund option for investment purposes.

Summary

It is hoped that the contents of this document provides sufficient guidance and information to assist your congregation in developing their own Gift Acceptance and Use Policy.

To simplify the process of developing a policy, your congregation may use the sample policy found on the Foundation's Resource page. There are helpful notes found throughout the policy as aids to completing each section. The goal is for congregations to develop a policy they call their own.

Assistance

For further assistance or information, or to invite a Foundation Gift Coordinator to present a seminar on Christian Estate Planning, please give us a call at 1-877-711-4438 or send an email to allen.schellenberg@lutheranfoundation.ca.