

# Friends of Madagascar Mission Endowment and Memorial Fund Policies

**Friends of Madagascar Mission (FOMM)  
Eden Prairie, MN 55344**

**NOTES: The FOMM Mission Endowment Fund Policies were officially established by resolution at the board meeting of Friends of Madagascar Mission on January 22, 2015.**

FOMM Mission Endowment and Memorial Fund Policies

The following policies apply to anyone representing the FOMM Mission Endowment and Memorial Fund (Here after referred to as "FUND"). The FOMM Mission Endowment and Memorial Fund Committee (hereafter referred to as "TEAM") must approve any change or exceptions to these policies.

## Mission Statement

The FOMM Mission Endowment and Memorial Fund is established to receive and administer bequests, estates, insurance, memorials and other assets for FOMM to the Glory of Almighty God.

### 1. Cultivation and Solicitation of Gifts

#### A. Ethics

Donors will be treated with fairness, honesty, integrity and openness. The TEAM and any contracted professionals will fully comply with and encourage all parties in the gift planning process to fully comply with all applicable federal and state laws and regulations, and the Association of Fund Raising Professionals Donor Bill of Rights.

#### B. Priority of the Donor's Interest

The TEAM will seek to serve the best interest of both the donor and FOMM to provide responsible methods for the development, acceptance and administration of all gifts. Gift plans will respect each donor's intent and desire and no agreement will be entered into which would knowingly contradict the donor's wishes.

#### C. Confidentiality

All information connected with any gift or planned giving arrangement for the Endowment FUND shall be treated with the strictest of confidentiality and any publicity about the gift shall be approved by the donor, in writing, before any oral or written publicity is given concerning the gift. Likewise all information concerning donors, including names and addresses, amount of gift, names of beneficiaries, nature and value of estate, amounts of provisions, etc., will be kept strictly confidential by the TEAM and its representatives unless written permission is granted by the donors to release such information.

All gifts given to the Memorial FUND will be acknowledged in the FOMM Newsletter and in FOMM's Annual Report for a given year, unless the donor wishes their gift to remain anonymous. In such cases, the donor shall make a notation with their gift that it is to be anonymous. In reporting the memorial gifts, no amount will be quoted by a donor's name. A total amount for each category of memorials will be given and a total for all categories.

D. Avoiding Conflict of Interest

The TEAM shall not accept any gift or enter any agreement which would improperly benefit any individual or in a manner that would jeopardize the tax exempt status of FOMM. In all its dealings and agreements, the TEAM will seek to guard its reputation within the community.

To avoid any conflict of interest, no sale of any FUND assets will be made to any FOMM staff or TEAM member or board member.

E. Advice to Donors

The TEAM will refrain from giving legal, financial, tax, or accounting advice. TEAM representatives will urge all prospective donors to seek the assistance of their own independent personal, legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences.

F. Gifts Acceptable to the Mission Endowment Fund

The following are forms of gifts that are acceptable to the FUND:

1. Cash

2. Bequests

A gift made by will and is effective following the death of the donor. A bequest may be for a specific amount of a specific item or property or it may be for a percentage of the remainder of an estate.

3. Charitable Remainder Unitrust

The donor irrevocably transfers money, securities or other property to the FUND, who pays a fixed percentage (not less than 5%) of the trust's assets, valued annually, to the donor or other beneficiary(ies), named and living when the trust is created, as income for life or for a period of years (not to exceed twenty). The payout rate is determined at the time the trust is completed and is stated in the trust agreement. If the annual income and/or capital gain do not equal the committed payout rate, then principal is used to make up the difference. If there is income in excess of the payout rate, it is added to the principal.

a. Net Income Unitrust

This variation provides that only the amount of income earned by the trust will be paid to the income beneficiary(ies), not to exceed the stated payout rate.

b. Net Income with Make-Up Unitrust

This is a variation of the standard unitrust in which the trust agreement specifies that only the amount of income actually earned by the trust is paid to the beneficiary(ies), even if less than the stated payout rate. Deficiencies incurred during some years of

the trust are "made up" in subsequent years as income earned by the trust exceeds the stated payout rate.

4. Charitable Remainder Annuity Trust

The donor irrevocably transfers money or securities to the FUND, who pays a fixed dollar amount (equivalent to 5% or more of the initial value of the trust assets), to the donor or other beneficiary(ies), named and living when the trust is created, as income for life or for a period of years (not to exceed twenty). The payout is determined at the time the trust is created and is stated in the trust agreement. If the annual income and/or capital gain do not equal the committed payout rate, then principal is used to make up the difference. If there is income in excess of the payout rate, it is added to the principal.

5. Charitable Lead Trust

The donor gives an asset to the FUND investment managers for a term of years and the FUND investment managers pay the earned income to the FUND. At the expiration of the FUND, the property returns to the donor or donor's family or designee.

6. Charitable Gift Annuity

With a simple contract, the FUND pays the donor a fixed income for the rest of his/her life. Only cash or securities are acceptable for a charitable gift annuity. The income payment to the donor is set by the donor's age at the time of the gift and may be partially tax-free. At death, the Fund receives the remainder value. Gift Annuities may be established for one or two lives and payments may be deferred or given to someone else such as a grandchild during the college years.

7. Life Estate Agreement

A life estate agreement is a charitable instrument by which a personal residence, vacation home or farm is transferred by deed to a charitable organization during a donor's lifetime and the donor retains usage of the property for life. A deed with a life estate provision is executed. Upon the donor's death, the FUND receives the property to use as needed or as directed in the life estate agreement.

Gifts of real estate with a retained life estate interest should have a value of at least \$100,000.00. The donor shall sign a memorandum of understanding outlining their responsibilities for the property at the time the gift is made. The donor will maintain the property, pay real estate taxes, pay fees such as association fees or assessments, and pay for insurance, utilities, repairs, etc. Necessary capital improvements must also be made at the donor's expense.

8. Life Insurance

A life insurance gift may be either the gift of a new policy or a policy already in force. The donor shall simply transfer the ownership of the policy to the FUND. Alternatively the donor may name the FUND as a beneficiary or partial beneficiary of a policy that they continue to own.

9. Pooled Income Fund

This fund is another type of life-income gift. When making a gift to a

pooled income fund, the donor's contribution shall be pooled with gifts of other donors. Each donor has a prorated share interest of the fund and receives his/her share of the fund's annual net ordinary income. Upon the donor's death, his/her share shall become the property of the FUND.

#### 10. Retirement Plans

A donor may name the FUND as a beneficiary or partial beneficiary of a Retirement Plan (IRA, Keogh, 403b, Tax Deferred Annuity, etc.)

#### G. Creating, Naming, and Funding a Specific Endowment Fund at FOMM (As stated in the FOMM Mission Endowment Resolution, [III. A.3.] on page 2.)

A minimum of \$25,000 is required to establish a restricted endowment with the FUND. The endowment may carry the name of the donor or a person to be honored by the gift, and may be committed by the donor for a specific mission purpose at FOMM. The endowment may not violate any policies of FOMM or the FUND. Should the original program purpose of the FUND cease to exist at FOMM, the endowment will be used for a similar program at FOMM. If no such program exists, the endowment will be reassigned to serve another area of mission and ministry at FOMM.

#### 2. Gift Acceptance

The TEAM will oversee the gift acceptance process for FOMM and will review proposed gifts. The TEAM will periodically review and update these policies and procedures, keeping the board apprised of its changes in policies.

##### A. General Gift Acceptance Guidelines

All gift and bequest arrangements, other than cash or publicly traded stock/mutual funds must be reviewed for acceptance by the TEAM.

When a restricted endowment is established within FOMM's FUND, the TEAM must determine that a proposed restriction does not violate any policy of the FUND or FOMM or requires a program or service which FOMM cannot provide. Further, the TEAM must communicate clearly and receive a written acknowledgment from the donor that should the time come when FOMM can no longer provide the specific service for which the restricted endowment was established, the restricted endowment will be used for a similar service provided by FOMM. If no such program or service exists, the restricted endowment shall become unrestricted.

##### B. Substantiation of Gifts

The TEAM shall see that donors are informed and have appropriate information and receipts/acknowledgments for the substantiation of the value of their gift.

The TEAM will not establish the value of a gift. It is understood that acceptance does not represent concurrence in the value placed on the contributed property by the donor. Acceptance simply represents acknowledgment that the property described has been received on a specific date. The donor or donor's appraiser, and not the TEAM, is responsible for establishing the value of property gifts.

The donor will be referred to IRS Publication 561 as well as the IRS. Where the

donor is required to file any tax forms, the TEAM shall see that the donor receives the required signature. The TEAM may inform the donor when there is a possibility that any tax forms may need to be filed.

C. Policies and Procedures for Specific Forms of Gifts

1. Cash

Gifts in the form of cash or checks will be accepted regardless of amount. All checks must be made payable to "FOMM," designated either to: "FOMM Mission Endowment Fund" or "FOMM Memorial Fund."

2. Bequests

All appropriate property given will be accepted. Inappropriate property given to the Fund by a bequest shall be disclaimed through a formal disclaimer presented to the estate representative in a timely fashion.

3. Publicly Traded Securities

Securities (stocks, bonds, mutual funds), which are traded on public exchanges, will be accepted by the TEAM. Publicly traded securities will be liquidated as soon as possible after they are received.

4. Closely Held Securities

The TEAM will examine closely held securities for acceptance on a case-by-case basis.

5. Real Property

The TEAM will research all offered real property gifts. Such research will include the following:

- a. Complete a Real Estate Environmental Questionnaire and Disclosure Statement with the donor's signature on the questionnaire. Inform the donor that if there are any environmental concerns, he/she may be responsible for an EPA Phase I Audit.
- b. Examine the title for clear ownership and acceptability of liens and encumbrances.
- c. Inform the donor that they are responsible for a Qualified Appraisal.
- d. For commercial property, require owners of commercial property to provide an EPA Phase I audit.
- e. Gifts of real property, unless usable for the mission and program of FOMM, will be offered for immediate resale. Exceptions to this rule will be at the discretion of the TEAM jointly with the board of directors.

6. Personal Property

- a. Tangible Personal Property will be received after satisfactory review by the TEAM. Perishable property or property that requires special facilities or security will generally not be accepted.
- b. Intangible Personal and Other Property of any description, including but not limited to notes, copyrights, royalties, easements, trademarks, and patents may be accepted but only upon a satisfactory review by the TEAM.
- c. Life Insurance Policies and other assets evidenced by contract will be received provided ownership arrangements or beneficiary

designations in the name of FOMM Mission Endowment Fund or Memorial Fund can be established in compliance with the procedures of the issuing company.

3. Investment Policy

A. FOMM Mission Endowment Fund (As stated in the FOMM Mission Endowment Resolution, [V] on pages 3 and 4.)

B. The Lutheran Community Foundation has been designated as the primary professional investment manager. See the Investment Policy Statement. (Attached)

C. Investment Management Responsibilities

1. The Responsibility of the TEAM is to develop and adopt, within its powers; a broad investment policy, guidelines and objectives.
2. The TEAM may utilize the services of one or more professional investment managers. The Board will appoint the investment manager(s). The responsibility of the investment manager(s) is to optimize the return on assets within the guidelines established by the FOMM Mission Endowment Resolution, ([IV] on pages 2 and 3) and the TEAM.
3. The TEAM will review the performance of the investment manager(s) at least annually. The investment manager(s) will regularly report its investment management activity to the TEAM.

D. Deferred Gift Agreement Management

Unless determined by prior agreement, funds, securities or property received under deferred gift agreements will be managed by a professional trustee. Management options include a trust managed by a bank or trust company, or a designated fund managed by a nonprofit organization such as the Lutheran Community Foundation.

E. Gift Related Costs

1. The Mission Endowment Fund may fund such appraisals as may be appropriate for its own purposes. The cost of any appraisal necessary to establish the fair market value of trust assets that is required annually for trust purposes will be borne by the appropriate trust.
2. Gift-related costs, such as those associated with the acquisition or selling of real estate, will normally be charged against the balance transferred to the designated fund receiving the gift. Where there are ongoing management costs associated with property or trust assets, those costs will be borne by the property or trust involved. Legal fees/expenses that may be incurred in the life of the trust will be borne by the appropriate trust involved.
3. In all cases, Internal Revenue Code requirements and any applicable other Federal or State laws shall govern how costs are incurred and allocated.

F. Investment Objectives

1. Ensure sufficient liquidity. Maturities tied to periods of forecasted need.
2. Obtain the highest possible rate of return within the level of risk approved by the TEAM.
3. Maintain a flexible and diversified portfolio that reflects the investment guidelines.

4. Ensure that investments are with organizations that have values that are consistent with the mission and values of FOMM.
5. Provide for the safety of the assets, consistent with other listed objectives.

G. Investment Guidelines

1. Investments shall be guided by the concept of a prudent investor. Investments shall be in a diversified balanced selection of fixed income securities, equity securities, and cash equivalents.
2. Cash equivalents should be maintained at a minimal level necessary to provide liquidity for expected distributions as outlined in the "Distribution Guidelines". The balance of the portfolio shall be held: 30-70% in equity securities, and 30-70% in fixed income securities.
3. Securities shall be managed to achieve returns with medium risk. A target return shall be 6-8% annualized return over inflation, after investment management costs, measured over a five year period.
4. No investment may be made using short sales, margins, options, commodities, derivatives or any other method, device or vehicle in which the level of risk is inconsistent with this policy.
  - a. Equity Securities management style will emphasize long-term capital appreciation. Equity investment will normally be made through mutual funds. Selection of individual securities, if any, will be based on fundamental analysis and turnover will be low on those individual securities. No individual security will be more than 5% of the equity portion of the portfolio.
  - b. Fixed Income management style will not take excessive risks in the terms of maturity and credit ratings. Fixed income investments, individual securities or mutual funds if fixed income securities, shall consist of instruments issued by the U. S. Treasury, U.S. Government Agencies or Public Corporations. All purchases shall be made with securities rated "Investment Grade" by Moody's and/or Stand & Poors. Any portfolio holding downgraded by the rating agencies below "Investment Grade" must be liquidated immediately.
  - c. No more than five percent (5%) of the fixed income portion of the portfolio shall be invested in any single issue, other than U.S. Treasury Securities.