

24. DENOMINATIONAL POLICIES/PROCEDURES FOR PLANNED GIVING & TRUST SERVICES

The Denominational Policies for Trust Services were first assembled in 1977 in a bound folder.

In 1984, this was expanded to a green loose-leaf notebook called *Operating Policies and Procedures Manual for Trust Services* (OPPM), which included both General Conference and North American Division policies.

While the OPPM has served its purpose well, it is believed that the policies affecting Planned Giving & Trust Services should be a part of each revised Manual. It is impossible to include all policies that might have any effect on Planned Giving & Trust Services. However, an endeavor has been made to include those policies that directly affect Planned Giving & Trust Services. All denominational policies should be followed.

The current *North American Division Planned Giving & Trust Services Manual* is updated regularly and contains both the North American Division and the General Conference policies.

In addition to the regular policies, a number of actions from the North American Division Planned Giving & Trust Services Standing Committee are included. While these actions do not have the authority of policy, they are actions that have been voted and adopted by Planned Giving & Trust Services and Treasury leadership from every union in North America.

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FT LEGAL ASSOCIATION AND TRUST SERVICES DEPARTMENTAL POLICIES¹

FT 05 Statement of Purpose

A recognition of the sovereignty of God, by right of creation and redemption, enables every Seventh-day Adventist Christian to enjoy a sense of security and a relationship with his heavenly Father that surpass all other considerations. A contemplation of Calvary prompts him to dedicate himself and all that he has to God. To do less would mean the loss of spiritual and temporal blessings that come only to those who recognize that God is the owner of all things and that everyone is His steward. This concept of stewardship is recognized by the Christian community; therefore, unique approaches should be taken to achieve the goal of securing to the Lord the material blessings bestowed upon the members of His church.

The Seventh-day Adventist Church in its Trust Services, offered through the conference legal associations and denominational institutions, teaches this profound truth and provides the means whereby individuals and families may through the avenues of special gifts, trusts, annuities, and bequests, give their continuing, wholehearted support to God's work.

In the fulfillment of this purpose, the Legal Association through its Trust Services also seeks to minimize the cost of administering and closing the estates of donors and attempts to utilize every lawful means to hold income, gift, and estate tax consequences to a minimum, and proclaims, as Heaven's standard of stewardship, the principles set forth in the Bible and amplified in the Spirit of Prophecy.

¹ NADWP and GCWP references are from the 2019-2020 *NAD Working Policy* and 2019-2020 *General* 2019 Planned Giving & Trust Services Manual, Chapter 24
Revised 3/2019

BA 25 Corporations, Trusts, Associations, Institutions, and Other Legal Entities Establishment, Structure, and Relationships

BA 25 15 Local Conference Association/Corporation for Management of Gifts, Wills, Legacies, and Trust Funds

The conference association, or corporation, serves primarily in a legal and trustee capacity. Local conference associations/corporations should hold, manage, and invest trust funds and channel unrestricted matured funds as directed by action of the conference executive committee.

BA 70 Retention and Safeguarding of Records

BA 70 05 Records Management

The normal operation of denominational organizations and institutions results in the production and the accumulation of a large volume of files and records of varying degrees of administrative and historical value. In order to preserve documents of permanent value and to avoid the unnecessary preservation of unneeded materials, each organization will find it advantageous to establish a records management program.

Administrators, business managers, and other employees in all organizations should evaluate the legal, financial, and cultural worth of various types of files and records produced in all offices. The political unrest through which the world is constantly passing seriously affect property rights, for example, and demand the proper preservation of denominational property records. Corporate papers and board minutes not only tell the history of an organization but may be called upon in cases of litigation. Many other documents and general files that seem to be of little value beyond their initial retention period grow rapidly in historical value as time passes and even serve future administrators in restudying issues and problems.

BA 70 10 Records Retention

1. Each organization and institution shall establish a records center, that is, a storage place to protect documents from fire, deterioration and unauthorized access. This records center shall house those noncurrent documents or files designated for either short-term or permanent storage. The records center is not to be used for the storage of current files, that is, those that are consulted several times a year in the normal course of business.

2. A records retention schedule, available from the General Conference Office of Archives, Statistics, and Research, shall be considered by the respective denominational organizations and institutions and, with revisions that may be indicated by local needs or varying legal requirements, be adopted by their governing boards or committees.

3. Documents and files stored in the records center awaiting later destruction shall be boxed in such a way as to make clear the date of their destruction, under the provision of a records retention schedule approved by the organization's executive committee or board.

4. Documents and files to be preserved permanently may be kept in hard copy, microform, or digital form, at the discretion of the appropriate governing body. Hard copy and microform may be stored in the same storage facility with less permanent items but should be physically separated from them and clearly labeled. In the event of digital storage, copies of vital records, including executive officer correspondence and major committee minutes, should also be stored offsite.

5. Organizational units (see B10) with sizable collections of records, aged fifty years or older, shall make provision to create an historical archive, where measures can be taken for long-term preservation and for making documents accessible to researchers. Organizational units may designate an Adventist tertiary institution as their historical archive, with the agreement of the institution.

6. Planned Giving & Trust Services Programs -- Trusts, wills, charitable gift annuities, and other estate planning documents shall be retained permanently in their original form. Other documents including information worksheets, accounting reports, tax returns, correspondence, email messages and other routine materials may be retained in a secure and accessible electronic form. These guidelines shall be reviewed periodically (e.g., every three to five years).

BA 70 15 Transmittal of Vital Records

1. All organizations and institutions shall give special attention to the preservation and security of their own vital records, such as articles of incorporation, constitutions and bylaws, minutes of boards or governing committees, property records and other legal documents.

2. The secretary of each union conference in the North American Division shall forward to the General Conference Office of Archives, Statistics, and Research a true copy of the articles of incorporation of all legal bodies within the union conference, the union committee minutes and the board minutes of union institutions.

BA 70 20 Ownership of Records

1. When an organization records ideas and information on paper or other medium, it retains the ownership of that record. Both the information and medium on which it is recorded are a resource to be protected and preserved, or destroyed, according to approved records management principles.

2. All records, files, and documents (including emails and other correspondence) created by the employee in the course of employment are the property of the employing organization and shall at all times continue in the

ownership and control of the employing organization for its use, preservation, or destruction according to its records management policies. On leaving employment, the individual shall transfer copies of all such documents relating to their official duties to the secretary (or designee) of the employing or parent organizational unit.

a. The term “records” includes, but is not limited to, information recorded on or transmitted by paper, film, audio and videotape, email, or other electronic media or sound media, as well as charts, drawings, and maps.

b. Excluded from this policy are materials closely related to an employee’s professional career or graduate education such as sermons and sermon files and graduate research materials.

3. In addition to the informational value of organizational documents, files, and other records, some items have a literary value. Although this value also resides with the employer, it may, by written agreement, be vested in the employee or shared with the employee. (See B 70 25, Literary Property Interests.)

BA 70 25 Literary and Other Property Interests

1. *Ownership*—Literary and computer software property interests in any work prepared on the job by an employee within his/her employment shall vest in the legal employing church entity. Such legal entity shall hold title to any copyright, trademark, patent, or other legal property interest without responsibility for royalty or reimbursement other than the regular salary and benefits earned by the employment.

2. *Exclusion*—This policy is not intended to cover sermons and graduate-study materials.

3. *Exception*—The legal employing church entity by written agreement signed by all parties may exempt an employee from any portion of this policy. Any such agreement must be approved by majority vote of the executive committee/board of the legal church entity, and an original copy of the agreement must be filed with the official minutes of such board.

BA 70 30 Implementation

The secretary of a local conference/ mission, union or division shall be responsible for the implementation of this policy in his/her respective field and in its subsidiary organizations except for those portions specifically designated as being the responsibility of the treasurer/chief financial officer. In the case of institutions, the secretary may delegate this responsibility to the institution’s chief executive officer.

S 40 Planned Giving & Trust Services

S 40 01 Mission Statement

Planned Giving & Trust Services assists people in conveying their Christian values through planned gifts. Our

goal is to connect the donor's passion with the mission of the Seventh-day Adventist Church so their gift will advance God's work.

S 40 05 Applicable Laws

Denominational organizations engaging in Planned Giving & Trust Services activities shall comply with applicable federal, state/provincial laws, regulations, and rules. Planned Giving & Trust Services Working Policy is subject to law.

S 40 15 Certification and Accreditation Committee

1. The North American Division shall establish a nine-member Certification and Accreditation Committee. Its members shall include the North American Division Treasurer/Chief Financial Officer as chair; the General Conference/North American Division Planned Giving & Trust Services Director as Secretary; three additional members who are employed in Planned Giving & Trust Services, two of which are selected from the North American Division Planned Giving & Trust Services Standing Committee; and four qualified laypersons. All non-ex officio members are to be recommended by the Planned Giving Trust Services Standing Committee.

a. Non Ex-officio Member Term—Each Non ex-officio member will serve a three (3) year term beginning on January 1 of the calendar year following their nomination at the NAD PGTRS standing committee and ending on Dec. 31 of the third year. Non ex-officio members may serve an additional three (3) year term.

b. Reinstatement Period—Non ex-officio members who have served an additional term on the C&A Committee cannot be reinstated on the committee until a full three (3) year term has elapsed.

c. Member Resignation—If a current member resigns during their term, the NAD PGTRS Service Director may appoint a replacement. The replacement may be a past non ex-officio who has not completed the full reinstatement period. The interim replacement will fulfill the resigned member's term. If the interim replacement has not completed the reinstatement period, the reinstatement period will be suspended and begin to run again upon the end of the interim term.

2. The Certification and Accreditation Committee shall issue individual certification and organizational accreditation and shall establish and institute the procedures within guidelines established by the North American Division Planned Giving & Trust Services Standing Committee.

S 40 20 Organization Accreditation Requirements

Any Seventh-day Adventist Yearbook organization who engages in Planned Giving & Trust Services activities including, but not limited to, discretionary, fiduciary, development, education, and advertising activities, must be PLANNED GIVING & TRUST SERVICES Accredited by the NAD Certification & Accreditation Committee, the process

for which is detailed in the NAD PLANNED GIVING & TRUST SERVICES Manual.

S 40 25 Personnel Certification Requirements

All personnel performing discretionary and/or fiduciary functions of trust development or management shall hold and maintain a PLANNED GIVING & TRUST SERVICES Active Certification, the process for which is detailed in the PLANNED GIVING & TRUST SERVICES Manual. This specifically includes, but is not limited to, Planned Giving and & Trust Services directors, Planned Giving and & Trust Services representatives, trust officers and treasurers/chief financial officers who are actively engaging in PLANNED GIVING & TRUST SERVICES activities.

S 40 30 Allied Professionals

Provision shall be made for adequate legal and tax counsel services.

S 40 35 Trust Review

A regular operation and compliance review to insure compliance with denominational policy and fiduciary responsibility shall be performed by the General Conference Auditing Services or as otherwise provided by denominational policy. A copy of the report, including management letter, shall be furnished to the Certification and Accreditation Committee. Any substantial exception shall be cause for action by the Certification and Accreditation Committee as provided herein.

S 40 40 Legal Counsel

The preparation and execution process for planned giving instruments shall be under the control of licensed legal counsel to ensure all documents are in compliance with the statutes and regulations of the governing jurisdiction.

S 40 45 Gift Annuity Agreements

1. Approved Organizations—General Conference, union and local conference associations/corporations, and other legally-recognized entities may issue gift annuities to the extent allowed by applicable laws and regulations.
2. Rate Schedules—Maximum gift annuity agreement rate schedules are provided by the General Conference Corporation, to officers of union and local conferences and institutions, and shall be strictly adhered to by all issuing organizations.
3. Accounting—Gift annuity agreements shall be accounted for by Generally Accepted Accounting Principles (GAAP) for such agreements as set forth in accepted fund accounting manuals. Each gift annuity shall be accounted

for separately, and no part of the total annuity amount may be used for operations until the death of the final annuitant.

4. Union/Division Counsel – Before denominational organizations enter into Gift Annuity agreements funded with cash or publicly traded securities in excess of \$500,000 or other non-cash assets, the denominational organization personnel shall obtain counsel from the Union or Division Planned Giving & Trust Services Director or officers.

S 40 50 Trust Agreements

1. In addition to outright gifts and the provisions made for gift annuity agreements, General Conference, union and local conference associations or corporations, and legally organized institutions, are authorized to accept funds or property in trust, subject to compliance with the: PLANNED GIVING & TRUST SERVICES Manual.

2. Approval of Agreements—All agreements for which the organization serves as fiduciary shall be specifically authorized by the board of trustees concerned; however, this does not preclude a board of trustees from designating a subcommittee to handle this on a continuing basis.

3. Investments in Trusts—Organizations and institutions acting as trustee shall not invest in any property accepted in trust, give any guarantee based on the security of the trust, or loan any funds to a trustor. While it is not recommended as a routine procedure, under extenuating circumstances the organization or institution may, from its own funds, make temporary loans or advances of nominal amounts, fully secured by trust assets, which may be necessary to establish the trust or cover an emergency situation involving the trust assets. The organization or institution as trustee of an irrevocable trust may, however, secure a loan from a third-party lender for purposes of the trust based upon the security thereof.

4. Denominational Benefit—Organizations accept fiduciary duties for a trust or will only if the denomination may substantially benefit from such trust or will, considering the nature of the assets, size of the estate, cost of administration, and other relevant factors Entities accepting fiduciary duties for a trust or will shall develop written fiduciary acceptance guidelines.

S 40 55 Revocable Trusts

1. Specifically Invested—a. All church entities acting as trustee of revocable trusts shall serve as such only in those cases where trust funds are invested based on specific written direction by the trustor or as provided in the trust instrument. All income shall accrue to the benefit of the trustor who shall assume the benefits and risks of variations in principal and rates of return.

2. Union Revolving Fund—No cash transferred to or held in revocable trusts shall be loaned to any church organizations, except to a Union Revolving Fund.

S 40 60 Wills

Individuals should consider wills in addition to trusts and gift annuities when making gifts.

S 40 65 Recording Maturity of Deferred Giving Instruments

The maturities and all distributions to beneficiaries of all deferred giving instruments should be recorded in the minutes of the governing board of the fiduciary, and/or its designated subcommittee.

S 40 70 Fiduciary Fees

A denominational employee who serves as a fiduciary (administrator, trustee, executor, personal representative, conservator, guardian, or other fiduciary), as a result of his/her employment, shall not retain fees received for such service.

When a Seventh-day Adventist entity or its employee serves as fiduciary and chooses not to charge a fiduciary fee, and there are other Seventh-day Adventist entities who benefit, the servicing entity shall not be entitled to reimbursement from any benefiting church entity for the cost of the fiduciary services without a prior written agreement between the entities approving such payment.

S 40 75 Fiduciary Succession

Upon completion of term of office or denominational employment, written notice shall be given to the affected individuals with whom the former employee was known to have an established fiduciary or other business relationship as a result of the denominational employment. The responsibility as fiduciary shall pass to the successor in that position, to the extent allowable by law.

S 40 80 Power of Attorney/Fiduciary Safeguards

The denomination and its employees are discouraged from serving as Power of Attorney and/or fiduciary except in extenuating circumstances as voted by the governing board or delegated committee. Where there is a need for a church employee as a part of their work to serve as a Power of Attorney (agent), such function shall be approved by the governing board or appropriate committee. All assets under the active control of the agent shall be accounted for in an adequate accounting system. Significant acts (such as the disposition of major assets) shall be approved by the governing board or appropriate committee.

S 40 85 Interorganizational Planned Giving & Trust Services guiding principles

The following interorganizational Planned Giving & Trust Services guiding principles shall govern all organizations and institutions rendering trust services.

1. Local Conference—It is recognized that local conferences have the right to contact all persons in their territories.
2. Referrals—All referrals among conferences and institutions will be followed up in the regular contact procedures.
3. Alumni—Educational institutions have the right to directly approach their alumni, including attendees, relative to current and deferred giving.
4. Promotional Materials—Organizations and institutions have the privilege of sending promotional materials to the territory they serve.
5. Non-Seventh-day Adventists—No restrictions are to be placed on contacting non-Seventh-day Adventists; however, discretion should be used to avoid duplication of appeal by more than one denominational organization. If it is not known whether the individuals are such members, reasonable efforts should be taken to ascertain their status.
6. Approaches to Higher Organizations— If a Seventh-day Adventist Church member contacts the General Conference or a union conference, it shall refer him/her to the appropriate entity; however, if the person still desires to relate to the administrative level contacted this will be respected with administrative level's consent.
7. Church Members—Other Conferences—Should a church member residing and holding membership in one local conference desire to enter into an agreement with another conference, the same provisions will apply as in the preceding paragraph.
8. Cooperation—All entities of the church shall cooperate in a spirit of good will and understanding.

S 45 Borrowing of Funds From Church Members

S 45 05 Borrowing of Funds from Church Members

1. Approach Methods—Denominational organizations shall not solicit loans from church members except through Union Revolving Funds.
2. Interest Rate—In unusual circumstances when unsolicited funds are offered to an organization by a church member as a loan for a specific project, the interest rate shall not exceed the rate paid on revolving fund notes in the respective union territory unless approval is granted by the respective union committee. Proper budgetary provisions shall be made for their repayment.
3. Unsolicited funds may be accepted only if in compliance with state regulatory codes.

S 50 Solicitation of Funds

S 50 05 Denominational Funding

1. Mission of the Church—The Seventh-day Adventist Church has accepted the commission to “go into all the world and preach the gospel.” This has resulted in the development of a network of schools, hospitals, churches, clinics, mission stations, publishing houses, and other institutions, and the involvement of thousands of workers. In developing and maintaining this worldwide outreach, a philosophy of Church funding has been adopted that not only provides for local needs, but also encourages support by strong churches and conferences for development in weaker areas.

2. Systematic Giving—Stability for the Work is assured by coordinating church giving into a regular offering pattern which guarantees continuing income to the various church operations around the world. The Personal Giving Plan provides for contributions to support the local church, the conference, the union, the world church, and special projects. The regular Sabbath School mission offering provides funds for the operation of missions around the world; while the local Sabbath School expense offering is kept in the local church to provide for Sabbath School supplies. The Church administration endeavors to provide balanced support for all the approved operations of the Church.

3. Direct Solicitation—Direct or indirect private solicitation of funds by workers serving outside their home divisions is considered to be in violation of denominational policy and not in the best interests of the long term support and development of the Church.

S 50 10 Solicitation by Organizations

No conference, church, institution, or self-supporting enterprise is to solicit funds from outside its own territory without written authorization from its conference officers and of the conference administration of the area in which the solicitation is to take place.

S 50 15 Solicitation by Individuals

No individual representing special interests in one part of the field is to solicit help for that work in any other part of the field or in any other conference, without the written authorization from the conference officers of his own territory and of the area in which the solicitation is to take place.

S 50 20 Contributed Funds

All funds contributed by our members for any cause, in response to appeals by the local church, including

authorized special projects, shall be passed through the regular denominational channels. Donor-designated funds shall be used in accordance with the wishes of the donor and not diverted to other causes. All funds contributed to the local church, including those to be passed through for designated special projects, shall be limited to donations to or for organizations of the Seventh-day Adventist Church as listed in the Yearbook, or their affiliates. This provision does not prohibit local churches from using donated funds for local church-sponsored mission projects which may use other organizations to fulfill the projects with the local church.

S 50 25 Unauthorized Presentations and Solicitations

1. Use of Pulpit—Ministers and church officers should not grant the privilege of the pulpit to persons who have no written recommendation from the conference.
2. Literature—Literature for solicitation purposes shall be provided only to responsible persons.
3. Unauthorized Solicitation—Conference and church officers shall take such steps as may be necessary to prevent unauthorized or illegal public solicitation.
4. Regular Channels—All funds contributed by individuals in response to appeals for any cause, including authorized special projects, shall be passed through the regular channels of the Church.
5. Appropriation Adjustment—The General Conference and/or divisions reserve the right to make adjustments in the appropriations of organizations that, without proper authorization, solicit funds in other territories.

S 50 30 Ingathering Methods

No campaign other than Ingathering shall be conducted for the solicitation of money by Ingathering methods, using Ingathering literature and other Ingathering materials, for either home or foreign missions, and local conferences shall take such steps as may be necessary to prevent violations of this regulation.

S 55 Holding Properties

S 55 05 Property Ownership

Church properties and other assets shall be held in the name of an appropriate denominational corporate entity, not by individuals, trustees or local congregations. Where this is not legally possible, such as on United States Reservations and Canadian Reserves, alternate ownership arrangements should be made in consultation with the union, the Division, and the General Conference Office of General Counsel.

S 55 10 Valuation

All church properties and other properties owned by conference/mission associations that are not used for

association operating purposes shall be listed in the association books of account at their cost. Land improvements and buildings shall be depreciated over the useful lives of the assets.

The Seventh-day Adventist Accounting Manual offers two (2) options for reporting these properties. This policy is not intended to require either option. None of these properties shall be pledged or encumbered in any way without written approval from the board of the organization using the property.

S 55 20 Hazardous Waste Assessment

A hazardous waste assessment and review shall be made regarding all church properties and other real estate to be held in the name of a denominational entity, or held in the name of a denominational entity as fiduciary, prior to acquisition of the asset, whether by gift, purchase, or otherwise. The assessment and review shall be made using an appropriate form approved by the organization's legal counsel. If a more in-depth review is needed, direction is to be provided by the appropriate committee.

S 60 Risk Management Policies

S 60 32 Miscellaneous Professional Liability

1. Denominational organizations shall participate in the North American Division Master Policy for professional liability insurance on clergy, educators, notary publics, internal auditors, accountants, and attorneys who are employees of the denominational entity while acting within the scope of their assigned duties.

2. Trustees Errors and Omissions Insurance shall also be carried on all trust officers employed by the denominational entity as approved by the NAD Risk Management Committee.

3. All attorneys who are hired or retained by denominational entities shall be required to maintain errors and omissions liability insurance with minimum limits of \$1,000,000. Evidence of coverage should be provided to the organization prior to the commencement of their service.

S 60 33 Executive Risk

Denominational organizations in the North American Division shall participate in a worldwide master policy for the following executive risks:

1. Directors and Officers Liability—Coverage for wrongful acts of officers and board members in the performance of their authorized duties—including local church and school boards.

2. Employee Dishonesty—Coverage for dishonest acts by employees and volunteers, including local church and school treasurers/chief financial officers. Individuals who have committed prior dishonest acts are not covered under the provisions of this insurance policy.

3. **Fiduciary Liability**—Coverage for failure to act prudently as a fiduciary of pension and employee benefit program.
4. **Outside Directorship Liability**—Coverage for wrongful acts when asked to serve on a board at the request of the denominational entity.
5. **Premium Allocations**—The premium allocation shall be approved annually by the NAD Risk Management Committee and charged to each organization.

S 65 Recording of Contingent Liabilities

S 65 10 Errors and Omissions Liability

All attorneys who are engaged or retained by denominational entities located in North America shall be required to maintain errors and omissions liability insurance with minimum limits of US\$3,000,000. Evidence of coverage should be provided to the organization prior to the commencement of their service. Divisions other than the North American Division are to determine insurance limits under the errors and omissions coverage that are appropriate for their territories.

S 85 Investment of Church Funds

S 85 05 Safeguarding Denominational Funds

1. **Introduction**— The Seventh-day Adventist Church has adopted the following principles and policies to promote the prudent management of certain assets owned and designated for investment by entities listed in the Seventh-day Adventist Yearbook. The General Conference Corporation of Seventh-day Adventists (the “Corporation”) is the legal entity appointed by the Church to (a) hold or oversee assets designated for investment, whether as trustee or otherwise, and (b) exercise or oversee legal and regulatory authority and compliance regarding such designated assets. The Corporation has authorized its Investment Management Committee (also referred to in these working policies as the “Investment Committee”) to hire, coordinate and provide global investment management expertise to maintain and promote these principles and policies with regard to such assets in service to the Church.

2. In order that assets for investment might be prudently managed the following principles and policies have been adopted for the North American Division:

- a. All investment must be in compliance with the Prudent Investment Act or other applicable legal standard in the jurisdiction(s).
- b. Unions may authorize their conferences, individually or as a group to apply the terms of this policy to conference member organizations such as churches and academies.

c. The conference executive committee shall take action, after evaluating the nature of the available funds and the skill resources available, recommending to the Union that the member organization apply the provisions of this policy.

3. The Church also maintains a General Conference Investment Office which carries daily administrative and operational functions based upon these principles and policies as well as the actions and recommendations of the Investment Management Committee of the Corporation.

S 85 20 Policies

1. Investments in any company should not exceed 2.5 percent of the outstanding ownership of the entity.

2. At no time shall a controlling committee allow more than five (5) percent of the assets under its management, based on market value, to be invested in the securities of any one issuer other than G-7 countries and their guaranteed agencies.

3. At no time shall a controlling committee allow more than fifteen (15) percent of the assets under management, based on market value, to be invested in any one industry. Industries are defined as sub-groupings within macro-economic sectors (e.g. Sector = Technology, Industry = Hardware).

4. Retention of external managers or the construction of portfolios through the purchase of individual securities or vehicles should only be considered when the assets for investment are large enough to allow for appropriate diversification and to justify the fees associated with management of the fund and custody of the securities. Normally asset pools of less than US\$5,000,000 would not qualify. For asset pools greater than US\$5,000,000, a committee must evaluate available options with a view to minimizing management costs in consultation with an investment management consultant as defined in S 85 20, paragraph 11.,below.

5. Use of Brokers—**a. Criteria for Selection**—In placing portfolio transaction orders on behalf of the Fund, the manager (internal or external—anyone with authority to approve the purchase or sale of securities) shall obtain execution of orders through well capitalized, qualified broker-dealers. Managers may not trade with affiliated brokerages.

b. Costs—All transactions must be executed at the optimum commission rates and spreads, taking into consideration the efficiency of execution of the transaction. All costs must be fully disclosed including direct commissions, reductions in yield, placement fees, management fees, administrative or any other benefits the brokers may receive as compensation. The committee should keep in mind that these types of costs are traditionally negotiated and the committee has the responsibility to negotiate the most favorable rates. Seeking prices from multiple vendors is strongly suggested.

c. Reporting—At least annually, the committee shall review a report detailing all commissions paid, including bid/ask spreads and new issue allocations by the Fund. Additionally, the report shall detail the benefits, if any,

received in exchange for the commission dollars generated at each broker-dealer.

6. Controlling committees shall complete an asset allocation study in consultation with non-conflicted, qualified Investment Management Consultant for asset pools for investment prior to investing any assets.

7. Common and convertible preferred stocks should be of good quality and listed on a major exchange or traded in the over-the-counter market with the requirement that such stocks have adequate market liquidity relative to the size of the asset pool.

8. For each asset pool, an Investment Policy Statement in a format understood by the money management industry and consistent with this North American Division Working Policy shall be approved by each controlling committee whether employing external managers or managing funds internally.

9. All members of controlling committees must have a current, signed conflict of interest statement on file.

10. Custody and Valuation of Securities: Self custody of securities is not allowed.

a. For accounts managed on a separate account basis, controlling committees must select a recognized custodian (or through agreement with a sub-custodian) who:

- 1) Maintains possession of securities owned by the controlling committee;
- 2) Settles brokerage transactions, and provides monthly detail of such transactions;
- 3) Collects dividend and interest payments;
- 4) Redeems maturing securities;
- 5) Effects delivery following purchases and sales;
- 6) Provides timely exception reporting;
- 7) Handles corporate actions;
- 8) Provides performance measurement and risk assessment;
- 9) Provides transaction cost management;
- 10) Performs regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of controlling committee accounts;
- 11) Independently prices all marketable securities on a daily basis;
- 12) On a monthly basis produces an audited statement detailing all positions held as well as all transactions that occurred during the month;
- 13) Independently marks to market all securities and pooled funds on at least a monthly basis;
- 14) Performs monthly valuations on a trade date, fully accrued basis;
- 15) Provides a report on controls in accordance with International Standards on Assurance Engagements 3402 (or in the United States, Statement on Standards for Attestation Engagements No. 16) on an annual basis;
- 16) Does not commingle the controlling committee assets with any other assets;

- 17) Is separately organized and regulated from all broker-dealers;
- 18) Is financially sound;
- 19) Is registered with the proper regulatory authorities and in good standing.

b. Controlling committees may not select a custodian (or through agreement with a sub-custodian) that:

- 1) Is principally engaged in securities trading or commercial banking other than what is incidental to its custody services or other asset management services;
- 2) Is any broker-dealer with whom securities and transactions are made—must be an independent custodian;
- 3) Allows securities to be held by any brokerage house or financial institution through which securities are purchased or sold.

c. Banks or broker-dealers which are engaged in the sale of securities to the controlling committee may not act as a custodian except in the sole case of local banks which are handling the controlling committee's deposit accounts. Purchase by the controlling committee of its depository banks' interest bearing short-term securities, that qualify under S 85 35, is permitted. Custodianship of that bank's certificates of deposit are excluded from the recognized custody restriction, although it is preferable when cost effective, to have all securities held by the recognized custodian.

11. Investment Management Consultancy: All controlling committees that delegate investment management authority of intermediate or long-term portfolios of marketable or nonmarketable securities to internal management or outside investment advisors, through either a separate account or a pooled fund, through delegation to an investment manager or the purchase of a pooled investment vehicle (General Conference Unitized Funds are exempt), shall engage the services of an independent investment consultant. Investment Management Consultants must:

- a. Be professionally certified with academic or professional credentials and certifications or proven experience.
- b. Be active in advising institutions on fund asset management, custody, performance measurement, asset allocation, Investment Policy Statement development (IPS—instructions to managers) and administrative tasks.
- c. Assist the controlling committee in defining programmatic objectives and financial goals.
- d. Objectively analyze portfolio structure and recommend asset allocation.
- e. Advise on the suitability of asset selection and strategy used by investment managers to fulfill the objectives of the investment pool.
- f. Assist in determining if the controlling committee and the investment manager meet the provisions of S 85

15.

- g. Demonstrate a substantive financially stable organization that effectively performs due diligence and

research on a large universe of asset managers and assists in the asset managers' engagement and discharge.

- h. Perform compliance review and actively participate in the performance monitoring.
- i. Be involved in portfolio rebalancing.
- j. Review potential conflicts of interest.
- k. Assist in the selection of an external manager.
- l. Not be empowered to contract directly with any third party.
- m. Not be affiliated with any bank, brokerage, or financial institution which transacts in securities, whether for its own account or as a third-party agent but is prohibited from utilizing a broker-dealer who is an affiliate of the investment management consultant.
- n. Not be commissioned based but must be fee or asset based and may not receive any incentive fee, brokerage commission, or sales load.
- o. Acknowledge any conflict of interest in writing and this must be approved by the controlling committee.
- p. Investment management consultants may only recommend highly qualified, professional asset managers, see S 85 20, paragraph 11., below.
- q. Be registered with the SEC or its foreign equivalent.
- r. Have had no violations in the previous 36 months for which it has paid fines imposed by regulatory authorities.
- s. No less than annually, the investment management consultant must:
 - 1) Document and certify in writing that it has performed a review of all asset managers' required regulatory filings and compliance records;
 - 2) Review the history of assets under management;
 - 3) Review historical personnel turnover;
 - 4) Review contracted for investment management strategy compared with actual portfolio performance;
 - 5) Adherence to policy and suitability of holdings;
 - 6) A written review must also include sections detailing actions taken as a result of the decisions made in paragraph 11. a. to 11. s., above. When appropriate this may be in the form of minutes reflecting actions by an investment committee;

12. Investment managers—Investment managers selected to manage a portfolio for a controlling committee must:

- a. Be compensated on a salary, fee, or asset basis not a commission basis.
- b. Represent and warrant that they are currently and will continue to act in a fiduciary capacity.
- c. Have combined assets under management of at least US\$250 million with no less than US\$100 million in

each of the specific asset classes for which they are being retained.

- d. Have a satisfactory track record of at least three years.
- e. Be managed by no less than three full-time professionals with academic or professional credentials and certifications or proven experience.
- f. Be registered with the SEC or its foreign equivalent.
- g. Have had no violations in the previous 36 months for which it has paid fines imposed by regulatory authorities.
- h. Not use a broker-dealer who is an affiliate of the Manager.
- i. Not allow any broker-dealer to act as a custodian.
- j. Ensure that all broker-dealers are properly registered and in good standing with all regulatory entities.
- k. Not participate as a voting member of the controlling committee whether they are an external or internal manager.
- l. If retained as an internal manager be reviewed with the same diligence and objectivity as that of an external manager.
- m. Exceptions to this policy may be made only with approval of the next higher organization.

13. Controlling committees shall require qualified legal review of account opening documents, management contracts, and powers of attorney.

14. Controlling committees are required to retain all records pertaining to transfers of assets, account documents, contracts, and statements.

15. When restricted or illiquid securities or real estate, acquired through donation or the maturity of a trust, are held until a prudent investor would liquidate such securities, they shall not constitute a violation of S 85. Reasonable effort will be made to dispose of said assets in a timely manner.

16. Divisions to Establish Investment Policy—**a. Rationale** —Wide variations in national markets, laws, regulations, securities, and levels of investment expertise make it impractical to establish a single detailed set of investment policies beyond a set of general principles and policies.

b. Divisions—Each division is encouraged, subject to General Conference Administrative Committee approval, to develop an investment policy in harmony with and no less restrictive than the provisions of this policy which contains principles, guidelines, and processes appropriate to its territory to govern the investment practices of its organizations and institutions.

17. Investments listed in S 85 35 thru S 85 50 must at time of purchase meet all qualifying criteria. Should such investments subsequently fail to meet qualifying purchase criteria they may be held until a prudent investor would liquidate such investments and shall not constitute a violation of this policy.

SA 05 AUDITORS AND AUDITING

SA 05 27 Responsibility for Audits of Local Conference Institutions and Local Churches

4. Donor Records—In harmony with BA 70 and good business practices of storing duplicate copies of vital records at another site, in order to guard against loss by such disasters as fire, flood, or theft, each local church shall provide the local conference treasurer/chief financial officer with a copy of the monthly remittance worksheet. This will ensure the preservation of the records. The confidentiality of such records shall not be compromised.