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# Betting the Farm: Cases in Ethics

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# Betting the Farm: Cases in Ethics

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LAKE UNION TRUST SERVICES SEMINAR  
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Andrews University

# The Farm

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Mr. Sad is 76 years old and lives alone on his farm, which is located near the academy farm. Mr. Sad has no dependents, is a supporter of education, likes young people, and while his house is very modest, his farm is very fertile.

# The Farm

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The Planned Giving and Trust Services Director for the conference is an alum of the academy and worked on the farm when he was an academy student. He is aware that the school's farm is a drain on the school financially because its land is not very fertile and is of insufficient size to be adequately productive.

Accordingly, the PGTS Director makes regular contact with Mr. Sad, brings him garden produce, occasionally takes him out to eat, and often invites him to visit the academy and attend their events.

# The Farm

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Ultimately, the PGTS Director tells Mr. Sad about the options and benefits of a charitable remainder trust. He points out to Mr. Sad that he can receive a lifetime stream of income and still live in his farm house, but through this CRT, the farm would benefit the academy and its young people (while still remaining a farm; the Director promises that it will not become a housing development). Mr. Sad decides to make the irrevocable gift of the farm land in exchange for a CRT.

# The Farm

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The PGTS Director arranges for the CRT's drafting, signing, and notarizing of the document at Mr. Sad's house.

Three years pass, and Mr. Sad sees the farm manager remove a tree on the farm property that he planted in his youth. He is upset and does not know why the tree had to be removed. He decides he wants to void the CRT.

# The Farm

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Accordingly, Mr. Sad contacts a well-known and very successful attorney in town. The attorney contacts the current conference administration and the current PGTS Director (all are new in the last three years), informing them that he will file suit on behalf of Mr. Sad unless the irrevocable document is voided. He notes that the donor's house has no indoor plumbing, that Mr. Sad is not a member of the church, and that no one has visited him since the farm gift.

# The Farm

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1. Based on the actions of the previous PGTS Director, does Mr. Sad have a grievance against the conference? Why or why not?
2. If the suit is filed, will Mr. Sad prevail? Why or why not?



# The Mission Trip

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The local conference trust officer was asked to accompany a group of academy students on a mission trip to an overseas location. Not having sufficient personal funds to cover the cost of the trip, he solicited donations from his friends and acquaintances. Some of the friends and acquaintances were also trustors. The donations were receipted as donations by the local conference and the funds were then given to the trust officer to finance his trip.

# The Mission Trip

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1. Was the trust officer ethical when he decided to solicit donations from his friends and acquaintances to cover the cost of his participation in the mission trip? Does it matter that some of the friends and acquaintances were also trustors?
2. If you believe the officer was unethical, what actions might he have taken to make his request for donations from his friends and acquaintances ethical?

# The Mission Trip

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3. Does the fact that the donations were run through the books of the conference, his employing organization, as “donations” influence your response as to whether or not the trust officer behaved ethically in making these donation requests?

# The Japanese Screen

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One of the Union Conference trustors passed away. This individual had spent years as a missionary in Japan and had acquired a number of lovely artifacts from that country over the years. The items included a number of Japanese silk paintings and a lacquer screen. The Union trust officer had often been in the home of the trustor and had particularly admired the lacquer screen.

# The Japanese Screen

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Following the funeral the trust officer inquired as to whether the family intended to keep any of the Japanese artifacts. She was told that the family did not like the Japanese artifacts and intended to put all of them up for sale through an estate sale which would be handled by an outside party in about 60 days.

# The Japanese Screen

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The trust officer thought about the screen for a week, and then decided to purchase the screen herself.

Accordingly, she went to the trustor's home, took the screen, and made a donation through the Union Office for the amount she thought the screen was likely to bring in an estate sale.

# The Japanese Screen

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1. Was the trust officer ethical when she decided to purchase the Japanese screen after determining that the family would be selling it?
2. What steps might have been taken whereby the trust officer could obtain the Japanese screen, or is it always unethical for a trust officer to acquire an item that belongs to a deceased trustor?

# The Elderly Couple and the Planned Gift

An elderly couple made a trip to the local union office to discuss with the President their intended charitable considerations. The trip took most of the day, given the travel distance. As they were traveling, they discussed several charitable ideas, reviewing what ministries they wanted to make the donation to. The couple prayed and discussed at length, and ultimately decided to benefit the tri-district church school's building program and a low-power radio station.



# The Elderly Couple and the Planned Gift

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They also decided that the amount they would gift was \$50,000, to be split between the two identified areas.

Upon arrival at the Union office they were ushered into the President's office, where they shared their charitable intentions. The President was delighted with the intended gifts and stated appreciation for their stewardship, in particular their plan to give money to the church school's building program.

# The Elderly Couple and the Planned Gift

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Then he asked: “Have you two ever had a tour of this office? Let me take you around and tell you about the good things each department is doing in support of the gospel ministry. By the way, we just finished a series of meetings north of here and we had a wonderful turnout and the number of baptisms exceeded our best expectations. Now we are here at the youth department. The youth camp had a very successful year with hundreds of young people attending and a special baptism each week for the campers.”

# The Elderly Couple and the Planned Gift

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“Oh—and here is the education department where the youth receive values clarification and become future leaders.”

# The Elderly Couple and the Planned Gift

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1. Were the President's actions ethical? Why or why not?
2. Would your answer be different if the individual giving the office tour was the receptionist?

# The Elderly Couple and the Planned Gift

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At the end of the tour the President said: “It has been so nice to meet you. I have probably taken more of your time than necessary. However, here we are at the Planned Giving and Trust Services Department. You may want them to share with you some interesting gift planning ideas that set you up with a lifetime stream of income.

# The Elderly Couple and the Planned Gift

The Planned Giving and Trust Services Officer stated: “It is nice to meet you! I understand that you would like to make a charitable donation. Let me tell you about the services we can provide to our members.” The PGTS Officer proceeded to inform the couple about the department’s services. At the end of the conversation he asked: “By the way, have you ever given thought to what you would like to do in the way of a charitable donation?”

# The Elderly Couple and the Planned Gift

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The couple thanked the PGTS Officer and went home to think about what donation they would like to make.

1. Were the PGTS Officer's actions ethical? Why or why not?
2. Why do you think the couple decided to return home without making the planned donation?

# Are They Competent?

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An elderly couple own some property that is adjacent to property which the conference has just received because of the recent death of the trustor. In order to access the property they have just received, the conference needs to purchase a portion of the elderly couple's property in order to build a road to the house and thus make it saleable. It happens that the property in question is on a separate tax number from the primary property owned by the couple, as they purchased it separately about 20 years before.



# Are They Competent?

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The Planned Giving and Trust Services Director visits the elderly couple in their home and explains that the conference needs access to the house they have just received and accordingly needs the portion of the property that belongs to the couple that is under the separate tax number, so they can build a road to the house. The elderly couple have been members of the SDA church all their lives, and in fact, worked for the church during their employable years. They are very willing to assist the conference in reaching their goal of building a road to the newly obtained property.

# Are They Competent?

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Accordingly, the PGTS Director has the couple sign a document which gives the property, as described, to the conference for \$1.00. The couple sign the document.

# Are They Competent?

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Five months later the elderly man tells his daughter that he doesn't understand why he has not received a tax bill for the property that the conference came to see him about. The daughter, not knowing about the PGTS Director's visit, asks her father about the conversation. He says that he gave the "conference people" an easement so they could build a road to the house. He also states that the "conference man" gave him \$1.00 after he signed the document, but he did not understand why he was receiving any money.

# Are They Competent?

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When the daughter asked to see the document he signed, he admitted that he doesn't have a copy and that he really didn't understand what they were asking for, but because he was embarrassed and didn't want to look like he didn't understand financial dealings, he didn't ask any questions. The daughter went to the county courthouse and obtained a copy of the document her father had signed. She noted that while her father signed the document using both his first and last name, her mother signed the document by signing her first name twice.

# Are They Competent?

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1. In your opinion, do these two elderly people appear to be competent in their capacity to sign legal documents?
2. What steps should the PGTS Director have taken to determine whether or not this couple had sufficient capacity to make a decision regarding the sale of the property?

# Are They Competent?

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3. If the daughter visits the PGTS Director at the conference office and raises questions, what should the PGTS Director do?
4. Is there a threat of a lawsuit in this situation?

# The Disagreeing Couple

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The conference PGTS Director received an email from a church employee which stated “that a husband and wife are visiting the conference office and wish to make a donation of \$100,000 for one of those things that has a payout for life.” The husband and wife are 78 and 80, respectively. The contact information is provided to the PGTS Director and he attempts to make the contact, leaving a message on their cell phone and with the friends they are staying with near the conference office. There is no response from the potential donors for several weeks.

# The Disagreeing Couple

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The PGTS Director reports to the church employee that a follow-up was made, but that there was no response from the visitors. The church employee immediately contacts the potential donors and encourages them to receive information from the PGTS Director.

The potential donors eventually make contact via phone.



# The Disagreeing Couple

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It is obvious to the PGTS Director that the husband is “gun ho” but the wife is reluctant. The phone conversation morphs into a somewhat heated exchange of opinions between the husband and the wife, with the husband being the one on the phone. The PGTS Director attempts to extract himself from the conversation but to no avail.

# The Disagreeing Couple

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The husband then begins to talk about a document his mother had. Could the PGTS Director explain it to him and his wife? When he is asked what type of document his mother had, the husband said it was one where she received money even after her husband passed away. The PGTS Director guessed it was a Charitable Gift Annuity. The husband asks how to establish one of those things?

# The Disagreeing Couple

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The PGTS Director suspects that the couple may not be ready to make a decision about making a charitable gift. It is unclear whether they have a philanthropic motivation to support the work of a charitable institution or whether they are just interested in something that will “pay out the thing for life.” But the husband and the wife do not want to stop the conversation and they continue to bicker.

# The Disagreeing Couple

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The wife indicates she feels that the husband wants to give away some of their liquid assets. The husband likes the idea of receiving interest of over 5% on their funds and indicates that in his mind, they aren't giving anything away because they will be receiving payments from the Charitable Gift Annuity for the rest of their lives. In exasperation the wife agrees to a gift of \$15,000 in exchange for the CGA.

# The Disagreeing Couple

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She understands the CGA and wants to make the gift. He is in agreement, but thinks that the amount should be larger. The CGA payment amount would be made annually, but the husband continues to call the payout “interest.”

With a great deal of hesitation the PGTS Director asks: “What charitable entity would you like to name in the CGA contract to receive the remainderment?”

# The Disagreeing Couple

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After a half dozen charitable organizations are discussed, the final outcome is to make the remainderment unrestricted. In the end, the husband and wife decided to do a CGA for a fraction of the initial value expressed by the church employee. The PGTS Director reviewed what information they would receive and requested that they review the CGA document carefully and discuss it with their family and their financial/legal advisors.

# The Disagreeing Couple

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1. Was the role played by the church employee appropriate?
2. Is it clear that the husband understood the nature of a Charitable Gift Annuity?
3. Is there any obligation on the part of the PGTS Director to ensure that the couple gets adequate information from family and financial/legal counsel, given that his actions thus far have only been on the phone?

# The Disagreeing Couple

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4. What would you recommend that the PGTS Director do next?



# The Entrepreneur

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The CFO at the local Adventist university is very entrepreneurial and over the years he has purchased a large number of rental properties around the university, which he primarily offers to university students for cheaper housing than what is available on campus.

# The Entrepreneur

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1. Is it a conflict of interest for the CFO of the university to rent his properties to students?
2. If you believe this is a conflict of interest, can this conflict of interest be “cared for” through disclosure on the CFO’s annual conflict of interest declaration form?

# The Entrepreneur

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3. Would you change your response to question #2 if all campus housing were full?
4. What if there were vacancies in campus housing, but the CFO's properties are full because they rent for a lower monthly price?

# The Entrepreneur

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The “talk” in the plant service area of campus centers around the frequency with which they are called to make plumbing and electrical repairs on the CFO’s apartments. You are a parent and your daughter is renting an apartment from the CFO. She tells you that the man who came to fix the fan in the bathroom and the kitchen was wearing a university plant service shirt, which is why she let him come into her apartment while she was present.

# The Entrepreneur

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Your son works in custodial on campus and has heard the talk among the plant service personnel. He tells his sister in your presence that he knows that plant service people repair the apartments for the CFO and that their time is charged to the university, not to a special account for the CFO's properties. Your daughter asks you if this is ethical.

# The Entrepreneur

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1. What do you say to your daughter?
2. What do you say to your son?
3. What do you say to the CFO, who happens to be your roommate from college?