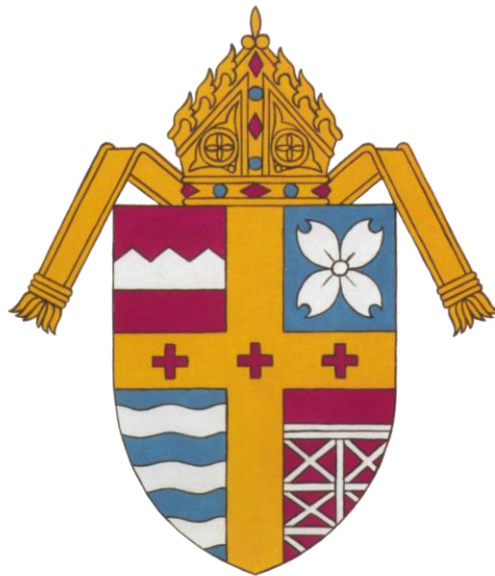


The Diocese of Knoxville Office of Stewardship



Policy and Procedures for Acceptance and Administration of Charitable Gifts

The Diocese of Knoxville Mission Statement

“To continue the saving ministry of Jesus Christ, the Chancery serves and guides the Catholic parishes, schools, and agencies within the 36 counties of the Diocese of Knoxville.”

The Diocese of Knoxville’s Office of Stewardship Mission Statement

“The Office of Stewardship of the Diocese of Knoxville is dedicated to creating a solid financial future for all our faithful.

It is the special entity empowered by the Bishop to secure gifts dedicated to providing for the financial needs of our parishes, schools and agencies using practices consistent with the theology of stewardship and principles of effective fundraising.”

The Diocese of Knoxville is organized as a Tennessee not-for-profit entity which is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Diocese of Knoxville encourages and solicits contributions of cash and personal and real property, either as outright gifts or through such deferred giving vehicles as are encouraged and permitted by the Internal Revenue code and the laws of the State of Tennessee.

The Diocese of Knoxville’s Office of Stewardship is organized to provide the expertise and resources in meeting the needs and desires of donors to give within their capacity in compliance with applicable Canon law. A donor may choose to make an unrestricted gift to their parish, school, the Diocese of Knoxville or one of their agencies. Income earned on unrestricted gifts may be applied to the programs determined to have the greatest need as designated by the parish pastor, school principal, or agency director acting with true knowledge and oversight of the Bishop, or by the Bishop himself.

A donor may also choose to make a restricted gift and specify how the principal or income generated will be applied. The income can be restricted to a particular parish, school or diocesan program, provided that the gift is not inconsistent with the Church’s stated mission, purposes, priorities and needs. Examples of gifts that are too restrictive are those that are too difficult to administer, expose our churches/schools/diocese/agencies to liability, or gifts for purposes outside the mission of

the Church. The Bishop of the Diocese of Knoxville shall make all final decisions on the restrictive nature of a gift, including its acceptance or refusal.

All information concerning donors, including names, addresses, telephone numbers, names of beneficiaries, amounts of gifts, etc., shall be kept strictly confidential by The Diocese of Knoxville and its staff unless permission is obtained from the donor to release such information.

All contributions to the Diocese of Knoxville and its associated parishes, schools and agencies are deductible for income, gift and tax purposes within applicable limitations of the Internal Revenue Service Code and the laws of the State of Tennessee.

For further discernment and reflection on stewardship the pastoral letter, *Stewardship: A Disciple's Response*, prepared by the Ad Hoc Committee on Stewardship and approved by the National Conference of Catholic Bishops in November 1992 should be referenced.

A donor Bill of Rights is included in Attachment A.

“As each one has received a gift, use it to serve one another as good stewards of God’s varied grace.” (1Pt4:10)

Diocese of Knoxville Office of Stewardship Policy and Procedures

Purpose of Policies and Procedures

The Bishop of the Diocese of Knoxville and his Administration promote and encourage current and deferred gifts from individuals, corporations, and foundations to secure the future growth and mission of the Diocese and its entities. It is the purpose of these policies and guidelines to govern the acceptance and administration of gifts by the Diocese and to provide guidance to prospective donors and their advisors when making gifts to the Diocese. The provisions of these policies shall apply to all gifts received by the Diocese for any of its programs or services.

Gifts Acceptance Committee

The Gift Acceptance Committee shall be comprised of the Vicar General and Moderator of the Curia, Chancellor and Chief Operating Officer, Chief Financial Officer, Director of Stewardship, Major Gifts and Planned Giving Officer and such other members as appointed by the Bishop.

The Gift Acceptance Committee shall review proposed gifts that are designated for review by this policy or issues related to gifts that are not covered by this policy. After review the committee will recommend a course of action to the Bishop, who shall have final authority to accept or refuse the gift.

The Gift Acceptance Committee shall review this Gift Acceptance Policy and Procedure at least once every other year and make recommendations for any necessary revision. Revisions will be submitted to the Presbyteral Council and the Diocesan Finance Committee

The Bishop of Knoxville will hear both the Presbyteral Council and the Diocesan Finance Council following their review of the Gift Acceptance Policy and Procedure for recommended revision. The Bishop of the Diocese of Knoxville must approve any changes or deviations from these policies.

Types of Gifts

The following gifts are generally acceptable:

- Cash
- Marketable Tangible Property (Art, Jewelry, etc.)
- Securities
- Real Estate
- Remainder Interests in Property
- Oil, Gas, and Mineral Interests
- Life Insurance
- Charitable Remainder Trusts
- Charitable Lead Trusts
- Catholic Gift Annuity administered by Catholic Extension
- Estate Plans
 - Retirement Plan Beneficiary Designations
 - Life Insurance Beneficiary Designations
 - Bequests

The following criteria govern the acceptance of each gift listed above:

- 1) **Cash**
Cash or cash equivalents including currency, money orders, checks, credit/debit cards and wire transfers are acceptable.
- 2) **Marketable Tangible Property**
Marketable Tangible Property may also be referred to as gifts-in-kind. This may include artwork, books, furniture, equipment, and etcetera. All gifts of tangible personal property shall be considered in light of the following:
 - Does the property fulfill the mission of the parish, school, or agency?
 - Is the property marketable?
 - Are there any undue restrictions on the use or sale of the property?
 - Are there any costs or risks associated with owning the property?
 - All gifts of real property valued in excess of \$5,000 must be substantiated by a professional, independent appraisal. The IRS requires that an appraisal “must be made not earlier than 60 days before the date the donor contributes the property.” The appraisal must be conducted by “a qualified appraiser” under section 1.170A-13(c) (5) of the United States Treasury Regulations. The Diocese of Knoxville believes that it is in the best interest of the donor to secure his/her own appraisal. The Diocese of Knoxville will incur the legal expenses related to the change of title and act of donation.

- The donor should seek professional advice concerning the tax consequences of the proposed gift.

Tangible property gifts shall be reviewed by the Gift Acceptance Committee of the Diocese of Knoxville as needed.

3) **Securities**

Both publicly traded securities and closely held securities in appropriate circumstances are acceptable.

Publicly Traded Securities: Marketable securities may be transferred to an account maintained at brokerage firm(s) held by your parish, school, diocese or agency or delivered physically with the transferor's signature or stock power attached. As a general rule, marketable securities will be sold upon receipt. When marketable securities may be restricted by applicable laws, the parish pastor, school principal or agency director acting with true knowledge and oversight of the Bishop, or by the Bishop himself, will determine whether to accept the securities. Current technology allows for stock transfers to occur electronically from the donor's account to the charity's account. The value of the stock gift is calculated on the date the stock actually enters the charity's account, not on the date on which it left the donor's account. It is important that the donor notifies the parish, school, the Diocese or their agency of the date, the stock name, the number of shares being transferred/gifted and confirmed transaction number, so that the gift can be tracked properly. Once the donor's stock enters the receiving parish, school, the Diocese or their agency's brokerage account, valuation of the donor's gift takes place [the average of the high and the low stock that day]. For IRS reporting and pledge fulfillment purposes, the donor receives full value of the stock donation, and the parish, school, the Diocese or their agency absorbs any fees as the "cost of doing business".

Closely Held Securities: Closely held securities (debt and equity positions in non-publicly traded companies and interests in limited partnerships and limited liability companies) can be accepted subject to the approval of the pastor/principal/agency director and the Bishop. Gifts will be reviewed to determine that: there are no restrictions on the security that would prevent the parish/school/agency/diocese from converting the asset into cash; the security is marketable; and the security will not generate undesirable tax consequences for the parish/school/agency/diocese. Closely held securities will be sold as quickly as possible.

4) **Real Estate**

Gifts of real estate include developed and underdeveloped property. Gifts of real estate may include remainder interests in life estates. Prior to accepting a real estate gift, the parish, school, the Diocese or their agency must procure a title search to examine in detail the public records relating to ownership of the parcel(s) of land to ensure that the current owner (donor) has clear title, free of any liens, claims, mortgage or competing and adverse interests. The title search should be performed by a lawyer, qualified title searcher, or a title insurance company. The Diocese of Knoxville may require an ASTM Phase I Environmental Assessment of the property to ensure that the property has no environmental contamination or liability. In the event that the Phase I Assessment reveals a potential environmental risk, the parish/school/diocese will retain an environmental engineering firm to conduct a Phase II Assessment. The costs associated with the aforementioned assessments and searches will generally be an expense of the donor.

Criteria for accepting gifts of real property include:

- Is the property useful for the purposes of the parish, school, diocese or agency?
- Is the property marketable?
- Are there restrictions, easements, or other limitations associated with the property?
- Are there carrying costs, which may include taxes, insurance, association dues, etc.?
- If required, do the Phase I & II Environmental Assessments reflect that the property has no environmental liability?
- The Diocese of Knoxville requires that all mortgages, taxes, liens and any other debts against the property be paid in full by the donor before the gift will be accepted.
- All gifts of real property valued in excess of \$5,000 must be substantiated by a professional, independent appraisal. The IRS requires that an appraisal “must be made not earlier than 60 days before the date the donor contributes the property.” The appraisal must be conducted by ‘a qualified appraiser’ ” under section 1.170A-13(c) (5) of the United States Treasury Regulations. The Diocese of Knoxville believes that it is in the best interest of the donor to secure his/her own appraisal. The Diocese of Knoxville will incur the legal expenses related to the change of title and act of donation.
- The donor should seek professional advice concerning the tax consequences of the proposed gift.

Real estate gifts shall be reviewed by the Gift Acceptance Committee of the Diocese of Knoxville.

5) **Remainder Interests in Property**

Parishes, schools, the Diocese or their agency will accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions of the real estate paragraph immediately above. The donor or other occupants may continue to occupy the property for the duration of the stated life. At the death of the donor, the parish, school, diocese or agency may retain the property for operations or sell it. During the life estate period, expenses for maintaining the property, real estate taxes, and any property indebtedness are to be paid by the donor. The property may be subject to annual inspection.

Real estate gifts shall be reviewed by the Gift Acceptance Committee of the Diocese of Knoxville.

6) **Oil, Gas and Mineral Interests**

Parishes, schools, the Diocese or their agencies may accept oil and gas property interests where appropriate. Prior to approval of such interests the following criteria will be considered:

- Gifts of surface rights should have a value of \$30,000 or greater.
- Gifts of oil, gas or mineral interests should generate at least \$3,000 per year in royalties or other income.
- The property shall not have extended liabilities that make the gift inappropriate.
- The property must undergo an ASTM Phase I & II Environmental Assessment to ensure there is no future exposure to environmental liability.

The acceptance of oil, gas and mineral interest gifts shall be reviewed by the Gift Acceptance Committee of the Diocese of Knoxville.

7) **Life Insurance Policy**

Parishes, schools, the Diocese or their agencies must be named as both beneficiary and irrevocable owner of an insurance policy before the policy can be recorded. The gift will be valued at its interpolated terminal reserve value, or cash surrender value, upon receipt. If the donor does not elect to make on-going gifts to cover premium payments on the insurance policy, the parish, school, the Diocese or their agency may:

- Continue to pay the premiums.
- Convert the policy to paid-up insurance.
- Surrender the policy for its current cash value.

Life insurance policies shall be reviewed by the Gift Acceptance Committee of the Diocese of Knoxville.

- 8) **Charitable Gift Remainder Trusts**
Parishes, schools, the Diocese or their agencies may accept a designation as remainder beneficiary of either Charitable Remainder Trust or Charitable Remainder Unitrust. This is an irrevocable trust created during the life of the donor or through the donor's bequest; the trust makes periodic payments to the donor or other named beneficiaries for a term of years or life and then transfers all or part of the trust principal. Parishes, schools, the Diocese or their agencies cannot accept appointment as trustee of charitable trusts.
- 9) **Charitable Gift Lead Trusts**
Parishes, schools, the Diocese or their agencies may accept a designation as beneficiary of a charitable lead trust. This is an irrevocable trust that makes periodic payments to the donor and/or one other named beneficiary for life or a term of years after which the principal is transferred back to the donor or other designated beneficiary. Parishes, schools, the Diocese or their agencies cannot accept appointment as trustee of charitable lead trusts.
- 10) **Catholic Gift Annuity**
The Catholic Gift Annuity administered by Catholic Extension, provided in partnership with the Bishop of the Diocese of Knoxville, is a way to join a pool of investors focused on the future of the Catholic Church. A donor makes a gift and signs a contract to receive fixed payments for life. At death, the remaining balance of the gift annuity is distributed to the parish, school, Diocese or agency of choice. The minimum amount is \$5,000 and the minimum age to receive income is 55 years old.
- 11) **Estate Plans**
- **Retirement Plan Beneficiary Designations**
Parishes, schools, the Diocese or their agencies may accept appointment as beneficiary or contingent beneficiary of retirement plans, IRA, qualified pension or profit sharing plans.
 - **Life Insurance Beneficiary Designations**
Parishes, schools, the Diocese or their agencies may accept appointment as beneficiary or contingent beneficiary of life insurance policies.
 - **Bequests**
Parishes, schools, the Diocese or their agencies may accept appointment as beneficiary of an individual's bequest. Pastors/Principals/Bishop shall consider the bequeathed gift(s) according to the policies above.

A copy of the will or beneficiary designations along with a current statement of value is requested for the purposes of stewardship and gift acknowledgement. This can be accomplished by actual copies of the documents themselves or a signed gift agreement.

12) **Other Property**

Gifts of assets or property not otherwise covered above must be reviewed in advance by The Gift Acceptance Committee of the Diocese of Knoxville. A recommendation will be made to the Bishop who makes the final decision about acceptance of gifts that may be deemed to fall outside of established policy guidelines. The Diocese of Knoxville is not obligated to accept any charitable gifts or contributions, particularly those which:

- Are designated with restrictions that fall significantly outside the organization's mission and program priorities;
- May cost the organization money, prove a liability or potential penalty of any kind;
- Have conditions that are not in the best interest of the Diocese of Knoxville, or those that fall outside of ethical boundaries;
- Are not able to be liquidated into cash in a reasonable amount of time or have a high carrying cost.

Miscellaneous Provisions

A) **Use of Legal Counsel**

Parishes, schools, the Diocese or their agencies shall seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by outside counsel is recommended for:

- Closely-held stock transfer subject to restrictions or buy-sell agreements
- Gifts involving contracts or requiring parishes, schools, the Diocese or their agencies to assume an obligation
- Transactions with potential conflict of interest that may invoke IRS sanctions
- Other instances in which use of counsel is deemed appropriate by the pastor, principal, agency director, Bishop or the Gift Acceptance Committee.

B) **Conflict of Interest**

Parishes, schools, the Diocese and their agencies will urge all prospective donors to seek assistance of legal counsel in matters relating to their gifts and the resulting tax and estate planning consequences.

C) **Appraisals and Legal Fees for Gifts to Parishes/Schools/Diocese/Agencies**

It will be the responsibility of the donor to secure an appraisal (where required by law) and independent legal counsel, if desired or otherwise appropriate, for gifts.

D) **Valuations of Assets as Gifts**

Parishes, schools, the Diocese or their agencies should not provide a valuation of a gift of assets to a donor. The donor will either work with their tax professional to determine an amount, or obtain an appraisal as previously mentioned. However, a donor may ask the donee to complete IRS form 8283. If requested,

you would complete Part IV of the Form 8283 if it is relevant to the gift. This form simply acknowledges the receipt of the gift, but does not require that the donee value the gift. If this form is requested, a copy should be sent to the Office of Stewardship.

E) **IRS Filings upon Sale of Gift**

If a donor has requested that an agency complete Part IV of Form 8283, then the disposition of the asset must be tracked for three years. If the asset is sold within three years, then the agency must file IRS Form 8282 within 125 days of the date of disposition. If this form is filed, a copy should be sent to the Office of Stewardship.

F) **Acknowledgement**

Recording and acknowledgement of all gifts made to parishes, schools, the Diocese or their agencies in compliance with current IRS requirements in acknowledging such gifts will be the responsibility of the pastor, principal, Bishop or agency director.

A stewardship letter should be sent to all donors with a gift of \$25 or greater. A year-end tax receipt letter though not required, should be sent to all donors with an individual gift of \$250 or greater.

G) **Pledges**

A pledge is a defined commitment or promise to be paid at a later date or over an extended period of time with a set number of installments. A pledge may be fulfilled through cash or securities.

For Diocesan campaigns (i.e. Bishop's Appeal), donors will receive a pledge update with an invoice on an interval as agreed upon with the donor. Whenever possible, a communication should be included detailing recent updates and information regarding the ministries or agencies the pledge is supporting.

H) **Recurring Gifts**

The concept of recurring gifts is simple: donors commit to a donation amount that is paid regularly — most often monthly, but occasionally bi-monthly or quarterly. What makes a recurring gift different from a pledge is that the gifts have no predetermined end-date. When signing up for recurring gifts, donors give your organization permission to charge their credit cards every month for a set amount or automatically withdraw donations from their bank accounts.

Gift Acceptance Policy and Procedure Approved By:

Most Reverend Richard F. Stika
Bishop of Knoxville

Date: _____

Deacon Sean K. Smith
Chancellor/Chief Operating Officer

Date: _____

- Diocesan SEAL -

Attachment A

The Donor Bill of Rights

Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To ensure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the nonprofit organizations and causes they are asked to support, we declare that all donors have these rights:

- I. To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.
- II. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.
- III. To have access to the organization's most recent financial statements.
- IV. To be assured their gifts will be used for the purposes for which they were given.
- V. To receive appropriate acknowledgement and recognition.
- VI. To be assured that information about their donation is handled with respect and with confidentiality to the extent provided by law.
- VII. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.
- VIII. To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.
- IX. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.
- X. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

Developed by

- American Association of Fund Raising Counsel (AAFRC)
- Association of Fund Raising Professionals (AFP)
- Association for Healthcare Philanthropy (AHP)
- Council for Advancement and Support of Education (CASE)

Endorsed by

- Independent Sector
- National Catholic Development Conference (NCDC)
- National Committee on Planned Giving (NCPG)
- National Council for Resource Development (NCRD)
- United Way of America