

DIOCESE OF MAINE
GIFT ACCEPTANCE POLICIES

The Maine Episcopal Missionary Society, the Trustees of Diocesan Funds and the Episcopal Diocese of Maine, (hereinafter collectively referred to as the “Diocese of Maine” or “Diocese”), not-for-profit entities organized under the laws of the State of Maine and recognized by the IRS as exempt organizations, encourage the solicitation and acceptance of gifts to the Diocese for purposes that will help the Diocese to further and fulfill its mission. The following policies outline the process by which prospective gifts to the Diocese or for the benefit of any of its programs, congregations and special ministries shall be accepted.

The mission of the Diocese is to support the growth of its congregations, commissioned and empowered by the Holy Spirit, as ambassadors of Christ’s reconciliation and to God’s world. *II Corinthians 5:18ff*. The Diocese envisions that congregations will develop the resources and leadership to support individual and collective ministry, and the Diocesan leaders will provide support to these ministries (adopted by Diocesan Convention, 1994).

I. Purpose of Policies

The Bishop of the Diocese, the Diocesan staff, members of the Maine congregations and missions and the Trustees of Diocesan Funds may solicit current and deferred gifts from individuals, corporations, and foundations to secure the future growth and mission of the Diocese. These policies govern the process for the review of prospective gifts prior to acceptance by the Diocese; the type of the asset and the form of the proposed gift will affect the review process undertaken by the Diocese. These policies are also intended to guide prospective donors and their advisors when considering a gift to the Diocese. The provisions of these policies shall apply to all gifts to the Diocese for any of its programs or services.

II. Use of Legal Counsel and Avoiding Conflicts of Interest

a. The Diocese of Maine shall seek the advice of legal counsel in matters relating to the acceptance of gifts when appropriate. Review by counsel is recommended for:

- Gifts of closely held stock that is subject to restriction or a buy-sell agreement
- Gifts involving contracts, such as bargain sales or other documents requiring the Diocese 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 Gifts Acceptance Committee

b. The Diocese shall encourage donors to seek independent professional counsel to represent the donor’s interests and to explore the alternatives, costs, tax benefits and obligations of potential gifts. The Diocese shall have no responsibility to provide technical advice to the donor or an analysis of the resulting tax and estate planning consequences to the donor.

c. The Diocese shall comply with the *Model Standards of Practice for the Charitable Gift Planner* promulgated by the National Committee on Planned Giving.

III. Unrestricted and Restricted Gifts

The Diocese will accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are not inconsistent with its stated mission, purposes, and priorities. The Diocese will not accept gifts that are too restrictive in purpose. Gifts that are too restrictive are those that violate the terms of the corporate charter, gifts that are too difficult or costly to administer, or gifts that are for purposes outside the scope of the mission of the Diocese. The Gifts Acceptance Committee will review all restricted gifts and make recommendations to the Trustees of Diocesan Funds.

IV. The Gifts Acceptance Committee

a. The Gifts Acceptance Committee shall have as its members:

- The Bishop of The Diocese of Maine
- The Missioner for Stewardship & Planned Giving
- Three members of the Diocese, as appointed by the Bishop, one of whom must be an attorney and one of whom must be a Trustee of the Diocesan Funds
- Such other persons as may be appointed by the Bishop

b. The Gifts Acceptance Committee is charged with the responsibility of reviewing all gifts made to the Diocese except those gifts made through the Episcopal Church Foundation. The purpose of the review by the Gifts Acceptance Committee is to properly screen gifts and make recommendations to the Bishop and the Trustees of the Diocesan Funds.

V. Types of Gifts

a. The Diocese will accept outright gifts of cash and publicly traded securities.

b. Gifts of property other than cash and publicly traded securities or gifts in a form other than outright are subject to the approval of the Gifts Acceptance Committee.

c. The following criteria guide the acceptance of each gift:

(1) *Cash and Publicly Traded Securities.* Cash and publicly traded securities are acceptable in any form. As a general rule, all marketable securities shall be sold upon receipt unless otherwise directed by the Trustees of the Diocesan Funds. In some cases marketable securities may be restricted by applicable securities laws; in such instance the Gifts Acceptance Committee will make recommendations on the acceptance of the restricted securities. The

Financial Officer of the Diocese will have details about transfers and shall be contacted at the Diocese's administrative offices at 143 State Street, Portland, ME 04101

(2) *Tangible Personal Property.* Gifts of tangible personal property shall be examined in light of the following criteria:

- Does the property fulfill the mission of the Diocese?
- Is the property marketable?
- Are there any undue restrictions on the use, display, or sale of the property?
- Are there any carrying costs for the property?

The Gifts Acceptance Committee shall make the final determination on the acceptance of tangible personal property gifts.

(3) *Closely Held Securities.* Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in limited partnerships and limited liability companies, or other ownership forms, may not be accepted without the approval of the Gifts Acceptance Committee. The Gifts Acceptance Committee shall review the facts and circumstances to determining that:

- Are there any restrictions on the security that would prevent the Diocese from converting the security to cash?
- Is the security marketable?
- Will the security generate an undesirable tax consequence for the Diocese?

If potential problems arise on the initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on the acceptance of the closely held stock. The Gifts Acceptance Committee and the Diocese's legal counsel shall make the final determination on the acceptance of closely held securities. Every effort will be made to sell non-marketable securities as quickly as possible.

(4) *Real Estate.* Gifts of real estate may include developed property and undeveloped property. All gifts of real estate interests must be evaluated and inspected by an authorized representative of the Gifts Acceptance Committee prior to acceptance. Such inspection shall include an initial environmental review of the property to ensure that the property has no environmental liability. In the event that the initial inspection reveals a potential problem, the Diocese may retain a qualified inspection firm to conduct an environmental audit if the Gifts Acceptance Committee recommends further inspection. The cost of the environmental audit generally shall be an expense of the donor. When appropriate, a title binder shall be obtained by the Diocese prior to the acceptance of the real property gift. The cost of this title binder generally shall be an expense of the donor.

Prior to acceptance of real property, the following information should be provided by the donor:

- Map showing location of property
- Legal description of property
- Proof of ownership
- Survey of Subject property
- List of improvements
- Copies of current leases, if any
- List of encumbrances, including deed restrictions or covenants, liens and current expenses, if any
- Copy of current year's tax bill
- Proof of payment of taxes and association fees, if any
- Copy of title policy or a recent title commitment, including copies of all documents shown as exceptions to title on the report
- Recent appraisal or other acceptable valuation, which will be attached to the donor's IRS Form 8283
- Written statement from the donor identifying any known waste disposal sites or spills of hazardous waste material on the property, or statement to the contrary
- Written statement from the donor outlining purposes of gift
- Environmental Impact Study – Level 1 Environmental Impact Study and Audit and, if necessary, a Level 2 Study and Audit, with all costs to be borne by the donor

Prior to acceptance of the real property, the gift must be recommended by the Gifts Acceptance Committee and the Diocese's legal counsel. Criteria for acceptance of the property shall include:

- Is the property useful for the purposes of the Diocese?
- Is the property marketable?
- Are there any restrictions, reservations, easements, or other limitations associated with the property?
- Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, associated with the property?
- Does the environmental audit reflect that the property has liability issues?

(5) *Remainder Interests in Property.* The Diocese will accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions concerning real estate in paragraph (4) above. The donor or other occupants may continue to occupy the real property for the duration of the stated life or lives. Upon the death of the life tenant or life tenants, the Diocese may use or sell the property as it deems appropriate. During the life tenancy, expenses,

including maintenance, real estate taxes and indebtedness, shall be paid by the donor or life tenant, as the case may be.

(6) *Oil, Gas, and Mineral Interests.* The Diocese may accept oil and gas property interests, when appropriate. Prior to acceptance of an oil and gas interest the gift shall be approved by the Gifts Acceptance Committee, and if necessary, by the Diocese's legal counsel. An environmental review may be undertaken. Criteria for acceptance of the property shall include:

- Do the surface rights have a value of \$20,000 or greater?
- Does the oil, gas, or mineral interest generate at least \$3,000 per year in royalties or other income (as determined by the average of the three years prior to the gift)?
- Are there any extended liabilities or other considerations that make receipt of the gift inappropriate?
- A working interest may only be accepted where there is a plan to minimize potential liability and tax consequences.

(7) *Bargain Sales.* The Diocese of Maine will enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission and purposes of the Diocese. All bargain sales must be reviewed by the Gifts Acceptance Committee and to the extent the bargain sale involves real estate, the provisions concerning real estate in paragraph (4) above must be met.

Factors used in determining the appropriateness of the transaction include:

- Does an independent appraisal substantiate the value of the property?
- If the Diocese is asked to assume debt with the property, is the debt ratio less than 50% of the appraised market value?
- Can the Diocese use the property?
- If the property is to be sold, is it reasonable to expect a sale within twelve months of the property being placed on the market?
- What are the expected costs to safeguard, insure, and maintain the property during the holding period?

(8) *Life Insurance.* (i) Gift of Policy. The Diocese must be named as both primary beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be recorded as a gift. A gift of a policy is valued at the interpolated terminal reserve value, or cash surrender value on the date of the transfer of ownership. If the donor contributes future premium payments, the Diocese will treat the amount of the additional premium as a gift in the year that it

is made. If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, the Diocese may continue to pay the premiums, convert the policy to paid-up insurance or surrender the policy for its current cash value, as the Diocese deems appropriate.

(ii) Designation as Beneficiary of Policy. Donors and supporters of the Diocese will be encouraged to name the Diocese as a primary beneficiary or a contingent beneficiary of life insurance policies. Such designations shall not be recorded as gifts to the Diocese until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

(9) *Charitable Gift Annuities.* The Diocese welcomes charitable gift annuities through the Episcopal Church Foundation. The Diocese does not manage a separate charitable gift annuity program.

(10) *Pooled Income Funds.* The Diocese welcomes gifts of shares of pooled income funds through the Episcopal Church Foundation. The Diocese does not manage a separate pooled income fund.

(11) *Charitable Remainder Trusts.* The Diocese may accept designation as remainder beneficiary of a charitable remainder trust with the approval of the Gifts Acceptance Committee. The Diocese will not accept appointment as trustee of a charitable remainder trust.

(12) *Charitable Lead Trusts.* The Diocese may accept designation as an income beneficiary of a charitable lead trust. The Diocese will not accept appointment as trustee of a charitable lead trust.

(13) *Retirement Plan Beneficiary Designations.* Donors and supporters of the Diocese will be encouraged to name the Diocese as a beneficiary of an individual retirement account, a 401(k) account, a 403(b) account or other retirement plan. Such designations will not be recorded as gifts to the Diocese until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

(14) *Bequests.* Donors and supporters of the Diocese will be encouraged to make bequests to the Diocese under wills and trust instruments. Such bequests will not be recorded as gifts to the Diocese until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

VI. Miscellaneous Provisions

a. *Securing appraisals and legal fees for gifts to the Diocese.* Generally it will be the responsibility of the donor to secure an appraisal (where required), provide an environmental review (as appropriate) and retain independent legal counsel for all gifts made to the Diocese.

b. *Acknowledgment.* (1) Valuation of gifts. The Diocese will record a gift on the date the gift is completed at the fair market value for federal gift tax purposes. The Diocese will sign IRS Form 8283 as the recipient of a charitable gift as is required for a gift having a value in excess of \$5,000.

(2) Responsibility for IRS Filings upon sale of gift items. The Diocese will file IRS Form 8282 upon the sale or disposition of any asset sold within two years of receipt by the Diocese when the value of the gift is more than \$5,000. The Diocese must file this form within 125 days of the date of sale or disposition of the asset.

(3) Adherence to U.S. Treasury Regulations. The Diocese will acknowledge all gifts made to the Diocese for charitable purposes in accordance with the regulations issued by the U.S. Treasury Department.

c. *Review of Pertinent IRS Publications.* IRS Publication 561 *Determining the Value of Donated Property* and IRS Publication 526 *Charitable Contributions* shall be reviewed by the Gifts Acceptance Committee on a regular basis.

VII. Changes to Gift Acceptance Policies

Changes to, or deviations from, the Gifts Acceptance Policies may be made with the approval of the Gifts Acceptance Committee. All such changes shall be in writing.

Approved on the _____ day of _____, 2006.

The Rt. Rev. Chilton R. Knudsen, VIII Bishop of Maine

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Documents for the Gifts Acceptance Committee

1. *Model Standards of Practice of the Charitable Gift Planner*
2. Environmental Review forms
3. IRS Forms 8282 and 8283 and Instructions
4. IRS Publication 561 Determining the Value of Donated Property
5. IRS Publication 526 Charitable Contributions