



COVINGTON LATIN SCHOOL

Achieve here. Excel here. Belong here.

Gift Acceptance and Guidelines

adopted from the

Diocese of Covington

(approved September, 2010)



OVERVIEW

In his first encyclical, *Deus Caritas Est* (God is Love), 2006, Pope Benedict XVI writes, “for the Church, charity is not a kind of welfare activity which could equally well be left to others, but is a part of her nature, an indispensable expression of her being.”

Catholic fundraising is not for the sake of some humanitarian concern, as worthy as that effort may be. It is for the sake of the Gospel mandate to love God and one’s neighbor.

In the United States Bishops’ Conference document *Complimentary Norms Implementing Canon 1262*, the Bishops state that:

- Fundraising appeals are to be truthful and forthright, theologically sound, and should strive to motivate the faithful to a greater love of God and neighbor.
- Fundraising efforts are to be for defined needs.
- The relationship of trust between donor and fund raiser requires that funds collected be used for their intended purposes.
- Donors are to be informed regarding the use of donated funds and assured that any restriction on the use of the funds by the donor will be honored.

- Funds collected are not absorbed by excessive fundraising costs.
- Institutes of consecrated life and societies of apostolic life require approval of the respective competent major superiors and the Diocesan Bishop to solicit funds; Diocesan entities require approval of the Diocesan Bishop to solicit funds; other Catholic entities and organizations require the approval of the Diocesan Bishop to solicit funds.
- Approval for fundraising by the competent authority is to be given in writing with reference to the purpose for which the funds are being raised, the time frame, and the methods to be used in raising them.
- Oversight of fundraising programs is to be maintained by competent authority through period review and reports to the Diocesan Bishop.

The Diocese of Covington embraces good fundraising and accountability practices and ethical principles in meeting its responsibilities to its donors, members, and friends. External and internal controls and good fiduciary practices will be utilized.

DONORS BILL OF RIGHTS

To ensure that donors and prospective donors have full confidence in Covington Latin School, here and after referred to as Covington Latin, declares that all donors have the following rights:

- I. To be informed of Covington Latin’s Mission, of the way Covington Latin intends to use donated resources and of its capacity to use donations effectively for their intended purpose.
- II. To be informed of the identity of those serving on the Diocesan Acceptance Committee, who provided the template for this policy, and to expect the committee to exercise prudent judgment in its stewardship responsibilities.
- III. To have access to Covington Latin’s most recent financial statements/audit.
- IV. To be assured that their gifts will be used for the purpose for which they were intended.
- V. To receive appropriate acknowledgement and recognition.
- VI. To be assured that information about their donation is handled with respect and confidentiality to the extent provided by law.
- VII. To expect that all relationships with the donor will be professional in nature.
- VIII. To be informed whether those seeking donations are volunteers, employees of Covington Latin, consultants, or hired solicitors.
- IX. To have the opportunity to have their names deleted from mailing lists.

- X. That Covington Latin’s donor base will not be shared or sold with any organization.
- XI. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

GIFT ACCEPTANCE AND GUIDELINES

Covington Latin School encourages the solicitation and acceptance of gifts for purposes that will enable it to further and fulfill its Mission. The following policies and guidelines govern acceptance of gifts made to COVINGTON LATIN.

I. Purpose

Covington Latin promotes and encourages current and deferred gifts from individuals, corporations, foundations, religious organizations and communities to secure the future growth and Mission of Covington Latin and its students. It is the purpose of these policies and guidelines to govern the acceptance of gifts by Covington Latin and to provide guidance to prospective donors and their advisors when making these gifts. The provisions of these policies shall apply to all gifts received by Covington Latin for any of its programs or services.

II. Adherence to ethical fundraising practices

Covington Latin has, among its primary objectives, the task of working with donors to help them make contributions that will satisfy their charitable giving intentions; by keeping in mind that the donors’ rights and financial interest are paramount.

Covington Latin and its representatives will always suggest that the donor make the donor’s family aware of the donor’s interest in making a specific gift.

Covington Latin and its representatives will not support techniques and practices that use undue persuasion upon their donors.

Representatives of Covington Latin will neither perpetuate any misrepresentation to the donor nor take advantage of any donor’s incapacity or inability to fully understand the nature of any gift the donor is contemplating. Should a situation arise which would question the competence of an individual making a gift, Covington Latin will seek, whenever possible, a letter from the donor’s physician to document that the individual is of sound mind, under no constraint or undue influence.

In circumstances in which the donor’s ability to comprehend the irrevocable nature of a gift is in question, or there may be a question about the amount of the gift being appropriate considering the donor’s apparent means and situation, Covington Latin staff will make a reasonable effort to contact the donor or the donor’s representatives to determine whether or not to accept the gift.

All members of Covington Latin shall conduct all fundraising activities undertaken on behalf of Covington Latin with accepted professional standards of accuracy, trust, integrity and good faith.

III. Conflict of Interest

All prospective donors shall be strongly urged to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences.

A donor who chooses not to engage counsel must acknowledge this decision in a written statement before the gift is accepted. This restriction applies to those types of gifts with tax and estate planning ramifications or gifts in excess of \$5,000.

Charitable Gift Annuity, Charitable Remainder Trust, etc., illustrations will always include a disclaimer encouraging the prospective donor to seek independent advice and reminding them of the irrevocable nature of their contributions. Acknowledgement letters for gifts of securities shall include the same disclaimer.

If requested, Covington Latin will be called upon to draft documents and may prepare suggested language pertinent to a bequest to Covington Latin to be submitted to the donor's attorney for inclusion in the donor's will or codicil.

Covington Latin can, as referenced above, prepare documents and other materials that will expedite the formation of planned charitable gifts. Those costs will be borne by the Diocese. The Diocese shall not pay any fee or commission, directly or indirectly, for the right to receive a gift as a gift planner should be compensated by those they represent, to whom they are responsible and for whom services are provided.

Covington Latin may also be asked to review and comment upon documents drafted by the donor's attorney.

Staff and members of Covington Latin who are not members of the Kentucky Bar shall not give legal advice to prospective donors. Furthermore, Covington Latin staff will not offer advice or counsel in any specialty area unless qualified.

Both donors and Covington Latin may employ, in addition to legal counsel, professionals and specialists; e.g., certified financial planners, investment counselors or advisors, trust officers, tax advisors and accountants, etc.

No person in the employ of Covington Latin, its entities or serving on its Boards may accept any compensation or material benefit from a donor as a result of the gift planning process.

IV. Use of Legal Counsel

Covington Latin and its entities shall seek the advice of legal counsel for use in matters relating to acceptance of gifts when appropriate. Review by legal counsel is recommended for the following types of gifts:

- Review of closely held stock transfers that are subject to restrictions or buy/sell agreements.
- Review of documents naming Covington Latin as trustee.

- Review of all gifts involving contracts, such as bargain sales, charitable gift annuities or other documents requiring Covington Latin to assume an obligation.
- Review of all transactions with potential conflict of interest that may invoke IRS sanctions.
- Review of other gifts/instances in which use of legal counsel is deemed appropriate by the Gift Acceptance Committee.
- All prospective donors will be encouraged to seek their own professional counsel in matters relating to their gifts and the resulting tax and estate planning consequences. Donors shall also be encouraged to have their own advisors review all proposals and illustrations presented to them. Gift annuity, charitable remainder trusts, etc., illustrations will always include a disclaimer encouraging the prospective donor to seek independent advice in reminding them of the irrevocable nature of their contributions. Acknowledgement letters for gifts of securities shall include the same disclaimer.

V. Restrictions on gifts

Covington Latin will accept unrestricted gifts as well as gifts for specific programs and purposes, provided that these restricted gifts are not inconsistent with its stated Mission, purposes and priorities. Covington Latin will not accept gifts that are too restricted in purpose. Gifts that are too restricted include those that are too difficult to administer, gifts that are for purposes outside the Mission of Covington Latin and gifts that may violate the terms of the Diocesan Corporate Charter. All final decisions on the restrictive nature of the gift, and its acceptance or refusal, shall be made by the Gift Acceptance Committee of the Diocese of Covington.

VI. The Gift Acceptance Committee for the Diocese of Covington

The Gift Acceptance Committee shall consist of:

- The Vicar General of Pastoral Services and Moderator of the Curia
- The Diocesan Director of Finance
- The Diocesan Director of the Stewardship and Mission Office
- A representative of the firm that serves as the Diocesan Legal Counsel
- Other members as appointed by the Bishop

The Gift Acceptance Committee is charged with the responsibility of reviewing all gifts made to Covington Latin, properly screening and accepting these gifts and making recommendations to the Headmaster on gift acceptance issues when appropriate. The Bishop of the Diocese of Covington has the right to overturn any decision made by the Gift Acceptance Committee.

The Gift Acceptance Committee is also authorized to approve the following agreements without regard to the gift amount:

- Any planned gift made by will or other estate planning instrument which is unrestricted in nature and funded with cash, publicly traded securities or other financial instruments with a ready market.

- Any planned gift in which Covington Latin will receive the charitable interest, or a portion thereof, and in which Covington Latin is neither named as trustee nor has other fiduciary responsibilities or liabilities.

VII. Types of Gifts

A. The following current and deferred gifts are acceptable:

- Cash
- Tangible personal properties
- Securities
- Real Estate
- Remainder interest in property
- Gifts of grain and livestock
- Bargain sales
- Life insurance beneficiary designations
- Charitable Gift Annuities
- Charitable Remainder Trusts
- Charitable Lead Trusts
- Retirement plan beneficiary designations
- Bequests
- Life insurance beneficiary designations
- Retained life estates
- Pledge

B. The following criteria govern the acceptance of each gift form:

Cash is acceptable in any form:

Cash is acceptable in any form regardless of the amount. Checks should be made payable to Covington Latin. If donations are being made to an endowment fund or a special collection, that shall be specified in the memo line. In no event shall a check or money-order be made payable to an individual who represents Covington Latin.

(There may be circumstances in which the donors ability to comprehend the irrevocable nature of the gift is in question, or there may be a question about the amount of the gift being appropriately given considering the donors apparent means and situation. In such instances, Covington Latin staff will make a reasonable effort to contact the donor to determine whether or not to accept the gift.)

A receipt shall accompany any donation of cash made to Covington. This receipt should be signed by the donor, the staff and the representative and should indicate the amount of the gift, date it was made, and that no goods or services were given in exchange for the contribution.

Pledges may be payable in a single or multiple installments. In most cases, pledges may not exceed the five-year duration. Pledge payments exceeding these time periods must be approved by the Gift Acceptance Committee. All donors making a pledge must complete a pledge form, a letter of intent, or confirm the pledge in

writing. The pledge form must be dated, signed, indicate the amount of the gift and indicate the time period in which the pledge will be fulfilled.

VIII. Publicly Traded Securities

- A. Covington Latin can accept readily marketable securities, such as those traded on a stock exchange.
- B. Marketable securities may be transferred to an account maintained at one or more brokerage firms or delivered physically with the donor's signature and/or stock power attached.
- C. Gift securities are likely to be sold immediately upon receipt unless exceptions have been made by the Gift Acceptance Committee.
- D. In some cases Marketable Securities may be restricted by applicable security laws: in such instances the final determination on the acceptance of these restricted securities shall be by the Gift Acceptance Committee.
- E. For gift crediting and accounting purposes, the value of the security is the average of the high and low on the date of the gift.

IX. Closely Held Securities

- A. Non-publicly traded securities, which include not only debt and equity positions in non-publicly traded companies but also Limited Liability Partnerships (LLP) and Limited Liability Corporation (LLCs) or other ownership forms, may be accepted after consultation with the Director of Advancement and/or the Headmaster and/or the Gift Acceptance Committee, and/or legal counsel. Review of these gifts must be made prior to acceptance to determine that:
 - there are not restrictions on the security that would prevent Covington Latin from ultimately converting those assets to cash;
 - the security is marketable, and;
 - the security will not generate any undesirable tax consequences for Covington Latin School.
- B. Prior to acceptance, Covington Latin shall explore methods of liquidation for the securities through redemption or sale. A representative of Covington Latin shall try to contact the closely held corporation to determine:
 - an estimate of the fair-market value of the securities
 - any restrictions on the transfer
- C. No commitment for repurchase of closely held securities shall be made prior to completion of the gift of these securities.
- D. If potential problems arise on the initial review of these securities, further review and recommendations from an outside professional may be sought before making a final decision on acceptance of the gift. The final determination on the acceptance of closely held securities shall be made by the Gift Acceptance Committee and legal counsel when necessary.
- E. Every effort will be made to sell non-publicly traded securities as quickly as possible.

X. Real Estate

- A. Gifts of real estate may include developed property, undeveloped property or gifts subject to a prior life interest.

- B. Prior to acceptance of real estate, Covington Latin shall require an initial environmental review of the property to ensure that the property is not contaminated with environmental damage.
- C. Prior to presentation to the Gift Acceptance Committee, a member of Covington Latin staff must conduct a visual inspection of the property wherever possible. If the property is located in a geographically isolated area, a local estate broker can substitute for a member of the staff in conducting a visual inspection.
- D. In the event that the initial inspections reveal a potential problem, Covington Latin shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall be the responsibility of the donor.
- E. The donors are responsible for obtaining an appraisal of the property. The cost of this appraisal is the responsibility of the donor.
- F. Prior to acceptance of the property, the donor must provide the following documents:
 - real estate deeds
 - real estate tax bill
 - plat plan
 - substantiation of zoning status
- G. Other criteria for the acceptance of real estate includes:
 - Is the property useful for the purpose of Covington Latin?
 - Is the property marketable?
 - Are there any restrictions, reservations, easements, or other limitations associated with the property?
 - Are there any caring costs, which may include insurance, property taxes, mortgages, or notes, etc., associated with the property?
 - Does the environmental audit reflect that the property is not damaged?
- H. Depending on the value and desirability of the gift and the donors relationship with Covington Latin, and the donors past gift record history, the donor may be asked to pay for all or a portion of the following:
 - maintenance costs
 - real estate taxes
 - insurance
 - real estate brokers commission and other costs of sales
- I. For Covington Latin's gift crediting and accounting purposes, the value of the gift is the appraised value of the real estate.

XI. Life Estate Agreement

- A. Covington Latin will accept a remainder interest in a personal residence, farm or vacation home subject to the provisions listed in section X.
- B. The donor or other occupants may continue to occupy the real property for the duration of the stated life.
- C. At the death of the donor, Covington Latin may use the property or reduce it to cash.
- D. When Covington Latin receives a gift of the remainder interest, expenses for maintenance, real estate taxes and any property indebtedness are to be paid by the donor.

XII. Bargain Sales

- A. Covington Latin will enter into a bargain sale arrangement in instances in which the bargain sale furthers the Mission and purposes of Covington Latin.
- B. All bargain sales must be reviewed and recommended by the Gift Acceptance Committee.
- C. Factors used in determining the appropriateness of the transaction include:
 - Covington Latin must obtain an independent appraisal substantiating the value of the property.
 - If Covington Latin assumes debt with the property, the debt ratio must be less than 50% of the appraised market value.
 - Covington Latin must determine that it will use the property, or that there is a market for sale of the property allowing sale within 12 months of receipt of the property.
 - Covington Latin must calculate the cost to safeguard, insure and expense the property (including property tax, if applicable) during the holding period.

XIII. Life Insurance

- A. Covington Latin will accept life insurance policies as gifts only when Covington Latin is named as the sole owner and 100% beneficiary of the policy.
- B. If the policy is a paid-up policy, the value of the gift for Covington Latin is the policy's replacement cost.
- C. If the policy is partially paid up or the value of the gift for Covington Latin is the policy's cash surrender value. (NOTE: For IRS purposes, the donor's charitable income tax deduction is equal to the interpolated terminal reserve, or cash surrender value, upon receipt.)
- D. The donor continues to contribute future premium policies, Covington Latin will include the entire amount of the additional premium payment as a gift in the year that it is made.
- E. If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, Covington Latin may:
 - continue to pay the premiums
 - convert the policy to paid-up status
 - surrender the policy for its current cash or market value
- F. Covington Latin will not encourage gifts of non or partially paid-up life insurance policies. It will however encourage the donation of paid-up policies as gifts.

XIV. Gift of Grain and Livestock

- A. Gifts of grain and livestock will be treated in a similar manner to gifts of stock.
- B. As a general rule, any gift of grain given to Covington Latin shall be sold immediately upon receipt at the fair market value at the time of the gift.

XV. Tangible Personal Property

- A. Gifts of tangible personal property to Covington Latin should have a use related to Covington Latin exempt purposes.
- B. Gifts of jewelry, art work, collections, equipment and software shall be accepted only after approval by the Gift Acceptance Committee.
- C. Such gifts of tangible personal property as defined above shall be used by or sold for the benefit of Covington Latin.

- D. No property that requires special display facilities or security measures shall be accepted by Covington Latin without consultation with the Gift Acceptance Committee.
- E. Depending upon the anticipated value of the gift, Covington Latin shall have a qualified outside appraiser value the gift before accepting it.
- F. Covington Latin adheres to all IRS requirements relating to disposing gifts of tangible personal property and filing appropriate forms.

PLANNED GIFTS

Covington Latin School offers the following planned gift options that allow the donor to give assets rather than cash through a bequest, charitable trust, gift annuity, life insurance or other deferred gift option as outlined below.

I. Charitable Gift Annuities

- A. Administrative fees shall be paid from income earned on the charitable gift annuity.
- B. There shall be no more than two beneficiaries listed on a charitable gift annuity agreement.
- C. The minimum gift to establish a charitable gift annuity is \$5000.
- D. No primary beneficiary for a charitable gift annuity shall be younger than 65 years of age. The Bishop of the Diocese of Covington may approve exceptions to this age criteria.
- E. Minimum age for the life income beneficiaries for a deferred charitable gift annuity shall be 55. The Bishop of the Diocese of Covington may approve exceptions to this age criteria.
- F. Annuity payments may be made on a quarterly, semi-annual, or annual schedule. The Bishop of the Diocese of Covington may approve exceptions to this payment schedule.
- G. Covington Latin will not accept real estate, tangible personal property, or other non-liquid assets in exchange for current charitable gift annuities.
- H. Covington Latin may accept real estate, tangible personal property, or other non-liquid assets in exchange for deferred gift annuities. However, there must be at least a five year period before the commencement of the annuity payment date, the value of the property is reasonably certain, the property is marketable and the Gift Acceptance Committee and the Bishop approve the arrangement.
- I. The funds contributed in exchange for a gift annuity shall be set aside and invested during the time of the annuity payments. Once those payments have terminated, the funds shall be transferred to Covington Latin.
- J. Covington Latin uses the rate scale for Charitable Gift Annuities as suggested by the National Charitable Gift Annuities Association. Only the Bishop can approve exceptions to these payment rates.

II. Charitable Remainder Trusts

- A. Covington Latin may accept designation as remainder of the charitable remainder trust with the approval of the Gift Acceptance Committee.
- B. Covington Latin will not accept appointment as trustee of a charitable remainder trust.
- C. If Covington Latin is named as trustee or co-trustee for a charitable remainder trust, management fees for the administration of the trust shall be paid from the income of the trust.

- D. In cases where Covington Latin is named as a trustee or co-trustee of a charitable remainder trust, the investment of the CRT shall be determined by the fiduciary hired to manage the trust. No representations by a Covington Latin employee or person acting on behalf of Covington Latin as to the management or investment of such CRTs.
- E. By law, the pay-out rate of a CRT cannot be lower than 5%. Pay-out rate should take into consideration the number of beneficiaries, their ages, and the size of the trust.

III. Charitable Deed Trust

- A. Covington Latin may accept a designation as income beneficiary of a charitable deed trust.
- B. Covington Latin will not accept an appointment as trustee of a charitable deed trust.

IV. Retirement Plan Beneficiary Designation

- A. Donors and supporters of Covington Latin have been encouraged to name Covington Latin as a beneficiary of their retirement plan.
- B. Such designations shall not be recorded as gifts to Covington Latin until such time as the gift is irrevocable.
- C. 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.

V. Bequests

- A. Donors and supporters of Covington Latin shall be encouraged to make bequests under their wills and trusts.
- B. Such bequests shall not be recorded as gifts until such time as the gift is irrevocable.

VI. Life Insurance Beneficiary Designations

- A. Donors and supporters of Covington Latin shall be encouraged to name Covington Latin as a beneficiary or contingent beneficiaries of their life insurance policies.
- B. Such designation shall not be recorded as a gift to Covington Latin until such time as the gift is irrevocable.
- C. 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.

VII. Legacy Society

- A. Donors who have indicated that they have made a gift to Covington Latin will be enrolled into the Bishop Francis William Howard Legacy Society.
- B. Depending upon the individual situation, donors may be asked to disclose, in writing the terms of the gift.
- C. This information will be used only for internal financial purposes and is not binding on the donor.
- D. This information shall always be kept in the strictest of confidence.
- E. Membership benefits include a personal thank you letter and token of appreciation from the Headmaster and an invitation to attend an event with the Headmaster that will be held from time to time.

VIII. Miscellaneous Provisions

- A. Securing appraisals and legal fees for gifts to Covington Latin:

- It shall be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts to Covington Latin.
- B. Valuation of gifts for development purposes:
- Covington Latin shall record a received gift at its valuation for gift purposes on the date of the gift.
- C. Responsibility for IRS filings on sale of gift items:
- The Gift Acceptance Committee of Covington Latin shall be responsible for following the most current instructions for and filing IRS form 8282 upon the sale or disposition of any assets.

IX. Gift Recognition Policies

- A. Acknowledgement of all gifts made to Covington Latin, in compliance with current IRS regulations, shall be the responsibility of the appropriate official of that entity.
- B. All life income instruments, such as charitable remainder trusts, charitable gift annuities, and deed trusts, shall be acknowledged at the value of the charitable tax deduction amount at the time of the gift.
- C. Covington Latin is encouraged to utilize donor recognition tools, such as plaques and trees, to encourage gifts for specific purposes. Qualification for recognition on these items should have minimum giving levels established.
- D. Gifts of this kind will be considered for recognition if such gifts are eligible for a charitable tax deduction under current IRS standards and if the appropriate officer of Covington Latin determines the gift can be converted into cash or used by Covington Latin.
- E. The personal property shall be recognized at the appraised value of the gift at the time it is made. If there are restrictions on the sale, the gift will be reviewed on an individual basis.

X. Naming Opportunities

Naming opportunities in conjunction with the receipt of an irrevocable gift may be appropriate. The determination of the minimum qualifying gift and the actual physical location to be named is the decision made by the Headmaster in consultation with the Bishop of the Diocese of Covington in collaboration with his advisors and the leadership of the Diocesan or Parish entity involved.

XI. Administrative Issues

- A. Covington Latin shall act as an executor (personal representative) for a donor's estate.
- B. Covington Latin will not pay for the drafting of legal documents for a charitable remainder trust. The donor's own counsel must draft and review the documents at the donor's cost.

XII. Changes to these policies

These policies and guidelines have been reviewed and accepted by the Bishop of the Diocese of Covington in September of 2010 and by the Headmaster and School Board of Covington Latin in December of 2013. The Gift Acceptance Committee of the Diocese of Covington must approve and submit any changes to or deviations from these policies to the Bishop of the Diocese of Covington.