THE EPISCOPAL CHURCH IN HAWAI'I
PLANNED GIVING PROGRAM AND
GIFT ACCEPTANCE POLICY

Adopted by Diocesan Council on 5/19/2007

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I. INTRODUCTION

A strong planned giving program is an important element in fulfilling the long range objectives of The Episcopal Church in Hawai`i (hereinafter periodically referred to as the “Diocese” or “TECH”). It is the policy of the Diocese to solicit, assist, and encourage individuals in establishing all forms of planned gifts benefiting the Diocese, and its Cathedral, parishes, missions and organizations. The program to implement this policy is called a “Planned Giving Program”.

The Planned Giving Program offers individuals the opportunity to integrate their charitable objectives into their overall estate planning. Such a program combines tax planning and money management in a comprehensive manner, so that individuals may maximize their resources for the benefit of themselves, their dependents, and others, including the Diocese and its entities.

The Planned Giving Program will result in periodic gifts being received by the Diocese. It is the goal of the Planned Giving Program to ensure that these gifts are used in a manner that (1) benefits the Diocese and its Cathedral, parishes, missions and organizations, (2) sends a positive message to the donor, the family members of the donor and other potential planned giving donors, and (3) builds a strong endowment base that will provide for the needs of the Diocese for generations to come.

II. DEFINITION

Endowments are created as a result of planned gifts and fund raising programs. A planned gift is the deliberate and carefully considered act of contributing an asset or assets to a charitable organization, and may be either deferred or outright in form. Planned gifts may take many forms.

The simplest and most common form is a bequest by will or trust. Other types of planned giving vehicles include life insurance policies and life estate arrangements. Often, a planned gift involves the transfer of a capital asset by an individual to a designated and qualified institution (i.e. TECH), the ownership of which is surrendered by the donor, controlled through a trust, and received by the institution as a deferred gift upon the fulfillment of the terms of the trust.

For such planned gifts, there are immediate tax benefits for the donor. The donor and specified third parties or subsequent beneficiaries may also retain an income stream (which is taxable) during the agreed upon period of the trust. Such gifts are called planned gifts because of the preparation required to make these gifts and the involvement of professionals such as attorneys, accountants, planned giving officers, etc. Current major gifts of $25,000 or more are also considered part of this program.

III. GOALS

A. To provide potential donors information regarding the mission and the financial needs of the Diocese, including its Cathedral, parishes, missions and organizations;

B. To help potential donors recognize estate planning as a means of attaining specific objectives for themselves, their dependents, and others, as well as the Diocese; and

C. To develop the additional resources necessary to support increasing financial needs throughout the Diocese.

IV. GUIDELINES

The Planned Giving Program is guided by the principles of stewardship as applied to contemporary culture with its particular economic, legal and tax structures. Within this context, the following guidelines apply:

A. All deferred gifts will be permanently and appropriately recorded and accounted for according to FASB[1] 116[2]/117[3]. No gift will be accepted if a donor designates a purpose inconsistent with the general purposes of the Diocese, as determined by the Bishop and the Diocesan Council.

B. All donor designations will be honored to the extent that they are consistent with the general purposes of the Diocese and its organizations.

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[1] Financial Accounting Standards Board

[2] Accounting for Contributions Received and Contributions Made

[3] Financial Statements for Not-For-Profit Organizations

C. Where there is no designation, the use of a gift will be determined through consultation with the Bishop and with the approval of the Diocesan Council

V. ORGANIZATION

The Planned Giving Program of the Diocese will take maximum advantage of the services offered by the Episcopal Church Foundation. Such services include administration of a pooled income fund, gift annuity programs, charitable remainder and lead trusts as well as document drafting and legal advice on charitable trust matters.

The Planned Giving Officer shall:

Organize and direct a systematic effort to achieve the goals established for the program. The program involves legal, tax and investment elements, as well as business and accounting procedures, promotion, prospect counseling and donor servicing, and recognition.

A. Develop and implement a total marketing program.

B. Maintain a program of continuing education on the most recent tax and legal developments relating to deferred giving.

C. Maintain adequate records for the program.

D. Provide regular progress reports to the Bishop and the Resource Development Department.

VI. POLICIES

The Diocesan Council shall adopt policy statements committing the Planned Giving Program to positions which protect the best interests of donors, representatives of the Diocese. These policies shall be reviewed by the Diocesan Council at least every five (5) years.

A. Conflicts of Interest

1. The interests of the donors must come before the interests of the Diocese. No donor or prospective donor should be urged to make a commitment which would benefit the Diocese at the expense of the

donor's interests or welfare.

B. Legal Counsel

1. A prospective donor will be urged to consult his or her own Attorney to review the state and federal income and estate tax consequences of the gift, the terms of any trust or annuity agreement and the advisability of the gift in light of the donor's overall estate plan and financial circumstances.

2. Legal counsel for the program will be chosen on the basis of expertise in the field of planned giving and estate planning. Diocesan liaison with counsel should be through the Planned Giving Officer.

3. At the request of a prospective donor, she/he will be provided with a list of names of Hawaii attorneys who specialize in the field of estate planning and planned giving. No fewer than three (3) names should be given with the ultimate choice being left to the prospective donor. Staff members of the Planned Giving Program who are not members of the Hawaii State Bar shall not give legal advice to prospective donors.

C. Undue Influence on Donors

1. Representatives of the Diocese must exercise extreme caution to avoid exerting pressure and undue influence when dealing with prospective donors. The role of such representatives is to inform, counsel, and assist donors.

2. Staff members of the Planned Giving Program shall conduct activities on behalf of the Diocese in accordance with acceptable professional standards of accuracy, trust integrity and good faith.

3. Diocesan staff personnel involved in the Planned Giving Program shall be paid a salary and shall not receive any Commission or

otherwise have a personal monetary interest in any gift.

D. Scope of Service

The services of representatives of the Diocese extend beyond Diocesan interests to help donors consider any additional charitable interests they may have.

E. Confidential Information

All information concerning donors (including their names and addresses, the names of beneficiaries, the nature and value of assets, the amounts of gifts, etc.) must be kept strictly confidential, except where a donor grants permission to use selective information for purposes of referral testimonial or example. Diocesan staff personnel who violate this policy shall be subject to immediate dismissal; volunteers shall be removed from their position.

F. Negotiation, Acceptance and Signing

Only the Planned Giving Officer and selected personnel, as approved by the Diocesan Council, are authorized to negotiate on behalf of the Diocese with prospective donors. The Bishop, the Planned Giving Officer, and the Diocesan Council are authorized to receive gifts to the Diocese that fall within specified guidelines set by the Bishop and the Diocesan Council.

The Diocese shall not accept any gift that will improperly inure to the benefit of any individual in any manner that would jeopardize its tax-exempt status. The Bishop, Vice President and Secretary of the Diocesan Council are authorized to sign planned gift agreements after such agreements have been approved by legal counsel.

G. Limitations

1. Generally limitations on planned gifts will be the same as those determined by the National Church Center and the Episcopal Church Foundation since the Hawai`i Planned Giving Program depends heavily on them for administrative support. As a general rule, the following applies:

a. No gift annuity shall be issued in exchange for an amount of less than $5,000 or for persons less than 55 years of age on the date of the agreement. Gift annuity agreements shall not be issued for more than two (2) lives.

b. No gift to a pooled income fund shall be accepted for an amount of less than $2,500 (with subsequent contributions of $1,000 or more) or for persons less than 50 years of age on the date of the gift. Pooled income fund beneficiaries shall not exceed two (2) persons per gift.

c. No unitrust or annuity trust shall be written for less than $100,000.

d. No named fund shall be established in exchange for an amount of less than $100,000.

e. No life estate contract shall be entered into where more than two lives are involved.

2. Any exceptions to these limitations shall be based on sound reasons, such as the likelihood of subsequent additions by the donor(s) and the age of the donor(s).

H. Acceptable Property

As a general rule, the Diocese will accept investment interests conditioned upon a review by the Diocesan Resource Development Department with regard to liquidity, accessibility, etc. Investments having a speculative value and which are non-liquid shall ordinarily not be accepted. Real property shall be fully investigated to determine that no toxic or environmental concerns will cause present or future liability. The "Real Property Disclosure" form. (Appendix C) will be completed for all gifts of real property. Encumbered real estate will only be accepted if, upon thorough review, it is not only in the best interests of the donor, but the best interest (present and future) of the Diocese.

I. Independent Appraisals

Unless the fair market value of an asset subject to a planned gift can be readily determined by reference to an objective and readily determined source, such as stock quotations on a national stock exchange, bid and ask quotations over the counter, "blue book" valuations of vehicles, and the like, the prospective donor shall be informed of the necessity of obtaining an independent appraisal of the assets to be donated as required by the Internal Revenue Service.

VII. PROCEDURES

A. Prospects

The procedure for building a planned giving prospect list must be designed in such a way as to identify those individuals who can most reasonable be expected to make significant financial commitments to the Diocese.

1. The first objective shall be to identify a broad reservoir of individuals who might make such commitments. Names shall come from and include present members of the Diocesan Council and the Standing Committee, as well as past members, donors of record and prospective donors referred by Cathedral, parishes, missions, institutions and agencies. All responsible members of the Diocese, including the Bishop, and other Clergy, Diocesan Council members, members of Standing Committee, Vestry and Bishop's Committee members have an obligation to promote the Planned Giving Program and identify potential donors.

2. The second objective shall be to determine the individuals in the reservoir who are good prospects for special attention and effort. Such special attention and effort may include:

    a. Individuals on the planned giving prospect lists shall be the focus of specialized promotion, cultivation and contact programs.

b. Referral forms shall be circulated periodically to friends of the Planned Giving Program.

c. The lists shall be reviewed and updated periodically by the Planned Giving Officer.

d. Those who interview prospects shall do so in a manner whereby they can obtain the names of additional prospects.

e. Seminars, advertising and direct mail shall be designed so as to generate inquiries and the names of additional prospects.

f. Criteria for qualifying prospects for special attention shall include:

(i) resources

(ii) special interest

(iii) record of giving

(iv) age

(v) other personal circumstances

(vi) relationship to the Diocese.

g. Procedures relating to mailing lists, record, files, access systems, and reporting shall be carefully supervised by the Planned Giving Office.

B. Personnel

The Planned Giving Officer and program staff shall be properly trained, supervised and formally authorized to represent the Diocese in matters of estate planning and planned giving. They shall be guided by the needs of the prospect and the established objectives, guidelines and policies as set forth in this outline.

C. Approaches

Personnel shall consider each prospect as unique and distinct with individual needs, interests, and circumstances. Their roles are that of counselors and friends, not salespersons or solicitors. Prospects shall be counseled to consider their own lifetime needs, to summarize sources of income, to take inventory of their resources and to make adequate provisions for contingencies. Diocesan representatives shall help prospects integrate their respective financial needs with their charitable objectives in such a way as to maximize efficiency in stewardship.

D. Promotion

1. All promotional efforts shall have the objective of generating response, inquiry, or incentive to take some clearly defined action.

2. General deferred gifts brochures, technical brochures, will kits, appropriate forms and illustrations shall be available and distributed at appropriate times to individuals who respond or inquire.

E. Records and Systems

1. Responsibilities for record keeping and system management will be shared by the Planned Giving Office and the Office of the Diocesan Treasurer.

2. There shall be close ongoing communication and coordination between the Office of the Treasurer and the Office of Planned Giving.

F. Estate Planning Professionals

1. Attorneys, accountants, trust officers, investment advisors, life insurance agents and others in positions related to estate planning who have prospects as clients shall be informed about the Diocesan Planned Giving Program. Prospects should be referred to such persons whenever appropriate.

2. Selected estate planning professionals shall be the subjects of a special cultivation program and shall be included on planned gift mailing lists.

VIII. ADMINISTRATION OF PLANNED GIFTS

A. Legal Counsel

Legal counsel is an essential part of a planned giving program.

B. Investment Counsel

1. This function is generally entrusted to the National Church Center and its Committee on trust funds or the Episcopal Church Foundation.

2. A donor may choose to use the service of a local trust company or the Hawai`i Community Foundation to administer a planned gift. If the donor chooses to use separate counsel, the donor must bear any expenses involved.

C. Standards of Care

1. Receipts shall be issued by authorized representatives of the Diocese for any gifts received.

2. The Planned Giving Office shall deliver all such funds and other gifts to the Treasurer's/Comptroller's Office for servicing, pursuant to policies adopted by the Diocesan Council.

3. The Diocesan Council shall authorize the appropriate persons to sign agreements and other documents related to deferred gifts.

4. No agreements shall be concluded without approval of legal counsel as to form.

IX. NAMED FUNDS

Requests from individuals or organizations for establishing special funds within the Diocese will be handled by the Planned Giving Officer. The Planned Giving Officer shall:

A. Draft an agreement stipulating the criteria for the fund and secure the approval of the donor;

B. Assure that guidelines and policies of the Diocese are followed;

C. Assure that a minimum gift of $100,000 is secured to establish a named fund (to function as endowment) or that provision be made for the distribution if the named fund does not reach this minimum amount within a stipulated time;

D. Encourage the donor to make a gift that is as flexible in its purpose as possible, preferably for the general purpose of the Diocese. Obtain written consent of the contributor, where practical, to allow for the lifting of any restriction on the original gift after a specified period of time (preferable within 10 to 20 years) or for which the gift was made was eliminated or becomes impractical for any reason. The Diocese should make every attempt to follow the original intent of the agreement and select an appropriate use as close as possible to that original intent;

E. Obtain the approval of the Diocesan Council for recommendation to the Bishop for the establishment of the named fund;

F. Obtain legal advice on the soundness of the details of the agreement; and

G. Secure signatures of donor or donor's representative on the written agreement and distribute copies to:

   1. The Donor

   2. The Bishop

   3. The Diocesan Treasurer

X. PROCEDURES FOR ACCEPTED PLANNED GIFTS

A. Policy

It is the general policy of the Diocese that all planned gifts received, large or small, will be added to an endowment. Names of donors to this fund will be recorded and given proper acknowledgement. Major gifts, in excess of $100,000, will be used to establish named funds within the endowment. The investment of any unrestricted gifts received by the Diocese will be governed by an investment policy which is established by the Diocesan Council and reviewed by them from time to time.

B. Gifts Designated as to Purpose

Some gifts will be designated as to their purpose by prior agreement with the donor. Such gifts shall be used for the designated purpose, as long as such purpose exists and is consistent with the general purposes of the Diocese. The agreement with the donor should include language which allows the use of the gift to change if circumstances so warrant.

C. Gifts Restricted As to Use of Principal

Donors may wish their gifts to be used as endowments which are restricted (i.e. “no invasion of principal”). Such restrictions shall be honored using existing Hawai`i State Law and accepted endowment fund management principles as guidelines.

D. Undesignated Gifts

1. All funds received by the Diocese that are not designated for specific purposes shall be used for general purposes of the Diocese. These purposes may change from year to year based on the needs of the Diocese, as determined by the Diocesan Council.

2. It is strongly recommended that the Diocesan Council establish goal oriented funds within the endowment e.g. Christian Education, Outreach, Capital Improvement etc. as a way to foster gifts and meet the needs of the Diocese.

3. In no case shall planned gifts be taken into working capital, i.e. the operating budget.

E. Unrestricted Gifts

Any gift received where the donor specifically states that the principal may be used for any purpose will be placed in a separate fund in the endowment (or in a named fund if the gift exceeds $100,000) which allows the use of the principal. Sound endowment fund investment management principles shall be the governing policy.

Appendix A

Immediate and Deferred Giving Methods

A. Pooled Income Fund

1. Development staff will obtain from the donor all pertinent information regarding beneficiaries and the property to be transferred by using the forms supplied by the Episcopal Church Foundation.

2. The Planned Giving Commission will review the proposed gift for approval or disapproval.

3. If approved, development staff will arrange for the transfer of property to the trustee, compute the charitable deduction for the donor, and execute all other documents and correspondence pertaining to the gift.

4. The initial contribution shall be at least $2,500 with a minimum of $1,000 for each additional gift.

5. The number of income beneficiaries shall be no more than two (2) and their minimum ages shall be 50. If an exception to either or both of the above is sought, the determining factor shall be that the present value of the charity's remainder interest will be sufficiently large to justify acceptance of the gift.

6. Under no circumstances shall real estate be accepted as a gift to the Fund.

7. The income beneficiaries of each gift will be entitled to a pro rata share of the Fund's net income, based upon the number of units assigned to each beneficiary. Income shall be allocated to the units by taking into consideration only that period of time such units were outstanding.

8. Quarterly payments shall be made to the beneficiary by the Episcopal Church Foundation at the end of each quarter (March 31, June 30, September 30 and December 31).

9. The income interest of any beneficiary to the Fund shall terminate with the last quarterly payment immediately preceding the beneficiary's death. There shall be no payments due the beneficiary's estate for the period between the last regular payment and the date of death.

10. It shall be the responsibility of the development Department to notify the Episcopal Church Foundation of the death of beneficiaries and to request the distribution of the participating units underlying their payments at the end of the quarter along with income due these units. A copy of the death certificate will be required for verification.

11. A disclosure statement will be given to prospective donors as part of each illustration of benefits or gift proposal letter. This disclosure statement will emphasize donative intent as the primary reason for participating in the pooled income fund and will explain fully and fairly the operation of the Fund.

B. <u>Charitable Gift Annuity, Immediate and Deferred</u>

1. Development staff will obtain from the donor all pertinent information regarding beneficiaries and the property to be transferred by using forms supplied by the Episcopal Church Foundation.

2. The Planned Giving Commission will review the proposed gift for approval or disapproval.

    a. If approved, development staff will coordinate with the Episcopal Church Foundation to consummate the gift.

3. The initial contribution shall be at least $5,000.

4. The number of income beneficiaries shall be no more than two (2) and their minimum ages shall be 55.

5. Payments to the beneficiaries shall be based upon the prevailing rates of return recommended by the American Council on Gift Annuities and shall be made quarterly on March 31, June 30, September 30, and December 31.

6. Income to the beneficiaries shall accrue from the date of the gift. Payment for a partial quarter will be prorated from the gift date to the last day of the quarter.

7. A disclosure statement will be given to prospective donors as part of each illustration of benefits or gift proposal letter. This disclosure statement will emphasize donative intent as the primary reason for participating in the gift annuity and will explain fully and fairly the operation of the Fund.

C. <u>Charitable Remainder Trusts - Charity as Trustee or Co-Trustee</u>

1. Development staff will obtain from the grantor all pertinent information.

2. The Planned Giving Commission will review the proposed gift for approval or disapproval.

3. If approved, the Planned Giving Commission will bring the proposed gift to the attention of the President of the Diocesan Council. If the President agrees with the approval, the development staff will proceed accordingly. If the President does not agree with the approval, the proposed gift will be brought to the next meeting of the Diocesan Council for a final decision.

4. If the gift is approved, the development staff will arrange for transfer of the property to the charity, compute the charitable deduction for the

grantor, and execute all other documents and/or correspondence pertaining to the gift.

a. Illustration of Benefits

b. I. R. S. Form 8283, when applicable

c. Charitable Remainder Computation

d. Instructions for reporting charitable income and gift tax deductions

5. If the trust is managed solely by the charity, the value of the charitable remainder shall be at least $50,000 for life-income trusts.

6. The number of income beneficiaries shall be no more than two and their minimum age shall be at least 45.

7. Payments to the beneficiaries shall be based upon the specific language and requirements of the trust document and shall be paid at the end of each quarter (March 31, June 30, September 30, and December 31).

8. Development staff shall endeavor to provide all possible assistance and cooperation to the grantor's legal and financial advisors.

9. The payments to any beneficiary shall terminate with the last quarterly payment preceding the beneficiary's death. No income is payable to the beneficiary's estate for the period between the last regular payment and the date of death. The third quarterly payment shall be accompanied by a cover letter from the Director of Development.

10. When the last beneficiary dies, the remaining principal in the trust will be distributed to the Endowment Fund, unless otherwise stated in the Trust Agreement.

11. Development staff will communicate with the personal representative of the estate and provide whatever information they may need for filing the estate tax forms.

D. Gifts of Life Insurance

1. When the donor has given up all incidents of ownership in the policy and the charity is named as both the beneficiary and the irrevocable owner of the policy, the charitable deduction will be:

   a. The replacement value for a paid-up policy, or

   b. The interpolated terminal reserve for a policy on which premiums remain to be paid. In most instances these values will be approximately equal to the cash surrender value.

2. The donor shall be encouraged to make outright contributions in cash or in appreciated securities, directly to the charity. The charity, in turn, shall pay the premiums to the insurance company. This contribution will be the donor's charitable deduction in the year of the contribution.

3. If the donor pays further premiums on the policy directly to the insurance company, the charitable deduction and gift credited to the donor shall include only the annual increases in the cash surrender value.

4. In those cases in which the charity is named as the beneficiary of a policy, but not the owner, this not a completed gift until the death of the insured. At that time the full amount of the death proceeds will be reported as a gift and, for purposes of donor recognition, will be regarded as part of the donor's cumulative gifts.

5. The cash value of insurance policies owned by the charity are assets at the disposal of the charity. At the discretion of the Planned Giving

Commission and with the acknowledgment of the donor, these cash values may be borrowed against and used in a capital campaign or acquisition of specific capital equipment.

6. For purposes of donor recognition, the full death benefit of the insurance policy shall be credited to the donor’s cumulative gifts.

Appendix B

I. Types of Gifts

A. Cash

1. Gifts in the form of cash and checks are acceptable regardless of amount.

2. All checks should be made payable to The Episcopal Church in Hawai`i. Checks also may be made payable to parishes and other established funds of the Diocese. Checks payable to Episcopal Diocese and similar designations are acceptable. Checks shall not be made payable to cash. In no event should checks be made payable to an individual employee, agent or volunteer.

B. Publicly Traded Securities

1. Gifts of securities trade on established stock exchanges such as the New York and American Stock Exchanges and regularly traded local stocks and bonds are readily convertible and are acceptable.

2. Such securities likely will be immediately converted by the Diocese to cash or other investments. Donors shall not be told that a gifted security will be held by the Diocese for any particular period of time.

3. Because of negotiability requirements of the stock exchanges, securities should always be endorsed to The Episcopal Church in Hawai`i. Securities otherwise endorsed (including to a parish of unincorporated fund) may not be readily convertible.

4. Unless the gift is made on a day that the exchange on which the securities are traded is not open, the gift will be valued at the average of the high and low trading value for that day. Other rules apply if the gift is made on a day the exchange on which the securities are traded is not open.

C. Closely Held Securities

1. Securities that are not publicly traded on recognized stock exchanges or locally are more likely to have to be held indefinitely and may be accepted only with the approval of the Resource Development Department.

2. Such securities have less certain market values and may be disposed of only with the approval of the Resource Development Department.

D. Promissory Notes

1. Ordinarily, promissory notes are not acceptable gifts. If the note is made by the donor, it is a pledge of future payments and may cause misunderstandings between the donor and the Diocese. If the note was made by another in favor of the donor, it may be of questionable value, may be subject to offsets and defenses and may be transferred to the Diocese with improper motivation. Collection may be expensive or impracticable.

E. Real Property

1. No gift of real property shall be accepted without approval of the Planned Giving Commission.

2. All proposed gifts of real property shall be appraised as arranged and paid for by the donor.

3. A current search of title by a professional examiner of titles shall be obtained prior to the acceptance of all gifts of real property.

4. All deeds and other instruments conveying real property to the Diocese shall be reviewed by the Diocese's attorneys prior to acceptance.

5. Where real property is subject to existing tenancies or leases, the donor must provide copies of all leases and tenancy agreements, an accounting of all security deposits and a satisfactory accounting of rents and other tenant obligations.

6. In general, Hawai`i single-family residential real property, free of mortgage debt, delinquent taxes and real property assessments of any kind may be accepted.

7. In general, Hawai`i residential condominiums free of mortgage debt, delinquent taxes, real property assessments and liens for unpaid maintenance fees will be accepted.

8. In general, residential real property located outside the State of Hawai`i may not be accepted unless it appears to have a value in excess of $50,000 and there is reason to believe it is highly marketable.

9. Because of the potential for liability that may attach to any owner of real property contaminated by hazardous wastes, industrial real property is not acceptable unless a current environmental assessment shows the property to be free of such contamination.

10. Because of the same potential for hazardous waste liability in the case of many commercial properties, commercial real property must considered by the Planned Giving Commission on a case by case basis.

11. In general, leasehold real property will not be accepted unless it reasonably appears that the leasehold interest has a current market value in excess of Twenty Five Thousand Dollars ($25,000) and there is reason to believe it is highly marketable.

12. In general, idle and unimproved real property in remote areas is not acceptable unless there is reason to believe it is highly marketable.

The owner of such property is liable for real property taxes and may be liable for any unlawful uses of the property.

13. In general, fractional or undivided interests in real property are not acceptable, particularly where the donor may be motivated by an inability to secure the cooperation of co-owners in the management and sale of the property. Exceptions may be made where the donation is made in contemplation of a pending sale of the whole property (the donor is maximizing the tax advantage of the donation) or the donation is incident to a plan approved by the Planned Giving Commission whereby the donor will convey partial interests in the property over a period of time.

14. Real property shall not be accepted to fund a charitable gift annuity.

15. Special attention shall be given to the receipt of real property encumbered by a mortgage. The donation and acceptance of such property may have unacceptable consequences for the donor and the Diocese. In all cases, unless the mortgage instrument makes such consent unnecessary, the prior written consent of the mortgagee must be obtained.

16. In appropriate circumstances, the Diocese may advance the costs of required appraisals, title searches and other reports incident to the donation of real property. Ordinarily, however, these should be borne by the donor.

F. <u>Tangible Personal Property</u>

1. Jewelry, artwork, collections and other personal property shall not be accepted unless first approved by the Planned Giving Commission or by such other person or persons authorized to do so by the Planned Giving Commission. Generally, such properties will not be accepted unless reasonably believed to have a current market value in excess

of Five Thousand Dollars ($5,000.00). Exceptions may be made in the case of personal property appropriate to disposition through Diocesan charities.

2. No personal property shall be accepted by the Diocese unless there is reason to believe the property can be quickly marketed or put to immediate charitable use.

3. No personal property shall be accepted subject to any condition or restriction that obligates the Diocese or others to retain or maintain it in perpetuity. Requests that gifted personal property be used or displayed in a specific church, school or other facility should be fully discussed with the Planned Giving Commission and with the priest, principal or other administrator involved. If not honored, such request may engender misunderstanding and ill will.

4. No perishable property or personal property that will require special facilities or security to properly safeguard it will be accepted without the approval of the Planned Giving Commission; provided, however, that gifts of foodstuffs intended for immediate use or consumption by the Diocese or its charities may be accepted by an officer or responsible employee of the Diocese.

5. Notwithstanding the foregoing, if there is reason to believe the personal property has a value of Two Hundred Fifty Dollars ($250.00) or more, it may only be accepted after review by the Planned Giving Commission and after an appraisal conducted in accordance with applicable requirements of the IRS.

6. Donors should be notified at the time of receipt of a gift that the Diocese will, as a matter of policy, cooperate fully in any IRS audit or investigation of non-cash charitable gifts. An appraisal in accordance with IRS requirements should be obtained by the donor.

7. In certain circumstances, the donor may request assurances that the Diocese will hold a property for a certain period of time prior to disposing of it. Only the Planned Giving Commission may give such assurances.

G. Other Property

Other property of any description, including mortgages, notes, copyrights, royalties and easements, whether real or personal, shall only be accepted by specific prior action of the Planned Giving Commission.

H. Deferred Gifts

1. Bequests

a. Gifts through Wills (bequests) shall be actively encouraged.

b. In the event of an inquiry by a prospective donor, representations as to the future acceptability of property proposed to be given to the Diocese by Will or other deferred gift shall only be made in accordance with the terms and provisions of this Section concerning deferred gifts.

c. A gift from the estate of a deceased donor shall be subject to the same review as it would have been if offered by the donor during the donor's lifetime, including specifically Planned Giving Commission approval of gifts requiring such approval.

d. Because there are statutory deadlines within which a gift from an estate must be accepted or declined if the estate is subject to the federal estate tax, the Planned Giving Commission shall be promptly informed of such gifts and the Diocese's attorneys shall expeditiously communicate the Planned Giving Commission's decision to the legal representative of the estate.

e. If the legal representative of the estate or any family member of the deceased donor is dissatisfied with the decision of the Planned Giving Commission, this fact shall be communicated to the Planned Giving Commission as quickly as possible for possible reconsideration in the light of facts of circumstances not originally known to the Planned Giving Commission.

f. Attempts shall be made to discover bequest expectancies wherever possible in order to reveal situations that might lead to unpleasant donor relations in the future. Where possible, intended bequests of property other than cash or marketable securities should be brought to the attention of the Planned Giving Commission and every attempt made to encourage the donor to conform his or her plans to these policies.

g. Neither The Episcopal Church in Hawai`i nor any of its officers, directors or employees shall serve as either Personal Representative under a Will or Trustee under a Trust.

I. <u>Charitable Remainder Trusts</u>

1. Charitable remainder trusts are complex vehicles by which assets may benefit the donor and other natural persons during their lifetimes and, upon their deaths, the remainder is paid to a charity such as the Diocese. There are many specific requirements of the IRS if a charitable remainder trust is to be accorded favorable tax treatment.

2. In general, TECH will not serve as sole trustee of a charitable remainder trust for the benefit of the Diocese or its charities. This policy may only be waived by prior written resolutions of both the Planned Giving Commission and the Resource Development Department of the Diocese.

3. The Planned Giving Commission will identify certain corporate fiduciaries in which it has confidence for purposes of administering charitable remainder trusts of which the Diocese is a beneficiary. Other corporate fiduciaries may be recommended or accepted only upon the approval of the Planned Giving Commission.

4. The Planned Giving Commission and others acting on behalf of the Diocese should become familiar with the types of property generally accepted by corporate fiduciaries as suitable and appropriate contributions to charitable remainder trusts, and shall not encourage donors to make gifts of any unsuitable or inappropriate property to such trusts.

5. No representations shall be made by any employee or other persons acting on behalf of the Diocese as to the manner in which the assets of a charitable remainder trust will be managed or invested by a corporate fiduciary who may be recommended by the Diocese. In appropriate circumstances, the Diocese may facilitate the distribution of information prepared by the corporate fiduciary, in which cases the Diocese shall state clearly that any representations are made by the fiduciary and not by the Diocese, its officers or employees.

6. Charitable remainder trusts and all other deferred gifts shall be encouraged as a method of making gifts to the Diocese whereby a donor may retain income needed by the donor for personal purposes. Such trusts shall not be marketed as tax avoidance devices or as investment vehicles. Such activity may violate state and federal tax and securities regulations.

J. <u>Pooled Income Funds</u>

1. It is anticipated that the Diocese will establish a pooled income fund, a gifting device established by Congress under the terms of section 642 of the Internal Revenue Code and regulations promulgated

thereunder.

2. One or more corporate fiduciaries will be selected to manage the fund.

3. The Diocese will pay the administrative fees of managing the pooled fund until such time as the appropriate officers of the Diocese shall determine otherwise.

4. No income beneficiary in the fund may be less than fifty (50) years of age without approval of the Planned Giving Commission.

5. There shall not be more than two (2) income beneficiaries allowed in connection with each contribution to the fund.

6. The minimum initial contribution to the pooled income fund shall be Two Thousand Five Hundred Dollars ($2,500.00).

7. The minimum additional contribution by a participant in the Fund shall be One Thousand Dollars ($1,000.00).

8. The corporate fiduciary shall furnish suggested guidelines governing the acceptance of property other than cash as contributions to the Diocese Pooled Income Fund. When adopted by the Planned Giving Commission, such guidelines shall be incorporated by reference in these policies.

9. No representation of the Fund shall be made which could be construed as marketing the Fund as an investment or security of any type. All disclosures required by state and federal regulatory agencies shall be made in a thorough and timely manner.

K. Charitable Gift Annuities

1. No Gift Annuity shall be accepted which names an income beneficiary under fifty-five (55) years of age without approval of the Planned

Giving Commission.

2. The number of income beneficiaries for each Gift Annuity shall be limited in accordance with applicable law.

3. The minimum contribution for a Gift Annuity shall be Five Thousand Dollars ($5,000.00).

L. Life Estate Gifts

1. A Donor’s personal residence, vacation home or farm may be given to the Diocese with the right of lifetime use reserved to the donor. Such a gift can result in the donor obtaining a current income tax deduction for the actuarial value of the remainder interest without disturbing the living arrangements. If the gift involves a residence, it must be a personal residence of the donor but need not be the principal residence; thus, the donor may use a vacation home to make the gift.

2. Generally, donors should not be encouraged to make a gift of real property which is their principal residence. Such transfers may not always be in the best long-term interest of the donor. For example, should the donor later wish to sell the donor’s life interest, that interest is almost unmarketable and usually has very little value. The donor may feel deceived and it may result in adverse publicity and ill will. Other problems may include disputes concerning the allocation of expenses of maintenance and repair, lease rents, taxes, assessments and insurance proceeds.

3. Such gifts may be accepted only upon the approval of the Planned Giving Commission and generally will be limited to situations in which the gifted assets are a portion of the donor’s wealth, the Planned Giving Commission is satisfied that there has been full disclosure tot he donor of the possible future ramifications of the transaction, and

there is a written agreement concerning the sharing of future costs relating to the property.

M. Gifts of Life Insurance

1. The Diocese will encourage donors to name the Diocese to receive all or portions of the benefits of life insurance policies the donors have purchased on their own lives.

2. In appropriate circumstances, where permitted by law and with the Planned Giving Commission's approval, the Diocese will accept gifts of paid up life insurance policies whereby it will become the owner and beneficiary of the policies.

3. The Diocese will not, however, generally accept gifts from donors made so that the Diocese may purchase life insurance on the donor's life. The Planned Giving Commission may make exceptions to this policy where permitted by applicable law in appropriate circumstances.

APPENDIX C

REAL PROPERTY DISCLOSURE CHECKLIST

I. General

Owner(s) ________________________________ Phone (___) ____________________

Address ____

____

Current Property Insurance Coverage ______________________________________

Date of Purchase/Inheritance ____

Current Cost Basis (includes improvements ________________________________

Principal Balance of Mortgage(s) ____

Assessed Value for Real Estate Taxes:

Fiscal Tax Year ______________ Real Estate Taxes ___________________________

Land Value _________________ Building Value _______________________________

Vacant (building has no personal property, no occupants) ____________________

Unoccupied (building has personal property but no occupants) ____________________

Occupied (building has personal property with occupants) ____________________

Please indicate by checking "yes" or "no" to your awareness of any condition or problem which may affect the title or marketability of the property. Use section VIII to provide additional information.

II. Title/Zoning	Yes	No
A. Title	______	______
B. Zoning variances, violations or special permits	______	______
C. Zoning violations	______	______
D. Restrictions or easements	______	______
E. Survey not available	______	______

REAL PROPERTY DISCLOSURE CHECKLIST

(continued)

III.	Building		Yes	No
	A.	Foundation/slab	______	______
	B.	Basement water/dampness/sump pump	______	______
	C.	Roof leaks	______	______
	D.	General structural	______	______
	E.	Insulation	______	______
	F.	Asbestos	______	______
	G.	Lead paint	______	______
	H.	Adjacent Properties		
		1. Properties adjacent or close to subject property have conditions requiring "Yes" answer to any questions in (A) and (B)	______	______
	I.	Flood plain/wetlands/drainage	______	______
	J.	Endangered plants or wildlife	______	______

IV. General Evaluation

Are you aware of any other information concerning any part of the land or buildings which might affect the decision of a buyer to buy or affect value of property or affect use by buyer? ______ ______

V. Property Maintenance Budget

To hold this property as a trust asset the following income and expenses are anticipated.

A. Income	Annual
Rent	________________
Other ______________	________________
Total Income	________________

B. Expenses

1. Real Estate Taxes

First Payment Due ____________________(date)
Second Payment Due ____________________(date)

2. Utilities

Gas	____________________
Oil	____________________
Electric	____________________
Water/Sewer	____________________
Other __________________	____________________