

Diocese of Covington

Policies & Procedures Manual

Section: Assets

Policy: Endowments and Trusts



Endowments and Trusts are transactions in which money, or its equivalent, is accepted by a parish, diocese or institution with the provision that the principal is invested in perpetuity and the income from the principal is used for some designated purpose. Such endowment funds are usually structured as trusts and there are a number of Canon Law and Civil Law issues related to their establishment. In order to ensure compliance with the Code of Canon law, civil law and diocesan policy, the diocese has established guidelines for the review of endowment funds proposed by parishes, schools and other diocesan entities. These guidelines are as follows:

- All diocesan entities must receive the approval of the Bishop of the diocese for establishment of an endowment trust under Canon Law. The terms of the endowment must be established in writing. One copy of the endowment is to be retained in the parish archives. The other copy is to be retained in the diocesan archives.
- The trust document should include the purposes of the endowment, the names of the grantor and the trustee, restrictions on the alienation of principal, provisions for the amounts, timing of distributions, management of investments, and disposition of trust assets when the endowments purposes cease to exist.
- The following factors will be favored by the Bishop in his review of endowment trust documents:
 - a. Parishes and parish schools – the pastor (and his successors) is to be named as the trustee. Oversight committees should be established to advise the pastor with regard to funding the endowment, managing its investments and directing its distributions.
 - b. Diocesan high schools – the bishop (and his successors in office) is to be named as the trustee. For district high schools, the pastors of the district parishes should serve as the oversight committee. For non-district high schools, the school’s board of education, alumni or other committee representative of its constituency should serve as the oversight committee.
 - c. Separately incorporated diocesan entities – the chief executive (assigned by the Bishop) of the incorporated entity is to be named as the trustee. The organizations’ governing board, or an established committee thereof (e.g. finance committee), should serve as the oversight committee.
 - d. The assets of a Trust created/managed by any of the above entities are to be held in the Diocesan Pooled Investment Fund. This will ensure that the Trust has professional investment management and advice.
- Endowments established by religious orders or entities under their sponsorship and control do not require the Bishop’s approval for establishment. Endowment trusts, established by such orders or entities controlled by them, will be governed by the Orders’ rules and guidelines.
- In most cases, tax law provides that trusts are separate taxpayers. In order for an endowment trust to avoid taxation, it must obtain tax exemption based upon its religious/charitable purposes or it must utilize the employer identification number of the owner of the assets (i.e. Diocese). If an endowment trust obtains its own employer identification number, it must apply to the IRS for tax exempt status.
- All documents relating to the establishment of an endowment must be reviewed by the Chancery as well as diocesan legal counsel.

In order to assist the parishes, schools and institutions of the Diocese that wish to establish an endowment, the Diocese has created a template of the above referenced trust document that has been

Diocese of Covington

Policies & Procedures Manual

Section: Assets

Policy: Endowments and Trusts



reviewed and approved by the Bishop. This template encompasses all of the above provisions for trust documents in the Diocese of Covington and is available for use by any parish upon a written request to the Bishop. Copies of the request should be sent to the Vicars General and Chief Financial Officer of the Diocese. The request must include the proposed name of the Endowment/Trust and the intended purpose. Once the Bishop has approved the establishment of the Endowment/Trust, the document will be provided to the parish, school or institution for execution.