



**St. David's Episcopal Church
Cullowhee, North Carolina**

Endowment and Investment Fund Policies and Guidelines

Adopted June 8, 2020

**St. David’s Episcopal Church
Endowment and Investment Fund
Policies and Guidelines**

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ENABLING RESOLUTION

ESTABLISHING AN ENDOWMENT & INVESTMENT FUND FOR ST. DAVID'S EPISCOPAL CHURCH CULLOWHEE, NORTH CAROLINA

WHEREAS, Christian stewardship involves the faithful management of all of God's gifts – time, talent, the created world, and money, including accumulated, inherited, and appreciated assets.

WHEREAS, Christians can give to the work of the Episcopal Church through a variety of gift vehicles in addition to cash, including bequests in wills, life income gifts, annuities, trusts, life insurance policies, real estate, securities, and other assets.

WHEREAS, it is the desire of this Parish to encourage, receive, and administer these gifts in a manner faithful to the loyalty and devotion to God expressed by the donors and in accord with the canons of the Episcopal Church and the Diocese of Western North Carolina and the policies of this Parish.

THEREFORE, BE IT RESOLVED that this Parish, through action of its Vestry, establish a new and separate fund to be known as "The Endowment and Investment Fund" (hereafter called the "FUND") of St. David's Episcopal Church. This document replaces the Vestry Resolution creating the St. David's Endowment Fund dated December 8, 1998 and all subsequent amendments.

The Fund includes the following sub-funds:

Permanent Endowment Fund (true) – Gifts to this fund will be held in perpetuity and used for the purposes described below. The corpus is protected by state law under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

General Endowment Fund (quasi) – Gifts to this fund will be managed as if they were permanent endowment funds. In the event of an emergency, however, the Vestry may authorize additional distributions following special votes. This fund will be used for the same purposes as the Permanent Endowment Fund.

Investment Fund – Monies invested by the Vestry to be used at their discretion.

BE IT FURTHER RESOLVED that the purpose of the FUND is to enable the Parish to fulfill its mission more completely by developing ministries beyond what is possible through its annual operating funds. Distributions from the FUND therefore shall be limited to: (i) capital improvements of the Parish; (ii) outreach ministries and grants; (iii) seed money for new ministries and special one-time projects; and (iv) and such other purposes that are specifically designated by donors to the Parish whose gifts are included in the FUND.

BE IT FURTHER RESOLVED that the distributions from the FUND shall not be made to the operating budget of the Parish except to fulfill the purposes described.

BE IT FURTHER RESOLVED that an ENDOWMENT COMMITTEE (hereafter called the "COMMITTEE") is hereby established. The COMMITTEE shall have oversight responsibility of the FUND, and its composition and duties are described in the following "Plan of Operation," which may be amended from time to time (see paragraph 15).

PLAN OF OPERATION

1. Composition of the COMMITTEE

The COMMITTEE shall consist of a minimum of three regular members, or more in increments of odd numbers, all of whom shall be members in good standing of St. David's Episcopal Church. They shall be appointed by the Vestry. Additionally, the Rector and Senior Warden shall be ex-officio members of the COMMITTEE without votes. A majority of the COMMITTEE members shall not be current members of the Vestry and no member shall be employed by the Parish. Except as herein limited, the term of each appointed member shall be three years. The Vestry will stagger the terms of members to maximize continuity over time. No member shall serve more than two consecutive three-year terms. After a lapse of one year, former COMMITTEE members may be reappointed. In the event of a vacancy on the COMMITTEE, the Vestry shall appoint a member to complete the unfulfilled term. Upon the completion of the term, that person would be eligible for reappointment to a standard three-year term.

2. Resignation, Removal of Committee Member

Any regular member of the COMMITTEE may resign at any time by written notice to the Rector and Vestry. A member ceases to be a member of the COMMITTEE when he or she is no longer a member in good standing of the Parish. A member who fails to attend three consecutive committee meetings without reason may be asked to resign.

3. Roles of the COMMITTEE

The COMMITTEE will oversee the management of the invested funds and monitor the distributions from the FUND in compliance with the approved Spending Policy (*Section B*) and in accordance with the purposes and distribution policies set out in this Resolution.

The COMMITTEE will also develop a comprehensive planned giving program to encourage persons, trusts, and estates to consider making gifts, grants, bequests, or other legacy gifts to St. David's Episcopal Church.

4. Frequency of Meetings

The COMMITTEE shall meet at least semiannually, or more frequently as deemed by it in the best interest of the FUND.

5. Quorum

A quorum shall consist of a majority of the regular members of the COMMITTEE. The affirmative vote of a majority of all committee members shall be necessary to carry any motion or resolution. Ex-officio members are not credited to the above requirement for a quorum.

The secretary shall give reasonable notice of the time and place of each meeting to members by email, mail, or phone.

6. Officers and Duties

The COMMITTEE shall elect from its membership a chairperson and a secretary. The chairperson, or member designated by the chairperson, shall preside at all COMMITTEE meetings. The secretary shall maintain complete and accurate minutes of all meetings of the COMMITTEE and supply a copy of the minutes to each member of the COMMITTEE. The secretary shall also supply a copy of the minutes to the Vestry in a timely manner. The Treasurer of the church shall maintain complete and accurate books of account for the FUND. The books will be audited as part of the Parish annual audit.

7. Reports

The COMMITTEE shall report on a semiannual basis to the Vestry and, at each annual meeting of the congregation, shall provide a full and complete account of the administration of the FUND following each year-end.

The Vestry shall report on the uses and purposes of expenditures from the FUND each year at the annual meeting of the Parish.

8. Professional Counsel and Other Expenses

The COMMITTEE, at the expense of the FUND, may provide for such auditing and for professional counseling on investments or legal matters as it deems to be in the best interests of the FUND. Committee members shall serve without compensation, but reasonable expenses

related to the execution of their duties may be paid from the funds available for expenditure prior to distribution with Vestry approval.

9. Investments

All funds will be invested in accordance with the investment guidelines established in the Investment Policy Statement (*Section A*).

10. Funds for Specific Purposes

At the discretion of the Vestry, the COMMITTEE may establish additional sub-funds within the FUND for specific purposes.

Also, donors may designate their gifts for a specific purpose. Any donor-restricted gifts must be approved by the COMMITTEE and the Vestry. They must meet the requirements of the Donor-Restricted Fund Policy (*Section D*).

11. Liability of Members of the COMMITTEE

Each member of the COMMITTEE shall act in good faith regarding the investment of the assets. Each member shall be liable only for his/her own conduct and shall not be liable for the acts or omissions of any other members. No member shall engage in self-dealing or transactions with the FUND in which the member has direct or indirect financial interest and shall at all times refrain from any conduct in which his/her personal interests would conflict with the interests of the FUND.

12. Holding of Assets, Action to Sell

All endowment and investment assets are to be held in the name of The Endowment and Investment Fund of St. David's Episcopal Church. Actions to hold, sell, exchange, rent, lease, transfer, convert, invest, reinvest, and in all other respects, to manage and control the assets of the FUND, including stocks, bonds, mortgages, notes, and warrants of other securities, are to be made by a designated member of the COMMITTEE on behalf of the COMMITTEE.

13. Acceptance of Gifts to the FUND

The COMMITTEE will establish an Endowment Gift Acceptance Policy (*Section E*) through which decisions will be made as to whether a gift to the FUND shall be accepted.

14. Distributions from the FUND

It is the *intent* of this Resolution that all funds within the FUND shall be managed in perpetuity as if they were *true* endowments. Distributions from the FUND shall not be made to the operating budget of the Parish unless authorized by this Resolution. Distributions from the

FUND shall be made using a "Total Return Policy," with a designated percentage of the FUND available for expenditure annually.

In the event of an emergency, as defined by the Vestry, the Vestry may authorize additional distributions from the *quasi* endowment following a two-thirds vote of the Vestry at two consecutive regularly scheduled meetings and informing the congregation prior to taking action.

The COMMITTEE shall formulate a policy defining the spending rules and protocols (*Section B*) with the approval of the Vestry. The policy will provide for the withdrawal and use of funds consistent with the stated purposes of the FUND as defined in the first section of this Resolution. No portion of the FUND shall be "borrowed" including any "temporary usage" for other needs of the Parish.

15. Amendment of this Resolution

Any amendment to this Resolution shall be adopted by a vote of at least two-thirds of the membership of the Vestry at two consecutive, regularly scheduled meetings. Any amendment regarding the use of the *quasi* endowment shall be handled within the above-established distribution rules.

16. Disposition or transfer of the FUND

In the event the Parish ceases to exist, whether through merger, dissolution, or some other event, disposition or transfer of the FUND shall be at the discretion of the Vestry in conformity with the approved congregational constitution and in accord with diocesan canons and the Bishop of the Diocese of Western North Carolina. It may be appropriate to consult with the Episcopal Church Foundation to determine the manner in which FUND obligations will be met after the Parish ceases to exist.

The foregoing resolution is hereby adopted by the Vestry this 8th day of June, 2020.

St. David's Episcopal Church
Cullowhee, North Carolina

_____ (print name)	Attest: _____
_____ (signature)	_____
Senior Warden	Clerk

ENDOWMENT AND INVESTMENT FUND
POLICIES AND GUIDELINES
FOR
ST. DAVID'S EPISCOPAL CHURCH
CULLOWHEE, NORTH CAROLINA

SECTION A
Investment Policy Statement

Purpose

This Investment Policy Statement establishes the philosophy, guidelines and investment objectives for managing the investments of the FUND.

Responsibility

The ultimate responsibility for managing the FUND resides with the Vestry, which has chosen to delegate portions of its responsibility to the COMMITTEE, which will administer the portfolio of the FUND in accordance with these guidelines, as adopted and amended from time to time. These guidelines shall be reviewed at least annually by the COMMITTEE to determine whether they should be amended or remain unchanged. The COMMITTEE may choose to employ an outside investment manager.

Objectives

The assets of the FUND are to be invested with the same care, skill and diligence that a prudent investor would exercise in investing institutional endowment funds. The primary objective will be to provide long-term growth of principal and income without undue exposure to risk.

INVESTMENT GUIDELINES

Time Horizon

The FUND'S investment objectives and strategic asset allocation are based on a long-term time horizon.

Risk Tolerance

Because of its long-term time horizon, the FUND can tolerate some interim fluctuation in market value and rates of return in order to achieve its objectives. High level risk, high volatility and low quality rated securities, however, are to be avoided.

Prohibited Investments

The COMMITTEE shall not invest in private placements, restricted stock or other illiquid issues, arbitrage and other uncovered options, and shall not engage in short sales, margin transactions

or other similar specialized investment activities; however, the use of funds that use these investment activities in a constructive manner are permitted.

Portfolio Diversification

The investment objectives should be achieved through a diversified portfolio, which may include but is not limited to large-cap, mid-cap, small-cap U.S equities, international equities (both developed and emerging markets), bonds and cash. Mutual funds, exchange traded funds and common trust funds representing any of these asset classes may be used.

Investment Discretion

These guidelines are not intended to restrict or impede the efforts of the COMMITTEE to attain the FUND’s objectives, nor are they intended to exclude the COMMITTEE from taking advantage of appropriate opportunities as they arise. The COMMITTEE shall have discretion and flexibility to implement the objectives and policies herein set forth.

Asset Allocation

Because securities markets may vary greatly throughout a market cycle, the COMMITTEE may change the asset mix of the FUND within the following ranges as long as that mix meets the overall objectives and is consistent with the policy guidelines herein set forth. The FUND shall be allocated between equity investments and bonds and/or other fixed income securities.

The strategic target allocation shall be within the following ranges:

	<u>Low</u>	<u>Target</u>	<u>High</u>
EQUITES:	50%	60%	70%
FIXED INCOME:	30%	40%	50%
CASH:	0%	0%	20%

The target allocation among equity classes shall be determined periodically (and at least annually) by the COMMITTEE in consultation with the investment manager(s) to reflect a prudent response to current market conditions.

Investment Goals

While maintaining the asset mix within the above guidelines, the COMMITTEE accepts a risk level for the FUND’s overall investment program that is intended to produce a total annual return adequate to cover these components: expenditures from the FUND (as determined annually by the COMMITTEE under the Spending Policy), inflation, and fees.

Reporting

The quarterly report provided by the COMMITTEE to the Vestry will include the fund value, any changes in the asset allocation strategy, and the investment performance. The report shall reflect compliance with the objectives, policies, and guidelines set forth herein.

SECTION B ***Spending Policy***

Money will be distributed from the FUND upon written request of the Vestry and with the approval of the COMMITTEE for those uses which conform to the purposes and restrictions established by donors or incorporated in the Enabling Resolution.

Funds available for distribution will be determined by using a total return principle, i.e., return derived from dividends and interest *as well as* realized and unrealized capital gains. The funds available for distribution from the Permanent Endowment Fund portion of the Fund during any one year will be limited to a percentage (3%-5%) of the market value of the FUND that is based on a three-year rolling average, with measures taken at the end of each of the preceding three years. The market value for this purpose will be taken net of the fees for investment management.

The percentage of the FUND made available for distribution shall be determined each year by the COMMITTEE. In so doing, market performance of the portfolio will be an important consideration. It will be the goal of the COMMITTEE to grow, or at least maintain, the purchasing power of the FUND taking into account the impact of inflation and fees.

Any unexpended funds from those available for distribution in a given year will be accrued and will continue to be considered available for distribution in subsequent years unless otherwise designated by action of the COMMITTEE with the approval of the Vestry. Expenses related to the management and administration of the FUND will be deducted from the funds available for distribution.

SECTION C ***Disposition of Bequests Policy***

This policy governs the disposition of *bequests* which, for purposes of this statement, will mean any type of gift in which the assets are transferred upon the death of the donor. The assets may be in any form, such as cash, securities, personal property, real property, etc.

The bequest usually identifies the beneficiary in one of two ways: *St. David's Episcopal Church* or *the Endowment Fund of St. David's Episcopal Church*.

Bequests with **St. David's Episcopal Church** as beneficiary can be spent in the current year or placed in the endowment as part of the General Endowment Fund (quasi). The default position of the church will be that all such bequests go into the General Endowment Fund unless the Rector and Senior Warden request an exception to the policy. The exception should be judged to be truly extraordinary and that no other financial resources of the organization are available or are expected to become available in time to fulfill the urgent need. Final authority for granting such an exception will rest with the Vestry.

If the donor has identified a specific purpose for the gift, the Vestry will guarantee that the funds will be used according to the donor's wishes. The funds may be directed to their restricted purpose either as an endowment, in which case they normally would become a restricted fund within the FUND, or by direct expenditure of the funds through the Treasurer of the organization.

If the bequest was given for a specific purpose, the assets will be used to establish a donor-restricted fund within the Permanent Endowment Fund.

SECTION D ***Donor-Restricted Fund Policy***

A separate and designated sub-fund within the FUND may be established for gifts in the amount of \$25,000 or more. The Vestry must vote to accept the gift for the purpose(s) described by the donor, or it has the responsibility to reject the gift.

If accepted, the assets are merged with other assets of the FUND for investment purposes, but the identity and designated purpose of each fund is preserved individually.

The fund is established effective the last day of the quarter in which the gift is received. The value is determined either by the actual value, if received by the FUND in cash, or the market value of the assets determined on the date the fund is established.

Income, realized gains or losses, and unrealized gains or losses are allocated quarterly to each fund based on its market value relative to the total market value of the FUND at the end of the previous quarter. New gifts are then added and withdrawals are subtracted to arrive at the new value of the restricted fund on the last day of the quarter. Expenditures are limited to the purposes specified in the restriction and are governed by the FUND's Spending Policy.

SECTION E ***Endowment Gift Acceptance Policy***

Purpose

This gift acceptance policy will provide guidelines to representatives of the Parish who may be involved in the acceptance of gifts, to outside advisors who may assist in the gift planning process, and to prospective donors who may wish to make gifts to the Parish. However, individual donors are encouraged to seek their own legal, tax and financial advice before completing a gift. This Gift Acceptance Policy is not meant to be relied on as professional advice to an individual. This policy is intended only as a guide and allows for some flexibility on a case-by-case basis. The gift review *process* outlined here, however, is intended to be followed closely.

Endowment Gift Review Committee

Any questions which may arise in the review and acceptance of gifts to the Parish will be referred to the Endowment Gift Review Committee. The Committee, unless otherwise designated by the Vestry, will be comprised of the full Endowment Fund COMMITTEE.

Cash

- 1) All gifts by check shall be accepted by the Vestry on behalf of the Parish regardless of amount.
- 2) Checks shall be made payable to the Parish. In no event shall a check be made payable to an individual who represents the Parish in any capacity.

Publicly Traded Securities

- 1) Readily marketable securities, such as those traded on a stock exchange, can be accepted by the Vestry on behalf of the Parish.
- 2) The value of the gift of securities is the average of the high and low prices on the date of the gift.
- 3) A gift of securities to the Parish is usually liquidated immediately.

Closely-Held Securities

- 1) Non-publicly traded securities may be accepted after consultation with the Endowment Gift Review Committee. The fair market value will be the value used by the donor in the preparation of the donor's tax return.
- 2) The Endowment Gift Review Committee will explore methods for liquidation of the securities through redemption or sale **prior to acceptance**. The Endowment Gift Review Committee will try to determine:
 - a) Any restrictions on transfer
 - b) Whether and when an initial public offering might be anticipated.
- 3) No commitment for repurchase of closely-held securities shall be made prior to completion of the gift of the securities.

Real Estate

- 1) Any gift of real estate must be reviewed by the Endowment Gift Review Committee.
- 2) Normally, the donor is responsible for obtaining and paying for an appraisal of the property. The appraisal will be performed by an independent and professional agent.
- 3) The appraisal must be based upon a personal visitation and internal inspection of the property by the appraiser. Also, whenever possible, the appraisal must include documented valuation of comparable properties located in the same area.
- 4) The formal appraisal should contain photographs of the property, the tax map number, the assessed value, the current asking price, a legal description of the property, the zoning status, and complete information regarding all mortgages, liens, litigation, or title disputes.
- 5) The Parish reserves the right to require an environmental assessment of any potential real estate gift.

- 6) The property must be transferred to the Parish prior to any formal offer or contract for purchase being made.
- 7) The donor may be asked to pay for all or a portion of the following:
 - a) Maintenance costs
 - b) Real estate taxes
 - c) Insurance
 - d) Real estate broker's commission and other costs of sale
 - e) Appraisal costs.
- 8) For gift crediting and accounting purposes, the value of the gift is the appraised value of the real estate. This value may be reduced, however, by the costs of maintenance, insurance, real estate taxes, broker's commission, and other expenses of sale.

Life Insurance

- 1) A gift of a life insurance policy must be referred to the Endowment Gift Review Committee.
- 2) The Parish can be named a contingent beneficiary or the beneficiary of a percentage of a life insurance policy.
- 3) The Vestry will accept **ownership** of a life insurance policy as a gift only if the Parish is named as the owner and beneficiary of 100% of the policy.
- 4) If the gift is a paid-up policy, the value for gift crediting and accounting purposes is the policy's replacement cost.
- 5) If the policy is partially paid-up, the value for gift crediting and accounting purposes is the policy's cash surrender value. (For IRS purposes, the donor's charitable income tax deduction is equal to the interpolated terminal reserve, which is an amount slightly in excess of the cash surrender value.)

Tangible Personal Property

- 1) Any gift of tangible personal property shall be referred to the Gift Review Committee prior to acceptance.
- 2) Gifts of jewelry, artwork, collections, equipment, and software shall be assessed for their value to the Parish. Their value may be realized either by being sold or used in connection with the Parish's exempt purpose.
- 3) Depending upon the anticipated value of the gift, a qualified outside appraiser may be asked to determine its value.
- 4) The Parish shall adhere to all IRS requirements relating to valuation and disposition of gifts of tangible personal property and will provide appropriate forms to the donor and IRS.

Deferred Gifts

- 1) The Parish encourages deferred gifts in its favor through any of a variety of vehicles:
 - a) Charitable gift annuity (or deferred gift annuity)
 - b) Pooled income fund
 - c) Charitable remainder trust
 - d) Charitable lead trust
 - e) Bequest
 - f) Retained life estate

- g) Donor advised fund
- 2) The Parish (or its agent) shall not act as an executor (personal representative) for a donor's estate. A member of the Parish staff serving as personal representative for a member of the Parish does so in a personal capacity and not as an agent of the Parish.
- 3) The Parish (or its agent) shall not act as trustee of any charitable remainder trust.
- 4) The Parish may invite prospective donors to consider gift vehicles offered by The Episcopal Church Foundation (ECF) (specifically, Donor Advised Funds, Charitable Remainder Trusts, Charitable Gift Annuities, and the Pooled Income Fund).
- 5) When donors are provided planned gift illustrations or form documents by ECF, these will be provided free of charge. For any planned gift related documents, materials, illustrations, letters, or other correspondence, the following disclaimer should be included:

St. David's strongly urges you to consult with your attorney, financial and/or tax advisor to review this information provided to you without charge or obligation. This information in no way constitutes legal or financial advice.

- 6) All information obtained from or about donors/prospects shall be held in the strictest confidence by Parish staff and volunteers. Neither the name, the amount, nor the conditions of any gift shall be published without the express written or oral approval of the donor and/or beneficiary.
- 7) The Parish will seek qualified professional counsel in the exploration and execution of all planned gift agreements. The Parish recognizes the right of fair and just remuneration for professional services.
- 8) The Vestry, upon the advice of the Gift Review Committee, reserves the right to decline any gift that does not further the mission of the Parish. Also, any gifts that would create an administrative burden or cause the Parish to incur excessive expenses may be declined.

APPENDIX A: FUNDS WITHIN THE ENDOWMENT

1. PERMANENT ENDOWMENT FUND

Type of Fund: True, donor-restricted

Purpose: Capital improvements, outreach ministries and grants, seed money for new ministries, and special one-time projects

Spending Policy: Total return, normally 3% to 5% of a rolling three-year average fund value

Protection of Corpus: To be held in perpetuity, protected by UPMIFA

2. GENERAL ENDOWMENT FUND

Type of Fund: Quasi, Vestry-designated

Purpose: Capital improvements, outreach ministries and grants, seed money for new ministries, and special one-time projects

Spending Policy: Total return, normally 3% to 5% of a rolling three-year average fund value

Protection of Corpus: In the event of an emergency as defined by the Vestry, additional distributions may be made following a two-thirds vote of the Vestry at two consecutive, regularly-scheduled meetings and informing the congregation prior to taking action

3. INVESTMENT FUND

Type of Fund: Investment Fund

Purpose: As needed

Spending Policy: At the discretion of the Vestry

Protection of Corpus: None

APPENDIX B: DEFINITION OF TRUE AND QUASI ENDOWMENTS

A **true** endowment is established when a **donor** makes a gift directly to the **Endowment Fund**, or uses words such as “spend income only” or “to be held in perpetuity” in the gift instrument in defining how spending may occur. The donor may further restrict the gift as to purpose.

In addition, if the church promotes its Endowment Fund as a **true** or **permanent** endowment and receives gifts of any size for the Fund, those funds are equally restricted. If a purpose is announced and donors give to an Endowment Fund for a named purpose, those gifts are restricted as to purpose as well. A state law called the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which has been passed in every state except Pennsylvania, defines the terms of prudent investment and prudent spending for **true** endowments for all non-profits, including churches.

If the **Vestry** decides to place funds in the Endowment that could have been spent otherwise, such as an unrestricted bequest to the church (not the endowment fund of the church), money from the sale of property, or excess cash, those funds create a **quasi** endowment. This part of the Endowment Fund can be spent down by the Vestry within whatever rules have been enacted by the church. UPMIFA has no jurisdiction regarding quasi endowments.

It is important for the church to keep permanent records of gifts to the endowment fund in order to identify the nature of the gifts—whether they are restricted as to spending, restricted as to purpose, restricted by a donor, or designated by the Vestry. These differences will determine how much of the endowment current and future Vestries can spend and for what purpose.