

# **Grace Church in the Mountains Endowment Fund Policies and Guidelines**

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**ENABLING RESOLUTION**

**ESTABLISHING A GENERAL ENDOWMENT FUND**

**FOR**

**GRACE CHURCH IN THE MOUNTAINS**

**WAYNESVILLE, NORTH CAROLINA**

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- 1 WHEREAS, Christian stewardship involves the faithful management of all of God's gifts – time,  
2 talent, the created world, and money, including accumulated, inherited and appreciated assets;  
3 and
- 4 WHEREAS, Christians can give to the work of the Church through a variety of gift vehicles, in  
5 addition to cash, including bequests in wills, life income gifts, annuities, trusts, life insurance  
6 policies, real estate, securities and other assets; and
- 7 WHEREAS, it is the desire of this parish to encourage, receive and administer these gifts in a  
8 manner faithful to the loyalty and devotion to God expressed by the donors and in accord with  
9 the canons of the Episcopal Church and the Diocese of Western North Carolina and the policies  
10 of this Parish:
- 11 THEREFORE BE IT RESOLVED, that this Parish, through action of its Vestry, establishes a  
12 new and separate fund to be known as "The Grace Church in the Mountains Endowment Fund"  
13 (hereafter called the "FUND") of Grace Church in the Mountains, 394 North Haywood Street,  
14 Waynesville, North, Carolina 28786 (PARISH).
- 15 BE IT FURTHER RESOLVED that the purpose of the Endowment FUND is to enable the  
16 PARISH to fulfill its mission more completely by developing its ministries beyond what is  
17 possible through its annual operating funds. Distributions from the fund shall be limited to: (i)  
18 capital improvements of the PARISH; (ii) outreach ministries and grants; (iii) and undesignated  
19 monies that may be used as seed money for new ministries and/or special one-time projects,  
20 and/or for other purposes congruent to the PARISH's mission and subject to Vestry approval.
- 21 BE IT FURTHER RESOLVED that the distributions from the FUND shall not be made to the  
22 operating budget of the PARISH except to fulfill the purposes described above (*see end note 1*).
- 23 BE IT FURTHER RESOLVED that the FINANCE COMMITTEE (hereafter called the  
24 "COMMITTEE") shall have oversight responsibility of the FUND and its composition and  
25 duties are described in the following "Plan of Operation," which may be amended from time to  
26 time (see paragraph 13).

## PLAN OF OPERATION

### **1. Composition of the COMMITTEE**

27 The composition of the Finance COMMITTEE, one of the Standing Committees of the Parish,  
28 is outlined in the Bylaws of Grace Church in the Mountains, Article 5, Section 8. The Vestry  
29 appoints and charges each standing committee.

### **2. Roles of the COMMITTEE (*see end note 2*)**

30 The COMMITTEE will manage the invested funds and oversee distributions from the FUND in  
31 compliance with the approved Spending Rule (*Section B*) and in accordance with the purposes and  
32 distribution policies defined in this resolution.

### **3. Quorum**

33 A quorum shall consist of a majority of the COMMITTEE. The affirmative vote of a majority  
34 shall be necessary to carry any motion or resolution.

### **4. Officers and Duties**

35 The COMMITTEE shall elect from its membership a chairperson and a secretary. The  
36 chairperson, or member designated by the chairperson, shall preside at all COMMITTEE  
37 meetings. The secretary shall maintain complete and accurate minutes of all meetings of  
38 the COMMITTEE and supply a copy thereof to each member of the COMMITTEE. Each  
39 member shall keep a complete set of minutes to be delivered to his or her successor. The  
40 secretary shall also supply a copy of the minutes to the Vestry in a timely manner. The  
41 Treasurer of the Parish shall maintain complete and accurate books of account for the  
42 FUND. The books will be audited as part of the Parish annual audit.

## **5. Reports**

43 The COMMITTEE shall report on a quarterly basis to the Vestry and, at each annual meeting  
44 of the congregation shall render a full and complete account of the administration of the  
45 FUND during the preceding year.

## **6. Professional Counsel**

46 The COMMITTEE, at the expense of the FUND, may provide for such auditing, professional  
47 counseling on investments or legal matters as it deems to be in the best interests of the  
48 FUND.

## **7. Investments**

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

## **8. Funds for Specific Purposes**

51 The Vestry has established three sub-accounts within the FUND for specific purposes. The first  
52 sub-account is for capital and property improvements for the PARISH. The second sub-account  
53 is for outreach ministries and grants. The third sub-account is undesignated.

## **9. Liability of COMMITTEE Members**

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

## **10. Holding of Assets, Action to Sell**

60 All assets are to be held in the name of the Endowment Fund of Grace Church in the Mountains .  
61 Actions to hold, sell, exchange, rent, lease, transfer, convert, invest, reinvest, and in all other  
62 respects, to manage and control the assets of the FUND, including stocks, bonds, mortgages,  
63 notes, warrants of other securities, are to be made by a delegated member of the COMMITTEE  
64 on behalf of the COMMITTEE.

## **11. Acceptance of Gifts to the Endowment Fund**

65 Gifts to the Endowment must be accepted by in accordance with and subject to the Gift  
66 Acceptance Policy set forth by the Vestry. Guidance for decisions as to whether a gift to the  
67 FUND or to the Parish shall be accepted is set forth in *Section D*.  
68

## **12. Distributions from the Fund**

69 It is the intent of this resolution that the FUND shall be managed in perpetuity as a true  
70 endowment. BE IT FURTHER RESOLVED that the distributions from the FUND shall not be  
71 made to the operating budget of the Parish except to fulfill the purposes described in this  
72 resolution with one exception. In the event that the Parish is in dire circumstances, meaning its  
73 viability as a continuing church is in jeopardy, the Vestry may use both income and principal of  
74 the unrestricted endowment for the operating needs of the Parish following a two-thirds vote of  
75 the Vestry at two successive meetings, said meetings being at least one day apart. Before the  
76 first vote of the Vestry is called, however, a parish-wide meeting explaining the dire  
77 circumstances must be called following the notification guidelines set forth in Article 3 section 3  
78 of the Parish Bylaws, requiring 14 days of advanced notice.

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

84 *Note: A true endowment is established if a donor makes a gift and restricts it to the Endowment  
85 Fund, often defining its use. If the Parish promotes its Endowment Fund and receives gifts of any  
86 size for the Fund, those funds are equally restricted. If a purpose is announced and donors give  
87 to an Endowment Fund for a named purpose, the funds are restricted as to purpose as well. If the  
88 Parish receives an unrestricted bequest that is placed in the Endowment Fund, or if the Vestry  
89 decides to put excess funds into the Endowment, those funds remain unrestricted. This part of the  
90 Endowment Fund can be spent down by the Vestry within the established distribution rules. This  
91 is considered a “quasi” or unrestricted endowment.*

### **13. Amendment of this Resolution**

92 Any amendment to this Resolution shall be adopted by a vote of at least two-thirds (2/3) of the  
93 membership of the Vestry at two consecutive, regularly scheduled meetings. Any amendment  
94 regarding the use of the corpus of the unrestricted endowment shall be handled within the above-  
95 established distribution rules.

## **15. Disposition or transfer of FUND**

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

102 The foregoing resolution is hereby adopted by the Vestry this X day of Y  
103 2019.

104  
105

106 Grace Church in the Mountains  
107 Waynesville, North Carolina

Attest:

108 \_\_\_\_\_ (print name) \_\_\_\_\_

109 \_\_\_\_\_ (signature) \_\_\_\_\_  
110 Senior Warden Clerk

# ENDOWMENT FUND POLICIES AND GUIDELINES

## FOR

### GRACE CHURCH IN THE MOUNTAINS

### WAYNESVILLE, NORTH CAROLINA

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#### SECTION A

#### *Investment Policy Statement*

##### **Purpose**

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

##### **Responsibility**

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

##### **Objectives**

119 The assets of the FUND are to be invested within five business days of the Vestry meeting  
120 accepting the gift with the same care, skill and diligence that a prudent investor would exercise  
121 in investing institutional endowment funds. The primary objective will be to provide long-term  
122 growth of principal and income without undue exposure to risk.

##### **Investment Guidelines**

###### ***Time Horizon***

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

###### ***Risk Tolerance:***

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

###### ***Prohibited Investments:***

128 The COMMITTEE shall not invest in private placements, restricted stock or other illiquid issues,  
129 commodities' futures, arbitrage and other uncovered options, and shall not engage in short sales,  
130 margin transactions or other similar specialized investment activities; however, the use of funds  
131 that use these investment activities in a constructive manner are permitted.

***Portfolio Diversification:***

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

***Investment Discretion:***

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

***Asset Allocation***

140 Because securities markets may vary greatly throughout a market cycle, the COMMITTEE may  
141 change the asset mix of the FUND as long as that mix meets the overall objectives and is  
142 consistent with the policy guidelines herein set forth. The FUND shall be allocated between  
143 equity investments and bonds and/or other fixed income securities, including but not limited to  
144 annuities.  
145

***Investment Goals***

146 The COMMITTEE will accept a risk level for the FUND's overall investment program that is  
147 intended to produce a total annual return adequate to cover these components: expenditures from  
148 the FUND (as determined annually by the COMMITTEE under the Spending Rule Policy),  
149 inflation and growth of the FUND.

***Reporting***

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

**SECTION B**  
***Spending Rule Policy***

153 Money will be distributed from the FUND upon approval of the Vestry following the  
154 recommendation of the COMMITTEE for those uses which conform to the purposes and  
155 restrictions established in the Enabling Resolution.

156 Funds available for distribution will be determined by using a total return principle, i.e., return  
157 derived from dividends and interest as well as realized and unrealized capital gains (see end note  
158 3). The funds available for distribution during any one year will be limited to a percentage of the  
159 market value of the corpus that is based on a three-year rolling average, with measures taken at  
160 the end of each of the preceding twelve quarters (see end note 4). The first two years of this Fund  
161 will be limited to 80% of the year-end Fund value. The market value for this purpose will be  
162 taken net of the fees for investment management.

163 The percentage of the FUND made available for distribution shall normally fall in the range of  
164 three to five percent but shall be determined each year by the Vestry taking into consideration the  
165 recommendation of the COMMITTEE. In so doing, market performance of the portfolio will be  
166 an important consideration. It will be the goal of the COMMITTEE to grow, or at least maintain,  
167 the purchasing power of the FUND taking inflationary effects into account.

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

## SECTION C

### *Disposition of Bequests Policy*

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

176 The bequest may identify the beneficiary in one of two general ways: *Grace Church in the*  
177 *Mountains Episcopal Church of the Episcopal Diocese of Western North Carolina* or some other  
178 wording such as *Grace Church in the Mountain, Waynesville, North Carolina*; or *The*  
179 *Endowment Fund of Grace Church in the Mountains* or similar wording.

180 Bequests with **Grace Church in the Mountains** as beneficiary can be of two general types:

181 **a. Restricted:** The donor may identify a sub-account to which funds should be directed, either  
182 outreach or capital improvements/ property preservation. The Vestry will guarantee that the  
183 use(s) to which those funds are applied is faithful to the donor's wishes. The funds may be  
184 directed to their designated purpose(s) either as an endowment, in which case they join one of  
185 the sub-accounts within the Endowment Fund, or by direct expenditure of the funds through the  
186 Treasurer of the Parish, **upon approval of the Vestry**.

187 **b. Unrestricted:** The expectation is that such a bequest will be transferred to the Endowment  
188 Fund. Such transfers are intended to be held in perpetuity. This policy specifically  
189 acknowledges that from time to time truly extraordinary needs of the Parish may arise to  
190 necessitate an exception to this policy.

191 In such instances the following procedure will apply:

192 The Rector and Wardens of the Parish will assess the particular circumstances giving rise to a  
193 perceived need to make an exception to the policy. Such circumstances should be judged to be  
194 truly extraordinary and that no other financial resources of the Parish are available or are  
195 expected to become available in time to fulfill the urgent need. If an exception is deemed  
196 appropriate, the Rector and Wardens will make a recommendation. Final authority for granting  
197 such an exception to the policy will rest with the Vestry.

198 Bequests designating the **Endowment Fund** as beneficiary are automatically transferred to the  
199 Endowment Fund and appropriate sub-account upon acceptance (outreach, capital  
200 improvement/property preservation or undesignated).

## SECTION D

### *Gift Acceptance Guidelines*

#### **Purpose**

201 The gift acceptance policy of the Vestry provide general guidance to the Vestry of Grace  
202 Church in the Mountains who are responsible for approving all gifts. These guidelines  
203 supplement the the Vestry Gift Acceptance policy and are for representatives of Grace Church in  
204 the Mountains who may be involved in the acceptance of gifts, to outside advisors who may  
205 assist in the gift planning process, and to prospective donors who may wish to make gifts to  
206 Grace Church in the Mountains. These guidelines allow for some flexibility on a case-by-case  
207 basis. The gift review process outlined here, however, is intended to be followed closely.

#### **Gift Approval**

208 Any questions which may arise in the review and acceptance of gifts to Grace Church in the  
209 Mountains will be referred to Vestry.

#### **Cash**

- 210 1) All gifts by check shall be accepted by Grace Church in the Mountains regardless of amount.
- 211 2) Checks shall be made payable to Grace Church in the Mountains. In no event shall a check  
212 be made payable to an individual who represents Grace Church in the Mountains or the  
213 church in any capacity.

#### **Publicly Traded Securities**

- 214 1) Readily marketable securities, such as those traded on a stock exchange, can be accepted by  
215 Grace Church in the Mountains.
- 216 2) The value of the gift of securities is the average of the high and low prices on the date of the  
217 gift.
- 218 3) A gift of securities to Grace Church in the Mountains is usually liquidated at the earliest  
219 practical time after acceptance but no later than five business days following the Vestry  
220 meeting accepting the gift.

#### **Closely Held Securities**

221 Non-publicly traded securities may not be accepted.

#### **Real Estate**

- 222 1) Any gift of real estate must be reviewed by the Vestry.
- 223 2) Normally, the donor is responsible for obtaining and paying for an appraisal of the property.  
224 The appraisal will be performed by an independent and professional agent.
- 225 3) The appraisal must be based upon a personal visitation and internal inspection of the property  
226 by the appraiser. Also, whenever possible, it must show documented valuation of  
227 comparable properties located in the same area.
- 228 4) The formal appraisal should contain photographs of the property, the tax map number, the  
229 assessed value, the current asking price, a legal description of the property, the zoning status,  
230 and complete information regarding all mortgages, liens, litigation or title disputes.

- 231 5) Grace Church in the Mountains reserves the right to require an environmental assessment of  
232 any potential real estate gift.
- 233 6) The property must be transferred to **Grace Church in the Mountains** prior to any formal offer  
234 or contract for purchase is made.
- 235 7) In addition to appraisal costs, the donor may be asked to pay for all or a portion of the  
236 following:
- 237 a) Maintenance costs  
238 b) Real estate taxes  
239 c) Insurance  
240 d) Real estate broker's commission and other costs of sale  
241 e) Attorney fees
- 242 8) For gift crediting and accounting purposes, the value of the gift is the appraised value of the  
243 real estate. This value may be reduced, however, by the costs of maintenance, insurance, real  
244 estate taxes, broker's commission and other expenses of sale.

### **Life Insurance**

- 245 1) A gift of a life insurance policy must be referred to the Vestry.  
246 2) Grace Church in the Mountains.  
247 can be named a contingent beneficiary or the beneficiary of a percentage of a life insurance  
248 policy  
249 3) The vestry will accept **ownership** of a life insurance policy as a gift only if Grace Church in  
250 the Mountains is named as the owner and beneficiary of 100% of the policy.  
251 4) If the gift is a paid-up policy, the value for gift crediting and accounting purposes is the  
252 policy's interpolated terminal reserve.  
253 5) If the policy is partially paid-up, the value for gift crediting and accounting purposes is the  
254 policy's cash surrender value. (For IRS purposes, the donor's charitable income tax deduction is  
255 equal to the interpolated terminal reserve, which is an amount slightly in excess of the cash  
256 surrender value.)

### **Tangible Personal Property**

- 257 1) Any gift of tangible personal property shall be referred to the Vestry prior to acceptance.  
258 2) Gifts of jewelry, artwork, collections, equipment and software shall be assessed for their  
259 value to Grace Church in the Mountains. Their value may be realized either by being sold or  
260 used in connection with the parish's exempt purpose.  
261 3) Depending upon the anticipated value of the gift, a qualified outside appraiser may be asked  
262 to determine its value.  
263 4) Grace Church in the Mountains shall adhere to all IRS requirements relating to valuation and  
264 disposition of gifts of tangible personal property and will provide appropriate forms to the  
265 donor and IRS.

### **Deferred Gifts**

- 266 1) Grace Church in the Mountains encourages deferred gifts in its favor through any of a variety  
267 of vehicles:  
268 a) Charitable gift annuity (or deferred gift annuity)  
269 b) Pooled income fund  
270 c) Charitable remainder trust  
271 d) Charitable lead trust  
272 e) Bequest

- 273 f) Retained life estate
- 274 2) Grace Church in the Mountains (or its agent) shall not act as an executor (personal  
275 representative) for a donor's estate. A member of the parish staff serving as personal  
276 representative for a member of the parish does so in a personal capacity and not as an agent  
277 of the parish.
- 278 3) Grace Church in the Mountains (or its agent) shall not act as trustee of any charitable  
279 remainder trust.
- 280 4) Grace Church in the Mountains may invite prospective donors to consider gift vehicles  
281 offered by The Episcopal Church Foundation (specifically, Charitable Remainder Trusts,  
282 Charitable Gift Annuities and the Pooled Income Fund).
- 283 5) When donors are provided planned gift illustrations or form documents, these will be  
284 provided free of charge. For any planned gift related documents, materials, illustrations,  
285 letters or other correspondence, the following disclaimer should be included:

286 ***Grace Church in the Mountains strongly urges you to consult with your attorney,  
287 financial and/or tax advisor to review this information provided to you without charge  
288 or obligation. This information in no way constitutes legal or financial advice.***

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

299 300 End Notes

301 302 Note 1: Using the return from endowment funds for annual operating expenses can cause a number of  
303 problems. If the only purpose of the endowment fund is to supplement the annual operating budget of the  
304 church, it often has a corrosive influence on annual stewardship and saps the vitality of the church's  
305 mission. If the annual budget depends upon the endowment to make ends meet, in years of market decline  
306 there will be budget shortfalls or a strong temptation to dip into endowment principal.

307 308 Note 2: The COMMITTEE manages the investments, oversees distribution of the funds for the purposes  
309 agreed upon, and makes sure that the rules are followed, but does not determine specifically how the  
310 funds will be used. That is a vestry decision.

311 312 Note 3: A "total return" spending policy establishes value based on income, dividends, **and** capital  
313 appreciation (depreciation). An "income only" policy considers only the interest earned and dividends  
314 paid.

316 Note 4: Some churches use a five-year rolling average to smooth out the ups and downs of the market.  
317 Churches just starting out that do not have a multi-year average sometimes apply their spending rule to  
318 80% or 90% of the first year net average value.  
319