

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

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; and

WHEREAS, Christians can give to the work of the 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; and

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, establishes a new and separate fund to be known as “The Grace Church in the Mountains Endowment Fund” (hereafter called the “FUND”) of Grace Church in the Mountains, 394 North Haywood Street, Waynesville, North, Carolina 28786 (PARISH).

BE IT FURTHER RESOLVED that the purpose of the Endowment FUND is to enable the PARISH to fulfill its mission more completely by developing its ministries beyond what is possible through its annual operating funds. Distributions from the fund shall be limited to: (i) capital improvements of the PARISH; (ii) outreach ministries and grants; (iii) and undesignated monies that may be used as seed money for new ministries and/or special one-time projects, and/or for other purposes congruent to the PARISH’s mission and subject to Vestry approval.

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 above (*see end note 1*).

BE IT FURTHER RESOLVED that the Administration COMMITTEE (hereafter called 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 13).

PLAN OF OPERATION

1. **Composition of the COMMITTEE**

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

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

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

3. **Quorum**

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

4. **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 thereof to each member of the COMMITTEE. Each member shall keep a complete set of minutes to be delivered to his or her successor. The secretary shall also supply a copy of the minutes to the Vestry in a timely manner. The Treasurer of the Parish shall maintain complete and accurate books of account for the FUND. The books will be audited as part of the Parish annual audit.

5. Reports

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

6. Professional Counsel

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

7. Investments

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

8. Funds for Specific Purposes

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

9. Liability of COMMITTEE Members

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.

10. Holding of Assets, Action to Sell

All assets are to be held in the name of the Endowment Fund of Grace Church in the Mountains. 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, warrants of other securities, are to be made by a delegated member of the COMMITTEE on behalf of the COMMITTEE.

11. Acceptance of Gifts to the Endowment Fund

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

12. Distributions from the Fund

It is the intent of this resolution that the FUND shall be managed in perpetuity as a true endowment. 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 in this resolution with one exception. In the event that the Parish is in dire circumstances, meaning its viability as a continuing church is in jeopardy, the Vestry may use both income and principal of the unrestricted endowment for the operating needs of the Parish following a two-thirds vote of the Vestry at two successive meetings, said meetings being at least one day apart. Before the first vote of the Vestry is called, however, a parish-wide meeting explaining the dire circumstances must be called following the notification guidelines set forth in Article 3 section 3 of the Parish Bylaws, requiring 14 days of advanced notice.

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.

Note: A true endowment is established if a donor makes a gift and restricts it to the Endowment Fund, often defining its use. If the Parish promotes its Endowment Fund 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, the funds are restricted as to purpose as well. If the Parish receives an unrestricted bequest that is placed in the Endowment Fund, or if the Vestry decides to put excess funds into the Endowment, those funds remain unrestricted. This part of the Endowment Fund can be spent down by the Vestry within the established distribution rules. This is considered a “quasi” or unrestricted endowment.

13. Amendment of this Resolution

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

15. Disposition or transfer of 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 Parish Bylaws 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 was adopted by the Vestry this 21 day of August 2021. It was revised on December 21, 2021.

Grace Church in the Mountains
Waynesville, North Carolina

<u>Dale McDonald</u>	(print name)	Attest: <u>Michael Lodico</u>
<u>Dave McSorley</u>	(signature)	<u>Michael Lodico</u>
Senior Warden		Clerk

ENDOWMENT FUND POLICIES AND GUIDELINES
FOR
GRACE CHURCH IN THE MOUNTAINS
WAYNESVILLE, 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 recommend to the Vestry amendments to the guidelines or remain unchanged. The COMMITTEE may choose to employ an outside investment manager.

Objectives

The assets of the FUND are to be invested within five business days of the Vestry meeting accepting the gift 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, commodities' futures, 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, common trust funds, exchange traded funds, and notes 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 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, including but not limited to annuities.

Investment Goals

The COMMITTEE will accept 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 Rule Policy), inflation and growth of the FUND.

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 Rule Policy

Money will be distributed from the FUND upon approval of the Vestry following the recommendation of the COMMITTEE for those uses which conform to the purposes and restrictions established 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 (see end note 3). The funds available for distribution during any one year will be limited to a percentage of the market value of the corpus that is based on a three-year rolling average, with measures taken at the end of each of the preceding twelve quarters (see end note 4). The first two years of this Fund will be limited to 80% of the year-end Fund value. 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 normally fall in the range of three to five percent but shall be determined each year by the Vestry taking into consideration the recommendation of 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 inflationary effects into account.

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

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

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

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

In such instances the following procedure will apply:

The Rector and Wardens of the Parish will assess the particular circumstances giving rise to a perceived need to make an exception to the policy. Such circumstances should be judged to be truly extraordinary and that no other financial resources of the Parish are available or are expected to become available in time to fulfill the urgent need. If an exception is deemed

appropriate, the Rector and Wardens will make a recommendation. Final authority for granting such an exception to the policy will rest with the Vestry.

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

SECTION D

Gift Acceptance Guidelines

Purpose

The gift acceptance policy of the Vestry provides general guidance to the Vestry of Grace Church in the Mountains who are responsible for approving all gifts. These guidelines supplement the Vestry Gift Acceptance policy and are for representatives of Grace Church in the Mountains 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 Grace Church in the Mountains. These guidelines allow for some flexibility on a case-by-case basis. The gift review *process* outlined here, however, is intended to be followed closely.

Gift Approval

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

Cash

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

Publicly Traded Securities

- 1) Readily marketable securities, such as those traded on a stock exchange, can be accepted by Grace Church in the Mountains.
- 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 Grace Church in the Mountains is usually liquidated at the earliest practical time after acceptance but no later than five business days following the Vestry meeting accepting the gift.

Closely Held Securities

Non-publicly traded securities may not be accepted.

Real Estate

- 1) Any gift of real estate must be reviewed by the Vestry.
- 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, it must show 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) Grace Church in the Mountains reserves the right to require an environmental assessment of any potential real estate gift.
- 6) The property must be transferred to Grace Church in the Mountains prior to any formal offer or contract for purchase is made.
- 7) In addition to appraisal costs, 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) Attorney fees
- 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 Vestry.
- 2) Grace Church in the Mountains.
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 Grace Church in the Mountains 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 interpolated terminal reserve.
- 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 Vestry prior to acceptance.
- 2) Gifts of jewelry, artwork, collections, equipment and software shall be assessed for their value to Grace Church in the Mountains. 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) Grace Church in the Mountains 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) Grace Church in the Mountains 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
- 2) Grace Church in the Mountains (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) Grace Church in the Mountains (or its agent) shall not act as trustee of any charitable remainder trust.
- 4) Grace Church in the Mountains may invite prospective donors to consider gift vehicles offered by The Episcopal Church Foundation (specifically, Charitable Remainder Trusts, Charitable Gift Annuities and the Pooled Income Fund).
- 5) When donors are provided planned gift illustrations or form documents, 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:

Grace Church in the Mountains 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 Grace Church in the Mountains 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) Grace Church in the Mountains 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 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.

End Notes

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

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

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

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