

<b>Endowment Fund</b> <b>St. Andrew's Episcopal Church of Burke, Virginia</b>
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**I. Definitions.**

"Church" means St. Andrew's Episcopal Church in Burke, Virginia.

"Endowment Fund" means the Endowment Fund of the Church.

"Board" means the Endowment Fund Board of the Church.

"Vestry" means the Vestry of the Church.

**II. Purpose of the Endowment Fund.**

The purpose of the Endowment Fund is to enable the Church to more completely fulfill its mission by developing its ministries beyond as well as through its annual operating funds, and therefore that distributions from the Endowment Fund shall be limited to:

- Capital needs of the Church.
- Outreach ministries and grants,
- Education and worship ministries,
- Seed money for new ministries and special one-time projects, and
- Such other purposes as specifically designated by donors to the Church whose gifts are included in the Endowment Fund.

**III. Plan of Operation.**

The Plan of Operation comprises the "by-laws" of the Endowment Fund Board. Accordingly, most of the Plan of Operation contains procedural provisions by which the Endowment Fund Board operates (e.g. how members are selected, quorum requirements, etc.). The Plan of Operation incorporates the Gift Acceptance Policy and Distribution Policy and mandates that the Endowment Fund Board operate in accordance with those policies. The Plan of Operation can be amended, replaced, or repealed by affirmative vote of 2/3 of the Vestry.

The Plan of Operation also delegates power to the Endowment Fund Board to adopt policies concerning Disposition of Bequests, Designated Funds, Spending Rules, and Investment Guidelines. Those policies are intended to delegate power to the Endowment Fund Board to manage routine operations of the Endowment Fund. The Endowment Fund Board may amend, replace, or repeal those policies in the future without Vestry authorization. The Plan of Operation requires the Endowment Fund Board to notify the Vestry if it changes any of those policies.

## **RESPONSIBILITIES**

### **Endowment Board**

The Board will oversee the invested funds and oversee distributions from the FUND in compliance with the approved Spending Rule and in accordance with the purposes and distribution policies defined in guidance documents. The Board will work closely in cooperation with the qualified custodian of the trusts.

The BOARD shall also develop a comprehensive planned giving program to encourage persons, trusts, and estates to consider making gifts, grants, bequests, or other legacy gifts to the Parish. In addition, the Endowment BOARD will solicit, review, and recommend for approval outreach grant recipients. The Vestry makes the final decision as to whether any grant requests are made and if so, which ones and the amount of the grant.

The Endowment Fund Board shall consist of five (5) members, all of whom shall be members in good standing of the Church and not currently serving on the Vestry. The Vestry shall appoint all members of the Endowment Fund Board. The Rector, and Senior Warden shall be ex-officio members of the Endowment Fund Board but shall not have a vote as members of the Board, and their presence shall not count toward the quorum requirements for meetings of the Board.

The Rector will stagger the terms of members to maximize continuity over time. Except as herein limited, the term of each member shall be three (3) years. Upon adoption of this resolution, two (2) members shall be appointed for a term of three (3) years; two (2) members for a term of two (2) years, and one (1) member for a term of one (1) year. Thereafter, on an annual basis, the Vestry shall appoint the necessary number for a term of three years. No member shall serve more than two consecutive three (3) year terms. After a lapse of one (1) year, former Endowment Fund Board members may be re-elected. In the event of a vacancy on the Endowment Fund Board the Vestry shall appoint a member to complete the unfulfilled term, upon the completion of which that person would be eligible for re-appointment to a normal three (3) year term. The Vestry may remove any or all members of the Endowment Fund Board at any time by affirmative vote of two thirds (2/3) of all the incumbent members of the Vestry. It is provided further that the foregoing term limit may be waived by the Board upon a two-thirds vote of its members where the Chair represents that such waiver is prudent to maintain continuity and the expertise required for informed investment decisions.

The Board shall consist of five (5) members, all of whom shall be members in good standing of the Church and not currently serving on the Vestry. The Vestry shall appoint all members of the Board.

The term of each member shall be three (3) years (terms on the Board are phased with the Vestry annually appointing members required to ensure full membership is sustained considering the three-year term of appointment and other vacancies). No member shall serve more than two (2) consecutive three (3) year terms. After a lapse of one (1) year, former Board members may be reappointed. In the event of a vacancy on the Board, the Vestry shall appoint a member to complete the unfulfilled term. The Vestry may remove any member of the Board at any time by an affirmative vote of two-thirds (2/3) of all Vestry members.

The Rector, the Senior Warden and the Treasurer of the Church shall be ex-officio members of the Board, but shall not have a vote as members of the Board, and their presence shall not count toward the quorum requirements for meetings of the Board.

Board members will maintain copies of meeting minutes in a file that they will give to the person who replaces them on the Board to facilitate understanding of old and new business. Second, as part of our strategy, the Chair will **identify the few key things** that each member of the Board is to know or be able to do — and figure out how to turn this from an implicit assumption to an explicit expectation that passes to the replacement.

Board members shall be liable only for any acts or omissions committed individually by them (including losses which may be incurred upon the investments of the assets of the Endowment Fund), and only to the extent that such acts or omissions were not in good faith or involved intentional misconduct. Members shall not be liable for the acts or omissions of any other members. No member shall engage in any self-dealing or transactions with the Endowment Fund in which the member has direct or indirect financial interest and shall at all times refrain from any actions or conduct in which their personal interests would conflict with the interests of the Endowment Fund.

The Board shall meet at least quarterly, or more frequently as deemed by the Board in the best interests of the Endowment Fund.

The Board shall report to the Vestry on a quarterly basis and, at each annual meeting of Church members, shall render a full and complete account of the administration of the Endowment Fund during the preceding year.

The Board, at the expense of the Endowment Fund, may provide for such professional counseling on investments or legal matters as deemed in the best interests of the Endowment Fund.

A quorum of the Board shall consist of four (4) members. The affirmative vote of three (3) members shall be necessary for the approval of any motion or resolution. The Board shall take all actions as a board regularly convened.

The Board shall elect from its membership a Chairperson and a Secretary. The Chairperson, or member designated by the Chairperson, shall preside at all Board meetings.

The Secretary shall maintain complete and accurate minutes of all meetings of the Board.

### **Chairperson**

The chairperson, or member designated by the chairperson, shall preside at all Board meetings. One of the responsibilities is to facilitate discussion among the board members, giving each board member an opportunity to speak. The chair may assist members in wording motions upon request of the moving member. Other key responsibilities include:

➤ **Recognize a Quorum**

The first order of business is for the chair to determine if a quorum is present. The quorum is defined in this Plan of Operation.

➤ **Approving the Agenda**

➤ The chair will ask the members to approve the agenda. When a member requests additions, amendments, or deletions of the agenda, the amended agenda may be approved without a vote.

➤ **Approving the Minutes**

➤ Before any official business can be conducted, the board must approve the minutes of the prior meeting. **Communication and Reports**

Financial reports should be read to keep members current; however, no action needs to be taken on them unless it is an audited report. A vote should be taken after the annual, audited financial report.

### **Secretary**

The Secretary shall maintain complete and accurate minutes of all meetings of the Endowment Fund Board and supply a copy thereof to each member of the Endowment Fund Board. The Secretary shall deliver the complete set of minutes to his or her successor. The Secretary shall also supply a copy of the minutes to the Vestry in a timely manner.

### **Treasurer**

The Treasurer of the Church shall maintain complete and accurate accounts for the Endowment Fund. As part of the annual Church audit of accounts, the Endowment Fund account shall be evaluated by a certified public accountant or other qualified person. Such reviews shall be conducted in accordance with the accounting standards prescribed by the *Manual of Business Methods in Church Affairs*) Such person conducting the evaluation shall not be a member of the Board.

### **Custodian**

The CUSTODIAN is responsible for:

- Fulfilling all the regular fiduciary duties required of a trustee/custodian by pertinent state and federal laws and regulations.
- Safekeeping the assets of the Church. Securities must be held by a Custodian/Trustee that is a reputable, well-established financial institution.
- Supplying timely reports of transactions and valuations of the assets.

All assets of the Endowment Fund are to be held in the name of THE ENDOWMENT FUND OF ST. ANDREW'S EPISCOPAL CHURCH, BURKE, VIRGINIA. Directions to hold, sell, exchange, rent, lease, transfer, convert, invest, reinvest, and in all other respects manage and control the assets of the Endowment Fund, including, without limitation, stocks, bonds, debentures, mortgages, notes, warrants of other securities, as in their judgment and discretion they deem wise and prudent and in accordance with the Prudent Investor Act and other requirements of the Code of Virginia, as hereafter amended from time to time, are to be made in writing by the Vestry with the advice and guidance of the Board, as appropriate.

The Endowment Fund policies and guidelines herein shall be reviewed at least annually by the Board to determine whether they should be amended or remain unchanged. Any amendments shall be made by the Vestry with the advice and guidance of the Board.

#### **IV. Investment Policy Statement.**

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

The ultimate responsibility for managing the Endowment Fund resides with the Vestry, which has chosen to delegate portions of its responsibility to the Board, which will administer the portfolio of the Endowment Fund in accordance with these guidelines. The Board may choose to employ an outside investment manager.

The assets of the Endowment 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.

The Endowment Fund's investment objectives and strategic asset allocation are based on a long-term time horizon. An asset allocation strategy offers constant exposure to all areas of the investment markets in appropriate weightings based upon an investor's tolerance for volatility or risk. As such, the Board will not attempt to "time the market" by entering or exiting the investment strategy based upon perceived market swings. To carry out its duty, the Board will generally research, select, and monitor high quality asset managers to implement Strategic Asset Allocation.

Because of its long-term horizon, the Endowment 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.

The Board shall not invest in private placement, restricted stock or other illiquid issues, commodity 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.

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

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

Because securities markets may vary greatly throughout a market cycle, the Board may change the asset mix of the Endowment Fund within the following ranges as long as that mix meets the overall objectives and is consistent with the policy guidelines herein. The Endowment 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 (plus or minus 5 percent):

- Equities 60%-to-80%
- Fixed Income (including moneymarket funds) 20%-to-40%
- Cash 0%-to-20%

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

While maintaining the asset mix within the above guidelines, the Board accepts a risk level for the Endowment Fund's overall investment program that is intended to produce a total annual return adequate to cover these components: expenditures from the Endowment Fund (as determined annually by the Board under the Spending Rule Policy in Section V), inflation, and growth of the Endowment Fund.

The Board may designate as investment manager and consultant the Trustees of the Funds ("TOTF") of the Episcopal Diocese of Virginia after evaluation of the policies and history of the TOTF and determining them to be generally consistent with the policies and investment guidelines of the Endowment Fund.

The quarterly report provided by the Board 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 herein.

#### **V. Spending Policy Rule.**

Funds will be distributed from the Endowment Fund upon written request of the Vestry and with the approval of the Board for use in areas that conform to the purposes and restrictions established by donors. In the absence of such purposes or restrictions, the Vestry shall determine the appropriate use of the funds in accordance with Section II.

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 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. The market value for this purpose will be taken net of the fees for investment management.

The percentage of the Endowment Fund made available for distribution shall be determined each year by the Board and will normally fall in the range of three-to-five percent. In so doing, market performance of the portfolio will be an important consideration. It will be the goal of the Board to grow, or at least maintain, the intergenerational purchasing power of the Endowment 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 Board with the approval of the Vestry. Expenses related to the management and administration of the Endowment Fund will be deducted from the funds available for distribution.

#### **VI. Disposition of Bequests Policy.**

This disposition of bequests policy governs the disposition of bequests, which means any type of gift where the assets are transferred upon the death of the donor. The assets may be in any form including but not limited to cash, securities, personal property, and real property.

The bequest may identify the beneficiary in one of two general ways: (1) St. Andrew's Episcopal Church of Burke, Virginia or similar wording; or (2) the Endowment Fund of St. Andrew's Episcopal Church or similar wording.

Bequests with St. Andrew's Episcopal Church of Burke, Virginia as the beneficiary can be of two general types:

- Restricted. The donor has identified a specific purpose(s) to which the bequest funds should be directed. The Vestry will guarantee that the use(s) to which those bequest 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 normally would become a designated fund within the Endowment Fund, or by direct expenditure of the funds through the Treasurer of the Church.
- 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 Church may arise to necessitate an exception to this policy. In such instances, the Rector and Senior Warden of the Church 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 Church are available or are expected to become available in time to fulfill the urgent need. If an exception is deemed appropriate, the Rector and Senior Warden will make a recommendation for final review and decision by the Vestry.

Bequests designating the Endowment Fund as beneficiary are automatically transferred to the Endowment Fund upon receipt. If the bequest was given for a designated purpose, then the value of the assets will be applied to establish a designated fund of the Endowment Fund, as provided in Section VII. If the bequest to the Endowment Fund is otherwise undesignated, the assets will be directed to that portion of the corpus of the Endowment Fund where earnings are unrestricted.

## **VII. Donor-Designated Fund Policy.**

A separate and designated fund within the Endowment 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 Endowment Fund for investment purposes, but the identity and purpose of each designated fund is preserved individually.

The designated 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 Endowment 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 designated fund based on its market value relative to the total market value of the Endowment 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 designated fund on the last day of the quarter. Expenditures are limited to the purposes specified in the designation and are governed by Section V.

### **VIII. Gift Acceptance Policy.**

This gift acceptance policy will provide guidelines to representatives of the Church 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 Church. This policy is intended only as a guide and allows for some flexibility on a case-by-case basis. However, the gift review process outlined herein is intended to be followed closely.

Any questions, which may arise in the review and acceptance of gifts to the Church, will be referred to the Gift Review Committee. That separate Committee, unless otherwise designated by the Vestry, will be comprised of the full Board. The Vestry reserves the right to decline any proffered gift to the Church.

#### Cash.

- All gifts by check may be accepted by the Church regardless of amount.
- Checks to be accepted shall be made payable to the Church, and in no event, shall they be made payable to an individual who represents the Church or the Episcopal Church of the U.S.A.

#### Publicly-Traded Securities.

- Readily marketable securities, such as those traded on a stock exchange, may be accepted by the Church. [The value of a gift of securities is the average of the high and low prices on the date of the gift.]
- A gift of securities to the Church is usually liquidated immediately.

#### Closely-Held Securities.

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

#### Real Estate.

- Any gift of real estate must be reviewed by the Gift Review Committee.
- The donor shall obtain and pay for an appraisal of the property. The appraisal

will be performed by an independent and professional agent.

- The appraisal must be based upon personal visitation and complete inspection of the property by the appraiser. Whenever possible, the appraisal must show documented valuation of comparable properties located in the same area. The appraisal shall 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 issues and disputes.
- The Church reserves the right to require an environmental assessment of any potential real estate gift.
- The real estate gift must be transferred to the Church prior to any formal offer or contract for purchase is made.
- The donor may be required to pay for all or a portion of the maintenance costs, real estate taxes, insurance, real estate broker's commission and other costs of sale or transfer, appraisal costs, environmental assessment costs, and other associated costs.
- 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, taxes, commissions and other expenses of sale or transfer.

#### Life Insurance.

- A gift of a life insurance policy must be referred to the Gift Review Committee.
- A gift of a life insurance policy shall be accepted only if the Church is named as the owner and beneficiary of 100 percent of the policy.
- If the gift is a paid-up policy, the value for gift crediting and accounting purposes is the policy's replacement cost.
- If the policy is partially paid-up, the value for gift crediting and accounting purposes is the policy's cash surrender value.

#### Tangible Personal Property.

- Any gift of tangible personal property shall be referred to the Gift Review Committee prior to acceptance.
- Gifts of jewelry, artwork, collections, equipment and other items shall be properly assessed for their fair market value. Their value may be realized either by being sold or used in connection with Church purposes.
- The Church 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.

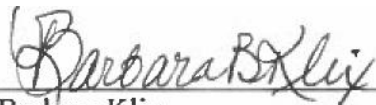
- The Church encourages deferred gifts in its favor through a variety of means:
  - Charitable gift annuity (or deferred gift annuity).
  - Pooled income fund.
  - Charitable remainder trust.
  - Charitable lead trust.

- Bequest.
  - Retained life estate.
- The Church (or its agent) shall not act as an executor (personal representative) for a donor's estate. A member of the Church staff serving as a personal representative for a member of the Church does so in a personal capacity and not as an agent of the parish.
- The Church (or its agent) shall not act as trustee of any charitable remainder trust.
- The Church may invite prospective donors to consider gift vehicles offered by The Episcopal Church Foundation as well as its investment services.
- If 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:

*St. Andrew's Episcopal Church 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.*

- All information obtained from or about donors/prospects shall be held in the strictest confidence by Church 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.
- The Church will seek qualified professional counsel in the exploration and execution of all planned gift agreements. The Church recognizes the right of fair and just remuneration for professional services.

Approved by the Vestry on 11 December, 2017



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Barbara Klix

Sr. Warden

St. Andrew's Episcopal Church of Burke, Virginia