

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

**POLICIES GOVERNING THE CREATION AND OPERATION  
OF  
THE ENDOWMENT OF ST. PAUL'S EPISCOPAL CHURCH  
CARY, NORTH CAROLINA**

**Submitted to the Vestry for review on 7-14-10**

**Approved by the Vestry on 8-16-10 subject to revision.**

**Revised on 8-23-10 subject to Vestry guidance**

**Endorsed by Endowment Board on 8-26-10**

**Disclaimer**

The policies and other documents included within this package are not intended to provide legal, financial, or tax advice. Potential donors are encouraged to seek guidance by professions in these areas, as appropriate, when considering making commitments to the St. Paul's Endowment.

25

TABLE OF CONTENTS

26	<u>Document</u>	<u>Page</u>
27	<b>Part 1. Vestry Policies Related to the Endowment</b>	<b>3</b>
28	1. Enabling Resolution	4
29	2. Gift Acceptance Policy	13
30	<b>Part 2. Endowment Board Policies</b>	<b>17</b>
31	3. Conflict of Interest Policy	18
32	4. Donor Agreement	22
33	5. Restricted Funds Policy	22
34	6. Bequest Disposition Policy	28
35	7. Investment Guidelines	30
36	8. Spending Rules	33
37	<b>Part 3. Other Endowment Board Documents</b>	<b>35</b>
38	9. Standard Operating Procedures	36
39	<b>Part 4. References</b>	<b>41</b>
40	10. North Carolina Uniform Prudent Management of Institutional Funds Act	Attached
41	11. Financial Accounting Standards Board Guidance on Endowment Accounting and Reporting	Attached
42		

43

44

45

46

**PART 1. VESTRY POLICIES RELATED TO THE ENDOWMENT**

47

48

49

50 1. Enabling Resolution (Original version passed by the Vestry on 11-16-09)

51 **ENABLING RESOLUTION**

52 **Establishing a General Endowment Fund**

53 **for**

54 **St. Paul's Episcopal Church**

55 **Cary, N.C.**

56 WHEREAS, Christian stewardship involves the faithful management of all of God's gifts —  
57 time, talents, the created world and money, including accumulated, inherited and appreciated  
58 assets; and

59 WHEREAS, Christians can give to the work of the Church through a variety of gift vehicles in  
60 addition to cash and securities, including bequests in wills, charitable remainder trusts and other  
61 life income gifts, other trusts, life insurance policies, real estate, securities and other property;  
62 and

63 WHEREAS, it is the desire of this parish to encourage, receive and administer these gifts in a  
64 manner faithful to the loyalty and devotion to God expressed by the donors and in accord with  
65 the canons of the Episcopal Church and the Diocese of North Carolina and the policies of this  
66 parish:

67 THEREFORE BE IT RESOLVED that this parish, through action of its Vestry, establishes a  
68 new and separate fund to be known as The Endowment Fund (hereafter called the "FUND") of  
69 St. Paul's Episcopal Church, 221 Union St., Cary, N.C.;

70 BE IT FURTHER RESOLVED that the purpose of the FUND is to enable the PARISH to more  
71 completely fulfill its mission by developing its ministries beyond what is possible through its  
72 annual operating funds;

73 BE IT FURTHER RESOLVED that distributions from the fund shall not be used to meet yearly  
74 operating expenses of the PARISH, but instead shall be used to fulfill purposes such as:

- 75           •       outreach ministries and grants,  
76           •       seed money for new ministries and special one-time projects,  
77           •       maintenance and enhancement of the physical plant and grounds of the PARISH,  
78           and,  
79           •       such other purposes as are specifically designated by donors to the PARISH  
80           whose gifts are included in the FUND;

81 BE IT FURTHER RESOLVED that an ENDOWMENT FUND BOARD (hereafter called the  
82 "BOARD") is hereby established to be the custodian of the FUND. The composition and  
83 function of the BOARD shall be as set forth in the following Plan of Operation, which may be  
84 amended by the Vestry from time to time, as needed. The BOARD shall manage the fund in  
85 compliance with all applicable federal and state laws, including North Carolina's Uniform  
86 Prudent Management of Institutional Funds Act<sup>1</sup> (attached).

## 87 **PLAN OF OPERATION**

### 88 **1. Composition of the ENDOWMENT FUND BOARD**

89 The BOARD shall consist of five regular members, all of whom shall be members in good  
90 standing of St. Paul's Episcopal Church; they shall be appointed by the Vestry. Additionally, the  
91 Rector and Senior Warden shall be ex-officio members of the BOARD without vote. Further, the  
92 Stewardship and Finance Committees may elect to appoint non-voting liaisons to the BOARD.  
93 Except as herein limited, the term of each non-permanent member shall be three years. Upon  
94 adoption of this Enabling Resolution, the Vestry shall appoint members as follows: two members  
95 shall be appointed for a term of three years, two members for a term of two years, and one  
96 member for a term of one year. Thereafter, the Vestry shall appoint the necessary number for a  
97 term of three years. No member shall serve more than two consecutive three-year terms. After a  
98 lapse of one year, former BOARD members may be reappointed. In the event of a vacancy on  
99 the BOARD, the Vestry shall appoint a member to complete the unfulfilled term, upon the  
100 completion of which that person would be eligible for reappointment to a normal three-year  
101 term. The BOARD, if it so chooses, may nominate candidates for consideration by the Vestry.

### 102 **2. Roles of the FUND BOARD**

103 The BOARD shall develop the following policies, rules and guidelines:

- 104 • Standard Operating Procedures
- 105 • Gift Acceptance Policy
- 106 • Bequest Disposition Policy
- 107 • Restricted Funds Policy
- 108 • Conflict of Interest Policy
- 109 • Total Return Policy
- 110 • Spending Rules
- 111 • Investment Guidelines

112 The Standard Operating Procedures shall be developed with input from the Vestry, financial  
113 secretary, finance committee and treasurer. The Standard Operating Procedures shall outline the  
114 interactions between the BOARD and these other parties; additionally, the Standard Operating  
115 Procedures shall describe the interactions with potential and realized donors, how the funds are

---

<sup>1</sup> North Carolina General Statutes, Chapter 36E.

116 to be received and accounted for, and the process by which distribution amounts and destinations  
117 are determined and carried out.

118 All of the policies, rules, and guidelines shall be presented to and approved by the Vestry (or by  
119 a Vestry subcommittee to whom this function has been delegated by the Vestry) prior to  
120 adoption.

121 The BOARD shall oversee the management of invested funds and ensure that distributions from  
122 the FUND are used in compliance with the approved Spending Rules and other guidelines,  
123 policies, and purposes, as defined in this Enabling Resolution.

124 The BOARD shall serve the role of Gift Review Committee and may continue in this role  
125 indefinitely or until such a committee is formed.

### 126 **3. Frequency of Meetings**

127 The BOARD shall meet at least quarterly, or more frequently as deemed by it to be in the best  
128 interest of the FUND. The Chairperson may set the date, time and place of all regular meetings,  
129 as well as any special meeting being called by the Chairperson. Additionally, special meetings  
130 may be called by sixty percent (60%) of the members of the BOARD entitled to vote, setting out  
131 the reason and agenda for such special meeting as well as its date, time and place.

### 132 **4. Quorum**

133 A quorum shall consist of four (4) members. The affirmative vote of four (4) members shall be  
134 necessary to carry any motion or resolution. Voting on any motion or resolution must be only by  
135 those board members who are present (in person or via tele-presence) at the time of the vote.

### 136 **5. Officers and Duties**

137 The BOARD shall elect from its membership a chairperson and a secretary. The chairperson, or  
138 member designated by the chairperson, shall preside at all BOARD meetings. The secretary shall  
139 maintain complete and accurate minutes of all meetings of the BOARD and supply an electronic  
140 copy thereof to each member of the BOARD. The secretary shall also supply a copy of the  
141 minutes to the Vestry in a timely manner. The Treasurer or Financial Secretary of the PARISH  
142 shall maintain complete and accurate books of account for the FUND. At the discretion of the  
143 Vestry, the books may be audited annually, or from time to time, by a certified public accountant  
144 or other qualified person. Such person shall not be a member of the BOARD.

### 145 **6. Reports**

146 The BOARD shall report on a quarterly basis to the Vestry. At each annual meeting of the  
147 congregation, the BOARD shall render a full and complete account of the administration of the  
148 FUND during the preceding year.

149 In its annual report, the BOARD shall adhere to the applicable reporting and disclosure  
150 requirements outlined in the Financial Accounting Standards Board (FASB) Staff Position<sup>2</sup> FAS  
151 No. 117-1 (attached). Among the disclosure requirements for financial statements in FAS 117-1<sup>3</sup>  
152 are the following:

- 153 • a description of the organization's endowment spending policy
- 154 • a description of the organization's investment policy, including the following: return  
155 objectives, risk parameters, relationship of return objectives and risk parameters to  
156 spending policies, and, strategies employed to achieve such objectives
- 157 • the composition of the organization's net asset class at the end of the period, in total and  
158 by type of endowment fund, showing donor assets separately from board-designated  
159 assets, and, within the donor-designated category, differentiating between donor-  
160 restricted and donor-unrestricted assets.
- 161 • a reconciliation of beginning and ending balances of the endowment in total and by net  
162 asset class, including the following: investment income, net appreciation or depreciation,  
163 contributions, and, amounts allotted for expenditure changes and reclassifications

## 164 **7. Professional Counsel; Delegation.**

165 The BOARD may delegate management and investment functions to its committees, officers or  
166 agents.<sup>4</sup> The BOARD, at the expense of the FUND, may provide for such auditing, professional  
167 counseling on investments or legal matters as it deems to be in the best interests of the FUND.

168 With regard to professional management of the FUND, the BOARD shall act in good faith, with  
169 the care that an ordinarily prudent person in a like position would exercise under similar  
170 circumstances, in:

---

<sup>2</sup> The FASB Staff Position (FSP) provides guidance on the net asset classification of donor-restricted funds.

<sup>3</sup> See Section A18, Enhanced Disclosures for All Endowment Funds.

<sup>4</sup> N.C. General Statute § 36E-5 permits the BOARD to delegate management and investment functions to external agents if the BOARD exercise reasonable skill, care, and caution in selecting the agent, defining the scope of the delegation and reviewing the performance of the agent. In some circumstances, the scope of the delegation may include redelegation. For example, an institution may select an investment manager to assist with investment decisions. The delegation may include the authority to redelegate to investment managers with expertise in particular investment areas. All decisions to delegate require the exercise of reasonable care, skill, and caution in selecting, instructing, and monitoring agents. Further, decision makers cannot delegate the authority to make decisions concerning expenditures and can only delegate management and investment functions. It is worthy of note that this statute protects decision makers who comply with the requirement for proper delegation from liability for actions or decisions of the agents.

- 171       • Selecting the agent;  
172       • Establishing the scope and terms of the delegation, consistent with the purposes of the  
173       FUND;  
174       • Periodically reviewing the agent’s actions in order to monitor the agent’s performance  
175       and compliance with the scope and terms of the delegation.

176   **8. Investments**

177   The FUND shall be invested in accordance with the investment guidelines established in the  
178   Investment Guidelines found in Sections 7 and 5, Part 2 of these policies.

179   **9. Funds for Specific Purposes**

180   At the discretion of the Vestry, the BOARD may establish sub-funds for specific purposes.

181   Donors may designate their gifts for specific purposes; however, there may be tax implications  
182   associated with such designation. It is the responsibility of the donor to determine any tax  
183   implications.<sup>5</sup>

184   Any donor-restricted gifts must be approved by the BOARD and the Vestry and must meet the  
185   requirements of the Restricted Funds Policy. This policy includes a minimum gift threshold of  
186   \$10,000 for donor restriction.

187   **10. Conflict of Interest Policy**

188   In making gifts to the FUND, donors have placed a trust in the BOARD members to exercise  
189   good faith and the care, skill, and judgment that an ordinarily prudent person in a like position  
190   would exercise under similar circumstances<sup>6</sup> in managing these gifts to the sole benefit of the

---

<sup>5</sup> For a contribution to be deductible by the donor, the Internal Revenue Service (IRS) has ruled that the church, or BOARD in this instance, must have full control of the donated funds and discretion as to their use. Moreover, in order for the donor to receive a charitable deduction for a gift, such gift must not be earmarked for use by or for the benefit of a particular person. For example, Mr. Smith makes a substantial gift to the endowment funds of the church, with the stipulation that the funds be used to establish a four-year scholarship at a major university for his daughter, Carolyn Smith. The IRS would deny Mr. Smith a charitable deduction regarding this gift, treating it as a direct gift from Mr. Smith to his daughter, with the church being merely a conduit for the gift.

<sup>6</sup> North Carolina General Statute § 36E-3. The Official Comment to this section states that the UPMIFA has adopted the “prudence standard for investment decision making.” The prudence standard adopted by the UPMIFA is derived from the prudent investor rule of the Uniform Principal and Income Act (UPIA) found in North Carolina General Statutes Chapter 37A. The criteria derived from UPIA are consistent with good practice under current law applicable to nonprofit corporations. This standard is consistent  
Rev: 8-17-10

191 mission and ministry of St. Paul's. To meet this trust, the BOARD has a mandate to conduct all  
192 of its affairs decently and above reproach both in the sight of God and man, including a  
193 commitment to operate with the highest level of integrity and to avoid real or apparent conflicts  
194 of interest. BOARD members shall exercise the utmost good faith in all transactions involved in  
195 their duties, and they shall not use their positions at St. Paul's nor knowledge gained there from  
196 for their personal benefit. BOARD members shall at all times refrain from any conduct in which  
197 their personal interests would conflict with the interests of the FUND.

198 The BOARD shall codify their intent to be good stewards of the FUND by developing a Conflict  
199 of Interest Policy. The policy shall be submitted to the Vestry on or before the Vestry meeting  
200 that follows the passage of this Enabling Resolution. After Vestry approval of the Conflict of  
201 Interest Policy, each new member of the BOARD shall be required to sign the policy before  
202 voting on actions of the BOARD. Further, each member of the BOARD shall be required to  
203 review and re-sign the Conflict of Interest Policy prior to the first BOARD meeting of each  
204 calendar year.

## 205 **11. Liability of BOARD Members**

206 Members of the BOARD shall be liable for any acts or omissions committed by them only to the  
207 extent that such acts or omissions were not in good faith or involved intentional misconduct.  
208 Each member shall be liable only for his/her own intentional misconduct or for his/her own acts  
209 or omissions not in good faith, and shall not be liable for the acts or omissions of any other  
210 members.<sup>7</sup>

## 211 **12. Holding of Assets, Action to Sell**

212 All assets are to be held in the name of the Endowment Fund of St. Paul's Episcopal Church.  
213 Actions to hold, sell, exchange, rent, lease, transfer, convert, invest, reinvest, and in all other  
214 respects to manage and control the assets of the FUND, including stocks, bonds, debentures,  
215 mortgages, notes, and warrants of other securities, are to be made by a delegated member of the  
216 BOARD. These actions shall adhere to all policies laid out in this Enabling Resolution and with  
217 subsequent policies adopted by the Vestry and BOARD. Actions shall be communicated  
218 immediately to the BOARD and recorded by the BOARD secretary.

219 Alternatively, the BOARD may elect to utilize professional financial management services or to  
220 place funds within the Diocese of North Carolina's Common Trust Fund.<sup>8</sup> Under these

---

with the business judgment standard under corporate law, as applied to charitable institutions. For further guidance, see Restatement (Third) of Trusts: Prudent Investor Rule § 379, Comment b.

<sup>7</sup> See N.C. General Statute §36E-5(c) which provides that the BOARD shall not be liable for the decisions or actions of its agent if those standards set out in Section 7 above are met.

<sup>8</sup> The prudent investor standard of UPMIFA presupposes the power to delegate. Section 5 of UPMIFA incorporates the delegation rule found in UPIA § 5, permitting the decision makers in an

221 alternatives, the FUND must be managed in a manner consistent with the policies, guidelines,  
222 and purposes outlined in this Enabling Resolution. The BOARD shall be responsible for  
223 providing oversight that this stipulation is met.

### 224 **13. Acceptance of Gifts to the Endowment Fund**

225 In the absence of a Gift Acceptance Policy of the Parish, the BOARD will establish a Gift  
226 Acceptance Policy through which decisions will be made as to whether a gift to the FUND or to  
227 the Parish shall be accepted. This Gift Acceptance Policy will incorporate the provision that, if a  
228 gift of property other than cash or publicly traded securities is offered to the Parish, there will be  
229 conducted a careful review to determine whether the best interests of the congregation are served  
230 by accepting or rejecting the gift. Guidelines for conducting such a review shall be incorporated  
231 in the Gift Acceptance Policy.

### 232 **14. Distributions from the Fund**

233 It is the Vestry's intent in enacting this Enabling Resolution that the FUND shall be managed as a  
234 true endowment, employing the goal that the principal shall be preserved. Management and  
235 investment decisions about an individual asset must be made not in isolation but as a part of an  
236 overall investment strategy having risk and return objectives reasonably suited to the FUND and  
237 to St. Paul's Episcopal Church. In making a determination to appropriate or accumulate, the  
238 following factors are to be considered:

- 239 • the duration and preservation of the FUND;
- 240 • the mission and ministry of the PARISH;
- 241 • the purpose of the FUND;
- 242 • general economic conditions;
- 243 • the possible effect of inflation or deflation;
- 244 • the expected total return from income and appreciation of investments;
- 245 • other resources of the PARISH;
- 246 • the FUND' s investment policy

247 The BOARD shall formulate Spending Rules, with the approval of the Vestry, which will  
248 provide for the withdrawal and use of funds consistent with these factors. The Spending Rules

---

institution to delegate management and investment functions to external agents if the decision makers exercise reasonable skill, care and caution in selecting the agent. The delegation may include the authority to redelegate to investment managers with expertise in particular investment areas. All decisions to delegate require the exercise of reasonable care, skill and caution in selecting, instructing and monitoring agents. However, decision makers cannot delegate the authority to make decisions concerning the expenditures and can only delegate management and investment functions. For further guidance, see Official Comment, North Carolina General Statutes §§ 36E-3 and 5.

249 shall limit the expenditure of principal to extreme circumstances, and with the approval of at  
250 least three-quarters of the Vestry required.

251 Within the Spending Rules, annual income from the FUND shall be calculated via Total Return<sup>9</sup>.  
252 A Total Return Policy shall be developed by the BOARD to codify the method for calculating  
253 annual income and the amount to be distributed each year. The amount distributed, for example,  
254 may be specified by the average Total Return of the prior three years. If the FUND is held via an  
255 investment vehicle that has a Total Return Policy, such as the Diocese of North Carolina's  
256 Common Trust Fund, the BOARD may elect to defer to the vehicle's return policy.

#### 257 **15. Amendment of this Enabling Resolution**

258 Any amendment to this Enabling Resolution shall be adopted by a vote of at least two-thirds of  
259 the total membership of the Vestry. Amendments may be made at a regularly scheduled meeting  
260 or at a special meeting called specifically for the purpose of amending this resolution.

#### 261 **16. Disposition or transfer of FUND**

262 In the event the PARISH ceases to exist, whether through merger, dissolution, or some other  
263 event, disposition or transfer of the FUND shall be at the discretion of the Vestry in conformity  
264 with the approved congregational constitution and in accord with diocesan canons and the  
265 Bishop of the Diocese of North Carolina to determine the manner in which Fund obligations will  
266 be met after the PARISH ceases to exist.

#### 267 **17. Special Considerations during the Initial Development of the FUND**

268 The BOARD is delegated the responsibility of identifying the investment vehicle that will be  
269 used to house the FUND. Selection of such a vehicle is expected to occur within three months of  
270 the passing of this Enabling Resolution.

271 Collected assets designated for the FUND shall be held in an account separate from operating  
272 funds, to be invested when the following criteria have been met:

- 273 • the policies listed in this Plan of Operation (Roles of the FUND BOARD) have been  
274 developed and adopted;
- 275 • an investment vehicle has been selected; and

---

<sup>9</sup> Under a Total Return income calculation, income includes not only interest and dividends, but also the increases or decreases in FUND assets, whether those have been realized or not. For example, if a \$1,000,000 endowment fund increases in value by \$50,000 (e.g., due to dividends, capital gains, and increase the value its investments), Total Return is assumed to be \$50,000.

276 • the minimum investment amount and other conditions for the selected vehicle have been  
277 met.

278 To facilitate growth of the FUND, any income generated by the FUND shall be reinvested, and  
279 not otherwise distributed, until the total value of the FUND exceeds \$100,000.

280 Prior to the development of a Bequest Policy, any end-of-life bequests made to St. Paul's for  
281 which no purpose has been specified shall be directed toward the FUND.

282 The foregoing revised version of the Enabling Resolution is hereby ADOPTED by the Vestry  
283 this \_\_\_\_ day of \_\_\_\_\_, 2010.

284 St. Paul's Episcopal Church  
285 221 Union St.  
286 Cary, N.C. 27511

287

288 \_\_John Hemperly\_\_\_\_\_(print name)

289 \_\_\_\_\_(signature)

290 Senior Warden

291

292 Attest:

293 \_\_\_\_Lanny Wase\_\_\_\_\_(print name)

294 \_\_\_\_\_(signature)

295 Clerk

296

297 2. Gift Acceptance Policy

298 **GIFT ACCEPTANCE POLICY**

299 **St. Paul's Episcopal Church, Cary, N.C.**

300 **Purpose**

301 This gift acceptance policy will provide guidelines to representatives of St. Paul's who may be  
302 involved in the acceptance of gifts, to outside advisors who may assist in the gift planning  
303 process, and to prospective donors who may wish to make gifts to St. Paul's. This policy is  
304 intended only as a guide and allows for some flexibility on a case-by-case basis. The gift review  
305 process outlined here, however, is intended to be followed closely.

306 **Gift Review Committee**

307 The primary party who will determine the acceptability of non-endowment gifts made to St.  
308 Paul's is the parish Financial Manager. Any questions which may arise in the review and  
309 acceptance of gifts to St. Paul's will be referred to The Gift Review Committee, which, unless  
310 otherwise designated by the Vestry, will be comprised of the full Endowment Board. Further,  
311 acceptance decisions on gifts specifically designated to St. Paul's Endowment will be deferred to  
312 the Endowment Board.

313 **Cash**

- 314 • All gifts by cash or check shall be accepted by St. Paul's regardless of amount.
- 315 • Checks shall be made payable to "St. Paul's Episcopal Church, Cary, N.C." or equivalent.  
316 In no event shall a check be made payable directly to an individual who represents St.  
317 Paul's or the church in any capacity.

318 **Publicly Traded Securities**

- 319 • Readily marketable securities, such as those traded on a stock exchange, can be accepted  
320 by St. Paul's.
- 321 • For gift crediting and accounting purposes, the value of the gift of securities is the value  
322 at the close of the date of the gift.
- 323 • A gift of securities to St. Paul's normally would be liquidated immediately. However, if  
324 the form or designation of the gift allows the possibility that it will be directed to the  
325 Endowment Fund, the Parish's Financial Manager and Endowment Board chairperson  
326 shall determine how the securities will be transferred to the endowment.

327 **Closely Held Securities**

- 328 • Non-publicly traded securities may be accepted after consultation with the Gift Review  
329 Committee.

- 330 • Prior to acceptance, the Gift Review Committee will explore methods and timing of  
331 liquidation of the securities through redemption or sale. The Gift Review Committee will  
332 try to determine:
- 333 ○ An estimate of fair market value
  - 334 ○ Any restrictions on transfer
  - 335 ○ Whether and when an initial public offering might be anticipated
- 336 • No commitment for repurchase of closely held securities shall be made prior to  
337 completion of the gift of the securities.

## 338 **Real Estate**

- 339 • Any gift of real estate must be reviewed by the Gift Review Committee.
- 340 • The donor normally is responsible for obtaining and paying for an appraisal of the  
341 property. The appraisal will be performed by an independent and professional agent.
- 342 • The appraisal must be based upon a personal visitation and internal inspection of the  
343 property by the appraiser. Also, whenever possible, it must show documented valuation  
344 of comparable properties located in the same area.
- 345 • The formal appraisal should contain photographs of the property, the tax map number,  
346 the assessed value, the current asking price, a legal description of the property, the zoning  
347 status, and complete information regarding all mortgages, liens, litigation or title  
348 disputes.
- 349 • St. Paul's reserves the right to require an environmental assessment, at the expense of the  
350 donor, of any potential real estate gift.
- 351 • The property must be transferred to St. Paul's prior to any formal offer or contract for  
352 purchase being made.
- 353 • The donor may be asked to pay for all or a portion of the following:
  - 354 ○ Maintenance costs
  - 355 ○ Real estate taxes
  - 356 ○ Insurance
  - 357 ○ Real estate broker's commission and other costs of sale
  - 358 ○ Appraisal costs
- 359 • For gift crediting and accounting purposes, the value of the gift is the appraised value of  
360 the real estate; however, this value may be reduced by costs of maintenance, insurance,  
361 real estate taxes, broker's commission, and other expenses of sale.

## 362 **Life Insurance**

- 363 • A gift of a life insurance policy must be referred to the Gift Review Committee.
- 364 • St. Paul's can be named a contingent beneficiary or the beneficiary of a percentage of a  
365 life insurance policy.
- 366 • The Vestry will accept ownership of a life insurance policy as a gift only if St. Paul's is  
367 named as the owner and beneficiary of 100% of the policy.
- 368 • If the gift is a paid-up policy, the value for gift crediting and accounting purposes is the  
369 policy's replacement cost.

- 370 • If the policy is partially paid-up, the value for gift crediting and accounting purposes is  
371 the policy's cash surrender value. (Note: For IRS purposes, the donor's charitable income  
372 tax deduction is equal to the interpolated terminal reserve, which is an amount slightly in  
373 excess of the cash surrender value.)

374 **Tangible Personal Property**

- 375 • Any gift of tangible personal property shall be referred to the Gift Review Committee  
376 prior to acceptance.
- 377 • A gift of jewelry, artwork, collections, equipment, and software shall be assessed for its  
378 value to St. Paul's which may be realized either by being sold or by being used in  
379 connection with the parish's exempt purpose.
- 380 • Depending upon the anticipated value of the gift, a qualified outside appraiser may be  
381 asked to determine its value.
- 382 • St. Paul's shall adhere to all IRS requirements relating to disposing of gifts of tangible  
383 personal property and will provide appropriate forms to the donor and IRS.

384 **Deferred Gifts**

- 385 • St. Paul's encourages deferred gifts in its favor through any of a variety of vehicles:  
386 ○ Charitable gift annuity (or deferred gift annuity)  
387 ○ Pooled income fund  
388 ○ Charitable remainder trust  
389 ○ Charitable lead trust  
390 ○ Bequest  
391 ○ Retained life estate
- 392 • St. Paul's (or its agent) shall not act as an executor (personal representative) for a donor's  
393 estate. A member of the parish staff serving as personal representative for a member of  
394 the parish does so in a personal capacity, and not as an agent of the parish.
- 395 • St. Paul's (or its agent) shall not act as trustee of a charitable remainder trust.
- 396 • All information obtained from or about donors/prospects shall be held in the strictest  
397 confidence by St. Paul's, its staff and volunteers. Neither the name, the amount, nor the  
398 conditions of any gift shall be published without the express written or oral approval of  
399 the donor and/or beneficiary.
- 400 • St. Paul's will seek qualified professional counsel in the exploration and execution of all  
401 planned gift donor agreements. The parish recognizes the right of fair and just  
402 remuneration for professional services.

403

404

405

406

407 **Donor Agreements**

408 To the extent possible, all non-pledge donations of greater than \$10,000 shall be accompanied by  
409 a donor agreement.<sup>10</sup> The agreement shall provide the donor with the ability to restrict that the  
410 income from their gifts be used for a specific purpose. Unrestricted gifts shall be encouraged,  
411 however.

412 **Right to Decline Gifts**

413 The Vestry, upon the advice of the Gift Review Committee, reserves the right to decline any gift  
414 that does not further the mission or goals of the parish. Also, any gifts that would create an  
415 administrative burden or cause the parish to incur excessive expenses may be declined.

416

---

<sup>10</sup> The Donor Agreement is a form of and included in the more general term “gift instrument” as used in N.C. General Statute § 36E – 2 (3).

417

418

419

420

**PART 2. ENDOWMENT BOARD POLICIES**

421

422

423

424 3. Conflict of Interest Policy

425 **CONFLICT OF INTEREST POLICY**

426 **The Endowment Board of St. Paul's Episcopal Church, Cary, N.C.**

427 **Reason for Statement**

428 In making gifts to the Endowment Fund, donors have placed a trust in the members of the  
429 Endowment Board to exercise their best care, skill, judgment, and professional experience for  
430 managing these gifts to the sole benefit of the mission and ministry of St. Paul's. To meet this  
431 trust, the Endowment Board has a mandate to conduct all of its affairs ethically and above  
432 reproach both in the sight of God and man, including a commitment to operate with the highest  
433 level of integrity and to avoid conflicts of interest, whether direct or indirect. Endowment Board  
434 members shall exercise the utmost good faith in all transactions involved in their duties, and they  
435 shall not use their positions on the Endowment Board for their personal benefit.

436 **Section 1. Areas in Which Conflicts May Arise**

437 Conflicts of interest may arise in the relations of Endowment Board members with third parties,  
438 including the following:

- 439 • Persons or entities supplying goods and services to St. Paul's.
- 440 • Persons or entities from whom St. Paul's leases property and equipment.
- 441 • Persons or entities with whom St. Paul's is dealing or planning to deal in connection with  
442 the gift, purchase, or sale of real estate, securities, or other property.
- 443 • Other ministries or nonprofit organizations.
- 444 • Donors and others supporting St. Paul's.
- 445 • Agencies, organizations, and associations that affect the operations of St. Paul's.

446 **Section 2. Nature of Conflicting Interest**

447 A material conflicting interest may be defined as an interest, direct or indirect, between any  
448 person or entity and an Endowment Board member, which might affect, or might reasonably be  
449 thought by others to affect, the committee member's judgment or conduct in performing the  
450 duties of the Board. Such an interest might arise through:

- 451 • Owning stock or holding debt or other proprietary interests in any third party dealing with  
452 St. Paul's.
- 453 • Holding office, serving on the Board, participating in management, or being otherwise  
454 employed (or formerly employed) in any third party dealing with St. Paul's.
- 455 • Receiving remuneration for services with respect to individual transactions involving St.  
456 Paul's.
- 457 • Using St. Paul's personnel, equipment, supplies, or goodwill for other than St. Paul's-  
458 approved activities, programs, and purposes.

- 459 • Receiving personal gifts or loans from third parties dealing with St. Paul's.
- 460 • Obtaining an interest in real estate, securities, or other property that St. Paul's might
- 461 consider buying, leasing, or selling.

### 462 **Section 3. Indirect Interests**

463 As noted above, conflicting interests may be indirect. An Endowment Board member will be  
464 considered to have an indirect interest in another entity or transaction if any of the following also  
465 have an interest:

- 466 • A family member of an Endowment Board member. (Family member is defined for these
- 467 purposes as all persons related by blood or marriage.)
- 468 • An estate or trust of which the Endowment Board member or member of his or her family
- 469 is a beneficiary, personal representative, or trustee.
- 470 • A company of which a member of the family of the Endowment Board member is an
- 471 officer, director, or employee, or in which he or she has ownership or other proprietary
- 472 interests.

### 473 **Section 4. Interpretation of This Statement of Policy**

474 The above lists of areas of conflicting interest and the relations in those areas which may give  
475 rise to conflict are not exhaustive. Conceivably, conflicts might arise in other areas or through  
476 other relations. It is assumed that the Endowment Board members will recognize such areas and  
477 relation by analogy.

478 The fact that one of the interests listed above exists does not necessarily mean that a conflict  
479 exists, or that the conflict, if it exists, is material enough to be of practical importance, or if  
480 material, that upon full disclosure of all relevant facts and circumstances that it is necessarily  
481 adverse to the interests of the St. Paul's.

482 It is the policy of the Endowment Board that the existence of any potential conflicts of interest  
483 shall be disclosed before any transaction is consummated. It shall be the continuing  
484 responsibility of Endowment Board to scrutinize their transactions with outside business interests  
485 and relationships for potential conflicts and to immediately make such disclosures. Disclosure  
486 shall be made to the Endowment Board Chair, who shall communicate the potential conflict with  
487 the Senior Warden of the Vestry. The Senior Warden will determine if a conflict exists. Board  
488 members with conflicts of interest, direct or indirect, real or potentially perceived as such by a  
489 reasonable individual, shall recuse themselves from relevant deliberations and decisions.

490 Members of the Endowment Board shall agree in writing (via the certification statement below)  
491 to this Conflict of Interest Policy prior to participating in any votes made by the Board. In  
492 addition, Endowment Board members must submit a recertification each calendar year prior to  
493 participation in the first Board meeting of the year.

494 In addition to complying with the duty of loyalty imposed by law<sup>11</sup>, each person responsible for  
495 managing and investing an institutional fund shall manage and invest the fund in good faith and  
496 with the care an ordinarily prudent person in a like position would exercise under similar  
497 circumstances.

#### 498 **Section 5. Duty to Disclose**

499 In connection with any actual or possible conflict of interest, Endowment Board members must  
500 disclose the existence of the financial interest and be given the opportunity to disclose all  
501 material facts. This information shall be communicated to the Senior Warden to be considered in  
502 the determination of whether a conflict exists.

#### 503 **Section 6. Procedures for Addressing the Conflict of Interest**

504 An Endowment Board member or other interested party (e.g., a party interacting with the  
505 Endowment Board in a business capacity) with a possible conflict of interest may make a  
506 presentation before the Endowment Board, but after the presentation, he/she shall leave the  
507 meeting during the discussion of, and the vote on, the transaction or arrangement involving the  
508 possible conflict of interest. In its deliberations, the Endowment Board must attempt to identify  
509 alternative transactions or arrangements that avoid the possible conflict of interest. A summary  
510 of the proceedings shall be provided by the Endowment Board Chair to the Sr. Warden. The Sr.  
511 Warden shall determine if a conflict of interest exists, as described in Section 4.

#### 512 **Section 7. Violations of the Conflicts of Interest Policy**

513 If the Endowment Board has reasonable cause to believe that a member has intentionally failed  
514 to disclose an actual or possible conflict of interest, it shall inform the Sr. Warden. The  
515 Endowment Board member shall not participate in votes or other actions related to the  
516 Endowment until a determination can be made by the Sr. Warden regarding the presence of a  
517 conflict of interest, and, if such a conflict exists, the implementation of remedial and corrective  
518 actions appropriate to the circumstances.

#### 519 **Section 8. Records of Proceedings**

520 The minutes of the Endowment Board shall contain:

- 521 • The names of the persons who disclosed or otherwise were found to have a financial  
522 interest in connection with an actual or possible conflict of interest.
- 523 • A description of the nature of the financial interest.
- 524 • The names of the persons who were present for discussions and votes relating to the  
525 transaction or arrangement, the content of the discussion, including any alternatives to the

---

<sup>11</sup> N.C. General Statute § 36E-3(b).

526 proposed transaction or arrangement, and a record of any votes taken in connection with  
527 the proceedings.

528

---

529 **Certification of Member of the Endowment Board**

530 I have carefully read the foregoing Statement of Policy concerning Conflicts of Interest. In  
531 signing this certificate, I have considered not only the literal expression of the policy, but also its  
532 intents. I hereby certify that, except as hereinafter stated, I do not, to the best of my knowledge,  
533 have any conflicts of interest, nor do I have any relationships that may appear conflicting.

534 **THE EXCEPTIONS TO THIS CERTIFICATION ARE:**

535 If any situation should arise in the future which I believe may involve me in a conflict of interest,  
536 I will promptly and fully disclose the circumstances to the Chair of the Endowment Committee,  
537 to then be communicated with the Senior Warden of St. Paul's Episcopal Church, Cary, N.C. I  
538 will recuse myself from relevant deliberations and decisions until the Senior Warden determines  
539 that no conflict exists.

540

541 \_\_\_\_\_

542 (Signature)

(Date)

543

---

544

545 4. Donor Agreement

546 A model “Donor Agreement” for the endowment of St. Paul's Episcopal Church, Cary, N.C. is as  
547 follows:

548

---

549

**Donor Agreement**

550 In 2009, St. Paul's Episcopal Church, Cary, N.C., formerly established an endowment fund -  
551 money that will be set aside and invested to provide a reliable source of income to the parish for  
552 generations to come. Income from the Endowment will help St. Paul's more completely fulfill its  
553 mission by developing its ministries beyond what is possible through annual operating funds.

554 Distributions from the fund shall be used for purposes such as:

- 555 • outreach ministries and grants,
- 556 • seed money for new ministries and special one-time projects,
- 557 • maintenance and enhancement of the physical plant and grounds, and
- 558 • purposes that are specifically designated by donors.

559 Distributions from the Endowment shall not be used to fund typical operating expenses that  
560 otherwise would fall under the operating budget.

561 **Management of Endowment Funds**

562 St. Paul's Endowment Board has been charged with managing the Endowment funds, including  
563 selecting and monitoring investments, determining the amounts disbursed from the fund, and  
564 recommending recipients for those disbursements. St. Paul's Vestry, as the parish's elected  
565 governance body, appoints members to the Endowment Board and provides final approval for  
566 disbursements.

567 It is the Endowment Board's intent to manage the Endowment Fund as a true endowment,  
568 meaning donated funds are intended to be preserved in perpetuity. Investment income, including  
569 interest and dividends, may be reinvested or disbursed.

570 The Endowment is managed in compliance with North Carolina's Uniform Prudent Management  
571 of Institutional Funds Act (UPMIFA) as well as other relevant statutes and regulations governing  
572 the operations of charitable organizations. This law replaces the "historic dollar value" standard  
573 for determining expenditures with a prudence standard. UPMIFA does not negate the goal of  
574 preserving capital, but does allow expenditures from capital to be made. The Enabling  
575 Resolution for St. Paul's Endowment limits such expenditures to extreme circumstances and  
576 requires the approval of two-thirds of the Vestry.

577 Investment objectives and considerations when determining to re-invest or disburse investment  
578 income are described below.

### 579 **Investment Objectives**

580 The Endowment Board determines how the funds within the Endowment will be invested.  
581 Investment objectives include:

- 582 • providing income that can be used to support St. Paul's mission and ministries,
- 583 • growing capital, such that the ability of the Endowment to fund St. Paul's mission and  
584 ministries increases over time, and,
- 585 • managing exposure to risk, ensuring the overall, long-term ability of the fund to provide  
586 income and growth under varying economic conditions

### 587 **Disbursement of Funds from the Endowment**

588 After the Endowment has reached a threshold of \$100,000, annual disbursements may begin. The  
589 amount to be disbursed each year will be determined by the Endowment Board considering the  
590 investment objectives above, as well as the following considerations:<sup>12</sup>

- 591 • the duration and preservation of the Endowment;
- 592 • the mission and ministry of St. Paul's;
- 593 • the purpose of the Endowment;
- 594 • general economic conditions;
- 595 • the possible effect of inflation or deflation;
- 596 • the expected total return from income and appreciation of investments;
- 597 • other resources of St. Paul's;
- 598 • the Endowment's investment policy

599 The current target is to disburse annually approximately 4 to 5 percent of the Endowment's total  
600 value. Additional investment income above expenses will be re-invested to further grow the  
601 Endowment.

### 602 **Summary of Restricted Funds Policy**

603 Donations to the Endowment may either<sup>13</sup> be placed in the general Endowment or, provided that  
604 the gift is at least \$10,000, may be restricted for a particular purpose. Restriction implies that the

---

<sup>12</sup> N.C. General Statute § 36E -4.

<sup>13</sup> N.C. General Statute § 36E -4, Official Comment: If a donor has stated in a gift instrument specific directions as to spending, the BOARD must respect those wishes, but many donors do not give precise instructions about how to spend endowment funds. This statute is a “rule of construction” that provides guidance for giving effect to a donor’s intent when the donor has not been specific.

605 income from the gift will be used for the particular purpose. If it is the intent of the donor that the  
606 principal of the gift also be expended for that purpose, options other than the Endowment may be  
607 more appropriate. Donations to the general Endowment are encouraged since this option  
608 provides the church leadership with the most flexibility in responding to future needs as they  
609 arise. Donor-restricted gifts must be accepted for that purpose by the Vestry.

610 If donor-restricted funds are dedicated to a purpose that becomes obsolete or significantly over-  
611 funded, and this obsolescence or over-funding is not just of a temporary nature, St. Paul's Vestry  
612 may elect to modify the restrictions on such funds; any new restrictions shall take into account  
613 the original donor intentions and shall be made by a two-third majority of the Vestry. It is  
614 recommended that the categories used for donor-restricted funds be broad enough that such  
615 modification of restrictions should not be necessary except in the rarest of circumstances.

616 Modification of restrictions may also be made as a necessary result of changes in the applicable  
617 laws that govern the management of endowments.

### 618 **Reporting**

619 It is the intent of the Endowment Board to operate the Endowment as transparently as possible.  
620 Each year, the Board will prepare a report for St. Paul's annual meeting. The annual report will  
621 provide an overview of major decisions made by the Board in the previous year. It shall also  
622 summarize the investments, investment allocation, performance, and expenditures of the  
623 Endowment Fund.

### 624 **For More Information**

625 The full text of Endowment policies and procedures are available upon request. These documents  
626 are also expected to be published on St. Paul's website within the 2010 fiscal church year.

627 If you have any questions regarding St. Paul's Endowment, please contact St. Paul's rector,  
628 George Adamik, or a member of the Endowment Board (Dan Loughlin, Chair,  
629 danloughlin@bellsouth.net, 919-661-7898; Paul Gregg, Doug Riddle, Kay Burgess, Mike  
630 McInerney).

### 631 **Donor Information** (printed or typed)

632 **Name** \_\_\_\_\_

633 *Gift made [ ] in memory or [ ] in honor of* \_\_\_\_\_

634 (optional)

635 **Amount of gift:** \_\_\_\_\_ *(estimated if exact amount is unknown)*

636 *If estimated, method of estimation:*

637

638

639 **Gift type:**     cash or check

640                     stock

641                     other

642 *If other, please describe: (attach additional sheets if necessary)*

643

644

645 **Payment schedule:**    one payment/donation

646                             periodic payments

647 *If periodic, anticipated schedule: (attach additional sheets if necessary)*

648

649

650 **Donor restrictions:** *(optional, and subject to review and acceptance by the Vestry)*

651 Program/purpose:

652

653

654 Other information:

655

656

657 Years after which donor-restricted funds may be redesignated to the general Endowment:

658 \_\_\_\_\_ *(optional)*

659

660 **Publicity/confidentiality:**

661 The Endowment Board may wish to publicize the gifts that have been made to the Endowment.  
662 Additionally, donors or families of donors may be invited to participate in specific functions that  
663 honor gifts to the Endowment.

664 The Board may publicize the following: (please check all that apply)

665  Donor or estate name

666  Designation of "in honor of ..." or "in memory of..."

667  Amount (and restrictions, if applicable)

668  Other

669 **Communications:**

670 Please contact me about any events or activities for donors to the Endowment

671  Yes

672  No

673

674 I agree to the stipulations outlined in this gift acceptance agreement. I acknowledge that receipt  
675 of my gift by St. Paul's does not constitute acceptance, and that a gift review may be necessary.

676 Donor signature and date:

677

678 \_\_\_\_\_

679 Upon receipt and acceptance of this gift, St. Paul's Endowment Board intends to adhere to the  
680 stipulations within this gift agreement in the management of donated funds.

681 Endowment Board Chair signature and date:

682

683 \_\_\_\_\_

684 5. Restricted Funds Policy

685 **RESTRICTED FUNDS POLICY**

686 **The Endowment of St. Paul's Episcopal Church, Cary, N.C.**

687 A separate and restricted fund of the Endowment Fund may be established for gifts in the amount  
688 of \$10,000 or more, provided that the donor designates the gift for a particular purpose and that  
689 purpose is accepted by St. Paul's Vestry. These assets may be merged with other assets of the  
690 Endowment Fund for investment purposes, but the identity and donor-restricted purpose of each  
691 fund is preserved individually.

692 The funds made available for expenditure, under the formula defined in the Spending Rule  
693 policy, are limited to the purposes specified in the designation. Unless otherwise restricted by the  
694 donor, the Vestry, or Board of the Endowment Fund, any available but unspent funds remain in  
695 the donor-restricted fund and are available for expenditure in subsequent years. These unspent  
696 funds increase the total market value of the donor-restricted fund and continue to accrue earnings  
697 until expended.

698 The Endowment Board may agree to establish an individual fund with a lesser amount than  
699 \$10,000, with the assurance of the donor(s) that the fund will be added to over time and that the  
700 \$10,000 minimum level will be reached in a reasonable time. Until such time as the minimum  
701 level is reached and a donor-restricted fund is established, no earnings will be available for  
702 expenditure. The portion of the earnings attributed to that fund will be accrued and become part  
703 of the corpus to move the fund more readily to the \$10,000 minimum level.

704 If donor-restricted funds are dedicated to a purpose that becomes obsolete or significantly over-  
705 funded, and this condition is not just of a temporary nature, St. Paul's Vestry may elect to modify  
706 the restrictions on such funds; any new restrictions shall take into account the original donor  
707 intentions and shall be made by a two-third majority of the Vestry. It is recommended that the  
708 categories used for donor-restricted funds be broad enough that such modifications of restrictions  
709 should not be necessary except in the rarest of circumstances. Modification of restrictions may  
710 also be made as a necessary result of changes in the applicable laws that govern the management  
711 of endowments.

712

713 6. Bequest Disposition Policy

714 **BEQUEST DISPOSITION POLICY**

715 **The Endowment of St. Paul's Episcopal Church, Cary, N.C.**

716 This policy statement governs the disposition of bequests which, for purposes of this statement,  
717 will mean any type of gift in which the assets are transferred upon the death of the donor. The  
718 assets may be in any form, such as cash, securities, personal property, real property, etc. The  
719 bequest may identify the beneficiary in one of several general ways:

- 720 • "St. Paul's Episcopal Church, Cary, N.C., of the Episcopal Diocese of North Carolina" or  
721 some other wording such as,
- 722 • St. Paul's Episcopal Church, 221 Union St., Cary, N.C. 27511," or,
- 723 • "St. Paul's, Cary"
- 724 • "The Endowment Fund of St. Paul's Episcopal Church, Cary, NC" or similar wording.

725 **Handling of different types of bequests**

726 Bequests with "St. Paul's Episcopal Church, Cary, N.C." as beneficiary can be of two general  
727 types:

- 728 • "Designated" in which the donor has identified a specific purpose(s) to which the funds  
729 should be directed. The Vestry has ultimate responsibility to determine that the use(s) to  
730 which those funds are applied is faithful to the donor's wishes. The funds may be directed  
731 to their designated purpose(s) either as an endowment (in which case they normally  
732 would be established as a donor-restricted sub-fund of the St. Paul's Endowment Fund) or  
733 by direct expenditure of the funds through the Treasurer or Financial Manager of St.  
734 Paul's.
- 735 • "Undesignated" in which case the Vestry has greater freedom in determining their  
736 ultimate use, though the expectation is that such a bequest would be transferred at the  
737 earliest practicable time to St. Paul's Endowment Fund.

738 Bequests naming the "St. Paul's Endowment Fund" as beneficiary are automatically transferred  
739 to the Endowment Fund upon receipt. If the bequest was given for a restricted purpose, then the  
740 value of the assets will be applied to establish a donor-restricted fund of the Endowment Fund, as  
741 provided for in the Restricted Funds Policy, and the income made available for use for that  
742 donor-restricted purpose only. If the bequest to the Endowment Fund is otherwise undesignated,  
743 the assets will be directed to that portion of the corpus of the Endowment Fund whose earnings  
744 are unrestricted.

745

746

747 **Accounting categories for assets placed in the Endowment**

748 Assets placed into the Endowment shall be classified as being either: "donor-designated" or  
749 "board-designated." Donor-designated assets shall be further categorized as being either "donor-  
750 restricted" or "unrestricted." Each category is described briefly below:

- 751 • Donor-designated -- assets donated to St. Paul's with the donor explicitly designating that  
752 the funds are intended for the Endowment
- 753 • Donor-restricted — assets within the Endowment for which the donor has explicitly  
754 specified a purpose for income expenditures
- 755 • Unrestricted — assets within the Endowment for which the donor has not explicitly  
756 specified a purpose for income expenditures
- 757 • Board-designated — assets donated to St. Paul's, where the Vestry chooses to place the  
758 assets in the Endowment

759 Board-designated funds may be co-mingled with other Endowment funds, but, according to the  
760 guidance provided by the FASB Staff Position, Financial Accounting Standards Board (FSP FAS  
761 117-1), must be accounted for and reported separately. This practice will provide the Vestry with  
762 the most flexibility if circumstances arise under which expenditure of board-designated funds  
763 becomes necessary. In such instances, circumstances should be judged by the Vestry to be truly  
764 extraordinary and that no other financial resources of St. Paul's are available or are expected to  
765 be available in time to fulfill the urgent needs.

766 **Procedure for handling bequests**

767 The procedure for handling bequests begins with the Financial Manager of the parish, who will  
768 see that any cash is immediately deposited and held in the bank pending a decision regarding the  
769 final disposition of the bequest. The Financial Manager will prepare copies of relevant  
770 documents and provide them to the Chair of the Endowment Board, with notification provided to  
771 the Senior Warden of the Vestry and to the Rector. Liquidation of securities will be handled  
772 according to the nominal practices of the Financial Manager of the Parish.

773 **Appropriate acknowledgments of bequests**

774 Acknowledgements of bequests will be given by the Chair of the Board of the Endowment Fund  
775 in a timely manner

776

777 7. Investment Guidelines

778 **INVESTMENT GUIDELINES**

779 **The Endowment of St. Paul's Episcopal Church, Cary, N.C.**

780 The Endowment Board will administer the portfolio of the Endowment Fund of St. Paul's in  
781 accordance with these guidelines, as adopted and amended from time to time. These guidelines  
782 shall be reviewed at least annually by the Board to determine whether they shall be amended or  
783 remain unchanged. The Board may choose to employ an outside investment manager, in which  
784 case the Board shall provide oversight to ensure that the guidelines outlined in this document are  
785 met.

786 **Objectives**

787 The assets of the Endowment Fund are to be invested with the same care, skill and diligence that  
788 a prudent person would exercise in investing institutional endowment funds. The primary  
789 objectives are to:

- 790 • provide income that can be used to support St. Paul's mission and ministries, as outlined  
791 in the Enabling Resolution,
- 792 • grow capital, such that the ability to the Endowment to fund St. Paul's mission and  
793 ministries increases over time, and,
- 794 • manage exposure to risk, ensuring the overall, long-term ability of the fund to provide  
795 income and growth under varying economic conditions

796 The Board will make investment decisions in accordance with these Objectives. The "prudent  
797 person rule" shall be the governing policy in making investments.<sup>14</sup> These guidelines are not  
798 intended to restrict or impede the efforts of the Board to attain the Endowment Fund objectives  
799 nor is it intended to exclude the Board from taking advantage of appropriate opportunities as  
800 they arise. The Board shall have discretion and flexibility to implement the objectives and  
801 policies herein set forth.

---

<sup>14</sup> For additional guidance, see Restatement (Third) of Trusts, Prudent Investor Rule, Chapter 7, which states, in part, that in addition to the fundamental proposition that no investments or techniques are imprudent per se, there are a few principles of prudence that can be identified. These principles instruct trustees that (1) sound diversification is fundamental to risk management and is therefore ordinarily required of trustees; (2) risk and return are so directly related that trustees have a duty to analyze and make conscious decisions concerning the levels of risk appropriate to the purposes, distribution requirements, and other circumstance of the trusts they administer (3) trustees have a duty to avoid fees, transaction costs and other expenses that are not justified by needs and realistic objectives of the trust's investment program; (4) the fiduciary duty of impartiality requires a balancing of the elements of return between production of current income and the protection of purchasing power; and (5) trustees may have a duty as well as authority to delegate as prudent investors would.

802 **Asset Allocation**

803 Because the security market may vary greatly throughout a market cycle, the Trustees may  
804 change the asset mix of the Endowment Fund within the following ranges as long as that mix  
805 meets the overall objectives and is consistent with the policy guidelines herein set forth. The  
806 Fund shall be allocated between (i) equity investments and (ii) bonds and/or other fixed income  
807 securities. The strategic target allocation shall be within the following ranges: <sup>15</sup>

808 **Equities:** 30% - 60%

809 **Fixed Income:** 60% - 30%

810 **Cash:** 0% - 20%

811 The target allocation among equity classes (e.g., Large Cap, Small Cap, International, Emerging  
812 Market, etc.) shall be determined periodically (and at least annually) by the Board, in  
813 consultation with the investment manager(s), to reflect a prudent response to current market  
814 conditions.

815 In addition to managing risk through the selection of a balanced portfolio, the Board shall not  
816 invest in private placement, letter stock, futures transactions, arbitrage and other uncovered  
817 options and shall not engage in short sales, margin transactions or other similar specialized  
818 investment activities.

819 Alternatively, the Board may elect to utilize mutual funds or other investment vehicles with asset  
820 allocations that also have the objective of achieving a reasonable total return on the assets while  
821 limiting the risk exposure to ensure the preservation of capital. If mutual funds or other  
822 investment vehicles are used, the Board shall periodically review the allocations of these  
823 vehicles, comparing them with the strategic targets listed above.

824 **Investment Goals**

825 While maintaining the asset mix within the above guidelines, the Board accepts a risk level for  
826 the Fund's overall investment program that is intended to produce a total annual return adequate  
827 to cover these components: (i) expenditures from the Fund, (ii) inflation, (iii) growth of the Fund.  
828 Currently the Fund management will seek to achieve the following specific goals:

- 829 • Allocating 4 % of the Fund as "available for expenditure," as delineated in the Policy  
830 on Spending Rules;

---

<sup>15</sup> Different strategic asset allocations may be appropriate depending upon factors such as risk tolerance, time horizon, and market conditions.

- 831 • Retaining a portion of the Fund equal to the average rate of inflation, currently \_2.1\_ %;  
832 (3-yr average, 2007-2009)
- 833 • Retaining a portion of the Fund for reinvestment to provide for additional growth of the  
834 Fund, currently \_1.9\_ %
- 835 • Combining these elements, the Board has established a target for total return on the  
836 Fund's assets of \_8\_ % annually.

837 **Reporting**

838 Included in the quarterly report provided by the Board to the Vestry will be a status report with  
839 the fund value, any change in the asset allocation strategy, and the investment performance. The  
840 report shall reflect compliance with the objectives, policies and guidelines set forth herein.

841 Each year, the Board shall also prepare a report for the Parish's annual meeting. The report shall  
842 provide an overview of major decisions made by the Board in the previous year. It shall also  
843 summarize the investments, investment allocation, performance, and expenditures of the  
844 Endowment Fund. These shall be compared with the allocation and investment goals provided in  
845 this document.

846 Further, the Board shall work with the Finance Committee, Treasurer, and Financial Manager in  
847 ensuring that all applicable reporting requirements and best-practice guidelines are met,  
848 including those laid out in North Carolina's UPMIFA law and by the Financial Accounting  
849 Standards Board.

850 8. Spending Rules

851 **SPENDING RULES**

852 **The Endowment of St. Paul's Episcopal Church, Cary, N.C.**

853 Allocations of funds available for distribution will be made in two general ways:

854 Upon written request of the Endowment Board, and with the approval of the Vestry, funds may  
855 be transferred from the Endowment to the Parish Financial Manager for those uses which  
856 conform to the purposes and restrictions incorporated in the enabling resolution adopted by the  
857 Vestry on November 19th, 2009.

858 The process by which the disbursement recipients are selected is expected to be:

- 859 • The Endowment Board solicits funding requests from parish ministry leaders, staff, and  
860 the Vestry
- 861 • The Finance Committee reviews the requests and provides comments to the Endowment  
862 Board
- 863 • The Endowment Board reviews the requests, as well as the comments from the Finance  
864 Committee, in the context of the purposes and restrictions of the Endowment
- 865 • The Endowment Board provides the Vestry with funding recommendations, which must  
866 be approved by the Vestry before funds are disbursed

867 As set forth in the enabling resolution, the Endowment Board may obligate monies for general  
868 expenses incident to the management and administration of the Fund. Extraordinary initiatives  
869 contemplated by the Board to be undertaken for Endowment Fund development will be approved  
870 by the Vestry before implementation.

871 **Expendable funds will be determined either:**

872 (i) on the basis of a total return principle and will not be dependent upon income generated  
873 through interest or dividends. The funds available for distribution during any one year will be  
874 limited to a percentage of the market value of the corpus that is based on a three-year rolling  
875 average, with measures taken at the end of each of the preceding twelve quarters. The market  
876 value for this purpose will be taken net of the fees for investment management.

877 Or

878 (ii) by the disbursement policy of the funding vehicle that is used by the Endowment, provided  
879 the disbursement policy of the funding vehicle has been reviewed by the Endowment Board and  
880 found to adhere to the general approach described in (i).

881 The percentage of the corpus to be made available shall be determined each year by the Board of  
882 the Endowment Fund. In so doing, market performance of the portfolio will be an important

883 consideration. However, it will be the goal of the Board to grow, or at least maintain, the  
884 purchasing power of the Fund, taking inflationary effects into account.

885 Any unexpended funds from those available for distribution in a given year will be accrued and  
886 will continue to be considered "available for distribution" in subsequent years, unless otherwise  
887 designated by action of the Board of the Endowment Fund, with the approval of the Vestry.

888

889

890

891

892

**PART 3. OTHER ENDOWMENT BOARD DOCUMENTS**

893

894

895

897 **STANDARD OPERATING PROCEDURES**

898 This is a working document in which various scenarios involving the receipt, management, and  
899 disbursement of donated Endowment funds are described. The purpose of this document is to  
900 provide examples of scenarios that can be expected to be played out, so that each relevant group  
901 (e.g., the Endowment Board, the Vestry, the Clergy, and Treasurer, the Finance Committee, and  
902 the Financial Manager) have a general understanding of the process and their respective  
903 responsibilities. This document is expected to evolve as St. Paul's experience with the  
904 Endowment grows and as details regarding the funding vehicle and timing of disbursements  
905 emerge.

906 **Section 1. Example Gift Receipt Scenarios**

907 **Scenario I.** A parishioner expresses interest in donating to Endowment Fund

- 908 1. The Rector and Endowment Board chair (or designated board member) are notified.  
909 These two have a discussion of how best to follow-up with the potential donor
- 910 2. Based on this discussion, visitors from the Board are selected and a visit is made
- 911 a. The potential donor is provided with information about the Endowment, which  
912 includes the following:
- 913 i. Objectives of Endowment
- 914 ii. Funding vehicle
- 915 iii. Information about designation
- 916 (1) Desire for unrestricted gifts, if possible, but restriction is also an  
917 option
- 918 (2) Reminder that gift acceptance is subject to the parish's gift  
919 acceptance policy
- 920 b. The potential donor is given a donor agreement form and a copy of the parish's  
921 gift acceptance policy
- 922 In the agreement,
- 923 i. the document specifies:

- 924 (1) schedule, procedures and approximate timeline for gift  
925 review
- 926 (2) requirements for donor designation
- 927 (3) conditions for reintegrating donor-restricted funds into  
928 unrestricted Endowment funds
- 929 (4) how the agreement may be amended
- 930 ii. the donor specifies:
- 931 (1) The nature of the gift (cash, material items)
- 932 (2) Payment schedule or timing
- 933 (3) whether the gift is in honor of a specific person or other  
934 reason
- 935 (4) if/how the gift shall be acknowledged (e.g., to respect  
936 any desires for confidentiality)
- 937 (5) donor-restricted purposes for the gift
- 938 3. The completed donor agreement form is filled out at that time or is mailed back to the  
939 office by the potential donor.
- 940 4. The Endowment Board reviews the agreement. If acceptable, the agreement is signed by  
941 the Board Chair and a copy is returned to the donor. Copies are also kept with by the  
942 Endowment Chair with the Endowment records as well as by the Parish Financial  
943 Manager.
- 944 5. If the donation is cash and a specific use is not restricted, go to 7
- 945 6. If the donation is non-cash:
- 946 a. The Parish Financial Manager reviews whether the form of the donation can be  
947 accepted (based on the parish gift acceptance policy).
- 948 b. The Parish Financial Manager notifies the Endowment Board of the receipt of the  
949 donor agreement and of her acceptance determination.
- 950 I. If yes, Financial Manager liquidates the gift according to standard parish  
951 practices; go to 7.

952 H. If no, Financial Manager and/or a member of the Endowment Board  
953 contacts the Donor to determine if/how the type of donation can be  
954 modified such that it can be accepted

955 7. If the donation is cash, but the purpose is donor-restricted:

956 a. The Endowment Board reviews the donor agreement in the context of the  
957 Endowment and parish gift acceptance policies. If additional information is  
958 needed, a member of the Endowment Board will contact the potential donor

959 b. The Endowment Board forwards the donor agreement and a recommendation to  
960 the Vestry for deliberation at the following Vestry meeting.

961 c. The Sr. Warden or designated member of the Vestry will report their decision on  
962 acceptance to the Endowment Board chair. These two will determine how the  
963 potential donor will then be contacted to either notify them of the decision and/or  
964 continue the dialog if additional information is required.

965 d. The Parish Financial Manager is notified of the decision, and if the donor-  
966 restricted gift is to be accepted, is provided with a copy of the final donor  
967 agreement

968 e. Go to 8.

969 8. Funds are received

970 a. The funds are placed in the Endowment Fund money market until they can be  
971 invested

972 b. George, the Endowment Board chair, and the Senior Warden are notified and  
973 discuss how best to thank the donor

974 c. The Endowment Board records the gift and the donor agreement

975 d. A thank you is delivered based on this determination

976 e. Optional: The donor and/or family is periodically sent an update on the  
977 Endowment status and expenditures that have been made

978 **Scenario II.** A cash donation is made to St. Paul's (either for an undesignated purpose or  
979 directed toward the Endowment without further designation) from the estate of or in honor of  
980 someone who has passed away

981 1. The donated funds are placed in the Endowment Fund money market until they can be  
982 invested

- 983 2. The Endowment Board Chair, Rector and the Sr. Warden are notified of the gift by the  
984 Parish Financial Manager
- 985 3. The Endowment Board records the gift and the donor agreement, if present
- 986 4. The Endowment Board delivers a thank you to the family or estate of the donor (the  
987 clergy and Parish Financial Manager may be consulted regarding the form of the thank  
988 you, and the Rector or Sr. Warden may also be asked to consider acknowledgment of the  
989 gift)

990 **Scenario III.** An end-of-life donation of cash or stock is made to St. Paul's Endowment. The  
991 donation is restricted for a particular purpose.

- 992 1. If stock, the stock is held temporarily. If cash, the donation is placed in the Endowment  
993 Fund money market while the gift is being reviewed
- 994 2. The Endowment Board Chair, Rector and the Sr. Warden are notified of the gift by the  
995 Parish Financial Manager
- 996 3. If no donor agreement was submitted, and if the gift is eligible for designation (e.g., >  
997 \$10,000), the Endowment Board contacts the donor to request submission of an  
998 agreement.
- 999 4. The Endowment Board reviews the gift based on the parish gift acceptance policy and the  
1000 requirements for donor designation
- 1001 a. If the gift meets the gift acceptance criteria, but not the donor-restricted criteria  
1002 (for example, it doesn't meet the monetary threshold for designation), the board  
1003 contacts the donor to determine if the gift can be classified as donor unrestricted
- 1004 i. If yes, then the subsequent steps in Scenario I are followed
- 1005 ii. If no, then the recommendation may be made that the funds go to the  
1006 program of restriction (or as close as possible), but do not enter the  
1007 Endowment
- 1008 b. If the gift meets both criteria, the Sr. Warden is notified, and the Vestry must  
1009 choose whether to accept the gift for the restricted purpose (The Endowment  
1010 Board may submit a recommendation)
- 1011 i. If yes,
- 1012 1. The Endowment Board and Parish Financial Manager are notified.  
1013 A subfund is created for the specific restricted gift, and the  
1014 investment is made.

- 1015                           2.       The Endowment Board delivers a thank you to the donor or estate
- 1016                           ii.       If no, the Vestry and donor negotiate the terms of the restriction (or the
- 1017                                       Vestry delegates this duty to the Endowment Board)

1018    **Section 2. Management of receipts and disbursement of funds**

1019    The details associated with distribution of funds may need to be changed to reflect the financial

1020    vehicle's payout schedule and procedures of the investment vehicle. The scenario below

1021    represents one possible approach.

- 1022    1.       If funds are present in the Endowment money market, these funds are invested each
- 1023           month (or quarterly, if this proves to be an administrative burden) to the funding vehicle.
- 1024    2.       Until the \$100,000 Endowment Fund value limit is reached, all donor-restricted
- 1025           disbursements are reinvested.
- 1026    3.       After the \$100,000 limit is reached...
- 1027           a.       Disbursements are made from the Endowment once per year (or at the frequency
- 1028                       specified by the investment vehicle)

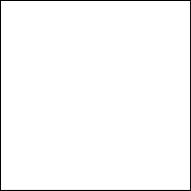
1029                           Disbursement amounts for unrestricted and restricted funds are calculated based

1030                           on the spending rule that has been specified by the Endowment Board and

1031                           accepted by the Vestry (although the Endowment Board may elect to defer to the

1032                           disbursement policy of the funding vehicle)

- 1033                           ii.       Disbursements are transferred to the parish's bank account (or to the
- 1034                                       Endowment Money Market)
- 1035                           iii.       The Endowment Board determines the amount of funds available for
- 1036                                       expenditure
- 1037                           iv.       The Endowment Board solicits requests for the available funds (including
- 1038                                       from the Vestry)
- 1039                           v.       The Finance Committee reviews the requests and provides comments to
- 1040                                       the Endowment Board
- 1041                           vi.       The Endowment Board reviews the requests and Finance Committee
- 1042                                       comments and makes a recommendation to the Vestry
- 1043                           vii.       The Vestry evaluates the recommendation for final approval



1044

1045

1046

1047

**PART 4. REFERENCES**

1048

1049

1050