

St. Barnabas Episcopal Church Endowment Fund Policies and Guidelines

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ENABLING RESOLUTION
ESTABLISHING A GENERAL ENDOWMENT FUND
FOR
ST. BARNABAS EPISCOPAL CHURCH
10345 MONTGOMERY ROAD, MONTGOMERY, OHIO

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

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

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

THEREFORE BE IT RESOLVED that St. Barnabas, through action of its Vestry and ratification by its congregation, establishes a new and separate fund to be known as “The Endowment Fund” (hereinafter called the “FUND”) of St. Barnabas Episcopal Church, 10345 Montgomery Road, Montgomery, OH 45242-5113 (the “PARISH”).

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

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

BE IT FURTHER RESOLVED that an ENDOWMENT FUND COMMITTEE (hereinafter called the “COMMITTEE”) is hereby established. The COMMITTEE shall have oversight responsibility of the FUND and its composition and duties are described in the following “Plan of Operation,” which may be amended from time to time (see paragraph 14 therein).

PLAN OF OPERATION

1. Composition of the COMMITTEE

The COMMITTEE shall consist of five (5) regular members, all of whom shall be members in good standing of the PARISH. They shall be appointed by the Vestry. Additionally, the Rector or Priest-in-Charge and Senior Warden shall be ex-officio members of the COMMITTEE without votes. No regular member of the COMMITTEE shall be a current member of the Vestry, or the Treasurer of the PARISH, or employed by the PARISH. Normally and except as herein limited, the term of each appointed member shall be five (5) years. The Vestry will stagger the terms of members to maximize continuity over time. To achieve this continuity the regular members of the inaugural COMMITTEE shall be appointed for 1, 2, 3, 4 and 5 years, respectively. No member shall serve more than two consecutive five (5) year terms. After a lapse of one (1) year, former COMMITTEE members may be reappointed. In the event of a vacancy on the COMMITTEE the Vestry shall appoint a member of the PARISH to complete the unfulfilled term. Upon completion of the term so filled that person would be eligible for reappointment to a normal five (5) year term.

2. Roles of the COMMITTEE

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

3. Frequency of Meetings

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

4. Quorum

A quorum shall consist of a majority of the appointed members of the COMMITTEE. In the presence of a quorum the affirmative vote of a majority of the COMMITTEE, i.e., three (3) or more affirmative votes, shall be necessary to carry any motion or resolution. Ex-officio members are not credited to the above requirement for a quorum.

5. Officers and Duties

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

6. Reports

The COMMITTEE shall report on a quarterly basis, or upon each meeting, to the Vestry, and at each Annual Meeting of the Congregation shall render a full and complete account of the administration of the FUND during the preceding year.

7. Professional Counsel

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

8. Investments

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

9. Funds for Specific Purposes

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

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

10. Liability of COMMITTEE Members

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

11. Holding of Assets, Action to Sell

All assets are to be held in the name of The Endowment Fund of St. Barnabas Episcopal Church or its nominee. Actions to hold, sell, exchange, rent, lease, transfer, convert, invest, reinvest, and in all other respects, to manage and control the assets of the FUND, including stocks, bonds, mortgages, notes, warrants of other securities, are to be made by joint action of a delegated member of the COMMITTEE on behalf of the COMMITTEE and the Treasurer of the PARISH, as soon as practically possible.

12. Acceptance of Gifts to the Endowment Fund

The COMMITTEE will establish a Gift Acceptance Policy subject to the approval of a two-thirds majority of all voting members of the Vestry (*Section E*) through which decisions will be made as to whether a gift to the FUND or to the PARISH shall be accepted.

13. Distributions from the Fund

It is the intent of this resolution that the FUND shall be managed in perpetuity as a true endowment (see note, below). BE IT FURTHER RESOLVED that the distributions from the FUND shall not be made to the operating account of the PARISH except to fulfill the purposes described in this Resolution with one exception. In the event that the PARISH is in dire circumstances, meaning its viability as a continuing church is in jeopardy, the Vestry may use both income and principal of the unrestricted endowment for the operating needs of the PARISH following a two-thirds vote of the Vestry at two successive regularly scheduled meetings and a two-thirds vote of the full congregation at an Annual or Special Meeting of the Congregation.

Distributions from the FUND shall be made using a "Total Return Policy" that incorporates a designated percentage of the corpus which will be available for expenditure annually. The COMMITTEE shall formulate a policy defining the spending rules and protocols (*Section B*) with the approval of the Vestry. The policy will provide for the withdrawal and use of funds consistent with the stated purposes of the FUND as defined in the first section of this Resolution. No portion of the FUND shall be "borrowed" including any "temporary usage" for other needs of the PARISH.

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

14. Amendment of this Resolution

Any amendment to this Resolution and the policies described therein shall be adopted by an affirmative vote of at least two-thirds (2/3) of the membership of the Vestry at two consecutive, regularly-scheduled meetings, and by the affirmative vote of at least two-thirds of a quorum at an Annual or Special Meeting of the Congregation. Any amendment regarding the use of the corpus of the unrestricted endowment shall be handled within the above-established distribution rules.

15. Disposition or transfer of FUND

In the event the PARISH ceases to exist, whether through merger, dissolution, or some other event, disposition or transfer of the FUND shall be at the discretion of the Vestry in conformity with the approved congregational regulations and in accord with diocesan canons and the Bishop of the Diocese of Southern Ohio. It may be appropriate to consult with other organizations – for example, the Episcopal Church Foundation, etc. -- to determine the manner in which Fund obligations will be met if the PARISH ceases to exist.

The foregoing resolution is hereby adopted by the Vestry the seventh day of

January, 2014, and by the congregation at its Annual Meeting the second day of February, 2014.

St. Barnabas Episcopal Church
10345 Montgomery Road
Montgomery, OH 45242-5113

Attest:

_____ (print name) _____

_____ (signature) _____

Senior Warden

Vestry Secretary

_____ (print name)

_____ (signature)
Junior Warden

ENDOWMENT FUND POLICIES AND GUIDELINES
FOR
ST. BARNABAS EPISCOPAL CHURCH
MONTGOMERY, OHIO

SECTION A
Investment Policy Statement

Purpose

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

Responsibility

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

Objectives

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

INVESTMENT GUIDELINES

Time Horizon

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

Risk Tolerance:

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

Investment Restrictions:

The COMMITTEE will not invest in private placement, restricted stock or other illiquid issues, futures contracts, except to hedge foreign exchange risk in the FUND'S investment portfolio, arbitrage and other uncovered options, and will not engage in short sales, margin transactions or other similar specialized investment activities; however, the use of professionally-managed funds that use these investment activities in a constructive manner are permitted.

Portfolio Diversification:

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

Investment Discretion:

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

Asset Allocation

Because securities markets may vary greatly throughout a market cycle, the COMMITTEE may change the asset mix of the FUND within the following ranges as long as that mix meets the overall objectives and is consistent with the policy guidelines set forth herein. The target allocation of investments shall be within the following ranges:

EQUITIES:	35% - 65%
FIXED INCOME:	35% - 65%
CASH	0% - 35%
OTHER PERMITTED INVESTMENTS:	0% - 15%

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

Investment Goals

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

Reporting

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

SECTION B
Spending Rule Policy

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

Funds available for distribution will be determined by using a total return principle applied to the total FUND, i.e., return derived from dividends and interest as well as realized and unrealized

capital gains. The funds available for distribution during an upcoming calendar year will be limited to a percentage of the market value of the corpus that is based on an up-to seven-year rolling average, with measures taken at the end of up-to each of the preceding twenty-eight quarters through the end of the third quarter of the immediately prior year. The market value for this purpose will be taken net of the fees for investment management.

The percentage of the FUND made available for distribution in any calendar year shall be determined annually by the COMMITTEE and is normally expected to fall in the range of three to five percent of total net assets. In so doing, market performance of the portfolio will be an important consideration. It will be the goal of the COMMITTEE to grow, or at a minimum maintain, the purchasing power of the FUND taking inflation 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 such funds are otherwise designated as principal by action of the COMMITTEE with the approval of the Vestry. Expenses related to the management and administration of the FUND will be deducted from the funds available for distribution.

SECTION C *Disposition of Bequests Policy*

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

The bequest may identify the beneficiary in one of two general ways: *St. Barnabas Episcopal Church of the Episcopal Diocese of Southern Ohio* or some other wording such as *St. Barnabas Episcopal Church, Montgomery, Ohio*; or *The Endowment Fund of St. Barnabas Episcopal Church* or similar wording.

Bequests to **St. Barnabas Episcopal Church** as beneficiary can be of two general types:

a. Restricted: The donor has identified a specific purpose(s) to which the funds should be directed. The Vestry will warrant and represent that the use(s) to which those funds are applied is faithful to the donor's wishes. The funds may be directed to their designated purpose(s) either as an endowment, in which case these normally would become a designated fund within The Endowment Fund, or by direct expenditure of the funds through the Treasurer of the PARISH.

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

In such extraordinary instances the following procedure will apply: The Rector or Priest-in-Charge and Senior Warden of the Parish will assess the particular circumstances giving rise to a perceived need to make an exception to the Bequests Policy. Such circumstances should be judged to be truly extraordinary and that no other financial resources of the PARISH are available or are expected to become available in time to fulfill the urgent need. If an exception is

deemed appropriate, the Rector or Priest-in-Charge and Senior Warden will make a recommendation. Final authority for granting such an exception to the Bequests Policy rests with 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 for in a separate policy. 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.

SECTION D *Donor-Designated Fund Policy*

A separate and designated fund within the FUND may be established for gifts in the amount of \$50,000 or more. The Vestry must vote to accept the gift for the purpose(s) described by the donor, or it has the responsibility to reject the gift.

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

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

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

SECTION E *Gift Acceptance Policy*

Purpose

This gift acceptance policy provides guidelines to representatives of St. Barnabas 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 St. Barnabas. This policy is intended only as a guide and allows for some flexibility on a case-by-case basis. The gift review process outlined here, however, is intended to be followed closely.

Gift Review Committee

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

Cash

- 1) All undesignated gifts by check will be accepted by St. Barnabas regardless of amount. In addition, all approved, designated gifts by check will be accepted by St. Barnabas.
- 2) Checks shall be made payable to “The Endowment Fund of St. Barnabas Episcopal Church.” In no event shall a check be made payable to an individual who represents St. Barnabas or the Church in any capacity.

Publicly-Traded Securities

- 1) Readily marketable securities, such as those traded on a stock exchange, can be accepted by St. Barnabas.
- 2) The value of the gift of securities is the average of the high and low prices on the date of the gift.
- 3) A gift of securities to St. Barnabas will normally be liquidated as soon as possible.

Closely-Held or Not-Readily-Marketable Securities

- 1) Non-publicly tradable 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.
- 2) The Gift Review Committee will explore methods for liquidation of the securities through redemption or sale **prior to acceptance**. The Gift Review Committee will try to determine:
 - a) Any restrictions on transfer
 - b) Whether and when an initial public offering might be anticipated
- 3) No commitment for repurchase of closely-held securities shall be made prior to completion of the gift of the securities.
- 4) All relevant endorsements, private letter opinions, etc., shall accompany such gifted securities.

Real Estate

- 1) Any gift of real estate must be reviewed by the Gift Review Committee.
- 2) Normally, the donor is responsible for obtaining and paying for an appraisal of the property. The appraisal will be performed by an independent and professional agent.
- 3) The appraisal must be based upon a personal visitation and internal inspection of the property by the appraiser. Also, whenever possible, it must show documented valuation of comparable properties located in the same area.
- 4) The formal appraisal should contain: photographs of the property, the tax map number, the assessed value, the current asking price, if applicable, a legal description of the property, the zoning status, and complete information regarding all mortgages, liens, building code violations and zoning compliance documents, litigation or title disputes.
- 5) St. Barnabas reserves the right to require an environmental assessment of any potential real estate gift.
- 6) The property must be transferred to St. Barnabas prior to any formal offer or contract for purchase is made.
- 7) With no limitation intended, the donor may be asked to pay for all or a portion of the following:
 - a) Maintenance costs,
 - b) Real estate taxes,
 - c) Insurance,
 - d) Real estate broker’s commission and other costs of sale,

- e) Appraisal costs, and
 - f) Any other costs ordinarily paid by a seller
- 8) For gift crediting and accounting purposes, the value of the gift is the appraised value of the real estate. This value may be reduced, however, by the costs of maintenance, insurance, real estate taxes, broker's commission and other expenses of sale.

Life Insurance

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

Tangible Personal Property

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

Deferred Gifts

- 1) St. Barnabas encourages deferred gifts in its favor through any of a variety of vehicles:
 - a) Charitable gift annuity (or deferred gift annuity),
 - b) Pooled income fund,
 - c) Charitable remainder trust,
 - d) Charitable lead trust,
 - e) Bequest, and
 - f) Retained life estate
- 2) St. Barnabas (or its agent) shall not act as an executor (personal representative) for a donor's estate. A member of the PARISH staff serving as personal representative for a member of the PARISH does so in a personal capacity and not as an agent of the PARISH.
- 3) St. Barnabas (or its agent) shall not act as trustee of any charitable remainder trust.
- 4) St. Barnabas may invite prospective donors to consider gift vehicles offered by The Episcopal Church Foundation (specifically, Charitable Remainder Trusts, Charitable Gift Annuities and the Pooled Income Fund).

- 5) When donors are provided planned gift illustrations or form documents these will be provided free of charge. For any planned gift related documents, materials, illustrations, letters or other correspondence, the following disclaimer is to be included:

St. Barnabas urges all prospective donors to consult with your attorney, financial and/or tax advisor to review this information, provided to you without charge or obligation. This information in no way constitutes legal or financial advice.

- 6) All information obtained from or about donors/prospects shall be held in the strictest confidence by St. Barnabas staff and parishioner volunteers. A (prospective) donor's name, and the amount and the conditions of any (prospective) gift shall not be published without the express written approval of the (prospective) donor.
- 7) St. Barnabas may seek qualified professional counsel in the exploration and execution of all planned gift agreements. The PARISH recognizes the right of fair and just remuneration for such professional services.
- 8) The Vestry, upon the advice of the Gift Review Committee, reserves the right to decline any gift that does not further the mission of the PARISH. Also, any gifts that would create an administrative burden or cause the PARISH to incur excessive expenses may be declined.