

**Grace Episcopal Church**

**Gainesville, GA**

**Endowment Fund  
Policies and Guidelines**

**Approved by Vestry on January 22, 2018**

January 22, 2018

# Grace Episcopal Church Endowment Fund Policies and Guidelines

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## ENABLING RESOLUTION AND GUIDING PRINCIPLES

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

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

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

WHEREAS, the existing endowment fund governing documents, related Vestry resolutions, and practices, need clarification; and

WHEREAS, the Grace Episcopal Church Endowment Fund Working Group (the Working Group) was formed in July 2017 and charged to undertake a comprehensive evaluation of all aspects of the current endowment funds, and of the structure of the endowment funds' governance and management; and,

WHEREAS, the Working Group considered the guidelines of the Episcopal Church Foundation; and

WHEREAS, the Working Group diligently and carefully read all pertinent endowment fund documents, reviewed the history of the existing endowment funds (including the Van Giesen and Wilheit funds), met numerous times and thoroughly discussed all matters pertaining to said endowment funds in conjunction with its charge from the Clergy; and,

WHEREAS, the Working Group discussed and carefully considered the role of the Vestry and the role of the Endowment Committee (Endowment Committee), and how the Vestry and Endowment Committee should work together and how final decisions should be made; and

WHEREAS, the Working Group believes the overall philosophy should be more toward distributing available funds each year to support the mission of Grace, and to help those in need, than to defer distributions and accumulate funds; from an accounting perspective, this is subject to the restricted, temporarily restricted and unrestricted constraints; and

WHEREAS, the Working Group believes, consistent with most provisions of the existing governing documents, that endowment funds' monies, income, and assets should primarily be used for non-operating, non-budgeted purposes; and

WHEREAS, the Working Group intends for its recommendations to be consistent with the *Uniform Prudent Management of Institutional Funds Act (UPMIFA)*; and

WHEREAS, a new endowment fund is needed to encourage broad parishioner participation; and

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

WHEREAS, the Working Group recommends the following *Guiding Principles and Philosophy* intended to be enduring overarching principles:

- Grace's donor-restricted endowment funds should last forever; they should have no endpoint and it should be impossible for the funds to revert to the church's general operating funds. Any existing separate named funds (including Van Giesen and Wilheit) or future separate named funds shall be governed by their governing documents.
- The Parish and Vestry should be encouraged to "apply" for distributions from the endowment funds; the mindset should be to distribute endowment income/earnings, not to accumulate income; the mindset should be there is more need in the community than funds and therefore there is no reason to accumulate income; to this end, the process to apply should be clear, transparent, and easy. Importantly, a fundamental truth with all endowment funds is by definition an endowment fund cannot last for decades unless there is a proper balance among the spending and investment policies in order that the investment portfolio grows at least enough to offset inflation.
- The Endowment Committee should be the vetting entity for approving or denying distributions from the endowment funds. However, when the Endowment Committee approves a request for a distribution from any endowment fund, then that approved request shall be sent to the vestry as a recommendation from a committee and must be approved by Vestry before any distributions are made. The Endowment Committee should be a relatively small group with some members having substantive experience in trust-type, fiduciary matters. Summarizing the governance structure, the Endowment Committee should make decisions consistent with the Vestry's policies, and make decisions in such a manner that respects and "protects" the intent of the donor/settlor/grantor/benefactor.
- Outreach is clearly a permitted distribution of the existing endowment funds; indeed, this is one area of solid agreement; a common thread running through all the existing endowment funds and governing documents is for the funds to be used for the work of the church that it otherwise could not do; for the work of the church outside its normal operating budget.

Endowment Funds should never be used as part of the operating budget's allocation of funds to Outreach.

- Capital expenditures and major repairs have been the subject of much debate; therefore, two funds are established by this document: the Grace Ministries Endowment Fund and the Grace Capital Improvements Endowment Fund.

THEREFORE, BE IT RESOLVED that this Parish, through action of its Vestry, adopts the foregoing recommendations of its Working Group, including its Guiding Principles and Philosophy, hereby acknowledges the existence of the following endowment funds: The Van Giesen Memorial Fund, the Grace Episcopal Church Endowment Trust (Wilheit Fund), and the Grace Church Endowment Fund.

BE IT FURTHER RESOLVED that this Parish, through action of its Vestry establishes the policies herein to govern the Grace Church Endowment Fund (hereafter called the FUND). The term FUND shall include all of the sub-funds contained in this document, including, but not limited to the Grace Ministries Endowment Fund and the Grace Capital Improvements Endowment Fund. The FUND shall serve as the endowment fund of the Parish and will be comprised of sub-funds, which include all existing and future funds. THE FUND shall consist of the following sub-funds (see Appendix A for a more detailed description and definitions).

Permanent Endowment Fund (True) – All unrestricted donor gifts to the FUND shall be placed in the Permanent Endowment Fund (True). Gifts to this fund will be held in perpetuity and used for the purposes described below. The corpus is protected by a state law called UPMIFA (Uniform Prudent Management of Institutional Funds Act). The existing Endowment Fund of Grace Episcopal Church shall be considered part of the Permanent Endowment Fund (True).<sup>1</sup> The Permanent Endowment Fund is subdivided into two separate funds: The Grace Ministries Endowment Fund and the Grace Capital Improvements Endowment Fund.

Vestry Directed General Endowment Fund (Quasi) – Gifts to this fund will be managed as if they were permanent endowment funds. However, the Vestry, in times of an emergency, can draw down from the corpus following special votes. It will be used for the same purposes as the Permanent Endowment Fund. At the time of this document, Grace Church has no assets in the General Endowment Fund. The Disposition of Bequests Policy (*Section D*) outlines how assets are transferred to the General Endowment Fund (Quasi).<sup>2</sup>

Special Purpose Fund -- Money invested by the Endowment Committee at the request of the Vestry and used for such projects and expenditures for the benefit of the church at the discretion of the Vestry.

All Current and Future Donor-Restricted Funds – These sub-funds are funds established in accordance with the Donor-Restricted Designated Fund Policy (*Section E*) with their identity and designate purpose preserved in perpetuity. The Van Giesen Memorial Fund

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<sup>1</sup> A true endowment is a fund established in accordance with donor restrictions to exist in perpetuity. The principal must be spent in accordance with donor terms and restrictions.

<sup>2</sup> A quasi endowment (sometimes called "board designated") is a fund that functions like an endowment, but without any legal restriction to hold the fund permanently. The principal of a quasi endowment may be spent at some point.

and the Grace Episcopal Church Endowment Trust (Wilheit) Fund are current donor-restricted funds considered part of the FUND (fund documents included as attachments).

BE IT FURTHER RESOLVED that this Parish, through action of its Vestry, establishes the following related policies and procedures:

- Distribution Procedures
- Spending Policy
- Investment Policy
- Disposition of Bequest Policy
- Donor Restricted Designated Funds Policy
- Gift Acceptance Policy

BE IT FURTHER RESOLVED this document replaces all endowment fund policies, including, but not limited to, all spending and investment policies and Vestry resolutions pre-dating this document and all subsequent amendments.

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) outreach ministries and grants; (ii) seed money for new ministries and special one-time projects; (iii) educational or training opportunities for clergy or parishioners, and (iv) such other purposes as are specifically designated by donors to the Parish whose gifts are included in the FUND. However, the Grace Capital Improvements Endowment Fund, and any other endowment fund whose governing language explicitly authorizes disbursements for capital expenditures, shall include capital expenditures among its distributions.

BE IT FURTHER RESOLVED that the distributions from any and all true endowment funds shall not be made to the operating budget of the Parish except to fulfill the purposes described above.

BE IT FURTHER RESOLVED that an Endowment Committee shall have oversight responsibility of the FUND, and its composition and duties are described in the following "Endowment Committee Membership and Governance."

## **ENDOWMENT COMMITTEE MEMBERSHIP AND GOVERNANCE**

### **1. Composition of the Endowment Committee**

The Endowment Committee shall consist of six (6) regular members, all of whom shall be members in good standing of Grace Episcopal Church. At least two members shall have substantive experience in trust-type, fiduciary matters. It is preferable that these two members be lawyers, CPAs, and/or investment professionals. The Vestry shall appoint members to the Endowment Committee. The Endowment Committee shall recommend to the Vestry a name or names of candidates to be appointed to the Endowment Committee. Any member of Grace Church or the Rector of Grace Church may nominate a parishioner for consideration as a member of the Endowment Committee. Additionally, the Rector, Senior Warden, and Junior Warden shall be ex-officio members of the Endowment Committee without votes. No member of the Endowment Committee shall be a current member of the Vestry or employed by the Parish. Except as herein limited, the term of each appointed member shall be three (3) years. The Vestry will stagger the terms of members to maximize continuity over time. No member shall serve more than two consecutive three (3) year terms. After a lapse of one (1) year, former Endowment Committee members may be reappointed. In the event of a vacancy on the Endowment Committee, the Vestry shall appoint a new member to fill the unexpired term caused by the vacancy. Endowment Committee shall recommend a name or names to the Vestry for the Vestry's approval. Any member of Grace Church or the Rector of Grace Church may nominate a parishioner for consideration as a member of the Endowment Committee to fill the unexpired term. Upon the completion of the term, that person would be eligible for reappointment to a normal three (3) year term.

### **2. Resignation, Removal of Committee Member**

Any regular member of the Endowment Committee may resign at any time by written notice to the Rector. A member ceases to be a member of the Endowment Committee when he or she is no longer a member in good standing of the Parish. A member who fails to attend three consecutive committee meetings without reason shall be deemed to have tendered his/her resignation.

### **3. Roles of the COMMITTEE**

The Endowment Committee will handle and oversee the vetting and recommendation of all requests for disbursement of monies from the FUND and will oversee the management of the invested funds and monitor the 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.

### **4. Frequency of Meetings**

No later than March 1 of each year, the Endowment Committee shall have a planning meeting with the Outreach Committee and the Campus Vision and Development Committee so as to allow the three committees to coordinate their activities for the coming year.



In addition to the planning meeting above, the Endowment Committee shall meet at least quarterly, or more frequently as deemed by it in the best interest of the FUND.

## **5. Quorum**

A quorum shall consist of a majority of the regular members of the Endowment Committee. The affirmative vote of a majority of all committee members shall be necessary to carry any motion or resolution. Ex-officio members are not credited to the above requirement for a quorum.

The secretary shall give reasonable notice of the time and place of each meeting to members by email, mail, or phone.

## **6. Officers and Duties**

The Endowment Committee shall elect from its membership a chairperson and a secretary. The chairperson, or member designated by the chairperson, shall preside at all Endowment Committee meetings. The secretary shall maintain complete and accurate minutes of all meetings of the Endowment Committee and supply a copy thereof to each member of the Endowment Committee. The secretary shall also supply a copy of the minutes to the Vestry in a timely manner. The Treasurer of the church shall maintain complete and accurate books of account for the FUND. The books will be audited as part of the Parish annual audit.

## **7. Reports**

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

The Vestry shall report on the uses and purposes of expenditures from the FUND each year at the annual meeting of the Parish.

## **8. Professional Counsel and Other Expenses**

The Endowment Committee, at the expense of the FUND, may provide for such auditing and for professional counseling on investments or legal matters as it deems to be in the best interests of the FUND, provided that such auditing or counseling expenditure has been approved by the Vestry prior to incurring the expense. Committee members shall serve without compensation, but reasonable expenses related to the execution of their duties may be paid from the funds available for expenditure prior to distribution with Vestry approval.

## **9. Investments**

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

## **10. Funds for Specific Purposes**

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

Also, donors may designate their gifts for a specific purpose. Any donor-restricted designated gifts must be approved by the Endowment Committee as a recommendation and approved by the Vestry. They must meet the requirements of the Donor-Restricted Designated Fund Policy (*Section E*).

## **11. Liability of Members of the Endowment Committee**

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

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

All assets are to be held in the name of the Endowment Fund of Grace Episcopal Church. 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, and warrants of other securities, are to be made by a designated member of the Endowment Committee on behalf of the Endowment Committee.

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

Proposed gifts will be reviewed pursuant to the Gift Acceptance Policy of the parish (*Section F*). All gifts must be approved by the Vestry in accordance with the Gift Acceptance Policy. Anyone may contribute any amount, during life or at death, to the Grace Ministries Endowment Fund, the Grace Capital Improvements Endowment Fund, the Grace Vestry Directed General Fund, and/or the Special Purpose Fund. Any gift designated as to the "Endowment Fund" without specifying the particular fund will be divided equally between the Grace Ministries Endowment Fund and the Grace Capital Improvements Endowment Fund.

## **14. Distributions from the FUND**

It is the *intent* of this resolution that all funds within the FUND shall be managed in perpetuity as if they were *true* endowments. Distributions from the FUND shall not be made to the operating budget of the Parish except to fulfill the purposes described in this resolution, with one exception. In the event that the Parish is in dire circumstances, meaning its viability as a continuing church is in jeopardy, the Vestry may use both income and principal of the *quasi endowment* for the operating needs of the Parish, following a two-thirds vote of the Vestry at

two consecutive regularly scheduled meetings and informing the congregation prior to taking action.<sup>3</sup>

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 Endowment 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.

Notwithstanding anything to the contrary herein, an exception to the above is the Special Purpose Fund. Any sums placed in the Special Purpose Fund shall be invested by the Endowment Committee, but there shall be no restriction on the use of the income or principal of the Special Purpose Fund. The decision for any use of sums placed in the Special Purpose Fund shall be made solely by the Vestry and shall not be subject to Sections A, B, D, and E of these Endowment Fund Policies and Guidelines.

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

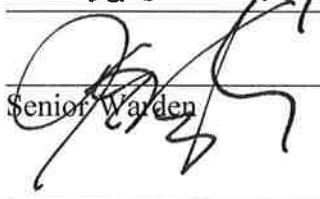
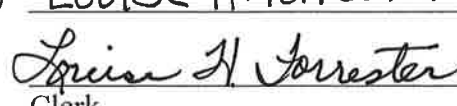
Any amendment to this Resolution shall be adopted by a vote of at least two-thirds (2/3) of the membership of the Vestry at two consecutive, regularly scheduled meetings. Any amendment regarding the use of the corpus of the **quasi** endowment shall be handled within the above-established distribution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

#### **16. Disposition or transfer of the 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 constitution and in accord with diocesan canons and the Bishop of the Diocese of Atlanta. It may be appropriate to consult with the Episcopal Church Foundation to determine the manner in which FUND obligations will be met after the Parish ceases to exist.

The foregoing resolution is hereby adopted by the Vestry this 22<sup>nd</sup> day of January, 2018.

Grace Episcopal Church  
Gainesville, GA

<u>Jason E. Voyles</u>	(print name)	Attest: <u>Louise H. Forrester</u>
<u></u>	(signature)	<u></u>
Senior Warden		Clerk

<sup>3</sup> A quasi endowment (sometimes called "board designated") is a fund that functions like an endowment, but without any legal restriction to hold the fund permanently. The principal of a quasi endowment may be spent at some point.

## SECTION A: DISTRIBUTION PROCEDURES

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### Distribution Request Process

To facilitate good accounting practices, the Parish Administrator will record and track (i) all requests for *any distributions from any endowment fund*, (ii) decisions of the Endowment Committee, (iii) decisions of Vestry, (iv) distributions from each endowment fund, and (v) cumulative distributions from each endowment fund vis-à-vis the spending policies and annual distribution limit. More specifically:

- All requests for *any distributions from any endowment fund* shall start with the Parish Administrator or Finance Committee Chairperson.
- The Parish Administrator or Finance Committee Chairperson shall develop an application form that anyone requesting a distribution must complete.
- Once the request form is completed by the individual or organization requesting a distribution, and after the Parish Administrator deems it is ready to submit to the Endowment Committee, the Parish Administrator will submit it to the Endowment Committee thereby initiating Step One of the Endowment Distribution Evaluation Process (see below).
- Thereafter, the Parish Administrator will track and record the decisions of the Endowment Committee and Vestry.
- All distributions from any endowment fund will be recorded and tracked and made a part of each Endowment Committee meeting and each Vestry meeting; this provides full transparency.
- The Parish Administrator will make appropriate reports to the Vestry of all the foregoing endowment fund activity; this also provides full transparency.

### Endowment Distribution Evaluation Process

- Step 1. The Parish Administrator shall submit all applications to the Endowment Committee pursuant to the Distribution Request Process.
- Step 2. The Endowment Committee shall evaluate the appropriateness of applications vis-à-vis the overarching guiding principles, specific governing documents, spending policy, and all pertinent considerations.
- Step 3. The Endowment Committee, if deemed appropriate or necessary, will request additional information, or request additional meetings with the person or organization requesting the distribution, to obtain a better understanding of said request/application.

- Step 4. After the Endowment Committee has completed what it deems a proper and appropriate evaluation, the Endowment Committee will make a decision to (i) approve the request as a recommendation and submit its recommendation to the Vestry for final approval, noting from which fund to make the distribution, or (ii) deny the request and not submit its decision to Vestry for approval. If the request is denied, the Endowment Committee shall inform the applicant of the reason(s) for the denial.
- Step 5. If Vestry approves a recommendation of the Endowment Committee, then the execution of the request will be handled by the Parish Administrator (e.g., writing a check to an outreach organization).
- Step 6 (optional). If a request is denied by the Endowment Committee and therefore is not submitted to Vestry for approval or affirmation, the party making the request, or any Vestry member, can petition the Vestry to restart the Endowment Distribution Evaluation Process and send the request back to the Endowment Committee for the first four steps to be repeated.

## **SECTION B: SPENDING POLICY AND PURPOSES OF FUND**

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### Purposes of Fund

A guiding principle the Endowment Committee shall apply in evaluating applications/requests for endowment fund distributions shall be to make distributions whenever appropriate and consistent with the policies contained herein. More specifically, aside from accumulating a sufficient amount of investment income and gains to offset inflation, the preference is to make distributions in order to further outreach and the mission of the church. Generally and conceptually, distributions from the FUND shall allow the Parish to fulfill its mission more completely by developing its ministries beyond what is possible through its annual operating funds.

Generally, the Grace Ministries Endowment Fund shall be primarily used for the following type needs and purposes:

- Outreach (not already addressed in operating budget)
- Grants
- Seed money for new ministries and special one-time projects
- Educational or training opportunities for clergy or parishioners

Generally, the Grace Capital Improvements Endowment Fund shall be used for capital expenditures for the Parish.

Notwithstanding the above, the governing document of any named fund shall take precedence over these general statements in the event that there is any conflict between the Spending Policy and the governing document of a named fund.

The following chart summarizes the different funds:

THE ENDOWMENT FUNDS OF GRACE EPISCOPAL CHURCH

Anyone may contribute any amount, during life or at death, to the Grace Ministries Endowment Fund, the Grace Capital Improvements Endowment Fund, the Grace Vestry Directed General Fund, and/or to the Special Purpose Fund.									
	Grace Ministries Endowment Fund	Grace Capital Improvements Endowment Fund	Grace Vestry Directed General Fund (quasi-endowment)	Van Giesen Endowment Fund	Wilheit Endowment Fund	Special Purpose Fund (non-endowment)			
General purposes of fund <i>See note below for details (1)</i>	Outreach, ministries, education, grants (1); this fund is not limited to outreach	Capital improvement of buildings/campus	Largely unrestricted uses per Vestry	for "those extra things which will inure to the benefit of the church's work and its membership"	Outreach, grants, new ministries, and capital improvements	Designated purpose such as roof replacement			
Fund primarily intended for	See footnote for details (1)	Capital improvements	See note below for details (5)	Those "extra things" the Endowment Committee considers congruent with the above language	Note: less restrictive than Van Giesen and more clearly allows capital expenditures	Those purposes defined by each fund's documents			
May distributions be made for capital improvements, and major campus maintenance?	No; unless there are dire circumstances	Yes	Yes, if Finance Committee and Vestry choose	Yes, if approved by the Endowment Committee	Yes	Yes, if consistent with designated purposes			
Who makes distribution decisions? But see Vestry note below (2)	Endowment Committee with Vestry approval	Endowment Committee with Vestry approval	Finance Committee and Vestry	Endowment Committee with Vestry approval	Endowment Committee with Vestry approval	Finance Committee and Vestry			
Who makes investment decisions?	Endowment Committee	Endowment Committee	Endowment Committee	Endowment Committee	Endowment Committee	Endowment Committee			
Amount distributable each year <i>See note below for details (3)</i>	3-5% of average fund value	3-5% of average fund value	As determined by Finance Committee	3-5% of average fund value	3-5% of average fund value	As determined by Finance Committee			
Contributions during life allowed?	Yes	Yes	Yes	Yes	Yes	Yes			
Contributions at death allowed?	Yes	Yes	Yes	Yes	Yes	Yes			
Minimum contribution <i>See note below for details (4)</i>	No minimum	No minimum	No minimum	N/A	N/A	No minimum			
Longevity of fund	Forever; no end point	Forever; no end point	Indefinite; may not last forever	Forever	Unclear	Life of project; will not last forever			

**Notes**

1. Unless a given fund's governing document provide otherwise, the Grace Ministries Endowment Fund, and other permanent endowment funds, shall primarily be used for outreach, education, seed money for new ministries, and grants; and not for capital expenditures. The Outreach Committee shall be included in the ongoing information loop.
2. The Endowment Committee interprets the applicable governing documents and decides on appropriateness of distributions; however, no checks are distributed without Vestry approval.
3. The amount distributed is determined by the applicable governing documents and the Endowment Committee. Generally, the annual distribution will be approximately 3-5% of the prior three years (12 quarters) average fund portfolio value. The objective is to distribute, not accumulate, funds. However, some reinvestment is required to offset inflation.
4. Generally, there is no minimum required contribution to any of the above funds (whether during life, or at death via one's will, beneficiary designation, etc.). However, if one wishes to establish his or her unique endowment fund with special governing and dispositive provisions, then a minimum of \$100,000 shall be required. See footnote 6.
- (5) A quasi-endowment fund is a fund established by the Vestry for many of the same purposes as permanent endowment funds (e.g., The Grace Endowment Fund), but any portion may be distributed in the discretion of the Vestry. Therefore, this fund is less restricted in how it might be used than The Grace Endowment Fund.
- (6) With a minimum of \$100,000, a new stand-alone fund may be established - during life or at death - and any such fund will be governed by its own unique governing documents.

## Spending Policy

Money will be distributed from any endowment fund upon written request of the Endowment Committee to the Parish Administrator and with approval of the Vestry for those uses which conform to the purposes and restrictions established by donors or incorporated in the Enabling Resolution and Guiding Principles.

To balance (i) the preference for making distributions with (ii) the need to offset inflation over long periods of time, a sufficient amount of endowment fund portfolio income and gains must be retained and reinvested. To that end, the annual amount available for *distributions* from any endowment fund (said annual distribution limit shall be applied to each fund, not in aggregate) shall be limited as follows:

- The percentage of each fund made available for distribution shall be determined each year by the Endowment Committee and will normally fall in the range of 3% to 5% of the fund's average portfolio value.
- Distributions from any endowment fund for any given calendar year shall not exceed 5.00% of the fund's *average portfolio value*
  - *Average portfolio value* for the above 3% to 5% calculation shall be calculated as follows:
    - Calculate the average of the prior twelve calendar quarter-end endowment fund portfolio values
    - Multiply that average by the percentage available for distribution (i.e. 5%)
    - The result shall be the maximum distribution from a given endowment fund for a given calendar year
    - Example:
      - Average of last 12 quarter's endowment fund value = \$300,000
      - \$300,000 x 5% = \$15,000
      - \$15,000 is maximum distribution from that fund for a given year
- For this 3% to 5% annual distribution limit the following definitions and concepts shall apply:
  - This distribution limitation and related calculation embraces and applies a *total return* and *unitrust* concept; not an *income* concept (i.e., not a concept of only distributing portfolio accounting *income*)
  - The annual distribution limit is further subject to accounting rules applied by the Parish Administrator regarding the *restricted*, *temporarily restricted*, and *unrestricted* nature of the fund or any part thereof.

The above 3-5% amount is a guideline, not a required distribution. Nothing herein shall be construed to mean a distribution must be distributed each year. The above 3-5% is a limit, not a mandatory distribution.

Subject to accounting restrictions and rules, the Endowment Committee shall have the discretion to distribute less than the 3-5% guideline, even to make no distributions, during severe down



markets. However, in absence of a severe down market, the Endowment Committee shall strive to distribute 3-5% of the fund's average portfolio value.

To encourage requests for distributions, any unexpended funds from those available for distribution in a given year will not be carried over to the following year unless otherwise designated by action of the Endowment Committee with approval of the Vestry. Expenses related to the management and administration of the FUND will be deducted from the funds available for distribution.

Notwithstanding anything to the contrary herein, the governing document of any named fund shall take precedence over these general statements in the event that there is any conflict between the Spending Policy and the governing document of a named fund.

## SECTION C: INVESTMENT POLICY

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### PURPOSE

This Investment Policy Statement (IPS or policy) establishes the philosophy, guidelines and investment objectives for managing the investments of all Grace Church endowment funds, unless a specific fund or account contains its own unique governing investment provisions (and the Endowment Committee has accepted such fund or account with its own governing provisions). All endowment accounts and funds herein are referred to as *funds*.

### RESPONSIBILITY FOR FUNDS AND DELEGATION OF INVESTMENT DUTIES

The ultimate responsibility for managing the funds resides with the Vestry which has chosen to delegate portions of its responsibility to the Endowment Committee, which will administer the portfolios of the funds in accordance with these guidelines, as adopted and amended from time to time. These guidelines shall be reviewed at least annually by the Endowment Committee to determine whether they should be amended or remain unchanged. The Endowment Committee may choose to employ an independent *investment management firm* and delegate certain investment responsibilities to said firm, including delegating investment *discretion* to manage the portfolio in a manner consistent with this IPS, provided that such employment and the expenditure of any funds for such employment has been approved by the Vestry in advance. Any investment management firm that may be retained shall be an independent investment advisor that accepts *fiduciary* responsibility and is registered with the SEC under the Investment Advisors Act of 1940.

### 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 adhering to and respecting the provisions of the *Uniform Prudent Management of Institutional Funds Act*. The primary objective is long-term growth of principal and income at a rate that exceeds inflation without undue exposure to risk. Meeting the objectives of the funds, including the donor/benefactors' objectives, including the spending policy objectives, is more important than meeting or exceeding a market index.

### INVESTMENT GUIDELINES

#### Time Horizon

Short-term evaluation periods are a common reason investment committees chronically fail. Over-weighting 1, 3 and 5 year portfolio performance versus market indices often leads to poor long-term performance. Therefore, the funds' investment objectives and strategic asset allocation shall be based on very long-term time horizons of 10+ years. Accordingly, asset allocation and strategy decisions shall assume a time horizon of 10+ years, and performance evaluation shall be based on full market cycles and rolling 5 and 10 year time periods.

### Risk Tolerance

Because of its long-term time horizon, the funds should accept reasonable, market-like, monthly, quarterly, and annual fluctuation in market value. Risk should not be thought of as simply market value volatility. Other risk concepts include permanent loss of capital, threats to spending policy distributions below desired levels, inflation diminution, and perhaps most important the inability of the Endowment Committee to be patient and staythecourse with this policy.

### Prohibited Investments

The Endowment Committee shall not invest in private placements, restricted stock or other illiquid issues, commodities' futures, arbitrage, uncovered options, bonds rated below investment grade, or hedge funds and shall not engage in short sales (other than covered call options), margin transactions or other similar specialized investment activities. Any investment or investment vehicle the Endowment Committee does not sufficiently understand should be prohibited.

### Portfolio Diversification

Fundamental diversification shall be applied and practiced, which may include, but is not limited to, large-cap, mid-cap, and small-cap U.S equities; international equities (both developed and emerging markets); bonds and cash. Mutual funds, common trust funds, and exchange traded funds may be used. There is no one or standard way to achieve diversification. No particular mixture of asset classes is required.

### Asset Allocation

Generally, most of the time, the funds' portfolios shall be allocated among the following asset classes in the indicated weights:

The funds' asset allocation shall be within the following weights/ranges:

	<u>Low%</u>	<u>Target/Most Typical%</u>	<u>High%</u>
EQUITIES	40%	75%	80%
FIXED INCOME	15%	25%	60%
CASH	0%	0%	20%

While asset allocation is a dynamic process influenced by market conditions and valuation/risk/reward levels, frequent asset and tactical allocation movements among asset classes usually increases risk and reduces long term returns; and therefore should be minimized.

The target asset allocation weight among asset classes shall be reviewed periodically (at least annually) by the Endowment Committee in consultation with the investment manager(s).

## Investment Goals

Subject to any specific donor or benefactor restriction or guidelines, the funds shall be managed with an emphasis on:

- Donor and benefactor intent and governing documents
- The tenets contained in this policy
- A *total return* approach versus a spend-only-the-income approach<sup>4</sup>
- Meeting the spending policy distribution requirements without overly-relying on selling securities to do so
- Long-term growth that exceeds the inflation rate
- A *total return* of the spending rate plus inflation (net of all costs)

## Reporting

The quarterly report provided by the Endowment Committee to the Vestry will include, for each fund, the funds’:

- Current value
- Securities owned
- Diversification
- Interest income received
- Dividend income received
- Realized gains and losses
- Fees paid, including fees inside mutual funds
- Year-to-date, and since-inception, rate of return details

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<sup>4</sup> *Total return* is a mark-to-market return concept or definition and includes all sources of return, not just accounting income.

## SECTION D: DISPOSITION OF BEQUESTS POLICY

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This policy 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 usually identifies the beneficiary in one of two ways: *Grace Episcopal Church* or *the Endowment Fund of Grace Episcopal Church*.

Bequests with **Grace Episcopal Church** as beneficiary and that are undesignated shall either be placed in the Building Reserve Fund or in the endowment as part of the General Endowment Fund (Quasi). The default position of the church will be that all such bequests up to \$100,000 go into the Building Reserve Fund, and for all such bequests more than \$100,000, the first \$100,000 shall go into the Building Reserve Fund with the remainder of the bequest being placed in the General Endowment Fund (Quasi). This general position shall be followed unless the Rector and Senior Warden request an exception to the policy. The exception should be judged to be truly extraordinary and that no other financial resources of the organization are available or are expected to become available in time to fulfill the urgent need. Final authority for granting such an exception will rest with the Vestry.

If the donor has identified a specific purpose for the gift, the Vestry will guarantee that the funds will be used according to the donor's wishes. The funds may be directed to their designated purpose either as an endowment, in which case they normally would become a designated fund within the FUND, or by direct expenditure of the funds through the Treasurer of the parish.

Bequests naming the **Endowment Fund** of the church as beneficiary are automatically transferred to the Permanent Endowment Fund upon receipt. Any gift designated as to the "Endowment Fund" without specifying the particular fund will be divided equally between the Grace Ministries Endowment Fund and the Grace Capital Improvements Endowment Fund. If the bequest was given for a specific purpose, the assets will be used to establish a donor-restricted designated fund within the Permanent Endowment Fund, provided that the gift is at least \$100,000.00.

## **SECTION E: DONOR-RESTRICTED DESIGNATED FUND POLICY**

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A separate and designated fund within the FUND may be established for gifts in the amount of \$100,000 or more. The Vestry must vote to accept the gift for the purpose(s) described by the donor, or it has the option 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 F: GIFT ACCEPTANCE POLICY

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### ***Purpose***

This gift acceptance policy will provide guidelines to representatives of the Parish who may be involved in the acceptance of gifts, to outside advisors who may assist in the gift planning process, and to prospective donors who may wish to make gifts to the Parish. However, individual donors are encouraged to seek their own legal, tax and financial advice before completing a gift. This Gift Acceptance Policy is not meant to be relied on as professional advice to an individual. 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 the Parish will be referred to the Gift Review Committee. The Committee, unless otherwise designated by the Vestry, will be comprised of the full Endowment Committee.

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.

### ***Cash***

- 1) All gifts by check shall be accepted by the Vestry on behalf of the Parish regardless of amount.
- 2) Checks shall be made payable to the Parish. In no event shall a check be made payable to an individual who represents the Parish in any capacity.

### ***Publicly Traded Securities***

- 1) Readily marketable securities, such as those traded on a stock exchange, can be accepted by the Vestry on behalf of the Parish.
- 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 the Parish is usually liquidated immediately. However, if the form or designation of the gift allows the possibility that it will be directed to the FUND, a decision regarding the liquidation of the securities will be deferred until that determination is made. If the funds are to be directed to the FUND, the certificates will be given to the FUND's investment manager who then will act on the Endowment Committee's decision whether to sell, transfer or hold the securities.

### ***Closely Held Securities***

- 1) Non-publicly traded securities may be accepted after consultation with the Gift Review Committee. The fair market value will be the value used by the donor in the preparation of the donor's tax return.
- 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.

### ***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, the appraisal must include documented valuation of comparable properties located in the same area.
- 4) The formal appraisal should contain photographs of the property, the tax map number, the assessed value, the current asking price, a legal description of the property, the zoning status, and complete information regarding all mortgages, liens, litigation, or title disputes.
- 5) Grace Church reserves the right to require an environmental assessment of any potential real estate gift.
- 6) The property must be transferred to Grace Church prior to any formal offer or contract for purchase being made.
- 7) 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
- 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) Grace Church can be named a contingent beneficiary or the beneficiary of a percentage of a life insurance policy
- 3) The Vestry will accept **ownership** of a life insurance policy as a gift only if Grace Church is named as the owner and beneficiary of 100% of the policy.
- 4) If the gift is a paid-up policy, the value for gift crediting and accounting purposes is the policy's replacement cost.
- 5) If the policy is partially paid-up, the value for gift crediting and accounting purposes is the policy's cash surrender value. (For IRS purposes, the donor's charitable income tax deduction is equal to the interpolated terminal reserve, which is an amount slightly in excess of the cash surrender value.)

### ***Tangible Personal Property***

- 1) Any gift of tangible personal property shall be referred to the Gift Review Committee prior to acceptance.
- 2) Gifts of jewelry, artwork, collections, equipment, and software shall be assessed for their value to Grace Church. Their value may be realized either by being sold or used in connection with the Parish's exempt purpose.



- 3) Depending upon the anticipated value of the gift, a qualified outside appraiser may be asked to determine its value.
- 4) Grace Church 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) Any deferred gift must be reviewed by the Gift Review Committee.
- 2) Grace Church encourages deferred gifts in its favor through any of a variety of vehicles:
  - a) Charitable gift annuity (or deferred gift annuity)
  - b) Pooled income fund
  - c) Charitable remainder trust
  - d) Charitable lead trust
  - e) Bequest
  - f) Retained life estate
  - g) Donor advised fund
- 3) Grace Church (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.
- 4) Grace Church (or its agent) shall not act as trustee of any charitable remainder trust.
- 5) Grace Church may invite prospective donors to consider gift vehicles offered by The Episcopal Church Foundation (ECF) (specifically, Donor Advised Funds, Charitable Remainder Trusts, Charitable Gift Annuities, and the Pooled Income Fund).
- 6) When donors are provided planned gift illustrations or form documents by ECF, these will be provided free of charge. For any planned gift related documents, materials, illustrations, letters, or other correspondence, the following disclaimer should be included:

***Grace Episcopal Church strongly urges you to consult with your attorney, financial and/or tax advisor to review this information provided to you without charge or obligation. This information in no way constitutes legal or financial advice. We will gladly work with your independent advisors to assist in any way.***

- 7) All information obtained from or about donors/prospects shall be held in the strictest confidence by Parish staff and volunteers. Neither the name, the amount, nor the conditions of any gift shall be published without the express written or oral approval of the donor and/or beneficiary.
- 8) Grace Church will seek qualified professional counsel in the exploration and execution of all planned gift agreements. The Parish recognizes the right of fair and just remuneration for professional services.

## APPENDIX A: FUNDS WITHIN THE ENDOWMENT

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### 1. PERMANENT ENDOWMENT FUND

The Permanent Endowment Fund is subdivided into two separate funds: The Grace Ministries Endowment Fund and the Grace Capital Improvements Endowment Fund.

Grace Ministries Endowment Fund

*Type of Fund:* True, donor-restricted

*Purpose:* outreach ministries and grants, seed money for new ministries and special one-time projects, educational or training opportunities for clergy or parishioners

*Spending Policy:* Total return, normally 3% to 5% of a rolling three-year average fund value

*Protection of Corpus:* To be held in perpetuity, protected by UPMIFA

Grace Capital Improvements Endowment Fund

*Type of Fund:* True, donor-restricted

*Purpose:* capital expenses

*Spending Policy:* Total return, normally 3% to 5% of a rolling three-year average fund value

*Protection of Corpus:* To be held in perpetuity, protected by UPMIFA

### 2. GENERAL ENDOWMENT FUND

*Type of Fund:* Quasi, Vestry-designated

*Purpose:* outreach ministries and grants, seed money for new ministries and special one-time projects, educational or training opportunities for clergy or parishioners

*Spending Policy:* Total return, normally 3% to 5% of a rolling three-year average fund value

*Protection of Corpus:* Corpus may be spent down following a two-thirds vote of the Vestry at two consecutive, regularly scheduled meetings and informing the congregation prior to taking action

### 3. SPECIAL PURPOSE FUND

*Type of Fund:* Special Purpose Fund

*Purpose:* As needed

*Spending Policy:* At the discretion of the Vestry

*Protection of Corpus:* none

### 4. VAN GIESEN MEMORIAL FUND

*Type of Fund:* True, donor-restricted

*Purpose:* As stated in the enabling document of this fund: I desire that the principal of this fund remain intact in perpetuity and that all income be used at the discretion of the Rector and Vestry for church purposes. In this connection, I would not want the income used for normal

operating expenses, except in extreme emergency. My wish is that Grace Church be able to do those 'extra' things which will inure to the benefit of the church's work and its membership

*Spending Policy:* Total return, normally 3% to 5% of a rolling three-year average fund value

*Protection of Corpus:* To be held in perpetuity, protected by UPMIFA

## **5. GRACE EPISCOPAL CHURCH ENDOWMENT TRUST (WILHEIT)**

*Type of Fund:* True, donor-restricted

*Purpose:* The purposes for which the trust is organized are exclusively religious, charitable, scientific, literary, and educational within the meaning of Code Sec. 501(c)(3) or the corresponding provision of any future United States Internal Revenue law, and more specifically, to allow Grace Episcopal Church of Gainesville, Georgia to fulfill its mission by developing its ministries beyond what is possible through its annual operating funds; and therefore, distributions from this Trust shall be limited to (i) capital needs of the Church, (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 this Trust whose gifts are approved by the Endowment Committee, with the advice and consent of a majority vote of the Vestry of Grace Episcopal Church, Gainesville, Georgia

*Spending Policy:* Total return, normally 3% to 5% of a rolling three-year average fund value

*Protection of Corpus:* To be held in perpetuity, protected by UPMIFA