

# 2016 ENDOWMENT FUND POLICIES AND GUIDELINES FOR ST. JOHN'S EPISCOPAL CHURCH

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This document is intended to amplify the Vestry Resolution Concerning St. John's Episcopal Church Endowment Fund dated November 13, 2012 (the RESOLUTION), by providing additional detail regarding the philosophy, guidelines, policies, practices and investment objectives of St. John's Episcopal Church Endowment Fund (the FUND). In order to facilitate understanding, this document includes some wording from the RESOLUTION (shown in *italics*) which may not be modified. It has been developed by the Endowment Committee (the COMMITTEE) with the intention that it is to be presented to and ratified by the Vestry annually.

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 FUND in accordance with these policies and guidelines, as adopted and amended from time to time. The COMMITTEE shall notify the Vestry of any material changes made to these policies and guidelines promptly. These policies and guidelines shall be reviewed at least annually by the COMMITTEE to determine whether they should be amended or remain unchanged.

## SECTION A Investment Policy

### **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.*

*The FUND'S investment objectives and strategic asset allocation shall be based on a long-term time horizon and should be achieved through a diversified portfolio. The FUND can tolerate some interim fluctuation in market value and rates of return in order to achieve its objectives. However, high level risk, high volatility and low quality rated securities are to be avoided. These guidelines are not intended to restrict or impede the efforts of the COMMITTEE to attain the FUND's objectives, nor are they intended to exclude the COMMITTEE from taking advantage of appropriate opportunities as they arise. The COMMITTEE shall have discretion and flexibility to implement the objectives and policies herein set forth.*

### **Investment Guidelines**

#### **Portfolio Diversification:**

The investment objectives should be achieved through a diversified portfolio, 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, exchange traded funds, and notes representing any of these asset classes may be used.

**Prohibited Investments:**

The COMMITTEE shall not invest in private placement, restricted stock or other illiquid issues, commodities' futures, arbitrage and other uncovered options, IPOs, or tax-exempt bonds, and shall not engage in short sales, margin transactions or other similar specialized investment activities; however, the use of funds that use these investment activities in a constructive manner is permitted.

**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 herein set forth. The FUND shall be allocated between equity investments and bonds and/or other fixed income securities.

The strategic target allocation shall be within the following ranges:

|               |           |
|---------------|-----------|
| Equities:     | 40% - 80% |
| Fixed Income: | 20% - 60% |
| Cash:         | 0% - 20%  |

The target allocation among equity classes shall be determined periodically by the COMMITTEE to reflect a prudent response to current market conditions. The Treasurer of the FUND shall review the account balances at least semi-annually and rebalance as needed, and may make recommendations for changing the specific investments. The Treasurer may perform functions electronically where permitted by the investment vehicles. The COMMITTEE, with the approval of the Vestry, may choose to employ an outside investment manager who would manage the portfolio within the guidelines established in these Policies and Guidelines.

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.

**Reports**

*The COMMITTEE shall report on a quarterly basis to the Vestry and, at each annual meeting of the congregation, shall render a full and complete account of the administration of the FUND during the preceding year. The quarterly report provided to the Vestry will include the FUND value, any changes in the asset allocation strategy, and the investment performance. The report shall reflect compliance with the objectives, policies and guidelines set forth herein. At the*

*request of the Vestry, the COMMITTEE shall also determine a prudent amount which can be made available for distribution during the current year and shall provide guidance on whether any unexpended funds from those available should be accrued and considered available for distribution in subsequent years or should be returned to the corpus.*

*In addition, the COMMITTEE shall provide the Vestry, at least annually, a statement of Endowment Fund Policies and Guidelines for approval.*

## **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 are incorporated in the RESOLUTION. Except as specifically described herein or in the RESOLUTION, *distributions shall not be used for normal operating expenses, routine maintenance, foreseeable maintenance, routine or modest outreach, or in violation of restrictions established by donors.*

Funds available for distribution will be determined by using a total return principle, i.e., return derived from realized and unrealized capital gains as well as dividends and interest. The funds available for distribution during any one year will be limited to a percentage of the market value of the corpus that is based on a three-year rolling average, with measures taken at the end of each of the preceding twelve quarters. The market value for this purpose will be taken net of fees for investment management, if any. The percentage of the FUND made available for distribution shall be determined each year by the COMMITTEE and will normally fall in the range of three to five percent. In so doing, market performance of the portfolio will be an important consideration. Expenses related to the management and administration of the FUND, if any, will be deducted from the funds available for distribution. It will be the goal of the COMMITTEE to grow, or at least maintain, the purchasing power of the FUND taking inflationary effects into account.

## **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. John's Episcopal Church or The Endowment Fund of St. John's Episcopal Church (or similar wording). However, the intent of the donor must be clear that it is intended to go to the FUND; otherwise it will be considered a bequest to St. John's Church. Nevertheless, the Vestry may allocate all or a portion of a bequest

made to St. John's Church to the FUND if it feels that is appropriate and that it does not violate the intent of the donor.

Bequests to the Endowment Fund as beneficiary can be of two general types:

- **Restricted:** The donor has identified a specific purpose(s) to which the funds should be directed. The Vestry will guarantee that the use(s) to which those funds are applied is faithful to the donor's wishes and, as such, the funds will be directed for their designated purpose(s) as a designated fund within the FUND.
- **Unrestricted:** The bequest will be transferred to the FUND. Such transfers are intended to be held in perpetuity. This policy specifically acknowledges that from time to time dire circumstances as defined in paragraph 9 of the Vestry Resolution may arise to necessitate an exception to this policy. In such instances the Vestry will assess the particular circumstances giving rise to a perceived need to make an exception to the policy. Such circumstances should be judged to be truly extraordinary and that no other financial resources of the Parish are available or are expected to become available in time to fulfill the urgent need. Final authority for granting such an exception to the policy will rest with the Vestry.

#### **SECTION D Donor-Designated Fund Policy**

A separate and designated fund within the FUND may be established for gifts in the amount of \$10,000 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 designated fund is established effective the last day of the quarter in which the gift is received. The value is determined either by the actual value, if received by the 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 Policy.

#### **SECTION E Gift Acceptance Policy**

## **Purpose**

This gift acceptance policy will provide guidelines to the COMMITTEE, the Vestry and to prospective donors who may wish to make gifts to St. John's. 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.

## **Cash**

All gifts by check shall be accepted by St. John's regardless of amount. Checks shall be made payable to St. John's. In no event shall a check be made payable to an individual who represents the Parish in any capacity.

## **Publicly Traded Securities**

Readily marketable securities, such as those traded on a stock exchange, can be accepted. The value of the gift of securities is the average of the high and low prices on the date of the gift. A gift of securities to St. John's is usually liquidated immediately.

## **Closely Held Securities**

Non-publicly traded securities may be accepted. The fair market value will be the value used by the donor in the preparation of the donor's tax return. The COMMITTEE will explore methods for liquidation of the securities through redemption or sale prior to acceptance and will try to determine any restrictions on transfer and whether and when an initial public offering might be anticipated. No commitment for repurchase of closely held securities shall be made prior to completion of the gift of the securities.

## **Real Estate**

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. 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. 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. St. John's reserves the right to require an environmental assessment of any potential real estate gift. The property must be transferred to St. John's prior to any formal offer or contract for purchase is made. The donor may be asked to pay for all or a portion of the following: maintenance costs, real estate taxes, insurance, real estate broker's commission and other costs of sale, and appraisal costs. For gift crediting and accounting purposes, the value of the gift is the appraised value of the real estate. This value may be reduced, however, by the costs of maintenance, insurance, real estate taxes, broker's commission and other expenses of sale.

## **Life Insurance**

St. John's can be named a contingent beneficiary or the beneficiary of a percentage of a life insurance policy. The Vestry will accept ownership of a life insurance policy as a gift only if St.

John's is named as the owner and beneficiary of 100% of the policy. If the gift is a paid-up policy, the value for gift crediting and accounting purposes is the policy's replacement cost. If the policy is partially paid-up, the value for gift crediting and accounting purposes is the policy's cash surrender value.

### **Tangible Personal Property**

Gifts of jewelry, artwork, collections, equipment and software shall be assessed for their value to St. John's. Their value may be realized either by being sold or used in connection with the Parish's exempt purpose. Depending upon the anticipated value of the gift, a qualified outside appraiser may be asked to determine its value. St. John's 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**

St. John's encourages deferred gifts in its favor through any of a variety of vehicles including, for example: a bequest, charitable gift annuity (or deferred gift annuity), pooled income fund, charitable remainder trust, charitable lead trust, or retained life estate. St. John's (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. St. John's (or its agent) shall not act as trustee of any charitable remainder trust. St. John's 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). 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, an appropriate disclaimer, such as the following, should be included:

St. John's 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.

St. John's 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.

### **General**

All information obtained from or about donors/prospects shall be held in the strictest confidence by the COMMITTEE. Neither the name, nor the amount, nor the conditions of any gift shall be published without the express written or oral approval of the donor and/or beneficiary.

The Vestry reserves the right to decline any gift that does not further the mission of the Parish. Also, any gifts that would create an administrative burden or cause the Parish to incur excessive expenses may be declined.

The foregoing policies and Guidelines are hereby adopted by the COMMITTEE this 13<sup>th</sup> day of January, 2016.

St. John's Episcopal Church  
New City, New York 10956

\_\_\_\_\_ (print name) \_\_\_\_\_

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

Chair

Vestry Liaison