

**St. Martin's Episcopal Church
Williamsburg, Virginia**

Endowment Fund Policy and Guidelines

Date of Adoption: September 19, 2019

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Williamsburg, Virginia**

Endowment Fund Policy and Guidelines

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ENABLING RESOLUTION

ESTABLISHING AN ENDOWMENT FUND FOR ST. MARTIN'S EPISCOPAL CHURCH WILLIAMSBURG, VIRGINIA

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.

WHEREAS, Christians can give to the work of the Episcopal 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.

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 Southern Virginia and the policies of this Parish.

THEREFORE, BE IT RESOLVED that this Parish, through action of its Vestry, establish a new and separate fund to be known as "The Endowment Fund" (hereafter called the "FUND") of St. Martin's Episcopal Church, 1333 Jamestown Rd., Williamsburg, Virginia 23185

The FUND includes the following sub-funds:

Permanent Endowment Fund – Gifts to this fund will be held in perpetuity and used for the purposes described below. The corpus is protected by state law under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Investment Fund – Other monies approved by the Vestry to be invested by the Finance Committee and used at the discretion of the Vestry.

BE IT FURTHER RESOLVED that the purpose of the FUND is to enable the Parish to fulfill its mission more completely by developing 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) seed money for new ministries and special one-time projects.

BE IT FURTHER RESOLVED that the distributions from the FUND 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 INVESTMENT COMMITTEE (hereinafter called the "COMMITTEE") is hereby established. The COMMITTEE, a sub-committee of the Finance 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.

PLAN OF OPERATION

1. Composition of the COMMITTEE

The COMMITTEE shall consist of a minimum of three and up to five regular members, or more in increments of odd numbers, all of whom shall be pledging members in good standing of St. Martin's Episcopal Church. Members should have a banking and/or investment background. They shall be recommended by the Finance Committee and approved by the Vestry. Additionally, the Treasurer shall be an ex-officio member of the COMMITTEE without vote. No member of the 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 years. The Vestry will stagger the terms of members to maximize continuity over time. No member shall serve more than two consecutive three-year terms. After a lapse of one year, former COMMITTEE members may be reappointed. In the event of a vacancy on the COMMITTEE, the Finance Committee shall appoint a member to complete the unfulfilled term. Upon the completion of the term, that person would be eligible for reappointment to a standard three-year term.

2. Resignation, Removal of COMMITTEE Member

Any regular member of the committee may resign at any time by written notice to the Rector, Vestry and Finance Committee. A member ceases to be a member of the

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 may be asked to resign.

3. ROLES of the COMMITTEE

The COMMITTEE will oversee the management of the invested funds and funds in excess of operations, monitor the distributions from the FUND in compliance with the approved Spending Policy and in accordance with the purposes and distribution policies set out in this Resolution.

The COMMITTEE will also develop a comprehensive planned giving program to encourage persons, trusts, and estates to consider making gifts, grants, bequests or other legacy gifts to St. Martin's Church.

4. Frequency of Meetings

The COMMITTEE shall meet at least semiannually, 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 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 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 of the minutes to each member of the COMMITTEE. The secretary shall also supply a copy of the minutes to the Finance Committee 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 COMMITTEE shall report on a semiannual basis to the Finance Committee, and at each annual meeting of the congregation, shall provide a full and complete account of the administration of the FUND following each year-end.

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

10. Liability of Members of the 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.

11. Holding of Assets, Action to Sell

All endowment and investment assets are to be held in the name of The Endowment and St. Martin's Episcopal Church. Oversight, including 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 the COMMITTEE until such time as they come under the management of a professional investment advisor.

12. Acceptance of Gifts to the Endowment

It is the *intent* of this Resolution that all funds within the FUND shall be managed in perpetuity as this is a true endowment. Distributions from the FUND shall not be made to the operating budget of the Parish. Distributions from the FUND shall be made using a "Total Return Policy," with a designated percentage of the FUND 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 ENDOWMENT defined in the first section of this Resolution. No portion of the ENDOWMENT shall be "borrowed" including any "temporary usage" for other needs of the Parish.

13. Amendment of this Resolution

Any amendment to this Resolution shall be adopted by a vote of at least two-thirds of the membership of the Vestry at two consecutive, regularly scheduled meetings.

14. Disposition or transfer of the ENDOWMENT

In the event the Parish ceases to exist, whether through merger, dissolution, or some other event, disposition or transfer of the ENDOWMENT 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 Southern Diocese of Virginia. It may be appropriate to consult with the Episcopal Church Foundation to determine the manner in which the ENDOWMENT obligations will be met after the Parish ceases to exist.

The foregoing resolution is here by adopted by the Vestry this 19 day of SEP, 2019.

St. Martin's Episcopal Church
Williamsburg, Virginia

EDWARD P LYMAN
Printed name

[Signature]
Signature of Senior Warden

Attest: Bonnie L. Klem

[Signature]
Clerk

ENDOWMENT POLICY AND GUIDELINES
FOR
ST. MARTIN'S EPISCOPAL CHURCH
WILLIAMSBURG, VA

SECTION A
Investment Policy Statement

Purpose

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

Responsibility

The ultimate responsibility for managing the ENDOWMENT resides with the FINANCE COMMITTEE, which has chosen to delegate portions of its responsibility to the INVESTMENT COMMITTEE, with ultimate oversight by the VESTRY. The INVESTMENT COMMITTEE will administer 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 FINANCE COMMITTEE to determine whether they should be amended or remain unchanged. The COMMITTEE may choose to employ an outside investment manager.

Objectives

The assets of the ENDOWMENT 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 ENDOWMENT'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 ENDOWMENT can tolerate some interim fluctuation in market value and rates of return to achieve its objectives. High level risk, high volatility and low quality rated securities, however, are to be avoided.

Prohibited Investments

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

Portfolio Diversification

The investment objectives should be achieved through a diversified portfolio, which may include but is not limited to large-cap, mid-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.

Investment Discretion

These guidelines are not intended to restrict or impede the efforts of the INVESTMENT COMMITTEE to attain the ENDOWMENT'S objectives, nor are they intended to exclude the INVESTMENT COMMITTEE from taking advantage of appropriate opportunities as they arise. The INVESTMENT COMMITTEE may change the asset mix of the ENDOWMENT within the following ranges as long as that mix meets the overall objectives and is

consistent with the policy guidelines here in set forth. The ENDOWMENT shall be allocated between equity investments and bonds and/or other fixed income securities.

The strategic target allocation shall be within the following ranges:

	<u>Low</u>	<u>Target</u>	<u>High</u>
EQUITIES:	40%	60%	80%
FIXES INCOME:	20%	40%	50%
CASH:	0%	0%	20%

The target allocation among equity classes shall be determined periodically (and at least annually by the INVESTMENT 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 INVESTMENT COMMITTEE accepts a risk level for the ENDOWMENT'S overall investment program that is intended to produce a total annual return adequate to cover these components: expenditures from the ENDOWMENT (as determined annually by the INVESTMENT COMMITTEE under the Spending Policy), inflation, and fees.

Reporting

The quarterly report provided by the INVESTMENT COMMITTEE to the FINANCE COMMITTEE will include the fund value, and changes in the asset allocation strategy, and the investment performance. The report shall reflect compliance with the objectives, policies, and guidelines set for herein.

SECTION B

Spending Policy

Money will be distributed from the ENDOWMENT upon written request of the Vestry and with the approval of the INVESTMENT 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, i.e., return derived from dividends and interest *as well as* realized and unrealized capital gains. The funds available for distribution during any one year will be limited to a percentage of the market value of the ENDOWMENT that is based on a three-year rolling average, with measures taken at the end of each of the preceding three years. The market value for this purpose will be taken net of the fees for investment management. No distributions shall begin until the ENDOWMENT reaches a minimum of \$100,000 in value.

The percentage of the ENDOWMENT made available for distribution shall be determined each year by the COMMITTEE up to 5%. In so doing, market performance of the portfolio will be an important consideration. It will be the goal of the INVESTMENT COMMITTEE to grow, or at least maintain, the purchasing power of the ENDOWMENT taking into account the impact of inflation and fees. Expenses related to the management and administration of the ENDOWMENT will be deducted from the funds available for distribution.

SECTION C

Disposition of Bequests Policy

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: St. Martin's Episcopal Church or the Endowment Fund of St. Martin's Episcopal Church.

Bequests naming the **Endowment Fund** of the church as beneficiary are automatically transferred to the Endowment Fund upon receipt. If the bequest was given for a specific purpose, the assets will be used to establish a donor-restricted fund outside of the Endowment.

SECTION D

Gift Acceptance Policy

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

Any questions which may arise in the review and acceptance of gifts to the Parish will be referred to the INVESTMENT COMMITTEE. The Committee, unless otherwise designated by the Finance Committee, will be comprised of the full INVESTMENT FUND COMMITTEE.

Cash

- 1) All gifts by check shall be accepted by the Finance Committee on behalf of the Parish regardless of the amount.
- 2) Checks shall be made payable to the St. Martin's Endowment Fund. In no event shall a check be made payable to an individual who represents the Parish in any capacity.

Publically Traded Securities

- 1) Readily marketable securities, such as those traded on a stock exchange, can be accepted by the Investment Committee on behalf of the Parish.
- 2) The value of the gift of securities is the average of the high and low prices of the date of the gift.
- 3) A gift of securities to the Parish is *usually* liquidated immediately.

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 Investment Committee will explore methods for liquidation of the securities through redemption or sale **prior to acceptance**. The Investment Committee will try to determine:
 - a) Any restrictions on the 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. All gifts of real estate must be reviewed by the Investment 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, lien, litigation, or title disputes.
5. The Investment Committee reserves the right to require an environmental assessment of any potential real estate gift tax.
6. The property must be transferred to the St. Martin's Episcopal Church Endowment 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 life insurance policy must be referred to the Investment Committee.

- 2 The Parish Endowment can be named a contingent beneficiary or the beneficiary of a percentage of a life insurance policy.
- 3 The Endowment will accept **ownership** of a life insurance policy as a gift if the Endowment 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 Investment Committee prior to acceptance.
- 2 Gifts of jewelry, artwork, collections, equipment, and software shall be assessed for their value to the Parish Endowment. Their value may be realized wither by being sold or used in connection with the Endowment's exempt purpose.
- 3 Depending upon the anticipated value of the gift, a qualified outside appraiser may be asked to determine its value.
- 4 The Endowment 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 The Parish Endowment 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

- 2 No member of the Investment Committee (or its agent) shall 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 Investment Committee or Endowment.
- 3 No member of the Investment Committee (or its agent) shall act as trustee of any charitable remainder trust.
- 4 The Parish may invite prospective donors to consider gift vehicles offered by The Episcopal Church Foundation (ECF) (specifically, Charitable Remainder Trusts, Charitable Gift Annuities, and the Pooled Income funds).
- 5 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:

St. Martin'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.

- 6 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.
- 7 The Investment Committee will seek qualified professional counsel in the exploration and execution of all planned gift agreements. The Investment Committee recognizes the right of fair and just remuneration for professional services.

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

APPENDIX A: FUNDS WITHIN THE ENDOWMENT

PERMANENT ENDOWMENT FUND

Type of Fund: True Endowment

Purpose: Outreach ministries and grants, seed money for new ministries, and special one-time projects

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

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

APPENDIX B: DEFINITION OF TRUE ENDOWMENT

A **true** endowment is established when a **donor** makes a gift directly to the **Endowment Fund**, or uses words such as “spend income only” or “to be held in perpetuity” in the gift instrument in defining how spending may occur. The donor may further restrict the gift as to purpose.

In addition, if the church promotes its Endowment Fund as a **true** or **permanent** endowment and receives gifts of any size for the Fund, those funds are equally restricted. If a purpose is announced and donors give to the Endowment for a named purpose, those gifts are restricted as to purpose as well. A state law called the Uniform Prudent Management of Institutional Funds Act (PMIFA), which has been passed in every state except Pennsylvania, defines the term of prudent investment and prudent spending for **true** endowments for all non-profits, including churches.

If the Finance Committee and/or Vestry decides to place funds in the Endowment that could have been spent otherwise, such as an unrestricted bequest to the church (not the endowment fund of the church), money from

the sale of property, or excess cash, those funds become permanent endowment.

It is important for the church to keep permanent records of gifts to the endowment funds in order to identify the nature of the gifts.