

Restricted & Designated Fund Use

Adopted from the Manual of Business Methods in Church Affairs produced by The General Convention of the Episcopal Church

Restricted and Designate gifts are gifts restricted by donors and are not handled in the same manner as other contributions. Procedures are necessary to assure that these gifts are recorded properly and all restrictions are observed. Restricted funds should be segregated in the accounting records so that information is available to demonstrate that fund expenditures have been made in conformity with the restrictions imposed by the donor. It is recommended that all receipts of restricted gifts be deposited into the general operating bank account and then transferred to the appropriate segregated account. Some examples of these funds would be flowers, memorials, fundraisers, discretionary and outreach.

St. James' has a separate bank account for these funds at BankPlus that pays interest that has been designated back into the Operating Fund.

Endowment Funds

See attached Endowment Fund Policies and Guidelines adopted March 19, 2018

Previous Endowment Funds gifted to St. James'

Peter Blake (deceased) gift to the Diocese of MS and St. James' was given in 2003 and invested with the Community Foundation for Mississippi. Once a year we receive funds that he designated for Outreach. Hal and Dot Miller created an endowment in 2007 celebrating their marriage at St. James and also invested with the Community Foundation for Mississippi and designated for Outreach. These two funds make up the Endowment Income (083081) account on our Operating Budget. They produce approximately \$11,500 each year. Eddie DeMiller (deceased) made a gift to St. James' in 2016 of \$211,853 and designated the interest to be used for Outreach. This money is invested at Trustmark Bank and the interest is deposited in our Operating Budget (083082).

All other Endowment funds that have been left to St. James' and not designated are invested along with our columbarium funds with Regions. These are located on the Endowment Fund balance sheet.

**St. James' Episcopal Church
Jackson, Mississippi
Endowment Fund Policies and Guidelines**

Adopted by Vestry on March 19, 2018

St. James' Church Endowment Fund Policies and Guidelines

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RESOLUTION
ESTABLISHING A GENERAL ENDOWMENT FUND
FOR
ST. JAMES' EPISCOPAL CHURCH
JACKSON, MISSISSIPPI

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 St. James' Episcopal Church (the "Parish") to encourage, receive, and administer such 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 Mississippi 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 St. James' Endowment Fund" (hereafter called the "Fund") of St. James' Episcopal Church, 3921 Oakridge Drive, Jackson, Mississippi, to be administered and managed by the Endowment Fund Committee (the "Committee").

BE IT FURTHER RESOLVED that the Fund shall contain multiple funds, including but not limited to those described in the Appendix to this resolution.

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

BE IT FURTHER RESOLVED that, except as provided below in Paragraph 13 of the Plan of Operation, 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 the Endowment Fund Committee is hereby established to provide oversight responsibility of the Fund, and its composition and duties are described in the following "Plan of Operation," which may be amended from time to time (see paragraph 15).

PLAN OF OPERATION

1. Composition of the Committee

The Committee shall consist of a minimum of five (5) but no more than seven (7) regular members, all of whom shall be members in good standing of St. James' Episcopal Church and otherwise eligible to stand for election to the Vestry. The members of the Committee shall be appointed by the Vestry. Additionally, the Rector and Senior Warden shall be ex-officio members of the Committee without votes. No member of the Committee shall be a current member of the Vestry or employed by the Parish (or the spouse of an employee of the Parish. Except as herein limited, the term of each appointed Committee member shall be three (3) years, except that initial terms shall be set so that an approximately equal number of members shall have terms of three (3), two (2) and one (1) year(s), staggering 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 Committee members may be reappointed. In the event of a vacancy on the Committee, the Vestry shall appoint a member to complete the unfulfilled term. Upon the completion of the term, that person would be eligible for reappointment to a single normal three (3) 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. 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 by the Rector to resign. A member may be removed upon the vote of at least two-thirds of the Vestry.

3. Roles of the Committee

The Committee will be charged with the responsibility to 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.

The Committee will also be charged with the responsibility to develop a comprehensive planned giving program within the Parish to encourage persons, trusts, and estates to consider making gifts, grants, bequests, or other legacy gifts to the benefit of St. James' Episcopal Church through contributions to the Fund.

4. Frequency of Meetings

The Committee shall meet at least quarterly, or more frequently as deemed by it in the best interest of the Fund.

5. Quorum

All Committee meetings shall require a quorum for any action or vote. A quorum shall consist of a majority of the regular voting members of the Committee. The affirmative vote of at least three of five, or similar ratios (if applicable) of Committee members shall be necessary to carry any motion or resolution. Ex-officio members are not credited to the above requirement for a quorum and may not vote.

The Committee Chairperson shall give (or shall cause to be given) 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, subject to approval by the Vestry. The chairperson, or member designated by the chairperson, shall preside at all Committee meetings. The secretary shall maintain complete and accurate minutes of all meetings of the Committee and supply a copy thereof to each member of the Committee. The secretary shall also supply a copy of the minutes to the Vestry in a timely manner. The Parish Administrator and the Treasurer of the Parish shall maintain complete and accurate books of account for the Fund. The books of account will be audited as part of the Parish annual audit.

7. Reports

The Committee shall report on a quarterly basis to the Vestry (which report may be in writing unless the Rector or the Senior Warden request that the chairperson appear in person to provide such report). At each annual meeting of the congregation, the Committee shall render an 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 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. 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 A*).

10. Funds for Specific Purposes

Subject to approval of the Vestry, the Committee may establish additional sub-funds within the Fund for specific purposes. These sub-funds may be established to accommodate the designation of gifts for a specific purpose or for other reasons in the best interest of the Fund or the Parish.

Any donor-designated gifts for a specific purpose must be approved by the Committee and the Vestry before acceptance as part of the Fund. Such gifts must meet the requirements of the Donor-Designated Fund Policy (*Section D*).

11. Holding of Assets, Action to Sell

All assets are to be held in the name of the Fund. 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 (or upon authorization of) a designated member of the Committee on behalf of the Committee; provided that nothing herein shall limit the ability of the designated member to take such actions through and in consultation with professional investment advisors and subject to the vote of a majority of the Committee. This member shall be designated in the Committee minutes at least annually.

12. Acceptance of Gifts to the Fund

The Committee will implement the Gift Acceptance Policy (*Section E*) through which decisions will be made as to whether a gift to the Fund or to the Parish shall be accepted.

13. Distributions from the Fund

It is the intent of this resolution that all funds within the Fund shall be managed in perpetuity as a *true* endowment. 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 Fund for the operating needs of the Parish, following a two-thirds vote of the Vestry at two consecutive regular or special meetings and a two-thirds vote of the members of the Parish present at a regular or specially called meeting at which a quorum is present.

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

14. 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 regular or special meetings.

15. 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 Mississippi. 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 19th day of March, 2018.

St. James' Episcopal Church
Jackson, MS

Attest:

Iris Isaacs
Senior Warden

Kathy Russell
Clerk

ENDOWMENT FUND POLICIES AND GUIDELINES
FOR
ST. JAMES' EPISCOPAL CHURCH
JACKSON, MISSISSIPPI

SECTION A
Investment Policy Statement

Purpose

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

Responsibility

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

Objectives

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

INVESTMENT GUIDELINES

Time Horizon

The Fund's investment objectives and strategic asset allocation are defined as being long-term in nature (e.g., twenty years or longer).

Risk Tolerance

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

Prohibited Investments

The Committee shall not invest in private placement, 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, small-cap U.S equities, international equities (both

developed and emerging markets), alternatives, bonds and cash. Mutual funds, common trust funds, exchange traded funds, and notes representing any of these asset classes may be used.

Investment Managers

Investment managers, chosen by the Committee, are responsible for all investment decisions on a discretionary basis regarding assets placed under their management, and the investment managers will be accountable for achieving the investment objectives. Such discretion shall include decisions to buy, hold and sell securities in amounts that are reflective of the stated investment strategy. The Committee shall require that the investment managers shall have open communication with the Committee on all matters pertaining to investment policies and decisions and the management of assets entrusted to the investment managers.

Investment Goals

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

Reporting

The quarterly report provided by the Committee 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.

SECTION B
Spending Rule Policy

Money will be distributed from the Fund upon written request of the Vestry and with the approval of the Committee for those uses which conform to the purposes and restrictions established by donors or incorporated in the enabling resolution.

Funds available for distribution will be determined by using a total return principle, 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 Fund that is based on a three-year rolling average, with measures taken at the end of each of the preceding twelve (12) quarters. The market value for this purpose will be taken net of the fees for investment management.

The percentage of the Fund made available for distribution shall be determined each year by the Committee and will normally fall in the range of 3% to 5%. In so doing, market performance of the portfolio will be an important consideration. It will be the goal of the Committee to grow, or at least maintain, the purchasing power of the Fund taking into account the impact of inflation and fees.

Any unexpended funds from those available for distribution in a given year will be accrued and will continue to be considered available for distribution in subsequent years unless otherwise designated by action of the Committee with the approval of the Vestry. Expenses related to the management and administration of the Fund will be deducted from the funds available for distribution.

SECTION C
Disposition of Bequests Policy

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

The bequest may identify the beneficiary in one of two general ways: *St. James' Episcopal Church of the Episcopal Diocese of Mississippi* or some other wording such as *St. James' Church, Jackson, Mississippi*; or *The Endowment Fund of St. James' Episcopal Church* or similar wording.

Bequests with **St. James' Episcopal Church** as beneficiary can be of two general types:

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

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

In such instances the following procedure will apply:

The Rector and Senior Warden of the Parish 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. If an exception is deemed appropriate, the Rector and Senior Warden will make a recommendation. Final authority for granting such an exception to the policy will rest with the Vestry.

Bequests designating the endowment as beneficiary are automatically transferred to the Fund upon receipt. If the bequest was given for a designated purpose, then the value of the assets will be applied to establish a designated fund of the Fund, as provided for in a separate policy. If the bequest to the Fund is otherwise undesignated, the assets will be directed to that portion of the corpus of the Fund where earnings are unrestricted.

SECTION D
Donor-Designated Fund Policy

A separate and designated fund within the Fund may be established for gifts in the amount of \$50,000.00 or more. The Vestry must vote to accept the gift for the purpose(s) described by the donor, or it has the responsibility to reject the gift.

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

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

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

SECTION E

Gift Acceptance Policy

Purpose

This gift acceptance policy 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, and 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 Gift Review Committee, unless otherwise designated by the Vestry, will be comprised of the full Endowment Fund Committee.

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.

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 and
 - 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) The Parish reserves the right to require an environmental assessment of any potential real estate gift.
- 6) The property must be transferred to the Parish 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) The Parish 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 the Parish 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 the Parish. 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) The Parish 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 encourages deferred gifts in its favor through any of a variety of vehicles, including but not limited to:
 - 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) The Parish (or its agent) shall not act as an executor (personal representative) for a donor's estate. A member of the Parish staff serving as personal representative for a member of the Parish does so in a personal capacity and not as an agent of the Parish.
 - 3) The Parish (or its agent) shall not 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 Fund).
 - 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. James' 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, with the exception of disclosure to accounting, auditing, or legal professionals as needed.
- 7) The Parish 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.
- 8) The Vestry, upon the advice of the Gift Review Committee or for any reason in the discretion of the Vestry, may elect to decline any gift.

APPENDIX A: FUNDS WITHIN THE ENDOWMENT

1. EDDIE DEMILLER OUTREACH FUND

Type of Endowment Fund: True, donor-restricted

Purpose: Outreach ministries at St. James'

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. BUILDING ENDOWMENT FUND

Type of Endowment Fund: True, board-restricted

Purpose: Maintenance & repair of existing physical facilities

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

Funds available for expenditure may be held and made available for expenditure in subsequent

years.*Protection of Corpus:* To be held in perpetuity, protected by UPMIFA; however, when

corpus exceeds \$500,000 excess can be spent for general purposes or invested in the General

Endowment Fund.

3. GENERAL UNRESTRICTED ENDOWMENT FUND

Type of Endowment: Quasi

Purpose: For general purposes as described in the enabling resolution

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 4/5 (or 5/6 if a 6 member Commissioner or 5/7 if a seven member Committee) vote of the Committee and two-thirds vote of the Vestry at two consecutive regular or special meetings.

4. PERMANENT ENDOWMENT FUND

Type of Endowment: True, donor restricted

Purpose: Capital improvements, outreach ministries and grants, seed money for new ministries and special one-time projects, and other purposes specifically designated by donors that fall outside of the operating budget.

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