

**St. John's Evangelical Lutheran Church Mission Endowment Fund Policy, adopted November 18, 2018**

***TO BE CONSIDERED BY THE CONGREGATION, November 18, 2018***

This document is the document referenced in the bylaws of St. John's Evangelical Lutheran Church, bylaw C5.05.01., as *St. John's Evangelical Lutheran Church Mission Endowment Fund Policy, adopted November 18, 2018*. No other version of this document, either prior or subsequent, shall have any bearing on St. John's Mission Endowment Fund, unless the bylaw referencing this document C5.05.01 has been amended to reference another version.

This document, *St. John's Evangelical Lutheran Church Mission Endowment Fund Policy, adopted November 18, 2018* ("the Endowment Fund Policy" or "Policy") hereby restates the congregation's agreement establishing a permanent endowment fund in accordance with the following provisions.

THIS ENDOWMENT FUND POLICY is made as of the date first set forth above, by ST. JOHN'S EVANGELICAL LUTHERAN CHURCH, BEAUFORT, SOUTH CAROLINA, a congregation of the Evangelical Lutheran Church in America, is a tax-exempt, nonprofit religious entity located in Beaufort, South Carolina ("the Congregation" or "Congregation" or "SJELC").

**Article I. FUND NAME AND PURPOSE**

The Fund hereby created shall be known as the ST. JOHN'S EVANGELICAL LUTHERAN CHURCH MISSION ENDOWMENT FUND (the "Endowment Fund"). The Endowment Fund is established for the benefit of the Congregation consistent with furthering its mission in accordance with the general and specific purposes defined in Article III herein, and in abidance with Endowment restrictions thereon, and in abidance with provision C5.05 of the Congregation Constitution.

**Article II. GOVERNANCE AND AUTHORITY**

The Endowment shall be governed by and in accordance with the terms of this Endowment Fund Policy ("Policy"), and shall be administered in accordance with all applicable federal, state, and local laws, including but not limited to the South Carolina Uniform Prudent Management of Institutional Funds Act (the "Funds Act", S.C. Code Ann. § 34-6-10 et. seq).

The Endowment shall be managed and overseen by the Congregation Endowment Fund Committee (the "Endowment Committee" or "Committee"). The Endowment Committee shall be composed of four (4) members elected by the Congregation to two-year terms, plus those persons the Congregation Constitution designates as members *ex officio*. All terms of members shall be two (2) years, beginning and ending on December 31; provided however, that the initial term of two (2) of the initial members (to be so designated) shall be one (1) year.

Therefore, the terms of two members shall end every December 31. Members may serve up to three (3) successive terms. Assignment of positions within the Committee is left to the workings of the Committee itself. Members shall not be restricted from holding any other offices or elected or appointed positions within the Congregation.

The Endowment Committee has responsibility to recommend policy modifications as deemed appropriate over time, has the authority to make investment decisions as detailed in this document, and to promote memorial and legacy gifts through planned giving and estate planning. Any of the above Endowment Committee responsibilities may be delegated, contracted, assigned or conducted in partnership with professional advisors and/or others as approved by the Congregation Council.

Any Member hereunder may resign at any time by delivering a written notice of resignation to the Congregation Council. Any Member may be removed for cause by a majority vote of the Congregation Council. Any Member (i) who becomes incapacitated, or (ii) who fails or ceases to act as a Member, may be removed by the vote of a majority of the Congregation Council. For purposes of this Article, a Member shall be deemed "incapacitated" under any one or more of the following circumstances: (i) during any period that the Member is legally incompetent as determined by a court of competent jurisdiction; or (ii) as a result of illness, age or other cause, no longer has the capacity to act prudently or effectively in financial affairs; or (iii) during any period that a responsible person has evidence that the Member is absent without explanation or is being detained against his or her will under circumstances in which he or she does not have the capacity to act prudently or effectively in financial matters. Any Member who shall cease to be a member of the Congregation, whether by transfer of membership, death or otherwise, shall be deemed to have resigned.

In the case of any vacancy of any Member on the Endowment Committee, such vacancy may be filled by the Congregation Council to complete such Member's term.

### **Article III. PURPOSES OF ENDOWMENT FUND**

The Endowment Fund is intended to afford the Congregation the opportunity to advance causes beyond that which would be achievable through regular stewardship contributions.

The assets of the Endowment Fund shall be utilized by the Congregation for purposes beyond the operational budget:

- In the furtherance of its missions, opportunities, and endeavors
- In the development of new ministry and education initiatives
- In the upkeep or renovation of SJELC facilities under special circumstances.

The Endowment Fund will be held as a general endowment fund account with purpose of application unrestricted within the categories identified above. Distributions are expressly not allowed for capital improvements or for coverage of regular operations as would normally be addressed by the annual Congregation operating budget, except in the case of an emergency situation as described in Article V, "Distributions."

Because of the long term nature of the Endowment Fund, the Congregation may elect to modify the list of purposes in the future.

### **Article IV. INVESTMENT**

Investment decisions shall be made in accordance with the Funds Act and authorized by the Endowment Committee. The Endowment Fund year will coincide with the Congregation fiscal year. The Endowment Committee is authorized to place the Endowment Fund cash and capitalized assets with a professional funds manager (the "Fund Manager") with experience in the investment and management of such endowment and other long-term funds. In their sole discretion, the Endowment Committee may change the depository entity and/or Fund Manager as may be appropriate. Fund management expense shall be paid from the Fund.

The assets of the Endowment Fund shall be invested in a manner that utilizes a managed policy intended to stabilize the annual amount available for distribution while growing the value of the fund assets over a long term horizon. The Endowment Committee specifically agrees that in all cases it will use prudence and its best judgment in establishing investment policies but does not guarantee maintenance of corpus or income.

The account will be managed on a diversified basis and will be rebalanced on at least an annual basis as deemed appropriate by the Endowment Committee. The Committee must consider that preservation of capital is the first priority of investment conduct while income and capital gain are secondary. However, the Endowment Committee

must consider that prudent investment management requires some tolerable amount of risk considering the economic environment, inflation, regulatory environment, and market volatility.

#### **Article V. DISTRIBUTIONS**

During each calendar year, the Endowment Committee may distribute up to 4% of the net fair market value of the assets of the Endowment Fund, valued as of the first day of the calendar year.

Only in an emergency situation (as determined by the Congregation Council), the Endowment Committee may distribute additional amounts from the Endowment Fund, as the Congregation Council may determine necessary or advisable in light of such emergency situation.

Each year the Endowment Committee shall determine if it is prudent to make expenditures from the Fund. In making this decision the Committee will consider the fund duration, purposes, general economic conditions, effects of inflation/deflation, expected total return, other resources for projects funding, and the fund investment policy.

Distributions from the Endowment Fund or any constituent fund shall be made in accordance with the following procedure and pursuant to applicable procedures set forth in any Congregation governing documents.

- Requests for disbursements shall be made from Congregation Council, Officers, or leaders of Tables, Teams, or Task Forces to the Endowment Committee
- Proposals for disbursements shall be made by the Endowment Committee, reviewed by the Finance Committee, and approved by the Congregation Council
- Normal operating procedure, though not to be restrictive of off-cycle distribution needs, would then couple Endowment Fund distributions approvals with the annual Congregation budget development and approval process and cycle.

#### **Article VI. MEETINGS AND REPORTING**

The Endowment Committee shall meet at least quarterly and shall adopt procedures for the management of the Endowment Fund as may be necessary and appropriate. The Endowment Committee is responsible for maintaining all Endowment Fund documentation, governing rules and regulations, procedures, transactions, and reports. The Committee shall keep true and accurate accounts of all investments, receipts and disbursements and other transactions hereunder, and all accounts, books and records relating thereto shall be open to inspection and audit at all reasonable times by any person or persons designated by the Congregation Council.

The Endowment Committee shall review the investment performance at the end of each quarter (end of March, June, September, December) no later than the month end following the end of each quarter and present a report to the Congregation Council as soon as feasible following the review. The report shall include but is not limited to the investment income and expenditures for the previous quarter, the historic dollar value of the Endowment Fund, and the current market value of the Endowment Fund including gifts received and/or assets capitalized since the last reporting period.

The Congregation shall receive an accounting of its transactions with respect to the Endowment Fund on a periodic basis, but in no event less often than annually. A report shall be included in the Congregation Annual Report, which is reviewed and received by the Congregation at the Annual Meeting, held in the first quarter of each calendar year.

#### **Article VII. TERMINATION; CONTINGENCY OF OWNERSHIP AND/OR BENEFIT**

This Endowment Fund shall continue indefinitely unless and until terminated by action of the Congregation through Amendment of the related provisions of the Congregation Constitution and Bylaws. Upon the dissolution of this Endowment Fund, the assets of the Endowment Fund shall become the property of St. John's Evangelical

Lutheran Congregation or a successor corporation having the same general purpose as outlined below in the event the Congregation were to elect to transfer the assets of the Fund upon Endowment Fund dissolution.

If at any time the Congregation is not in existence or is not an exempt organization described under both state and federal tax laws, gifts to which would be deductible for federal income, gift and estate tax purposes, at the time when any amount is to be irrevocably transferred to it, then the balance of the Fund shall be applied for the benefit of such other ministry, institution or agency as the Congregation directs at the time it disbands, meeting such conditions and used in the same manner and for the same charitable purposes above described, but no portion shall be paid to a private Foundation as defined in Section 509 (a) of the Code, or corresponding provisions of any subsequent federal tax laws, or to an organization or entity other than one so described in each of the Code sections and referenced state and federal laws above.

#### **Article VIII. MODIFICATION AND AMENDMENT**

This Endowment Agreement may be modified through Amendment of the related Congregation Bylaws which establish this agreement. No amendment shall authorize the Endowment Fund Committee members to conduct the affairs of this Endowment Fund in any manner contrary to the provisions of section 501(c)(3) of the Internal Revenue Code or the corresponding sections of any future tax code. Any amendment to this Endowment Fund Agreement shall be affected by written instrument, in resolution form, upon approval by the Congregation.

#### **Article IX. MISCELLANEOUS, ADDITIONAL DEFINITION OF TERMS**

A. The terms "charitable organization" or "charitable organizations" shall mean corporations, religious associations, trusts, funds, foundations or community chests created or organized in the United States or in any of its possessions, whether under the laws of the United States, any state or territory, the District of Columbia, or any possession of the United States, organized and operated exclusively for charitable purposes and being entitled to exemption from federal income tax under Section 501 (c) (3) of the Internal Revenue Code of 1986, as amended, or the corresponding section of any future tax code.

B. The term "charitable purpose" shall be limited to and shall include only religious, charitable, scientific, literary, or educational purposes within the meaning of those terms as used in Section 501 (c) (3) of the Internal Revenue Code of 1986, as amended, or the corresponding section of any future tax code, but only such purposes as also constitute charitable purposes under the law of trusts of the State of South Carolina.

C. This Endowment Fund Policy shall be construed and interpreted in accordance with laws of the State of South Carolina.

#### **Article X. CONGREGATION AUTHORITY TO RESTATE THE ENDOWMENT**

The restatement of the establishment of THE ST. JOHN'S EVANGELICAL LUTHERAN CHURCH MISSION ENDOWMENT FUND has been authorized and approved by the regularly called Congregation in a meeting held November 18, 2018, in accordance with the Constitution of the Congregation.