

ENDOWMENT FUND

GUIDE

For

ST. PHILIP LUTHERAN CHURCH

ROANOKE, VIRGINIA

Adopted the 18th day of December 2011,
at a duly called congregational meeting of St. Philip Lutheran Church.
Amended on the 30th day of April 2017,
at a duly called congregational meeting of St. Philip Lutheran Church

ENDOWMENT GUIDELINES FOR
ST. PHILIP LUTHERAN CHURCH

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Exhibit A

I. Introduction:

This document sets forth the policy (“Policy”) by which St. Philip Lutheran Church (“St. Philip”) shall establish and manage any and all endowments for the purpose of providing for the long term financial security of St. Philip or for specific and described goals.

Good stewardship of financial resources is a very important part of the ethical and religious development of individuals and groups. Making the best use of the gifts we have been given is a life-long learning process. Many church groups find that establishing and administering an endowment fund challenges assumptions about the role of money in a religious organization. It stretches individual learning and provides new opportunities

II. Mission Statement:

What is the purpose of an endowment fund in the life of a congregation like St. Philip? There are a number of reasons for St. Philip to establish formally, support and manage an endowment fund. Operating funds, capital reserves, and endowment funds are three legs of one stool upon which a healthy and mature organization balances its work and service.

Endowments provide longevity and emergency assistance. They can also provide additional monies for establishing other permanent programs—necessities that cannot be funded by the general revenue provided annually by the congregation's members and friends.

Creating and administering an endowment fund is one of many ways to care for St. Philip and our community of people. These funds are created by gifts we have received from others.

We sit in the shade of trees we did not plant. The trees help us and rely on us. We are the gardeners, the trustees, the stewards who will ensure that the trees are healthy and growing for the next generation to enjoy and “husband.” As Christian people who cherish freedom, search for truth, and work for justice and mercy in the world, the trees of our faith will be our legacy.
(Marcy Bailey-Adams)

The purpose of an endowment is to help secure, strengthen, and extend the long-term survival and mission of St. Philip. In very simple terms, an endowment fund is a savings account, a security cushion that can be used to get through an emergency. In addition to providing a safety net for the future of our work together as religious people, it can help us today in our common work to strengthen and extend the reach of St. Philip in our community, both here and worldwide.

At its best, an endowment fund further secures an already stable financial situation. Everyone in our congregation can and should take pride in the endowment fund, understand its purpose and place in the life of our congregation, and be invited to participate in soliciting funds for this purpose.

III. Definition:

What is an Endowment fund? The widely adopted Uniform Management of Institutional Funds Act defines an *endowment fund* as “an institutional fund, or any part of such a fund, not wholly expendable by the institution on a current basis under the terms of the applicable gift instrument.”

An endowment fund is a financial account with restrictions placed on distribution (i.e., how much of the fund may be spent for what purpose, and under what authorization). It is maintained and accounted for as separate and distinct from all other funds, such as the operating budget or capital reserve fund. An endowment is a financial resource in perpetuity, extending and enhancing St. Philip’s capacity to fulfill its mission and purpose.

People support endowments because they want to do something lasting: they expect their contribution to be invested wisely, to grow in value, and to produce a reliable revenue stream in perpetuity. Gifts to endowment are meant to be permanent resources, with spending only from the income earned on the endowment. The most common form of contribution to an endowment is a charitable bequest, a significant gift from someone’s accumulated life estate- often his or her largest single contribution. In most cases the donor will designate how the income from this gift should be used. The objective of the Endowment Fund Program is to conserve principal and make distributions only from earnings on principal and to reinvest the balance of earnings for future growth (unless otherwise directed by the donor who may provide for the invasion of principal). Otherwise, NO PRINCIPAL may be withdrawn except in extreme and overwhelming circumstances which are necessary to the survival of St. Philip.

What is principal? Principal is defined, at minimum, as the original value of any gifts made to the endowment fund and any capital appreciation upon that gift over time.

What is capital appreciation? Capital appreciation is a rise in the value of an asset based on a rise in market price. Essentially, the capital that was invested in the security has increased in value, and the capital appreciation portion of the investment includes all of the market value exceeding the original investment or cost basis. Capital appreciation is one of the two main sources of investment returns, with the other being dividend or interest income.

What is income? Traditionally, income consists of all earnings, exclusive of capital appreciation. However, according to the Uniform Management of Institutional Funds Act, income from investment earnings (interest, dividends, and sometimes capital appreciation) may be spent.

In all circumstances, it is imperative that there is faithful observance of restrictions made by the donor, sound accounting practices, and compliance with state law regarding endowments and fiduciaries. Instead of the term “principal,” the Institutional Funds Act

uses the term “historic dollar value” to refer to the combination of the original gift value, additional gifts, and reinvestment of earnings.

What is a fiduciary? A fiduciary is someone who holds and takes care of something for the benefit of others. It is a position of responsibility founded on public trust and confidence. Fiduciary responsibilities include observing donor restrictions, administering the funds according to the enabling guidelines, and reporting on fund activity in a timely and accurate fashion to the Church Council of St. Philip.

Endowment Committee: The Endowment Committee is a committee whose members are selected by the Church Council for purpose of managing the endowment funds.

What regulations govern endowments? In the United States, state law governs the management and use of endowment funds. Most states, but not all of them, have adopted either selected portions of a slightly revised version of the “Uniform Management of Institutional Funds Act.” The state office of the Attorney General oversees compliance, ensuring that donors’ wishes are honored and that the fiduciary powers and responsibilities of the institution are exercised appropriately. No regulatory requirement is established for routine reporting to the Attorney General’s office on Endowment Funds.

IV. Selection of the Endowment Committee:

The Endowment Committee shall be comprised of three (3) voting members of the Congregation of St. Philip and shall serve for a term of five (5) years. Members of the Endowment Committee shall serve no more than two (2) consecutive terms. Members of the Endowment Committee shall be appointed upon majority vote by the Church Council of St. Philip, with said vote being held at a duly scheduled meeting of the Church Council at which a quorum as prescribed by the St. Philip Constitution is met. Members of the Endowment Committee may resign their post by submitting a written letter of resignation to the President of the Church Council and the Senior Pastor of St. Philip. Should a member of the Endowment Committee no longer be able to serve, for whatever reason, the Church Council shall elect as soon as possible a substitute member from the voting membership of the Congregation of St. Philip who shall serve the remainder of the term and shall be eligible for one (1) additional term. Members of the Endowment Committee shall be removed for malfeasance, misfeasance or nonfeasance or for any other good reason to be determined solely at the discretion of the Church Council by a seventy-five percent (75%) vote of the Church Council of St. Philip, with said vote being held at a duly scheduled meeting of the Church Council at which a quorum as prescribed by the St. Philip Constitution is met.

Upon appointment, the members of the Endowment Committee shall be fiduciaries governed by the applicable laws set forth in the Code of Virginia (1950), as amended, and as it may be changed by act of the General Assembly from time to time; however, members of the Committee shall not be required to qualify before the Clerk of the Circuit Court for the County of Roanoke, nor make accounting before the Commissioner of

Accounts except as may be required by order of a Court with proper jurisdiction, nor shall they be required to post bond upon the performance of their duties.

No committee member shall participate in any committee disbursement decision where the committee member's judgment might be influenced by a conflicting personal interest or loyalty to an organization outside of the St. Philip congregation. No member of the congregation should serve on the committee where the member's legal, professional or pecuniary interest to an organization outside of the congregation might conflict with the legal, or pecuniary interest owing to this committee or the Fund.

Committee Guidelines

1. ***Confidentiality.*** All information provided by a donor, prospective donor, or other advisors will be treated with utmost discretion and confidentiality.
2. ***Use of legal counsel.*** Donors need and will be urged to seek competent legal counsel. Fund Committee members shall seek the advice of the church's legal counsel in all matters pertaining to the planned gifts program and shall execute no planned giving agreement without the advice of such counsel.
3. ***Gifts of real or personal property.*** Any written acceptance of such gifts should be simply a receipt of the item(s) and should not express or confirm an opinion of the value thereof.
4. ***Gifts requiring expenditure of funds.*** The Council must approve all gifts that will or may require expenditure of funds, either at the time of the gifts or at some future date. Examples of the types of gifts that would need approval are all assets going into any form of charitable trust or charitable gift annuity; bargain sale; or outright gifts such as real estate that may place present or future obligations on the church.
5. ***Methods of asking for gifts.*** Gift opportunities and avenues of planned giving will be brought to the attention of the congregation through the use of printed materials at regular intervals. This effort will be implemented by coverage in the church's newsletter, bulletin inserts, announcements, and presentations at church services, special wills and estate planning programs.
6. ***Memorial designations and recognitions.*** Planned gifts in memory or in honor of others are encouraged, and it is the responsibility of the Endowment Committee to ensure that all reasonable designations are honored and appropriately recognized.
7. ***Gift reporting and program evaluation.*** Gifts of hard-to-value assets such as mineral rights, limited partnerships, personal property, etc., if accepted shall be sold. Professional assistance shall be sought for these transactions.

8. ***Gifts of securities.*** Gifts of securities will be sold or, at the discretion of the Endowment Committee, referred to the Council for a decision.
9. ***Amendments.*** Modifications may be made to these guidelines at any time upon the action of the Endowment Committee and approved by the Council.

V. Number of Endowment Funds:

St. Philip may establish as many separate endowment funds as may be required to perform the necessary goals.

VI. Creation of Endowments:

Each separate endowment (“Endowment”) shall be created by majority vote by the Church Council of St. Philip, with said vote being held at a duly scheduled meeting of the Church Council at which a quorum as prescribed by the St. Philip Constitution is met. The individual endowments shall be created to further a specific goal established by the Church Council or to meet the specific requirements of a bequest given to St. Philip as set forth in the applicable testamentary documents or written instructions of the donor. Moreover, multiple accounts may be accounted within each separate endowment at the sole discretion of the Endowment Committee for the purpose of managing funds and avoiding commingling of assets. The Endowment Committee shall retain a General Endowment Fund, into which all unrestricted bequests and donations shall be placed. Additional endowments established to serve a specific purpose may be created at the discretion of the Endowment Committee.

A separate Named Endowment Fund (“Named Fund”) in honor of an individual or family may be established for a one time gift of no less than ten thousand dollars (\$10,000.00 USD) , upon the recommendation of the Endowment Committee and the approval of the Church Council. The name of the Named Fund shall be designated by the donor and may or may not contain a proper name; however, the Endowment Committee reserves the right to reject any name that is opposition to the principles and beliefs of St. Philip and the ELCA. Named Funds are usually for a specific purpose and are normally in honor or in memory of some person or persons.

VII. Funding of Endowments:

Funding of Endowments shall be made pursuant to the St. Philip Gift and Bequest Policy. Unrestricted bequests or donations shall be placed into the General Endowment Fund.

VIII. Management of the Endowments Funds:

The Endowment Committee is directed to be guided by and adhere to the following investment principles:

1. To conserve the principal.
2. To grow the funds over and above that necessary to offset inflation.

3. To ensure reasonable growth at reasonable risk.
4. To invest assets in institutions, companies, corporations or funds which adhere to the Social Principles of the Evangelical Lutheran Church in America.

The Endowment Committee shall be solely responsible for the investment of all monies received by the Endowment Program in those investment vehicles the Endowment Committee believes appropriate to meet the above referenced principles, including one or more accounts with the Evangelical Lutheran Church in America Foundation, at its sole discretion. The specific purpose of each account authorized by the Endowment Committee shall be stated in order to fulfill the wishes of the donor and thereby segregate and maintain gifts for their stated purpose. The Endowment Committee shall manage funds so as not to commingle the assets of each specified endowment.

The Endowment Committee shall establish its own rules for the conduct of its meetings, except that no meeting shall be held unless all members are present and no action concerning the management or distribution of funds shall be made by majority vote.

The Endowment Committee shall make bi-monthly reports to the Church Council as to the assets of each Endowment and shall make an annual accounting of each Endowment to be due in the month of January.

IX. Distributions from the Endowment Program:

In the case of all Endowment funds that are not restricted or Named Funds, the amount of all distributions shall be determined by the Church Council. Until otherwise changed by majority vote of the Church Congregation at a duly called Congregational meeting, the Church Council will limit spending from each of the Endowment Funds to no more than 4 percent of the prior year-end value of the Endowment Fund. The remainder of the earnings will remain in the fund to enhance growth for the future. These recommendations will be made in the first quarter of the calendar year. Distributions may be made on annual basis, however Church Council may elect not to make a distribution in any given year. Annual distributions from the unrestricted funds shall generally be made by using the following guidelines:

20% Capital Improvements/Facilities & Property

This would include things like parking lot expansion or other improvements to our facilities.

20% Maintenance

This would include larger property maintenance needs. An example would be accumulating a balance to cover a major repair/replacement of the HVAC system or roof.

25% Internal Congregation Ministry Seed Money

Not generally to be used for ongoing funding of existing ministries, which should be covered by the annual budget. More for Start Up or Expansion one-time booster funds to help the congregation launch something new. Presumably, once

up and running from seed money, the new ministry would be able to be funded by the annual budget. There was also some discussion about large occasional Internal Ministry needs, like providing help for the National Youth Event. This category might also include seed money to fund an expansion of the staff, such as a full time secretary or other paid staff. This could also support one-time congregational events or outings.

35% Generosity Outside the Congregation (Benevolence)

Supporting worthy causes in our community, our broader church, and around the world.

The Endowment generally does not support the following:

1. Loans or cash grants to individuals
2. Requests to settle debts of individuals and organizations, including any loans or mortgages
3. Endowments
4. Government Programs
5. Political parties or candidates
6. No recurring budget line items or general expenses for St. Philip Lutheran Church. However, the Endowment Committee may support special projects for any standing committee of St. Philip Lutheran Church
7. Salaries

The spending allocation recommended by the Committee is the maximum amount that can be spent from each fund annually. New endowments established prior to **July 1** of a given year are eligible to receive a spending allocation for the coming year. For example, new endowments established prior to **July 1**, 2019 shall receive a spending allocation for the fiscal year 2020 – 2021. In order to allow for an accumulation of interest, new endowments established July 1 or later will not have a spending allocation until the second year of existence

Procedure for Applying For A Grant from the Endowment

- A. An application form may be completed by any organization stating the purpose and need for such funds. A “Request for Endowment Fund Grant” application form is Exhibit A of the “Endowment Fund Guide for St. Philip Church”. The application form may be changed by the Endowment Committee with Council approval.
- B Applications will be accepted from October 1st to December 31st. Those applications will be reviewed according to the purpose of the Endowment Fund and awarded annually. If your grant is not awarded you may re-apply in future years.

Distribution from Named Funds or any restricted fund in the Endowment Program shall be made by the Endowment Committee as directed by the donors at the time of their gift or as directed by the testamentary document if such direction is in conformity with the general purposes set forth herein. Distributions may be made on annual basis, however

the Endowment Committee may elect not to make a distribution in any given year unless required to do so by the donation or testamentary document.

Any distribution of principal from any endowment fund requires an affirmative two-thirds (2/3) vote of the voting members of St. Philip present at a duly called Congregational Meeting as specified in Constitution of St. Philip.

X. Liability of Trustees and Members of the Committee:

In absence of gross negligence or fraud, no member of the Church Council, Trustee or members of the Endowment Committee of St. Philip Lutheran Church shall be personally liable for any action made or omission with respect to the Endowment Program. In the event of gross negligence or fraud by a member, no other member of the Church Council, Trustee or of the Endowment Committee of St. Philip Lutheran Church shall be personally liable for any action made or omission with respect to the Endowment Program.

XI. Merger, Consolidation, or Dissolution of St. Philip Lutheran Church:

If at any time, St. Philip Lutheran Church is lawfully merged or consolidated with any other church all provisions hereof in respect to the Endowment Program shall be deemed to have been made in behalf of the merged or consolidated church, which shall be authorized to administer the same in all respects and in accordance with the terms thereof. If St. Philip Lutheran Church should ever be dissolved without any lawful successor thereto, the Fund, including both principal, interest or other earnings to date, shall, by majority vote of the Endowment Committee and approval by the Congregational Council, be entrusted to the Virginia Synod of the Evangelical Lutheran Church in America for making distributions while maintaining principal as an endowment in the name of said church.

XII. Amendments:

Technical corrections and amendments to the Endowment Program which do not alter the stated purpose of the Endowment Program may be made by a two-thirds (2/3) affirmative vote by the Church Council of St. Philip, with said vote being held at a duly scheduled meeting of the Church Council at which a quorum as prescribed by the St. Philip Constitution is met.

XIII. Severability:

If any provisions or any application of any provisions of the Endowment Program shall be held or deemed to be or shall be illegal or unenforceable, the same shall not affect any other provisions or any application of any provision herein contained or render the same invalid, inoperative, or unenforceable.

These Endowment Program Guidelines were adopted the 18th day of December_, 2011, at a duly called congregational meeting of St. Philip Lutheran Church.

Attested for Record: St. Philip Lutheran Church, ELCA

By: _____
President, Congregational Council

By: _____
Secretary, Congregational Council

By: _____
Pastor

By: _____
Pastor

THE ENDOWMENT FUND OF ST PHILIP LUTHERAN – EXHIBIT A

APPLICATION FOR ENDOWMENT FUND GRANT

The Endowment Fund Committee is responsible for making recommendations to the Church Council regarding annual disbursements from the Endowment Fund, in accordance with the Endowment Fund Guide. Categories of needs that are eligible for distribution of funds are: (please select one below)

- Capital Improvements/Facilities & Property
- Maintenance
- Internal Congregation Ministry Seed Money
- Generosity Outside the Congregation (Benevolence)

The Endowment Committee will accept applications for Grants from October 1 through December 31 for disbursements in the following calendar year.

Please submit this completed grant request form to:
St. Philip Lutheran Church
c/o Endowment Committee
8115 Williamson Rd.
Roanoke, VA 24019

Or email to: officeadmin@stphiliplutheran.net

Signed _____

Date _____

Please provide the following information to assist the Endowment Committee in evaluating your request. Feel free to provide any attachments or enclosures that may help the committee.

1. Name of individual or group requesting Endowment funding:
2. Mailing Address (if group, please provide address of individual submitting this request. Email address is acceptable):

3. Telephone number(s) of requesting individual: (please indicate if texting would be an option)
 - Home or cell:
 - Work:
4. Provide a complete description of the nature of this request including the charitable purpose and/or how the Grant may advance the mission of St Philip Lutheran Church. Include attachments as needed. *NOTE: a personal or phone interview may be a part of the approval process if more information is needed.*
5. What St. Philip member(s) or group(s) are involved in this project? If none, list the member of St. Philip Lutheran who is sponsoring this request. Give details as to their specific role(s) in this project.
6. What is the total amount of money needed to implement this project or activity?
7. What amount of money are you requesting from the St. Philip Endowment?
8. Are there any other sources of funding for this project or activity? Please specify the source and amount expected.
9. When is the disbursement of the Grant from the St. Philip Endowment needed?

Thank you. Remember to submit your application before December 31!