

**ST. PAUL’S EPISCOPAL CHURCH
16 NORTH 16TH STREET
WILMINGTON, NC 28401**

POLICIES AND PROCEDURES
for
THE ENDOWMENT FUND
of
St. Paul’s Episcopal Church

INTRODUCTION

The Vestry of St. Paul’s Episcopal Church established The Endowment Fund (the FUND) in 2008. To that end, managing and operating the FUND was, and still is, documented within these *Policies and Procedures*. The purpose of the FUND is to enable St. Paul’s to more completely fulfill its mission by developing its ministries beyond what is possible through its annual operating funds, and to ensure that distributions from the FUND shall be limited to those requirements contained herein. The Endowment Board acts as an advisory board to the Vestry whereby to administer and safeguard the FUND in accordance with the Policies and Procedures set forth herein.

The Endowment Fund consists of two (2) components, that is a) The ‘Investment Account,’ and b) The ‘Disbursement Account.’ Approved distributions from the Investment Account are not ordinarily made to the operating fund of St. Paul’s. Rather, approved distributions are made to the Disbursement Account within the FUND and used only for purposes as framed in the following Policies and Procedures.

WHEREAS, Christian stewardship involves the faithful management of all the gifts God has given to humankind – time, talents, 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 and securities, including bequests in wills, charitable remainder trusts and other gifts, trusts, life insurance policies, real estate, securities and other property; and

WHEREAS, it is the desire of St. Paul’s 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 East Carolina, and the policies of St. Paul’s Episcopal Church; and

WHEREAS, St. Paul's Episcopal Church, 16 North 16th Street, Wilmington, NC 28401, through action of its Vestry on October 21, 2008, has established a separate fund known as THE ENDOWMENT FUND (hereafter called the "FUND") of St. Paul's Episcopal Church, (hereafter referred to as "St. Paul's" or "PARISH"); and

WHEREAS, the purpose of this FUND is to enable St. Paul's to more completely fulfill its mission by developing its ministries beyond what is possible through its annual operating account and therefore that distributions from the Endowment Fund shall be limited to

- a) assisting with capital needs projects of St. Paul's
- b) establishing or expanding an Outreach/Mission project specifically attached to St. Paul's
- c) providing initial time-limited support for new ministries and special one-time projects
- d) advancing temporary funding in anticipation of a guaranteed repayment source for needs outlined in sections a, b, and c of this paragraph, or in response to an event that either significantly harms or destroys the parish's physical plant
- e) fulfilling purposes specifically designated by donors to the FUND; and

WHEREAS, should any previous Endowment Fund distribution be reimbursed to St. Paul's from a third party, those funds shall be returned to the Investment Account of the FUND.

THEREFORE, the ENDOWMENT FUND BOARD (hereafter called the "BOARD") shall act as an advisory board to the Vestry to administer and manage the FUND as set forth herein by these ENDOWMENT FUND *Policies and Procedures*. Nothing contained in this document shall substitute, supersede, or replace the responsibilities and authority of the Vestry in the oversight of the FUND.

A. THE ENDOWMENT FUND BOARD

- I. THE ENDOWMENT FUND BOARD (BOARD) shall consist of five members, all of whom shall be members in good standing of St. Paul's.
 - A. They shall be appointed by the Vestry.
 - B. The Rector, Senior Warden and Parish Treasurer shall be *ex-officio* members of the BOARD but with no voting rights.
 - C. Except as herein limited, the term of each member shall be three (3) years.
 - D. Upon adoption of this resolution, two (2) members shall be appointed for a term of three (3) years; two (2) members for a term of two (2) years, and one (1) member for a term of one (1) year. Thereafter, on an annual basis, the Vestry shall appoint the necessary number for a term of three years.
 - E. No member shall serve more than two consecutive three (3) year terms. After a lapse of one (1) year, former BOARD members may be re-appointed.
 - F. In the event of a vacancy on the BOARD, the Vestry shall appoint a member to complete the unfulfilled term, upon the completion of which that person would be eligible for re-appointment to a normal three (3) year term.
- II. The ENDOWMENT FUND BOARD shall meet at least quarterly, or more frequently as deemed by it in the best interest of the FUND.

- A. A quorum shall consist of four (4) voting members. The affirmative vote of a majority of the voting members of the BOARD (3) shall be necessary to carry any motion or resolution. Voting may be in person or can be done electronically. Proxy voting is not permitted.
 - B. The BOARD shall elect from its membership a Chairperson and a Secretary. The Chairperson, or BOARD member designated by the Chairperson, shall preside at all BOARD meetings. While the Secretary position should preferably be a BOARD member, a non-member can be designated and assigned the Secretary position. However, that non-member position so designated and assigned will have no voting rights for any BOARD motions.
 - C. The Secretary shall maintain complete and accurate minutes of all meetings of the BOARD and supply a copy thereof to each member of the BOARD. Each member shall keep a complete set of minutes to be delivered to his or her successor.
 - D. The Secretary shall provide a copy of the BOARD approved minutes to the Vestry, Parish Treasurer, Rector and Financial Secretary within two weeks following BOARD members' next quarterly meeting.
- III. The TREASURER of St. Paul's shall maintain complete and accurate books to account for the FUND.
- A. The financial records of St. Paul's, inclusive of both the Endowment Fund and Operating Fund, shall be audited annually by a certified public accountant or other qualified person in accordance with standard auditing practices. In either case, the auditing person shall not be a member of the BOARD or Vestry. In conjunction with the annual audit, the BOARD will meet with the Rector, Senior Warden, and Treasurer to review the findings of the audit and make appropriate changes as dictated by the audit. The FUND may reimburse the Operating Fund for the cost of the FUND's annual audit.
 - B. The BOARD shall report quarterly to the Vestry at the next Vestry meeting following the BOARD meeting and, at each annual meeting of the congregation, shall render a full and complete account of the administration of the FUND during the preceding year.
 - C. The BOARD, along with the Rector, Senior Warden, and Treasurer, will review the performance of the Endowment Fund at its quarterly meetings, and as may be needed, seek input and recommendations/management from a qualified financial advisor at the expense of the FUND.
 - D. The BOARD, at the expense of the FUND, and in consultation with the Vestry, may provide for such professional counseling on investments or legal matters as it deems to be in the best interests of the FUND.
 - E. Members of the ENDOWMENT BOARD shall be liable for any acts or omissions committed by them only to the extent that such acts or omissions were not in good faith or involved intentional misconduct.
 - 1. Each member shall be liable only for his/her own intentional misconduct or for his/her own acts or omissions not in good faith and shall not be liable for the acts or omissions of any other members.

2. No member shall engage in any 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 interest of the FUND. Each member of the BOARD shall sign a CONFLICT-OF-INTEREST statement on an annual basis.

IV. All INVESTMENT ASSETS are to be held in the name of THE ENDOWMENT FUND OF ST. PAUL'S EPISCOPAL CHURCH.

- A. Working within the guidelines of the INVESTMENT POLICY STATEMENT, the BOARD, with its investment consultant, shall set the overall investment strategy and guidelines governing the FUND.
- B. If a potential action that would change the investment strategy and guidelines of the FUND is time sensitive, the Chairperson will call a special meeting of the BOARD and report these changes to the Vestry.

V. INVESTMENT GUIDELINES

- A. The Endowment Fund Board shall administer the portfolio of the Endowment Fund of St. Paul's in accordance with the investment guidelines, as adopted and amended from time to time. These guidelines shall be reviewed at least annually by the BOARD to determine whether they should be amended or remain unchanged. The BOARD may choose to employ an outside investment manager.
- B. Investment Objectives
 1. The assets of the Endowment Fund are to be invested with the care, skill and diligence a reasonable prudent person would exercise in the Prudent Person Rule.
 2. Investment Policies
 - a) The Uniform Prudent Management of Institutional Funds Act (NC General Statutes, Chapter 36 E) shall be the governing policy in making investments.
 - b) These guidelines are not intended to restrict or impede the efforts of the BOARD to attain the Endowment Fund objectives nor is it intended to exclude the BOARD from taking advantage of appropriate opportunities as they arise.
 - c) The BOARD shall have discretion and flexibility to implement the objectives and policies herein set forth.
 - d) The BOARD shall establish and maintain asset allocation and investment goals to reflect and be consistent with the objectives and policies herein set forth. Asset allocation and investment goals are included in the Investment Policies adopted by the Endowment Board.

B. DISTRIBUTIONS FROM THE ENDOWMENT FUND

I. SPENDING RULES

- A. The BOARD shall consider any requested distribution from the Investment Account only when made in writing by the Vestry. The request shall include the purpose and justification of such funds. With the approval of the BOARD, requested funds are electronically transferred to the Disbursement Account within the FUND and made available to the Parish Treasurer for only those uses and restrictions specified within the approved request. It is the intent of these policies that the Unrestricted Account in the FUND shall be managed as a true endowment employing the restriction that the principal shall not be invaded. It is also the intent of these policies that the Restricted Accounts in the FUND shall be managed according to the governing documents of the donors' gifts. Requested distributions from the FUND shall be limited to the annualized interest, dividends and realized capital gains recognized within the Investment Account of the FUND.
- B. Any previously approved distribution of unexpended funds in a given year will be accrued and will continue to be considered "available for distribution" in subsequent years. If it is determined that any unexpended distribution is no longer needed, the remaining unexpended funds shall be transferred back and returned to the Investment Account. The Endowment Board makes the final decision regarding all such distributions.
- C. With the exception of advancing temporary funding in anticipation of a guaranteed repayment source as outlined in paragraph 7 of the INTRODUCTION, no portion of the FUND shall be borrowed.
- D. The UNRESTRICTED portion of the FUND is not permitted to go below \$500,000. With approval of the BOARD and the Vestry this threshold may change from time to time based on additional gifts and/or bequests from donors.

C. AMENDMENT OF THESE POLICIES AND PROCEDURES

- I. Any amendment to these Policies and Procedures shall first be adopted by a vote of at least a majority of the BOARD and second by two-thirds (2/3) of the membership of the Vestry at a regularly scheduled meeting or at a special meeting called specifically for the purpose of amending these policies and guidelines.
- II. These Policies and Procedures shall be reviewed periodically as needed.

D. DISPOSITION OR TRANSFER OF THE FUND

- I. In the event ST. PAUL'S 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 with consultation with the Bishop of the Diocese of East Carolina. Should ST. PAUL'S cease to exist and if there is no successor parish to ST. PAUL'S, the ENDOWMENT FUND shall be transferred to the Diocese of East Carolina restricted for the sole

purpose of providing aid or assistance to Episcopal parishes in the Standard Metropolitan Statistical Area (SMSA) of Wilmington, NC.

E. GIFT ACCEPTANCE POLICIES

- I. These gift acceptance policies only apply to gifts specifically directed to the Endowment Fund.
 - A. The Endowment Board acts as the Gift Review Committee for the FUND and may respectfully decline any gift to the FUND and refer the donor to the Rector for further discernment.
 - B. These policies are intended as a guide and allow for some flexibility on a case-by-case basis. The gift review process outlined here, however, is intended to be followed closely.
 - C. Classification of Gifts
 1. Types of gifts are defined as follows under Generally Accepted Accounting Principles:
 - a. **“RESTRICTED”** – is defined as a gift to the FUND of \$50,000 or more whereby the donor or gift document has identified a specific purpose(s) to which the gift should be directed. Those funds may be directed to a designated purpose within the Endowment Fund. The Vestry upon the recommendation of the Endowment Board has ultimate responsibility to determine that the use(s) to which those funds are applied is faithful to the donor's wishes. Gifts to the FUND of less than \$50,000 cannot be designated as RESTRICTED.
 - b. **“UNRESTRICTED”** – is defined as a gift to the FUND of any amount whereby in the donor or gift document does not direct a specified use of funds.
 - D. Forms of Gifts
 1. Bequests
 - a. Bequests, for purposes of this document, 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 to the FUND may identify the beneficiary in one of two general ways:
 - i. St. Paul’s Episcopal Church, 16 North 16th Street, Wilmington, NC 28401 of the Episcopal Diocese of East Carolina, or
 - ii. The Endowment Fund of St. Paul’s Episcopal Church, 16 North 16th Street, Wilmington, NC 28401 of the Episcopal Diocese of East Carolina.
 - b. Bequests to the Endowment Fund of St. Paul’s Episcopal Church as beneficiary can be **RESTRICTED** or **UNRESTRICTED**.
 - c. The procedure for handling bequests begins with the Treasurer of the Parish. The Treasurer will see that any cash is immediately deposited into the Endowment Fund Unrestricted Account and held in the financial institution utilized by St. Paul’s pending a decision regarding the final disposition of the bequest. The Rector, Senior Warden, Treasurer, and Endowment Board Chairperson will work

with the Executor/Executrix to release any restrictions on bequests less than \$50,000.

1. The Treasurer will have prepared copies of relevant documents and distribute them to the relevant offices of the parish, including the Rector, the Senior Warden, the Finance Committee, and the Chairperson of the BOARD.
2. The liquidation of securities will be handled according to the normal practices of the BOARD. The method, timing, agent, etc. for the liquidation of other assets (such as real estate or personal property) will be decided by the Vestry and the BOARD.
- d. Appropriate acknowledgements of bequests will be given by the Rector and by the Chairperson of the Endowment Board in a timely manner.
2. Cash
 - a. All gifts by cash or check shall be accepted by St. Paul's regardless of amount. Cash gifts of \$10,000 or more must in be in the form of a check.
 - b. The checks shall be made payable to St. Paul's Episcopal Church. In no event shall a check be made payable to an individual who represents St. Paul's or the church in any capacity.
3. Publicly Traded Securities
 - a. Readily marketable securities, such as those traded on a stock exchange, can be accepted by St. Paul's.
 - b. A gift of securities to St. Paul's should be liquidated as quickly as practical and reported to the donor and recorded.
4. Closely Held Securities
 - a. At this time, St. Paul's is not in a position to accept closely held securities.
5. Real Estate
 - a. The Gift Review Committee (the BOARD) must review any gift to the FUND of real estate.
 - b. The donor is responsible for obtaining and paying for an appraisal of the property. An independent and professional agent must perform an MAI appraisal.
 - c. St. Paul's reserves the right to require an environmental assessment of any potential real estate gift.
 - d. The property must be transferred to St. Paul's prior to any formal offer or contract for purchase being made to the donor.
 - e. The donor may be asked to pay for all or a portion of the following:
 - i. Maintenance costs
 - ii. Real estate taxes
 - iii. Insurance
 - iv. Real estate broker's commission and other costs of sale
 - v. Appraisal costs
 - vi. Rectification of any environmental infractions
 - f. For gift crediting and accounting purposes, the value of the gift is the

appraised value of the real estate; however, costs of maintenance, insurance, real estate taxes, broker's commission, and other expenses of sale may reduce this value.

6. Life Insurance
 - a. St. Paul's Endowment Fund can be named a beneficiary, a contingent beneficiary, or the beneficiary of a percentage of a life insurance policy.
7. Tangible Personal Property
 - a. A gift to the FUND of jewelry, artwork, collections, equipment, and software shall be assessed for its current market sales value, which may be realized either by being sold or by being used in connection with the Parish's exempt purpose.
 - b. Depending upon the anticipated value of the gift, a qualified outside appraiser should be asked to determine its value at no cost to the FUND.
8. Deferred Gifts
 - a. St. Paul's strongly encourages deferred gifts in its favor through any of a variety of vehicles provided that the donor has worked with an attorney to prepare the documents for said gifts, but not limited to:
 - i. Charitable gift annuity (or deferred gift annuity)
 - ii. Pooled income fund
 - iii. Charitable remainder trust
 - iv. Charitable lead trust
 - v. Retained life estate
- E. St. Paul's Endowment Board (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.
- F. St. Paul's Endowment Board (or its agent) shall not act as trustee.
- G. St. Paul's Endowment Board strongly urges that all donors consult with their attorneys, financial and/or tax advisors. This information in no way constitutes advice. St. Paul's will gladly work with the donor's independent advisors to assist in any way.

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