

**POLICY GOVERNING THE ST. MATTHEW'S EPISCOPAL
CHURCH ENDOWMENT FUNDS, ACCEPTANCE OF GIFTS, AND
THE DISPOSITION OF BEQUESTS**

St. Matthew's Episcopal Church

P.O. Box 628

Hillsborough, North Carolina 27278-0628

Adopted by Action of the Vestry of Saint Matthew's Episcopal Church

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TABLE OF CONTENTS

	PAGE
1. STATEMENT OF PURPOSE	2
2. GIFT ACCEPTANCE POLICY.....	2
2.1. Gift Oversight.....	2
2.1.1. Right to Decline any Gift	2
2.2. Cash	3
2.3. Publicly Traded Securities	3
2.4. Closely Held Securities	3
2.5. Real Estate	3
2.6. Life Insurance	4
2.7. Tangible Personal Property	5
2.8. Deferred Gifts	5
3. POLICY REGARDING THE DISPOSITION OF BEQUESTS.....	6
3.1. General.....	6
4. ALLOCATIONS POLICY	8
5. INVESTMENT GUIDELINES.....	9
5.1. Objectives.....	9
5.2. Policies	9
5.3. Asset Allocation	10
5.4. Investment Goals.....	10
5.5. Reporting.....	10
6. NEW DESIGNATED FUNDS	11

1. STATEMENT OF PURPOSE

The St. Matthews Endowment Fund is hereby established by a resolution of the Vestry on 24 May 2005 to enable the Church to more completely fulfill its mission through the preservation, development and enhancement of the Church properties and its ministries beyond what is possible through annual operating monies. It is to be regarded by all concerned as an endowment fund, and expenditures shall be used for capital or other Church needs consistent with the statement above. It is the intent of the Vestry that expenditures are made for purposes other than general operating expenses.

The Vestry further resolves that the St. Matthew's Endowment Fund is understood to be comprised of all existing endowment monies and any new gifts to the St. Matthew's Endowment.

2. GIFT ACCEPTANCE POLICY

This gift acceptance policy will serve as a guideline to staff members of St. Matthew's Episcopal Church 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 wish to make gifts to St. Matthew's Episcopal Church. 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.

2.1. Gift Oversight

Any questions which may arise in the review and acceptance of gifts to the church will be referred to The St. Matthew's Endowment Fund Oversight Committee, which unless otherwise designated will be comprised of three to five members in good-standing of St. Matthew's Episcopal Church, appointed to four year terms by the Rector, approved by the Vestry, chaired by the Treasurer, with the Rector serving as a non-voting member.

2.1.1. Right to Decline any Gift

The Vestry, upon the advice of the St. Matthew's Endowment Fund Oversight Committee, reserves the right to decline any gift that does not further the mission or goals of the church. Also, any gifts that would create an administrative burden or cause the church to incur excessive expenses may be declined.

2.2. Cash

All gifts by check, regardless of the amount, will be accepted by the church, unless there are conditions associated with the gift's acceptance that require vestry consideration.

Checks shall be made payable to St. Matthew's Episcopal Church. In no event shall a check be made payable to an individual who represents the church or the parish in any capacity.

2.3. Publicly Traded Securities

Readily marketable securities, such as those traded on a stock exchange, can be accepted by the church.

For gift crediting and accounting purposes, the value of the gift of securities is the average of the high and low prices on the date of the gift.

A gift of securities to the church shall be liquidated immediately

2.4. Closely Held Securities

Non-publicly traded securities may be accepted after consultation with the St. Matthew's Endowment Fund Oversight Committee.

Prior to acceptance the St. Matthew's Endowment Fund Oversight Committee will explore methods and timing of liquidation of the securities through redemption or sale. St. Matthew's Endowment Fund Oversight Committee will try to determine:

- 1) An estimate of fair market value
- 2) Any restrictions on transfer
- 3) Whether and when an initial public offering might be anticipated.

No commitment for repurchase of closely held securities shall be made prior to completion of the gift of the securities.

2.5. Real Estate

Any gift of real estate must be reviewed by the St. Matthew's Endowment Fund Oversight Committee.

The donor normally is responsible for obtaining and paying for an appraisal of the property.

The appraisal will be performed by an independent and professional agent.

The church requires an environmental appraisal of any potential real estate gift unless waived by the St. Matthew's Endowment Fund Oversight Committee.

The appraisal must be based upon a personal visitation and internal inspection of the property by the appraiser. Also, whenever possible, the appraisal must show documented valuation of comparable properties located in the same area.

The formal appraisal should contain photographs of the property, the zoning status, and complete information regarding all mortgages, liens, and litigation or title disputes.

The property must be transferred to the church prior to any formal offer or contract for purchase being made.

Depending on the value and desirability of the gift, the donor's connection with the church, and the donor's past gift record, the donor may be asked to pay for all or a portion of the following:

- 1) Maintenance costs
- 2) Real estate taxes
- 3) Insurance
- 4) Real estate broker's commission and other costs of sale
- 5) Appraisal costs

For gift crediting and accounting purposes, the value of the gift is the appraised value of the real estate; however this value may be reduced by costs of maintenance, insurance, real estate taxes, broker's commission, and other expenses of sale.

2.6. Life Insurance

A gift of a life insurance policy must be referred to the St. Matthew's Endowment Fund Oversight Committee.

The Vestry may accept a life insurance policy as a gift only if the church is named as the owner and beneficiary of 100% of the policy.

The Vestry may accept a paid-up life insurance policy. The value of the gift for the church's gift crediting and accounting purposes is the policy's replacement cost.

If the policy is partially paid-up, the value for gift crediting and accounting purposes is the policy's cash surrender value. Note that 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.

2.7. Tangible Personal Property

Any gift of tangible personal property shall be referred to the St. Matthew's Endowment Fund Oversight Committee prior to acceptance.

A gift of jewelry, artwork, collections, equipment, and software shall be assessed for its value to the church, which may be realized either by being sold or by being used in connection with the church's exempt purpose.

Depending upon the anticipated value of the gift, a qualified outside appraiser may be asked to determine its value.

The church shall adhere to all IRS requirements relating to disposing of gifts of tangible personal property and will provide appropriate forms to the donor and IRS.

2.8. Deferred Gifts

The church encourages deferred gifts in its favor through any of a variety of vehicles:

- Charitable gift annuity (or deferred gift annuity)
- Pooled income fund
- Charitable remainder trust
- Charitable lead trust
- Bequest

- Returned life estate

The church or its agent shall not act as an executor or personal representative for a donor's estate.

The church or its agent shall not act as trustee or co-trustee on a charitable remainder trust.

When appropriate, the church will encourage prospective donors to take advantage of the gift vehicles offered by The Episcopal Church Foundation, specifically Charitable Gift Annuities and the Pooled Income Fund, as well as its investment services.

When donors are provided planned gift illustrations or form documents, 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 Matthew's strongly urges that you consult with your attorney, financial advisor, and/or tax advisor to review and approve this complimentary information. This information in no way constitutes advice. We will gladly work with your independent advisors to assist in any way.”

All information obtained from or about donors and prospective donors shall be held in strictest confidence by the church, its staff, and volunteers. The name, the amount, and the conditions of any gift shall not be published without the express written or oral approval of the donor and/or beneficiary.

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

3. POLICY REGARDING THE DISPOSITION OF BEQUESTS

3.1. General

This policy statement governs the disposition of bequests, which for purposes of this statement we take to 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. Matthew’s Church (Parish) of the Episcopal Diocese of North Carolina” or some other wording such as, “St. Matthew’s Episcopal Church (Parish), Hillsborough, North Carolina.”
- “The St. Matthew’s Endowment Fund, Hillsborough, North Carolina” or similar wording.

Bequests with “St. Matthew’s Episcopal Church” or “The St. Matthew’s Endowment Fund” as beneficiary can be of two general types:

- 1) “Designated” in which the donor has expressed a preference for a specific purpose(s) to which the funds should be directed. The Vestry has ultimate responsibility to determine the use(s) to which those funds are applied is faithful to the donor’s wishes, and the Vestry normally would expect to receive a recommendation from the Rector before making a final determination. The funds may be directed to their designated purpose(s) either as an endowment (in which case they normally would be established as a designated fund of the St. Matthew’s Endowment Fund) or by direct expenditure of the funds through the Treasurer of the church.
- 2) “Undesignated” in which case the Vestry and Rector have greater freedom in determining their ultimate use, though the expectation is that such a bequest would be transferred at the earliest practicable time to the St. Matthew’s Endowment Fund. Such transfers, once made, are irrevocable. This policy specifically acknowledges, however, that from time to time urgent needs of the parish may arise to necessitate an exception to this policy. In such instances, the following procedures will apply:
 - a) The Rector of the church will examine the particular circumstances giving rise to a perceived need to make an exception to the policy. Such circumstances should be judged by the Rector to be truly extraordinary and that no other financial resources of the Church are available or are expected to be made available in time to fulfill the urgent needs. If the Rector concludes that an exception is appropriate, the Rector will bring a recommendation to the Vestry at the earliest practicable time.
 - b) Final authority for granting such an exception to policy will rest with the Vestry.

Bequests with the St. Matthew's Endowment Fund as beneficiary are automatically transferred to the St. Matthew's Endowment Fund upon receipt and acceptance. 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 St. Matthew's Endowment Fund, as provided for in a separate policy, and the earnings made available for use of that designated purpose only. If the bequest to the St. Matthew's Endowment Fund is otherwise undesignated, the assets will be directed to the corpus of the St. Matthew's Endowment Fund whose earnings are unrestricted.

The procedure for handling bequests begins with the Treasurer, who will see that any cash is immediately deposited and held in the bank pending a decision regarding the final disposition of the bequest. The Treasurer will prepare copies of relevant documents and distribute them to the relevant officers of the Church, including the Rector, the St. Matthew's Endowment Fund Oversight Committee. The liquidation of securities will be handled according to the normal practices of the Treasurer of the Church. The method, timing, agent, etc. for the liquidation of other assets (such as real estate or personal property) will be decided by the Vestry upon the recommendation of the Rector and his staff.

Appropriate acknowledgements and recognition will be the responsibility of the Chair of the Endowment Fund Oversight Committee.

4. ALLOCATIONS POLICY

Allocations of funds available for distribution will be made in two general ways:

1. Upon written request of the Vestry, normally with the recommendation of the St. Matthew's Endowment Fund Oversight Committee, funds may be transferred to the Treasurer for those special purposes which are consistent with these guidelines.
2. As set forth in the enabling Vestry resolution, the Treasurer may obligate monies for general expenses incident to the management and administration of the St. Matthew's Endowment Fund. Extraordinary initiatives contemplated by the Treasurer for development activities will be approved by the Vestry before implementation.

The funds available for distribution during any one year will be limited to five percent of the market value of the portfolio based on a three-year rolling average, with measures taken at the end of each of the preceding twelve

quarters. The market value for this purpose will be taken net of the fees for investment management. All other expenditures, whether in categories 1 or 2 above, will be taken from funds available for distribution.

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 Vestry.

5. INVESTMENT GUIDELINES

The St. Matthews Endowment Fund Oversight Committee (hereafter referred to as “The Oversight Committee”) will administer the portfolio of the St. Matthew’s Endowment Fund of St. Matthew’s Episcopal Church in accordance with these guidelines, as adopted and amended from time to time. These guidelines shall be reviewed at least annually by The Oversight Committee to determine whether they need amending or shall remain unchanged. Any proposed amendments will be recommended to the Vestry for final approval. The Oversight Committee may choose to employ an outside investment manager, subject to the approval of the Vestry.

5.1. Objectives

The assets of the St. Matthew’s Endowment Fund are to be invested with the same care, skill, and diligence that a prudent person would exercise in investing institutional endowment funds. The primary objective will be to achieve a reasonable total return on the assets, while limiting the risk exposure to ensure the preservation of capital.

5.2. Policies

The Oversight Committee will use the above objectives in making investment decisions to accomplish the goals set forth above. The “prudent person” rule shall be the governing policy in making investments. These guidelines are not intended to restrict or impede the efforts of The Oversight Committee to attain the St. Matthew’s Endowment Fund objectives, nor are they intended to exclude The Oversight Committee from taking advantage of appropriate opportunities as they arise. The Oversight Committee shall have discretion and flexibility to implement the objectives and policies set forth.

The Oversight Committee shall establish and maintain an asset allocation to reflect and be consistent with the objectives and policies herein set forth.

The Oversight Committee shall not invest in private placement, letter stock, futures transactions, arbitrage, and other uncovered options, and shall not engage in short sales, margin transactions, or other similar specialized investment activities.

The Vestry may borrow from the principal amount of the St. Matthew's Endowment Fund at a rate of interest not less than the then current rate of inflation plus 3%.

5.3. Asset Allocation

Because the security market may vary greatly throughout a market cycle, The Oversight Committee may change the asset mix of the St. Matthew's Endowment Fund within the following ranges as long as that mix meets the overall objectives and is consistent with the policy guidelines herein set forth:

- Equities 40% - 60%
- Fixed Income 60% - 40%
- Reserves 0% - 20%

5.4. Investment Goals

Target an annual return equal to the rate of inflation plus 3%.

Maintain an adequate level of liquidity to assure the ready availability of funds that have been designated as being available for expenditure.

Employ moderate turnover and avoid excessive management fees. If the portfolio turnover or the management fee appears to be excessive, The Oversight Committee will take appropriate action to limit the expenditure to a moderate level.

5.5. Reporting

On a quarterly basis, The Oversight Committee shall provide the Vestry a status report including the fund value, the asset allocation strategy and plan, and the investment performance. The report shall reflect compliance with the objectives, policies, and guidelines set forth herein.

6. NEW DESIGNATED FUNDS

A separate designated fund may be established for donations in the amount of \$15,000 or more. These assets are merged with other assets of the St. Matthew's Endowment 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 accepted. The value is determined either by the actual value, if received by the St. Matthew's Endowment 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 St. Matthew's Endowment Fund at the end of the previous quarter. New gifts are then added and withdrawals are subtracted to arrive at the new market value on the last day of the quarter.

The funds made available for expenditure, under the formula defined in the previous section, are limited to the purposes specified in the designation. Unless otherwise restricted by the donor or the Vestry, any available but unspent funds remain in the fund and are available for expenditure in subsequent years, as stipulated in the previous section. These unspent funds increase the total market value of the designated fund and continue to accrue earnings until expended.

The Vestry may agree to establish an individual fund with a lesser amount than \$15,000, with the assurance of the donors that the fund will be added to over time and that the \$15,000 minimum level will be reached in a reasonable time. Until such time as the minimum level is reached and a designated fund is established, no earnings will be available for expenditure. The portion of the earnings attributable to that fund will be accrued and become part of the corpus to more readily move the fund to the \$15,000 minimum level.

ATTACHMENT 1: GIFT DISCLOSURE FORM

St. Matthew's Episcopal Church

P.O. Box 628

Hillsborough, North Carolina 27278-0628

Planned Gift Disclosure Form

When you have completed your charitable provisions in your estate plans, you are encouraged to inform the church. This information will be helpful for future planning. You are invited to provide whatever information will be helpful for future planning. This form will be handled in a confidential manner and maintained in a secure and confidential file.

- St. Matthew's Episcopal Church is named as a charitable beneficiary in my will, dated _____ (or codicil, dated _____).
- The provision is made with the following statement (on reverse side):
- Attached is a photocopy of the section of my will that mentions St. Matthew's Episcopal Church.
- I estimate today's value of the bequest to be \$ _____.
- St. Matthew's Episcopal Church is the beneficiary of a life insurance policy on my life. The value of the policy proceeds designated for St. Matthew's Episcopal Church is \$ _____.
- I have established a charitable remainder trust which names St. Matthew's Episcopal Church as the remainder beneficiary. The estimated value of the trust is \$ _____.
- Other provision

The clergy and lay leadership of St. Matthew's Episcopal Church are grateful for your thoughtful provision that reflects a commitment to the future life and ministry of this parish.

Signature _____ Date _____

Name _____

Address _____

Telephone _____

ATTACHMENT 2: VESTRY COMMITMENT FORM

The Vestry of St. Matthew's Episcopal Church

Statement of Support for the Planned Giving Program

I, _____ a current or past member of the vestry of St. Matthew's Episcopal Church have made a provision for this ministry through a planned gift.

I do this joyfully and in thanksgiving because of my faith in God and my conviction to giving new life to the community of St Matthew's Episcopal Church after my death.

I invite and encourage each member of the parish to join me in this witnessing of faith.

Date

Signature