

Endowment Fund Plan

Amended December 15, 2011

(Endowment & Investment Committee)

Saint Luke's Episcopal Church
Los Gatos, CA

Whereas, the Vestry of St. Luke's Episcopal Church deems it necessary and desirable to establish a program to ensure that a reasonable and consistent level of funds are made available for the support of St. Luke's parish and for other worthy works, and

Whereas, there presently exists an endowment fund, and

Whereas, it is desirable to establish a committee to recommend policies to guide prudent investment and expenditure of assets of the endowment fund and for accepting gifts to be deposited in that fund,

Now Therefore, Be It Resolved by the Vestry of St. Luke's Episcopal Church:

1. Endowment and Investment Committee

There hereby is created the **Endowment and Investment Committee** of St. Luke's Episcopal Church. The Committee shall consist of the 3 most senior (third year) members of the Vestry and the Rector. Up to 3 additional members of the Parish may also serve if appointed by the Vestry. The Committee shall also serve as the **Gift Acceptance Committee**.

2. Committee Purpose and Goal

It shall be the goal of the committee to ensure a reasonable and consistent level of assets in the Endowment Fund is made available for the purposes established for those funds. At the same time it shall be committed to providing for the long-term growth of the Endowment Fund.

3. Meetings

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

Structure

The committee shall elect a **chair**, who shall preside at all meetings.

A **recording secretary** shall maintain complete and accurate minutes of all meetings of the committee and supply a copy thereof to each member of the committee and to the Vestry within 15 days of each committee meeting.

4. Quorum and Majority Vote

A quorum shall consist of three members, or one fewer than the total number of members of the Committee, whichever is higher. The affirmative vote of the quorum shall be necessary to carry any motion or resolution.

5. Reporting Requirements

The Committee shall report to the Vestry at the next Vestry meeting all gifts offered and received.

The committee shall additionally report Semi-Annually to the Vestry on the following:

- Investment performance and portfolio status.
- Current investment outlook and investment strategy.
- Recommended modifications to any of the policies comprising the Endowment Fund Plan.
- Significant changes in management of the portfolio.
- Other communication that the committee feels is necessary to facilitate achievement of the Endowment Fund's objectives and goals.
- Other actions that the Committee feels necessary to facilitate achievement of the objectives and goals of the various policies.

Annual Parish Meeting

At each annual meeting of the Parish the Committee Chair shall render a full and complete account of Committee activities, including performance of investments, and the administration of the Endowment Fund for the preceding year.

6. Liability

Members of the committee shall not be liable for any acts or omissions committed by them (including losses that may be incurred upon the investments of the assets of the Endowment Fund) only to the extent that such acts or omissions were in good faith and did not involve intentional misconduct. 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.

7. Endowment Fund Management

The committee shall provide for professional management of investments by retaining an Investment Manager and professional assistance regarding legal matters as it deems to be in the best interests of the Endowment Fund. The committee shall recommend an Investment Manager or Managers to the Vestry. The Vestry, if the recommendation is accepted, shall authorize the Rector to enter into contract with the chosen Investment Manager.

It is intended that the Endowment Fund be managed as a true endowment employing the restriction that the principal shall not be invaded. However, distributions from the Endowment

St. Luke's Endowment Fund Plan

Fund may be made utilizing a Total Return Policy that incorporates a designated percentage of the total Endowment Fund assets that may be available for expenditure annually.

8. Policy Establishment

The Committee shall operate according to the following Policy and Procedure documents as approved and amended as necessary by the Vestry:

8.1 Gift Acceptance Policy and Procedure

Upon its establishment, the committee shall recommend to the Finance Committee and to the Vestry an appropriate Gift Acceptance Policy and Procedure through which decisions shall be made whether gifts to the Endowment Fund shall be accepted. The procedures shall include an appropriate review process to determine whether accepting or rejecting the gift serves the best interests of the congregation.

8.2 Endowment Fund Investment Policy

Upon its establishment, the committee shall recommend to the Finance Committee and to the Vestry an appropriate Endowment Fund Investment Policy.

8.3 Spending Policy and Procedure

Upon its establishment, the committee shall recommend to the Finance Committee and to the Vestry an appropriate Endowment Income Spending Policy, defining the spending rules and protocols that will provide for the use of funds consistent with the stated purposes of the Endowment Fund

9. Amendments

Any amendment to this Plan shall be adopted by a vote of at least 2/3 of the membership of the Vestry at a regularly scheduled meeting or at a special meeting called specifically for the purpose of considering amendments.

Adopted by the Vestry of St. Luke's Church, October 21, 2004.

Endowment Fund Plan

Gift Acceptance Policy and Procedure

Saint Luke's Episcopal Church
Los Gatos, CA

Adopted by Vestry Resolution 05-05-01 on May 19, 2005

Whereas, the Vestry of St. Luke's Episcopal Church desires to

- encourage broad and diverse giving to support its mission and goals and to be able to respond quickly to the offer of gifts by prospective donors,
- provide guidance for both donors and church representatives in the acceptance of gifts, and
- ensure that decisions be made after careful consideration of a number of interrelated factors.

Now Therefore, Be It Resolved by the Vestry of St. Luke's Episcopal Church:

I. Gift Acceptance Committee

The Endowment and Investment Committee, as constituted by the Vestry, shall serve as the Gift Acceptance Committee.

II. Policy for Acceptance and Assignment of Contributions

A. Acceptance. All contributions to the Endowment Fund, or to establish other restricted funds, shall be accepted on behalf of the Parish by the Vestry upon the recommendation of the Gift Acceptance Committee according to the procedures set forth in Sections VII and VIII. Contributions not intended for the Endowment Fund, and contributions under \$5,000 shall be accepted according to standard Parish procedures for contributions and gifts.

Unrestricted gifts over \$5,000 shall be referred to the Gift Acceptance Committee, which shall make a recommendation to the Vestry as to the use of the funds.

B. Assignment. Contributions to the Endowment Fund shall be assigned to one of the following funds within the Endowment Fund:

Opportunity Fund for Mission and Outreach: may be used for mission and outreach into the community, including, for example, grants to Episcopal colleges and seminaries, social service

agencies, institutions and agencies to which this parish relates and to other special programs designed for those persons in our parish area who are in spiritual or economic need.

Parish Ministries Fund: may be used for support for Parish ministries and programs or seed money for new ministries or programs and such other purposes as are specifically designated by donors to the Endowment Fund and accepted by the Vestry.

Parish Clergy Fund: may be used for support for Parish Clergy.

Facilities Fund: may be used for constructing, improving or maintaining Parish physical facilities.

Unrestricted Fund: may be used for any purpose as determined by the Vestry, upon recommendation of the Finance Committee.

III. Acknowledgment of Gifts

The Rector and the Gift Acceptance Committee shall provide written acknowledgement of all gifts within 30 days of receipt.

The Parish Financial Office shall acknowledge each gift in accordance with the appropriate IRS Guidelines and Rules

IV. Unrestricted and Restricted Gifts Defined

Unrestricted gifts support general Parish operations, and carry no restrictions or designations from the donor as to use. Unrestricted gifts may be made to the Endowment Fund, with no condition on the use of the funds generated.

Restricted gifts support specific purposes as designated by the donor and as accepted by the Vestry. Restricted gifts may support an element of the annual operating budget, such as the music program, or a specific capital project, or may be made to the Endowment Fund, to support in perpetuity a specific purpose.

V. Gifts with Donor Restrictions

If a donor or donor group desires to establish a new permanently restricted fund, within the Endowment Fund a minimum contribution total of \$25,000 shall be required.

Gifts designated to existing restricted funds within the Endowment Fund shall be accepted in any amount.

VI. Confidentiality

All information obtained from or about a donor shall be held in the strictest confidence. The name, amount or the conditions of any gift shall not be published or otherwise be made generally known within the Parish without the express written consent of the donor.

VII. Procedure for acceptance

A. In General

1. Gifts specifically designated for the operating budget or an existing non-Endowment Fund special fund, and gifts under \$5,000 shall be placed into the appropriate fund by the Parish Treasurer or Finance Administrator.

2. Gifts over \$5,000 not designated for any purpose, shall be referred to the Gift Acceptance Committee, for a recommendation as to disposition.

3. If there is any question about the form of the gift, the purpose or the wishes of the donor, the gift shall be referred to the Gift Acceptance Committee. The Gift Acceptance Committee shall make recommendations to the Vestry for the final decision on questionable gifts.

4. The Vestry shall not accept any gift if there is any question as to whether the donor has sufficient title to the assets, or whether the donor is legally able to transfer the asset or property as a gift.

B. Direct Gifts

1. Cash

Gifts in the form of cash and checks shall be accepted regardless of amount. All checks shall be made payable to Saint Luke's Episcopal Church. No check shall be accepted unless it is made out solely to Saint Luke's Episcopal Church.

2. Publicly Traded Securities

Securities shall be accepted which are traded on the New York Stock Exchange, American Stock Exchange, or NASDAQ stock exchanges. In most cases, securities shall be immediately sold and the proceeds temporarily invested pending final disposition of the gift in accordance with the donor wishes. In no event shall any employee or volunteer working on behalf of the Parish commit to a donor that the securities will be held.

Stock controlled under SEC Rule 144 shall be held until the restriction on sale expires and then shall be immediately sold.

Stocks may be accepted in one of the following forms:

- a physical certificate registered in the name of the Parish,
- a physical certificate in the name of the donor with properly executed stock powers attached with signatures properly guaranteed, or
- by transfer of stocks to an account of the Parish from a bank, brokerage firm or similar financial institution.

3. Closely Held Securities

Non-publicly traded securities may be accepted only after approval by the Gift Acceptance Committee. Before recommending acceptance of non-publicly traded securities, the Committee shall consider the disposition of, or income from, the securities and shall review any restrictions, financial exposure, and timing of sale and any of the conditions that might impact its desirability.

4. Real Property

Gifts of real estate may be accepted only after approval by the Gift Acceptance Committee. The committee shall consider value, ease of sale and possible Parish use of the property in question as part of the acceptance criteria.

No gift of real estate shall be accepted prior to the review by the Gift Acceptance Committee of an appraisal from a "qualified appraiser."

The Gift Acceptance Committee may require that an environmental audit, inspection or impact study be made of real property being considered as a gift to the Parish. The committee shall not recommend approval of a gift that might expose the Parish to the expense of cleanup, ongoing litigation, or other potential risk that may result from the acceptance of such property.

Real Estate shall not be accepted to fund the creation of a Charitable Gift Annuity.

Real property that is encumbered by debt shall not be accepted unless there are sufficient assets provided to fully service or retire the debt.

5. Tangible Personal Property

Jewelry, artwork, collections, and other personal property may be accepted if the Gift Acceptance Committee reasonably determines that the property has a realizable net value and that it can be readily liquidated, or if the property has continued use to the Parish.

Only the Gift Acceptance Committee may represent to a donor that property will or will not be held by the Parish for a certain period of time. Donors shall be notified at the time (as described in Section III, Acknowledgment of Gifts, of this Gift Acceptance Policy) of receipt of a gift that the Parish will, as a matter of policy, cooperate to the full extent required by law, in all matters related to IRS investigations of non-cash charitable gifts.

6. Other Property

Partnership interests generally shall not be accepted. Other property of any description including mortgages, notes, copyrights, royalties, easements, whether real or personal, shall be accepted only if approved by the Gift Acceptance Committee.

C. Deferred Gifts

1. General

Gifts with donor-imposed restrictions on the use of the gift corpus or income shall be accepted only if the gift supports the mission and goals of the Endowment Fund.

Written documentation, signed by the donor, clearly defining the donor-imposed restrictions shall be obtained and maintained permanently.

Donors shall be encouraged to make provisions to allow the assets to be used for an alternate purpose if the primary purpose is deemed no longer appropriate. Donors shall be informed that if a restricted fund balance falls below \$5,000, the restricted fund will be terminated, and the balance of the fund swept into the Unrestricted portion of the Endowment Fund.

2. Restrictions

Neither the Rector nor any member of the staff or Vestry shall act as a Personal Representative of a donor's estate.

With the exception of Episcopal Church Foundation (ECF), the Parish or any of its agents shall not act as a trustee or co-trustee of a charitable remainder trust. The Parish or any of its agents shall not act as a trustee or co-trustee of any Parish-designated charitable trust without prior approval of the Vestry.

All information obtained from or about a donor shall be held in the strictest confidence. The name, amount or the conditions of any gift shall not be published or otherwise be made generally known within the Parish without the express written consent of the donor.

3. Bequests

The Parish shall actively encourage gifts through wills (bequests). In the event of inquiry by a prospective legator, representations as to the future acceptability of property proposed to be left to the Parish in a will or other deferred gift shall be made only in accordance with the terms and provisions of the Direct Gifts section of this document.

When the Vestry has rejected a bequest, the Rector shall expeditiously communicate the decision to the legal representatives of the estate. If the representative of the estate is dissatisfied with the decision, they may consult with the Gift Acceptance Committee regarding the decision, and then the Vestry, if desired.

4. Lifetime Planned Gifts

Donors who desire to enter into a lifetime planned gift transaction, such as a Charitable Remainder Trust, Charitable Gift Annuity agreements, life estate gift, or pooled income fund, shall be

encouraged to use the services of a professional manager, such as the Episcopal Church Foundation or other approved provider.

5. Life Estate Gifts

“Life Estate Gifts” may be accepted upon recommendation of the Gift Acceptance Committee where the asset involved appears to be a portion of the donor's wealth that is not significant, and there has been full disclosure to the donor of the possible future ramifications of the transaction.

6. Gifts of Life Insurance

The Parish shall encourage donors to name Saint Luke's Episcopal Church to receive all or a portion of the benefits of life insurance policies that they have purchased on their lives.

Gifts shall not be accepted for the purpose of purchasing life insurance on a donor's life. Exceptions to this policy may be made only if it is determined that the Parish has an insurable interest under all applicable state laws. The Parish shall recommend that donors make gifts by way of Irrevocable Insurance Trusts instead.

Gifts of life insurance shall be unencumbered.

Donor lists shall not be furnished to anyone for the purpose of marketing life insurance for the benefit of donors or the church.

7. Gifts of Retirement Benefits

The Parish shall encourage donors to name Saint Luke's Episcopal Church to receive all or a portion of the benefits of retirement benefits.

Gifts of retirement benefits shall be unencumbered.

Donor lists shall not be furnished to anyone for the purpose of marketing retirement benefits for the benefit of donors or the church.

VIII. Payment of Fees Related to Gifts to the Parish

A. Finder's Fees or Commissions

The Parish shall not pay finder's fees or commissions to any person as consideration for directing a gift to the parish.

B. Professional Fees

The Parish shall pay reasonable fees for professional services rendered in connection with the completion of a gift to the Parish.

The Gift Acceptance Committee shall recommend, and the Vestry shall adopt, guidelines for the employment and payment of professional service providers.

Fees shall be limited to (1) appraisal fees by persons who are qualified to appraise the property involved and who have no conflict of interest, (2) legal fees for the preparation of documents, (3) accounting fees incident to the transaction, and (4) fees of "fee for service" financial planners. Financial planners must state in writing that they are compensated only through fees for services rendered, such as fixed management fees, and that they are not compensated for the sale of products to clients.

The Gift Acceptance Committee shall endeavor to ascertain the reasonableness of all fees prior to incurring the cost, comparing them as appropriate to fees from several sources and professional and industry norms.

In cases where the donor initially employed the persons receiving fees and the Parish is asked to pay the fees involved, the donor shall be notified that the payment of such fees may result in a reduced income tax deduction to the donor in the amount of the fees paid.

Endowment Fund Plan

Investment Policy

Saint Luke's Episcopal Church
Los Gatos, CA

Whereas, the Vestry of St. Luke's Episcopal Church desires to

- Provide the Endowment Fund of Saint Luke's Episcopal Church to serve as a foundation for the long-term financial well being of St. Luke's Episcopal Church and its programs.
- Define principles of investment that ensure the stability of the Endowment Fund and its long-term perpetual growth.
- Establish guidelines and a philosophy that will guide the Rector, Wardens, and Vestry of Saint Luke's Episcopal Church in decisions regarding the management of the invested assets (Portfolio).
- Establish investment objectives and overall standards for the management of the assets held in the Endowment Fund.
- Identify restrictions regarding the investment of Portfolio assets.
- Define overall risk and return objectives of invested assets.
- Establish a methodology for evaluating the performance of the investment Portfolio.

Now Therefore Be It Resolved by the Vestry of St. Luke's Episcopal Church:

1. THE ENDOWMENT FUND OF SAINT LUKE EPISCOPAL CHURCH ("Endowment Fund"), 20 University Avenue, Los Gatos, CA 95030, shall be administered by the Endowment and Investment Committee as described in the **Endowment Fund Plan** of St. Luke's Episcopal Church.

2. Contributions

Contributions to the Endowment Fund shall be accepted in accordance with the **Gift Acceptance Policy and Procedure** of the **Endowment Fund Plan** of St. Luke's Episcopal Church.

3. Distribution (Spending Rules)

Distributions from the Endowment Fund shall be made in accordance with the **Spending Policy** of the **Endowment Fund Plan** of St. Luke's Episcopal Church.

4. Fund Management

The committee shall provide for professional management of investments by retaining an Investment Manager and professional assistance regarding legal matters as it deems to be in the best interests of the Endowment Fund.

Fund Assets

All assets donated to and accepted by the Parish for inclusion in the Endowment Fund shall be held in the name of "THE ENDOWMENT FUND OF SAINT LUKE'S EPISCOPAL CHURCH." Actions to hold, sell, exchange, rent, lease, transfer, convert, invest, reinvest and in all other respects to manage and control the assets of the Endowment Fund, including stocks, bonds, debentures, mortgages, notes, warrants of other securities, as in their judgment and discretion they deem wise and prudent, shall be made by the Investment Manager or Managers consistent with policies and procedures established by the Vestry.

The Endowment Fund is a tax-exempt fund and is therefore exempt from all Federal and State government taxes.

Fund Management Objective

It is intended that the Endowment Fund be managed as a true endowment employing the restriction that the principal shall not be invaded. As a result, the Endowment Fund will grow over time to keep up with long-term inflation and economic changes, and to ensure this only a portion of any available gains will be distributed to provide the long-term growth and perpetual nature of the Fund.

Perpetuity

The Endowment Fund's investment horizon shall be perpetual.

5. Fund Investment Approach

The Endowment Fund portfolio shall consist of fixed income securities and equity securities (bonds, mutual funds, money market funds and home equity asset backed securities). The portfolio shall include all assets in the Endowment Fund, whether designated as restricted or unrestricted.

Investment Objectives

In order of importance, the investment objectives are:

- Safety of Principal
- Growth of Capital
- To preserve Long-Term Value of the portfolio
- To maintain Long-Term Purchasing Power
- Prudent Diversification
- Liquidity

Investment Goal Return

Investment returns shall be measured on a total return basis, which includes income and both realized and unrealized gains/losses.

Based on the defined management and investment objectives, the recommended target return objective shall be 7 – 9% annually when measured over a three- to five-year business cycle. This return objective shall be reviewed annually and adjusted if the Endowment Fund's investment objectives change.

Risk - Defined

Risk is defined as the unpredictability of investment returns and the chance that the actual return from investment in an asset class will be different from its assumed return.

Risk Tolerance

The risk tolerance of the Endowment Fund shall be conservative/moderate. Therefore, some minimal volatility in the Portfolio shall be acceptable in order to achieve the return objectives set forth in this Investment Policy. The Committee, Finance Committee, and Vestry understand that the actual level of risk in the Portfolio at a given time, as well as the overall Portfolio investment returns, may be higher or lower than the Endowment Fund stated risk tolerance and return objective.

6. Investment Vehicles

Fixed Income Securities (Bonds)

Fixed income securities may include the following: U.S. Treasury obligations, federal agency obligations, marketable corporate bonds, commercial bank certificates of deposit, bond mutual funds and money market funds.

Bonds shall be selected and managed so as to assure appropriate balance of quality, maturity and coupons consistent with current money market and economic conditions.

All bonds shall be investment grade as rated by the bond services. The weighted average quality of the fixed income portfolios will be AA or better.

Equity Securities (Stocks)

Equity securities shall be limited to publicly traded common and preferred stocks convertible securities and stock mutual funds. Stocks and stock mutual funds shall emphasize conservative/moderate growth.

No direct investment shall be made in foreign securities. However, a maximum 10% of the portfolio may be invested in mutual funds that invest in foreign securities.

Prohibited Investments

Investment in commodities, futures, options (puts/calls), letter stock, derivatives, limited partnerships, private placements, short sales, margin transactions and foreign securities except as outlined above, are all prohibited.

7. Asset Allocation

The asset allocation between stocks and bonds shall be as follows:

Stocks may represent up to 40 % of the portfolio based on market value at time of purchase.

Bonds shall make up the remainder of the portfolio.

Assets may be temporarily invested in short-term U.S. treasury/agency obligations and/or money market funds as a transition between receipt by the Parish and selection of the appropriate investment vehicles as needed.

Portfolio Rebalancing

The Committee and the Investment Manager should review asset allocations on a quarterly basis and consider rebalancing at least annually to ensure the portfolio meets the investment goals and the asset allocation plan.

8. Performance Evaluation

Performance of the Portfolio shall be measured monthly, reported quarterly and evaluated over a three-year time periods.

Benchmarks

Appropriate benchmarks for performance evaluation of the portfolio shall be Standard and Poor's 500 Index (Equity benchmark) and Lehman Brothers Intermediate Term Government/Corporate Bond Index (Fixed Income benchmark).

9. Communication and Reports

Fund Records. The Parish Treasurer or Finance Administrator shall maintain complete and accurate books of account for the Endowment Fund.

Annual Audit. The books shall be audited annually by a certified public accountant or other qualified person. Such person shall not be a member of the Parish.

10. Disposition or Transfer of the Endowment Fund

If the Parish ceases to exist, whether through merger, dissolution, or some other event, disposition or transfer of the Endowment Fund shall be at the discretion of the Vestry in

conformity with the approved congregational constitution and in accord with diocesan canons of the Diocese of El Camino Real. Consultation with the Episcopal Church Foundation may be desirable for continuation of Endowment Fund obligations.

10. Conflicts of Interest

No member of the committee, finance committee or vestry shall engage in any self-dealing or transactions with the Endowment Fund by entities in which the member is an officer, has a controlling interest or any direct or indirect financial interests and they shall at all times refrain from any conduct in which his personal interests would conflict with the interest of the Endowment Fund. Members of the Committee, Finance Committee and Vestry shall be covered by the Parish's Director's and Officer's liability insurance.

11. Amendments

Any amendment to this policy shall be made as described in the **St. Luke's Endowment Fund Plan**.

Endowment Fund Plan

Spending Policy

Saint Luke's Episcopal Church
Los Gatos, CA

Whereas, the Vestry of St, Luke's Episcopal Church desires to

- Manage the Endowment Fund of Saint Luke's Episcopal Church as a true endowment,
- Preserve funds in the Endowment Fund for long-term benefit of Saint Luke's, and
- Utilize funds from the Endowment Fund according to the wishes of the donor and community.

Now Therefore Be It Resolved by the Vestry of St. Luke's Episcopal Church:

1. THE ENDOWMENT FUND OF SAINT LUKE EPISCOPAL CHURCH ("Endowment Fund"), 20 University Avenue, Los Gatos, CA 95030, shall be administered by the Endowment and Investment Committee as described in the **Endowment Fund Plan** of St. Luke's Episcopal Church.

2. Contributions

Contributions to the Endowment Fund shall be accepted in accordance with the **Gift Acceptance Policy and Procedure** of the **Endowment Fund Plan** of St. Luke's Episcopal Church.

3. Fund Management

Management of funds in the Endowment Fund shall be done in accordance with the **Investment Policy** of the **Endowment Fund Plan** of St. Luke's Episcopal Church.

4. Definitions

Managing an Endowment Fund as a true endowment means employing the restriction that the principal shall not be invaded.

A Total Return Policy for an endowment is an approach that provides a designated percentage of the total Endowment Fund assets for expenditure annually. This percentage is chosen to be less than the average long-term growth and return of the assets in order to satisfy the true endowment management requirement. The funds available for distribution during any one year shall be limited to a percentage of the market value of the managed corpus.

The market value of the managed corpus for this determination is typically a multi-year rolling average, with measures of total asset value taken at the end of each of the preceding calendar quarters. The value of the managed corpus at each quarter will include any change in asset value during that quarter, including dividends and interest earned and shall be determined net of the any fees paid for investment management.

Example: Providing 4% of the assets of the endowment annually for spending on qualified items based on market value of the corpus, which is calculated from a two-year average of the asset values at the end of each of the eight preceding quarters, and where the average return is at 4% or greater would satisfy spending under a Total Return Policy.

5. Distribution (Spending Rules)

Spending rules and protocols, stated herein are intended to provide for the use of funds consistent with the stated purposes of the Endowment Fund as stated in the **St. Luke's Endowment Fund Plan**. The Vestry will determine the spending requirements. The Endowment and Investment Committee, hereafter called the Committee, will be responsible for establishing and exercising appropriate Spending Policies that will fulfill those stated needs.

5.1 Expendable Funds

Total-Return Principle

Expendable funds, that is, funds available for distribution according to individual fund requirements, shall be determined on the basis of a total return policy.

Determination of the maximum amount available for annual distribution from the Fund shall be calculated from the average of the market value of the managed corpus over eight-quarters, less any fees, and reduced to permit continued growth of the Fund assets.

In no case shall the distribution be more than the amount of asset growth over the two-year period.

All expenditures shall be taken from funds available for distribution.

Example: When the calculation of managed corpus growth is in the range of 7-9%, a reasonable target distribution would be between 3-4% depending on actual return on the investments.

5.2 Allocation and Expenditures

Expendable Funds Accrued

Unexpended funds from those available for distribution (according to the requirements above) in a given year shall accrue and shall continue to be "available for distribution" in subsequent years, unless otherwise designated by the Vestry upon the recommendation of the Committee and the Finance Committee.

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

- a. Upon resolution of the Vestry, based upon recommendation of the Committee, Endowment Funds shall be transferred to the Parish Treasurer for expenditure for those uses that conform to the purposes and restrictions stated in the **St. Luke's Endowment Fund Plan Gift Acceptance Policy and Procedure** document. This is the normally expected distribution process.
- b. The committee may choose to recommend to the Finance Committee and the Vestry expenditures for general expenses incident to the management and administration of the Endowment Fund. The Vestry shall approve, prior to implementation, all extraordinary initiatives recommended by the committee to be undertaken for Endowment Fund development.

6. Budgeting and Reporting

All allocations and distributions of available endowment generated funds (restricted or unrestricted) shall be accounted for and properly budgeted so they appear as budgeted items or Fund line items allocations on the Parish balance sheet.

7. Committee Report

The committee shall report, at a minimum, on a quarterly basis to the Vestry any recommended modification to the Spending Policy.

8. Collateral and Borrowing

The Endowment Fund may not be used, nor any part of the Endowment Fund be used for collateral on loans.

No portion of the principal amount of the Endowment Fund can be "borrowed," including any "temporary usage" for other parish needs.

9. Amendments

Any amendment to this policy shall be made as described in the **St. Luke's Endowment Fund Plan**.