

IV. ENDOWMENT/INVESTMENT POLICY OF THE CHURCH

ADOPTED: NOVEMBER 2, 2003/ AMENDED: NOVEMBER 2, 2003

A. INTRODUCTION

The purpose of these guidelines is to establish policies for accepting, receiving and investing permanent funds and endowments from major outright and planned gifts. These guidelines apply to gifts for purposes other than the ordinary donations to the Ephraim Moravian Church's (Church) general operating budget.

B. TYPES OF FUNDS

There are two types of funds subject to these guidelines.

1. "Donor Designated" funds from outright and/or planned gifts to the Church in which the donor(s) stipulate(s), in writing, the purpose(s) and use(s) of the gift.
2. "Board Designated" funds from outright and/or planned gifts to the Church from a donor(s) that do not have any stipulation(s) or requirement(s) from donors concerning their use.

C. DONOR DESIGNATED FUNDS

The Trustees deeply appreciate the fact that many donors wish to address specific needs that they see and believe in through outright or planned gifts. The Trustees will make every effort to ensure that the Church complies with the donor's wishes. Prior to accepting a donor designated gift or gifts the Trustees will also make every effort to understand the donor's wishes and intentions to assure that the Church will be able to faithfully carryout the purpose(s) of the gift(s). In the event the Trustees determine that the gift imposes an undue restriction on the Church and/or compromises the mission and ministries of the Church, the Trustees may ask the donor or his/her representative to amend the designation in such a manner that it fulfills the donor's wishes and intention(s) and does not impose an undue burden on the Church. If a mutually agreeable accommodation is not reached, the Trustees reserve the right to reject the intended gift to the Church.

D. BOARD DESIGNATED FUNDS

In many cases, major outright and planned gifts are given to the Church without any restrictions. These gifts are blessings and place a significant and important responsibility on the Trustees. Furthermore, the Trustees reserve the right to recommend amendments to the purpose(s) of the Funds and to add additional Board Designated Fund categories for approval by Church Council. These guidelines, therefore, set forth how these gifts will be used. The Board has identified two "Donor" and four "Board" Designated funds:

1. Donor Designated Funds
 - a. **Cemetery Endowment Fund** – Funded with 700 shares (subject to change from any future splits or reverse splits) of Proctor and Gamble Common Stock, with the restrictions that the dividends generated by the stock will be used for the sole benefit to care and maintain the Church's cemetery.
 - b. **Heise/Miller Permanent Fund** – A permanent fund that requires the Church to maintain the corpus in perpetuity, with earnings allocated to the Mission and Outreach Fund (below).
2. Board Designated Funds
 - a. The **Music Fund** will support, but not be limited to:
 - (1) The acquisition of music, materials and capital items that support the choir and the Church's music program;
 - (2) Concerts and music efforts sponsored by the Church;
 - (3) Attendance by members of the Church involved in the music program to conferences and programs sponsored by the Moravian Music Foundation, the Bi-annual Moravian Music Festival and other programs

and training deemed appropriate by the Board of Elders that further the Church's music programs.

- b. **The Mission & Outreach Fund** supports efforts of the Board of Elders to bring the Gospel and enrich the life of the community that include, but are not limited to:
 - (1) Direct aid for projects and needs of the Board of World Mission;
 - (2) Mission trips, both internationally and domestically, by members of the Church;
 - (3) Emergency aid to individuals and families in need;
 - (4) Outreach to and ecumenical efforts for the Door County community;
 - (5) Direct aid to organizations like Habitat for Humanity, shelter programs for the homeless and battered spouses, and other community services that are consistent with the mission and ministries of the Church; and,
 - (6) Other efforts that bring the Gospel and the work of the Church to people in need.
- c. **The Forever Fund** - If revenue from the donor designated "Cemetery Endowment Fund" is not adequate to meet the needs to care and maintain the cemetery earnings from this Fund will be available for maintenance of the cemetery. Unspent annual earnings from the Fund will also be available for:
 - (1) Scholarship aid to members of the church for church camp;
 - (2) Scholarship aid to members of the Church who are pursuing post-secondary education at an accredited institution (college, technical and/or trade school);
 - (3) Scholarship aid for members of Church attending Moravian Theological Seminary or other denominationally approved seminaries; and,
 - (4) Aid (non-salary) to the Pastor in ways to enrich his/her life and strengthen his/her ministry to the Ephraim Moravian Church.
- d. **The Commemorative Preservation Fund** is available to address a wide range of unanticipated needs that arise in the life of the Church and shall support but not be limited to:
 - (1) Preservation efforts that fund capital projects and major repairs of the church and parsonage. For a project to qualify for this Fund, the total cost must exceed \$2,500 and result in extending the useful life of the facilities and grounds. (This Fund shall not be used to pay for routine maintenance and upkeep for the church and/or parsonage.)
 - (2) Other needs that arise which cannot be funded from the above Donor or Board Designated Funds, and which are not customarily paid for from the Church's annual budget.

E. TYPES OF GIFTS

There are two types of gifts that fall within the purview of these guidelines:

1. **Major Outright Gift** – A gift or pledge that has not been designated for the Church's operating/general budget. An Outright Gift may consist of cash, stocks, bonds, mutual funds and/or other marketable securities. Other property, such as real estate, boats, cars and other items where there is a ready-market may also be given; however, in these instances an agency of the denomination, the Moravian Ministries Foundation, will be asked to assist the trustees prior to acceptance. The Trustees reserve the right to refuse any gift that may burden the Church with a current or future liability equal to or in excess of the value of the gift.
2. **Planned Gift** – A gift made by bequest, revocable or irrevocable trust, gift annuity, retirement plan, life insurance and the like. In the event the planned gift consists of real estate, boats, cars or other items where there is a ready-market may also be given; however, an agency of the denomination, the Moravian Ministries Foundation,

will be asked to assist the Trustees prior to acceptance. The Trustees reserve the right to refuse any gift that may burden the Church with a current or future liability equal to or in excess of the value of the gift.

Most non-cash gifts will be liquidated upon their receipt. In the case of gifts of marketable securities, the Church will maintain a brokerage account for the purpose of receiving and liquidating the donated assets.

F. ACCOUNTING AND REPORTING

All Donor and Board Designated Funds will be accounted for separately and reported to the congregation at Church Council. In addition, an annual report on the use of all Funds will also be provided at Church Council. The Trustees will also provide a written acknowledgement to the donor or donors of the gift.

G. INVESTING FUNDS

Both Donor Designated and Board Designated Funds will be invested in a diversified portfolio of stocks and bonds under the advisement of the Moravian Ministries Foundation. The Trustees reserve the right to change investment counsel at any time. The options for investing the funds shall include a "growth allocation" consisting of 70% equities and 30% fixed income securities, a "balanced allocation" consisting of 50% equities and 50% fixed income securities, and/or an "income allocation" consisting of 30% equities and 70% fixed income securities.

The selection of the allocation for each Donor and Board Designated Fund shall consider the goals and purposes of each fund and the risk tolerance of the Church to the marketplace. In most cases, the investment time horizon is in perpetuity, and therefore, primary consideration should be given to economic and market trends over a five to ten year period.

It is important to note that there may be times when there are market conditions that affect the performance or value of the funds, significantly. While the Trustees will not engage in so-called 'market-timing,' from time-to-time the Trustees will evaluate and affirm or change the asset allocation. Nevertheless, investing in the stock and bond market always has an element of risk; however, the Trustees believe that over the long term the Funds will greatly benefit from being invested in a diversified portfolio.

H. DISTRIBUTIONS AND INCOME

Unless otherwise prescribed by the donor, the Trustees shall make annual distributions to carry out the purpose or purposes of the fund, using one of the following methods:

1. **The Total Return Method** considers the Net Asset Value (NAV) of the fund, regardless of the rate of return, computed against a percentage amount that will be no less than 5% and no greater than 7%.
2. **The Income Method** considers the income generated by the fund through interest, dividends and realized capital gains.
3. **The Dollar Method** is a dollar amount allocation from the fund determined by the Trustees, without regard to the NAV or the income generated.

The Trustees shall annually adopt one method for each Donor and Board Designated Fund; however, the Trustees shall not be obligated to make a distribution in the event there is not a need.

I. RECOGNITION

The Trustees will be bound by the principle that the donor's wishes with regard to naming and recognition will prevail. Therefore, if a donor wishes to remain anonymous about the gift the Trustees shall honor the donor's request. If the donor wishes or agrees to public recognition of the gift, the Trustees will determine an appropriate and respectful method that is also satisfactory to the Church. In the event the donor is silent on whether he or she desires any recognition, the Trustees will keep his or her name anonymous. In every instance the donor's name and other known information about the donor will be recorded in minutes of the meeting where the Trustees accept the gift.

J. OTHER PROVISIONS

From time-to-time the Church may need to respond to crisis needs that require the expenditure of funds well in excess of cash available from the operating and other reserve funds. In these cases, the Trustees shall have the option of either:

1. Liquidating needed assets in any or all the Board Designated Funds, and/or
2. Borrowing the funds from either the Board or Donor Designated Funds. If the Trustees wish to borrow funds, then there shall be a note that contains a payment plan, with interest. The fixed rate of interest shall be comparable to the prevailing rate for government securities for the length of maturity equal to the term of the loan.

In either case, the Trustees shall bring this matter before Church Council for its advice and consent, with a two-thirds majority vote necessary to take action.

K. CLASSIFICATION AND RECLASSIFICATION OF ASSETS

To carryout these guidelines the Church has restricted and unrestricted assets shall be classified and reclassified according to the following schedule.

1. Donor Designated

- a. Cemetery Endowment Fund = "Cemetery P&G Stock Fund"
- b. Heise/Miller Permanent Fund = "Heise/Miller Principal"

2. Board Designated

- a. The Music Fund = "Organ Fund"
- b. Mission and Outreach Fund = "Charity and Mission Fund," and "Heise Available Fund"
- c. Forever Fund = "Cemetery Operating Fund"
- d. Commemorative Preservation Fund = "General Endowment Fund," "Operating Fund" and "Memorial Fund"