

**ST. JOHN'S EPISCOPAL CHURCH ENDOWMENT
PLAN OF OPERATION**

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ENDOWMENT OF ST. JOHN'S EPISCOPAL CHURCH PLAN OF OPERATION

SECTION I – Endowment Creation

Purpose

The St. John's Episcopal Church Endowment (the "Endowment") was created as a new and separate endowment by Vestry resolution adopted on _____, 2011 and ratified by the Parish on _____, 2012.

The purpose of the Endowment is to enable the Parish to more completely fulfill its mission by developing its ministries beyond that which is possible through its annual operating budgets. Distributions shall not be made from the Endowment to the Parish operating budget.

Distributions from undesignated funds (i.e., those funds whose use is not designated by the donor(s) of such funds) shall be at the discretion of the Endowment Board (the "Board") and are limited to (i) capital needs of the Parish; (ii) seed money for new ministries and special one-time projects, and (iii) any other purpose determined by the Board to support the mission and goals of the Parish, other than to supplement the operating budget of the Parish. Distribution of funds designated by the donor(s) of such funds for a specific purpose may only be used for such purpose.

Operation and Administration

The Board shall consist of 9 members elected by the Parish. At the 2011 fall meeting of the Parish 3 members of the Board shall be elected to serve for one year, 3 members for two years and 3 members for three years. Thereafter, at each fall meeting of the Parish, 3 members of the Board shall be elected to replace those members whose term of office expires at the time of that election. The Board shall collectively act as custodian of the Endowment. No Board members may serve concurrently on the Vestry and all candidates for election to the Board must be members in good standing at St. John's Parish.

A Vestry member shall be appointed as an ex-officio member of the Board to facilitate communication and address common issues. The Rector shall also be an ex-officio member of the Board.

Any vacancy on the Board occurring during the year, including a vacancy created by an increase in the number of members, may be filled for the unexpired portion of the term by the Board. Any member so elected by the Board shall hold office until the next succeeding annual fall meeting of the Parish or until the election and qualification of his successor.

The Board shall meet at least quarterly and a quorum consisting of a majority of the voting members is needed to carry any motion or resolution.

The Board shall elect from its membership a Chairperson, Vice Chairperson and Secretary, and such other officers with such powers and duties not inconsistent with this Plan of Operation as may be appointed and determined by the Board. The Secretary shall maintain complete and accurate minutes, a copy of which shall be furnished to the Vestry within fifteen (15) days after the meeting. The Chairperson shall make a full and complete quarterly written report to the Vestry. Likewise, a written annual report for the preceding year shall be provided at each annual meeting of the Parish held in January.

The Vestry shall provide oversight of the Board through periodic review, including the quarterly review of all transactions.

The Vestry's intent is that the principal of the Endowment not be invaded. However, the Endowment distributions are to be made using a Total Return Policy. (As used herein, a Total Return Policy is a policy which treats all returns on investments – interest, dividends, realized and unrealized capital appreciation – as additions to principal. The policy enables the Board to maintain a spending policy based on preset percentages of principal. In other words, distributions from funds are not determined solely by current investment income, but rather by a percentage of a fund's market value based on a point in time (typically January 1 of the current year). This spending policy allows for more predictable distributions over the long-term, and ongoing grant recipients are able to rely upon a relatively stable income stream.) The Board shall formulate spending rules and protocols consistent with the Endowment purposes.

Endowment funds may not be borrowed for any purpose, including temporary usage for other Parish needs.

SECTION II –Funds Within the Endowment

Nature of Funds

The Endowment consists of a series of designated and undesignated funds, some of which presently exist and are described in Section VIII and others of which are expected to be created in the future.

The identity and purpose of each designated fund is preserved individually for asset tracking and reporting purposes. The Board will review each such fund annually to determine whether the fund should continue to be maintained as a separate subaccount or fund.

New designated funds will be established on the last day of the quarter in which the gift is received.

Distribution of amounts in designated funds is subject to the Total Return Policy but are limited to the purposes specified in the designation.

Income, realized gains and losses, and unrealized gains and losses are allocated quarterly.

New gifts and withdrawals are added to or subtracted out at the end of each quarter.

Portfolio Accounting

The Board will develop spreadsheets that organize the allocation of gains and losses among the various designated funds.

Policy Statement

It is the intent of the Board that best efforts will be used to follow the stated purpose of each Endowment designated fund or subaccount.

SECTION III - Bequests and Gifts in Life

Identification of Bequests

Bequests to the Endowment may identify the beneficiary in one of two general ways:

“St. John’s Episcopal Church” or “St. John’s Episcopal Church Endowment”.

Bequests To “St. John’s Episcopal Church”

Best efforts shall be made to determine whether bequests to “St. John’s Episcopal Church” are intended to be part of the endowment and if so, whether there are any restrictions on the use of the gift.

Bequests Marked “St. John’s Episcopal Church Endowment”

Bequests marked specifically to the Endowment are automatically transferred to the Endowment upon receipt.

Bequests to be used for a specific purpose will be placed in the designated fund within the Endowment and made available for that intended purpose only.

Minimum Balance

A designated fund can be created within the Endowment by a bequest of at least \$25,000.00.

Gifts in Life

The Parish encourages gifts made in life, whereby the donor may direct his gift to either the Endowment or to present use while in life. Such gifts may be “designated” or undesignated,” or may be in any form.

A designated fund can be created within the Endowment if the initial gift is \$25,000.00 or more, provided that a designated fund may be established by an initial gift of less than \$25,000.00 if the donor or his designees undertake to add to the initial gift to increase the total to \$25,000.00 within a reasonable time. Such initial gifts require the express approval of the Board.

Direction of Endowment-Directed Gifts

With respect to gifts designated generically to the “Endowment,” the Board shall determine to which Endowment subaccount or fund the gift should be allocated.

Acknowledgements

Acknowledgments of bequests and gifts in life will be given by the Rector.

SECTION IV - Investment Policy

Custody of Funds

All funds are held on a pooled basis in an account with a discount brokerage firm to be selected by the Board. On an annual basis, the Board will review the relationship with the discount brokerage firm to ensure that account fees, trade commissions, service, etc., are commensurate with the needs of the Parish.

Deposits

- Deposits are made and sent to the Foundation brokerage account monthly. During the month, funds received by the Parish designated for the Foundation are accumulated. Accumulated funds are deposited into the brokerage account within fourteen (14) days after they exceed \$1,000.

Brokerage Account Authorization

- Chairperson
- Vice Chairperson

Brokerage Account Trading

- Trading decisions are made by the Board
- Primary execution is completed by the Chairperson
- Execution orders are given by fax or email, if at all possible
- Immediate written confirmation shall be faxed (or emailed if relevant) by the firm executing the trades to the Chairperson

Investments

Funds will generally be invested in low-cost, exchange-traded funds (ETFs).

Time Horizon

The time horizon of the invested funds will be derived from the “Primary Foundation Spreadsheet” attached as Schedule A that lists the weighted average timing of funds expected.

Investment Direction

Less Than 12 Months

- Investments are made in money market instruments and other short-term fixed income investments. Examples of these are:
 - Money market mutual funds (including brokerage sweep accounts)
 - Short-term certificates of deposits
 - 90-day Treasury Bills
- Safety of principal is the primary consideration with investment income a secondary concern.
- Careful attention to transaction fees should be a priority given the relatively low interest income expected from these short-term investments.
 - The overall fixed income allocation should have an average duration of less than three years.

12-36 Months

- The targeted allocation should be 20/80 (equity/fixed income)
- Fixed income investments with short-term durations are stressed.

36-60 Months

- The targeted allocation should be 40/60 (equity/fixed income)
- Fixed income investments with short-term durations will be stressed.
 - The overall fixed income allocation should have an average duration of less than five years.

60+ Months

- The targeted allocation should be 60/40 (equity/fixed income)
- Fixed income investments with intermediate-term durations will be stressed.
 - The overall fixed income allocation should have an average duration of less than ten years.

Because these broad asset allocations were created in a certain investment and economic climate, the allocations should be monitored periodically and adjusted as deemed appropriate based on then-current conditions.

SECTION V - Spending Rules

Distributions

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

With respect to designated funds, which by their terms are not automatically distributed or distributed at the discretion of the Board, upon written request, and the approval of the Board, funds may be transferred to the Parish Steward for those uses that conform to purposes and restrictions of the individual funds, and with respect to undesignated funds, for any purpose set forth in Section I.

The Board may obligate moneys for general expenses incident to the marketing, management and administration of the Endowment, including by way of example, the engagement of a professional asset manager.

Extraordinary initiatives contemplated by the Board for the Endowment development require approval of the Vestry before implementation.

Funds Available for Distribution

The Board will provide a reasonable and consistent level of funds available for distribution using the Total Return Policy, while at the same time providing for the long term growth of the Endowment.

SECTION VI – Gift Acceptance Policy

Purpose

The policy is intended to provide guidelines to representatives of the Parish who may be involved in the acceptance of Endowment gifts, to outside advisors who may assist in gift planning, and to prospective donors.

Gift Review Committee

Questions that may arise will be referred to the Board, who shall act as the Gift Review Committee.

Gift Categories

Cash or checks: All gifts are to be accepted regardless of amount. Checks should be payable to "St. John's Episcopal Church Endowment" and not to any individual that represents the Parish.

Publicly Traded Securities: Gifts will be accepted.

Closely Held Securities: Gifts are subject to Board review to determine valuation and liquidation methods and options. No repurchase commitment shall be made prior to completion of the gifting.

Real Estate: Gifts are subject to Board review. Required analysis details include but are not limited to appraisal, valuation, carrying costs and outstanding liens and litigation.

Tax Advantage Gift Vehicles: The Board and Parish may invite prospective donors to consider using various gift vehicles offered by the Episcopal Church Endowment or financial services companies.

Endowment Board Disclosure Policies

All communications brochures, correspondence, illustrations or form documents are to be provided without charge to donors and will include standard disclaimer language.

All information obtained from or about donors will be held in the strictest confidence. The name of any donor and the amount and condition of any gift will not be published without the express written consent of the donor.

The Board may seek qualified professional counsel in the exploration and execution of all planned gifts. The Parish recognizes the right of fair and just compensation for professional services rendered.

Final Gift Acceptance Decisions Reside with Vestry

The Vestry upon advice from the Board reserves the right to decline any gift that does not further the mission and goals of the Parish or is otherwise unacceptable to the Board after its review.

Any proposed gift that creates administrative burdens or excessive expenses or which is not capable of being monetized may be declined.

SECTION VII – Administration and Reporting

Purpose

To acknowledge quickly and appropriately all gifts to the Parish and its ministry with an emphasis on responding to major gifts.

Acknowledgment of Gifts

All gifts to the Endowment shall be acknowledged and a thank you letter mailed as soon as reasonably possible.

Communication

The Rector will report gifts received within the month at the monthly meeting of the Vestry.

A list of gifts will be included in the Annual Report of the Parish, consistent with the wishes of the donor.

SECTION VIII –Existing Foundation Subaccounts – Description by Account Subaccount

A. Outreach

Purpose

To support the outreach efforts of the Parish. Funds used are in addition to any committed by the Vestry via the annual operating budget.

Distribution Limitations

It is intended that (except in special circumstances) annual expenditures of this fund will be limited to no more than 5% of the year-end balance from the prior year. The Board will automatically distribute 5% of the prior year's ending balance to the Outreach Designated Fund.

Investment Policy Statement (“IPS”)

Investment of these funds shall be driven by St. John's IPS for all endowment accounts. The expected distribution timing can be found in the Endowment's quarterly report to the Vestry.

B. Physical Plant Reserve

Purpose

To support the maintenance and upkeep of the church's physical plant.

Discretionary Authority

The Board has discretion as to the direction of these funds. The Board will, where appropriate, consult with the Building & Grounds Committee as well as the Facilities Manager and the Rector regarding the disbursement of these funds.

Distribution Limitations

Timing of the distributions will be driven by the maintenance needs of the church and therefore, predicting the cash flow needs is difficult.

Investment Policy Statement

Investment of these funds shall be driven by St. John's IPS for all endowment accounts. The expected distribution timing can be found in the Endowment's quarterly report to the Vestry.

C. Columbarium

Purpose

To cover maintenance costs and capital-expenditure needs for the columbarium area.

Discretionary Authority

The Board has discretion as to the direction of these funds. The Board will, where appropriate, consult with the Building & Grounds Committee and the Rector regarding the disbursement of these funds.

Distribution Limitations

It is intended that (except in special circumstances) annual expenditures of this fund will be limited to no more than 10% of the year-end balance from the prior year.

Investment Policy Statement

Investment of these funds shall be driven by St. John's IPS for all endowment accounts. The expected distribution timing can be found in the Endowment's quarterly report to the Vestry.

D. Fred R. Young Memorial Garden Fund

Purpose

To provide for the care and maintenance of the Garden, specifically such items as fertilization, mulching, weeding, replacement of plants, upkeep of the sidewalks, improvements of the appearance of the Garden including irrigation, fountains and furnishings and, when funds provide, upkeep of the trees. The Parish will be responsible for grass cutting and the primary tree maintenance. This fund will not be used for capital funds.

Funding Sources

The Fred Young family and directed gifts from others.

Discretionary Authority

The assets of the fund are to be directed as stated above.

Distribution Limitations

The net income of the Fund, after deducting the expenses of investing and administering the Fund, shall be distributed and designated each year for the above mentioned purpose. The income available each year will be based on the income accrued in the previous calendar year.

Investment Policy Statement

Investment of these funds shall be driven by St. John's IPS for all endowment accounts.

E. Seminarian

Purpose

To support the calling to ministry of appropriate candidates.

Discretionary Authority

The Board has discretion as to the direction of these funds. The Board will consult with the Rector regarding the disbursement of these funds.

Distribution Limitations

None expected.

Investment Policy Statement

Investment of these funds shall be driven by the St. John's IPS for all endowment accounts. The expected distribution timing can be found in the Endowment's quarterly report to the Vestry.

F. Kanuga Kids

Purpose

To support the Kanuga Kids program.

Discretionary Authority

The Board has discretion as to the direction of these funds, but the Board should consult with the Outreach Committee and Rector before deviating from the stated purpose.

Distribution Limitations

None expected.

Investment Policy Statement

Investment of these funds shall be driven by the St. John's IPS for all endowment accounts. The expected distribution timing can be found in the Endowment's quarterly report to the Vestry.

G. Hospitality

Purpose

To provide for special events and gatherings that build fellowship and faith.

Discretionary Authority

The Board has discretion as to the direction of these funds. The Board will, where appropriate, consult with the Rector and the donor church member regarding the disbursement of these funds.

Distribution Limitations

It is the intent that (except in special circumstances) annual expenditures of this fund be limited to no more than 10% of the prior year's ending balance.

Investment Policy Statement

Investment of these funds shall be driven by St. John's IPS for all endowment accounts. The expected distribution timing can be found in the Endowment's quarterly report to the Vestry.

SECTION IX – Future Subaccounts

New Designated Funds

Additional designated funds are expected to be created in the future and when created, each will be maintained as a separate subaccount. The investment of each new designated fund or subaccount shall be driven by the St. John's IPS and unless otherwise provided by the donor, subject to the distribution limitations applicable to the existing Foundation subaccounts as set forth in Section VIII.

SECTION X – Additional Considerations

Vestry Responsibilities

The Vestry shall approve any distributions from the Endowment not automatically generated by previously specified distribution parameters. Only the Board can approve changes to the “Distribution Limitations” and timing of distributions of each Endowment sub-account as set forth in Section VIII and as may pertain to sub-accounts or designated funds created in the future.

SECTION XI – Amendments

Amendments

This Plan of Operation may be amended when necessary upon the recommendation of the Board and by a majority vote of the Vestry, ratified by the Parish at an annual or special called meeting.