

**ST. JOHN'S EPISCOPAL CHURCH ENDOWMENT  
PLAN OF OPERATION  
Final 6/27/17(v4)**

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

## **SECTION I – Endowment Purpose and Administration**

### **A. Purpose**

1. The St. John's Episcopal Church Endowment (the "Endowment") was created by Amendment to the By-Laws of Saint John's Episcopal Church ratified by the Parish on January 22, 2012.
2. 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.
3. For purposes of this Plan of Operation, the Endowment shall include any organization, authorized by the Vestry, organized to be exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and operated to support the mission and ministries of St. John's Episcopal Church.

### **B. Operation and Administration**

1. The Endowment shall be administered by a Board ("The Board") of 9 persons appointed by and serving at the pleasure of the Vestry. Each year at the November Vestry meeting three new members shall be appointed to replace those with terms expiring on December 31<sup>st</sup> of that year. Newly appointed members will be invited to attend the December Endowment Board meeting but shall not have a voice or vote until they begin their term on January 1<sup>st</sup>. The Board shall collectively act as custodian of the Endowment.
2. Retiring Board members shall not be eligible for re-appointment to a term of office beginning less than one (1) year after retirement from office; provided that this section shall not apply to any Board member who shall have served one (1) year or less by the expiration of the term for which he or she was chosen.

3. In order to qualify for service or continue service in office, Board members shall be twenty one (21) years of age or older, and shall be communicants in good standing of St. John's Episcopal Church according to the requirements of the Canons of the Episcopal Church, that is, a Parish member who has been confirmed by the Bishop, who is faithful in corporate worship, who is in regular attendance in the Parish, who is in financial support of the Parish, and who has received Holy Communion at least three (3) times during the preceding year.
4. The Endowment Board shall provide to the Vestry a list of potential candidates for the Board.
5. Vestry members shall be eligible for appointment to the Board. In the event a Vestry member is not appointed to the Board a Vestry member shall be appointed as an ex-officio member to facilitate communication and address common issues. The Rector shall also be an ex-officio member of the Board.
6. Any vacancy on the Board occurring during the year, including a vacancy created by an increase in the number of members, shall be filled for the unexpired portion of the term by the Vestry. Any member so appointed by the Vestry shall hold office until the next succeeding November meeting of the Vestry or until the qualification and appointment of his successor.
7. 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.
8. 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 Chairperson shall preside at all Board meetings and in his or her absence, the Vice Chairperson. The Secretary shall maintain complete and accurate minutes, a copy of which shall be furnished to the Vestry in a timely manner following each Board 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.
9. The Vestry shall provide oversight of the Board through periodic review, including the quarterly review of all transactions.

10. In making gifts to the Endowment, donors have placed a trust in the Board members to exercise good faith and the care, skill, and judgment that an ordinarily prudent person in a like position would exercise under similar circumstances in managing these gifts to the sole benefit of the mission and ministry of St. John's. To meet this trust, the Board has a mandate to conduct all of its affairs decently and above reproach both in the sight of God and man, including a commitment to operate with the highest level of integrity and to avoid real or apparent conflicts of interest. Board members shall exercise the utmost good faith in all transactions involved in their duties, and they shall not use their positions at St. John's nor knowledge gained there from for their personal benefit. Board members shall at all times refrain from any conduct in which their personal interests would conflict with the interests of the Endowment. The Board shall codify their intent to be good stewards of the Endowment by adopting the Conflict of Interest Policy established by the Vestry. The Board shall report to the Vestry, annually in writing, any potential conflicts of interest for disposition by the Vestry.

11. The Vestry's intent is that the principal of the Endowment not be invaded. 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.

12. Endowment funds may not be loaned for any purpose, including temporary usage for Parish needs.

## **SECTION II –Assets Within the Endowment**

### **A. Nature of Accounts**

1. The Endowment assets consist of designated accounts described in Section VIII, the undesignated account described in Section V, and other accounts expected to be created in the future.

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

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

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

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

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

## B Portfolio Accounting

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

## C. Policy Statement

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

# **SECTION III - Bequests and Gifts in Life**

## A. Identification of Bequests

1. The guiding principle for this Section is grounded in generally accepted “planned giving”, or “legacy planning”, practices in Trust and Estate planning. An end-of-life bequest or gift is established for endowment use by the grantor at their passing, for either a designated purpose named in the will or trust, or planned for in advance with the receiving Endowment entity. If no designation is declared by the decedent, then it is the generally accepted practice for the gift to be “undesignated” and to be used for purposes of providing a sustaining corpus for the benefit of the beneficiaries of the Endowment.



2. Bequests may identify the beneficiary in one of two general ways:
  - a. “St. John’s Episcopal Church” or “St. John’s Episcopal Church Endowment”.

## B. Bequests To “St. John’s Episcopal Church”

1. Bequests to “St. John’s Episcopal Church” as beneficiary can be of two general types:

- a. “Designated” in which the donor has identified a specific purpose(s) to which the funds should be directed. Best efforts shall be made to determine if funds shall be directed to their designated purpose(s) as an endowment (in which case they would be transferred to and established as a designated account of the Endowment) or shall be established as a designated account of the Parish to be disbursed currently.

- b. “Undesignated” in which the donor has not identified a specific purpose(s) to which the funds should be directed. The expectation is that such a bequest would be transferred at the earliest practicable time to the Endowment’s undesignated account. Such transfers, once made, are intended to be held in perpetuity. Memorials received in memory of deceased parishioners shall also be transferred to the Endowment’s undesignated account.

2. In the event a gift presents itself in such a manner as to not be easily addressed by the above, a committee made up of two members of the Endowment Board, two members of the Vestry, the Parish Chancellor and the Rector shall convene to decide its necessary placement.

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

1. Bequests marked specifically to the Endowment will be transferred to the Endowment upon receipt.
2. Bequests to be used for a specific purpose will be placed in the designated account within the Endowment and made available for that intended purpose only.

## D. Minimum Balance

1. A designated account can be created within the Endowment by lifetime gift or a bequest of at least \$10,000.00

E. Gifts in Life

1. 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.

2. A designated account can be created within the Endowment if the initial gift is \$10,000.00 or more, provided that a designated account may be established by an initial gift of less than \$10,000.00 if the donor or his designees undertake to add to the initial gift to increase the total to \$10,000.00 within a reasonable time. Such initial gifts require the express approval of the Board..

F. Acknowledgements

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

## **SECTION IV - Investment Policy**

A. Custody of Assets

1. The Board shall be responsible for holding and managing the Endowment assets according to the Investment Policy set out in this Plan of Operation.

2. All assets are held on a pooled basis in an account with a brokerage firm to be selected by the Board. The Board expects the purchase and sale of securities to be made in a manner designed to receive the best combination of realized prices and commission rates.

3. The Board may delegate management and investment functions to its officers, committees, and agents.

4. The Board, at the expense of the Endowment, may provide for such professional counseling on investments or legal matters as it deems to be in the best interests of the Endowment.

5. The Board may elect to retain one or more professional investment managers to assume the management of assets comprising the Endowment. The Board may wholly or in part place Endowment assets within the Diocese of North Carolina's Common Trust Fund. Under these alternatives, the Endowment must be managed in a manner consistent with the policies, guidelines, and purposes outlined in this Plan of Operation. The Board shall be responsible for providing oversight that this stipulation is met.

6. On an annual basis, the Board will review the relationship with the brokerage firm, investment or legal advisers, and investment manager(s), to ensure that account fees, trade commissions, service, etc., are commensurate with the needs of the Parish.

## B. Deposits

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

## C. Investment Objective

1. The investment objective is a rate of return on assets that will provide a reasonable and consistent level of funds for distribution in accordance with the spending provisions in this Plan of Operation, preserve principal, and provide the potential for long-term growth of the Endowment.

## D. Asset Allocation

1. The investment objective of the Endowment implies a balanced approach. The Board may utilize portfolios of equity securities, fixed-income securities, and short-term investments, or mutual funds comprised of these security types, according to the following asset allocation guidelines.

- a. Equities: 30% - 70%
- b. Fixed Income: 70% -30%
- c. Short-Term: 0% - 20%

2. Investments shall be diversified with the objectives of maximizing return and minimizing the risk of losses. Consequently, the total portfolio shall be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in individual issues, corporations, industries, geographic region, economic sector, and market capitalization.

3. The Board may elect to utilize mutual funds or other investment vehicles with asset allocations that also have the objective of achieving a reasonable total return on the assets while limiting the risk exposure to ensure the preservation of capital. If mutual funds or other investment vehicles are used, the Board shall periodically review the allocations of these vehicles, comparing them with the ranges listed above.

## G. Time Horizon

1. The Endowment's investment objectives and asset allocation are based on a long-term time horizon.

## H. Investments

1. Equity securities provide the potential for growth in principal and current income (along with income from fixed income investments) sufficient to support distribution requirements, while at the same time, preserving and enhancing the purchasing power of the Endowment's assets over the long term.

2. Equity securities may include low cost exchange traded funds (ETFs), publicly traded common and preferred stocks, publicly-traded convertible bonds and preferred stocks, and mutual funds.

3. Fixed income securities provide a source of current income, some measure of diversification, and serve as a partial hedge in reducing the Endowment's risk of loss in a deflationary environment.

4. Fixed income securities may include low cost exchange traded funds (ETFs), publicly traded corporate notes and bonds, publicly traded convertible bonds and preferred stocks, US government and government agency obligations, and mutual funds. Fixed income securities should be comprised primarily of investment grade securities as determined by nationally recognized rating agencies. The overall fixed income allocation should have an average duration of less than ten years.

5. Short term investments serve as the principal source of liquidity for distributions from the Endowment, and rebalancing the portfolio.

6. Short term investments may include money market instruments, short term FDIC insured certificates of deposit, US government and government agency obligations of less than one year, exchange traded funds (ETFs), mutual funds, and, brokerage sweep accounts. The overall short-term investment allocation should have an average duration of less than three years.

7. The Board shall not invest in common or preferred stock in non-public corporations, letter or restricted stock, initial public offerings, or Master Limited Partnerships (MLPs).
8. The Board shall not invest in bonds, notes or other indebtedness for which there is no public market (private placements) or direct placement of mortgages on real property.
9. Transactions are not permitted in futures contracts, derivative instruments, options contracts of any kind, or in the buying or selling of investments on margin.
10. Investment in mutual funds that periodically utilize impermissible transactions to mitigate risk and enhance returns may be permitted
11. Because the Investment Policy was created in a certain investment and economic climate, the Investment Policy should be monitored periodically and may be adjusted as deemed appropriate based on then-current conditions.

## **SECTION V - Spending Rules**

### **A. Distributions**

1. Distributions from the undesignated account (i.e., those funds whose use are not designated by the donor(s) of such funds) shall be at the discretion of 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. Annual expenditures from the undesignated account shall be limited to no more than 5% of the prior year end balance of undesignated funds.
2. Distribution of funds from accounts designated by the donor(s) of such funds for a specific purpose may only be used for such purpose.
3. With respect to designated accounts in which the funds are not automatically distributed, the funds will be transferred to the Assistant for Administration & Finance for those uses that conform to purposes and restrictions of the individual accounts upon written request to and approval of the Board.
4. Distributions shall not be made from the Endowment to the Parish operating budget.

5. Only the Board can approve changes to the Distribution Limitations and timing of distributions of each Endowment account as set forth in Section VIII and as may pertain to Endowment designated accounts created in the future.

6. 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.

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

## B. Funds Available for Distribution

1. 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.

## C. Invasion of Principal

1. It is the intent and duty of the Board to protect and grow the principal balance in the Endowment. There may be times when invasion of principal is needed. To ensure that any such use of monies held in the Endowment is examined fully and all other options have been exhausted, the following stipulations must be met:

a. A parish-wide meeting must be announced via electronic and printed media explaining the purpose of the meeting.

b. The meeting must be held within two weeks of the announcement at which time the Endowment Board Chair and the Vestry Finance Committee Chair will present the request for funds and detail why using them is necessary.

c. A period of two weeks must be allowed for review and comment by the Parish.

d. At least one week following the comment period ending, but no more than one month, the Board must meet to vote on recommending the use of principal to the Vestry. A two-thirds majority vote is needed to recommend such use of funds.

e. At least one week following the Board's recommendation, but no more than one month, the Vestry must meet to approve the use of principal. A three-quarters majority vote of the Vestry is needed to approve such use of funds.

f. The results of the vote of the Vestry must be published and distributed to the Parish in both electronic and printed media no more than three days following the vote.

2. Not until these conditions have been met can the Board begin to initiate any necessary liquidation of investment vehicles and make the monies available for use.

## **SECTION VI – Gift Acceptance Policy**

### **A. Purpose**

1. 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.

### **B. Gift Review Committee**

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

### **C. Gift Categories**

1. 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.
2. Publicly Traded Securities: Gifts will be accepted.
3. 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.
4. 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.
5. 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.

## D. Endowment Board Disclosure Policies

1. All communications brochures, correspondence, illustrations or form documents are to be provided without charge to donors and will include standard disclaimer language.
2. 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.
3. 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.

## E. Final Gift Acceptance Decisions Reside with Vestry

1. 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.
2. 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

### A. Purpose

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

### B. Acknowledgment of Gifts

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



C. Communication

1. The Rector will report gifts received within the month at the monthly meeting of the Vestry.
2. A list of gifts will be included in the Annual Report of the Parish, consistent with the wishes of the donor.

## **SECTION VIII –Existing Endowment Designated Accounts**

A. Outreach

1. Purpose

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

2. Distribution Limitations

a. It is intended that (except in special circumstances) annual expenditures from this account 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.

3. Investment Policy Statement (“IPS”)

a. Investment of the account 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

### 1. Purpose

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

### 2. Discretionary Authority

- a. 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.

### 3. Distribution Limitations

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

### 4. Investment Policy Statement

- a. Investment of the account 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

### 1. Purpose

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

## 2. Discretionary Authority

a. 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.

## 3. Distribution Limitations

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

## 4. Investment Policy Statement

a. Investment of the account 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

## 1. Purpose

a. 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 account will not be used for capital funds.

## 2. Funding Sources

a. The Fred Young family and directed gifts from others.

## 3. Discretionary Authority

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

#### 4. Distribution Limitations

a. The net income of the Account, after deducting the expenses of investing and administering the account, 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.

#### 5. Investment Policy Statement

a. Investment of the account shall be driven by St. John's IPS for all endowment accounts.

### E. Seminarian

#### 1. Purpose

a. To support the calling to ministry of appropriate candidates.

#### 2. Discretionary Authority

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

#### 3. Distribution Limitations

a. None expected.

#### 4. Investment Policy Statement

a. Investment of the account 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. Hospitality

### 1. Purpose

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

### 2. Discretionary Authority

a. 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.

### 3. Distribution Limitations

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

### 4. Investment Policy Statement

a. Investment of the account 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.

## G. Trinity Episcopal School - Charlotte

### 1. Purpose

a. To support the scholarship fund at Trinity Episcopal School - Charlotte and direct scholarships for students attending the school.

## 2. Discretionary Authority

a. These funds should be used for the stated purpose. At some point in the future, Trinity Episcopal School may have the capability to manage this Account on its own. Therefore, it may appropriate for a future Vestry to establish a “St. John’s Scholarship” fund at the school.

## 3. Distribution Limitations

a. While the limitations may be changed in accordance with this plan of operation, the initial intent is for 5% of the prior year’s balance to be contributed to the Trinity Episcopal School’s scholarship fund.

## 4. Investment Policy Statement

a. Investment of the account 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.

# H. St. John’s Endowment Operations and Communications

## 1. Purpose

a. To cover administration and communication costs to grow St. John’s Endowment.

## 2. Funding Source

a. Each member of the 2016 Endowment Board and the Vestry ex-officio member pledged \$555.55 to be paid into the fund each year for five years beginning in 2016.

## 3. Discretionary Authority

a. The Board has discretion as to the direction of these funds.

#### 4. Distribution Limitations

a. It is intended that (except in special circumstances) annual expenditures from this account will be limited to no more than 4% of the year-end balance from the prior year. The Board will make distributions from this Account as needed.

#### 5. Investment Policy Statement

a. Investment of the account 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 Accounts**

#### A. New Designated Accounts

1. Additional designated accounts are expected to be created in the future. The investment of each new designated account 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 Accounts as set forth in Section VIII.

### **SECTION X – Amendments**

#### A. Amendments

1. This Plan of Operation may be amended when necessary upon the majority vote of the full membership of the Vestry-

2. Prior to such vote on any amendment(s) to this Plan of Operation, the Vestry shall provide written notice of the proposed amendment(s) to the Parish. The Vestry shall provide such notice at least 45 days prior to the Vestry meeting at which the vote on the proposed amendment(s) is to take place. In any event, there shall be at least one Vestry meeting to take place between the publication of the notice and the vote on the proposed amendment(s).