

**Holly Grove Lutheran Church
Lexington, North Carolina
ENDOWMENT FUND BYLAWS**

SECTION I. Authorization

1. Holly Grove Lutheran Church, Lexington, North Carolina, has a living endowment of faithful members with rich gifts and varied talents.
2. Now therefore, in order to establish and maintain an Endowment Fund in which distributions will be made to support Christ's mission through Holly Grove Lutheran Church:
3. Be it resolved that the membership of Holly Grove Lutheran Church establish an Endowment Fund, The Holly Grove Endowment Fund, to receive and administer bequests, estates, insurance, and other assets. And,
4. Be it further resolved that the efforts of Holly Grove Lutheran Church in establishing the Endowment Fund be dedicated to the Glory of Almighty God. And,
5. Be it further resolved that the purpose of the Endowment Fund is to enhance the work of the church by providing for funding additional to and apart from the general operation of the congregation. And,
6. Be it further resolved that the Endowment Fund Committee shall be custodian of the Endowment Fund. And,
7. Be it further resolved that while Holly Grove Lutheran Church has every intention of using the Endowment Fund as set forth in these resolutions, it does recognize that with the passage of time and changing circumstances, there may be a time when it is not feasible to utilize the Endowment Fund as was intended. Should that situation develop, Holly Grove Lutheran Church or its successors in interest shall then be free to make such other use of the net proceeds and principal as is consistent with the charitable and religious purposes of Holly Grove Lutheran Church, in accordance with provisions of the laws of the State of North Carolina, and preserving the principal of those gifts designated to be perpetual, carrying out the donor's wishes. And,
8. Be it further resolved that appropriate recognition will honor all those who have made gifts to the Endowment Fund. Anonymity will be honored when requested.
9. Now therefore, in order to carry out the purposes of the Endowment Fund and to enable the further extension and stewardship work of our church, be it further resolved:

SECTION II. Endowment Fund Committee

1. The committee shall consist of five members, all of whom shall be voting members of Holly Grove Lutheran Church. Except as herein limited, the term of each member shall be three (3) years. After the adoption of this resolution by the congregation, it shall elect five (5) members to the committee – two (2) for a term of three (3) years: two (2) for a term of two (2) years; and one (1) for a term of one (1) year.

Thereafter at each annual meeting the congregation shall elect the necessary number for a term of three (3) years. If a current member agrees to serve a second consecutive term, then no election is necessary for that position. No member shall serve more than two (2) consecutive terms. A partial term shall not be counted for this purpose. A former committee member may be re-elected after a lapse of twelve (12) months between his/her election for a third term and the completion of his/her second term.

2. In the event of a vacancy on the committee, the Church Council shall forthwith elect a member to fill the vacancy until the next annual meeting of the congregation, at which time the congregation shall elect a member to fill the vacancy.
3. All Endowment Fund Committee members shall be nominated and elected and vacancies shall be filled in accordance with the applicable provisions of the Holly Grove Lutheran Church constitution.
4. All Endowment Fund Committee members shall maintain communications with the Church Council and members of the congregation to nurture the total life and mission of the church and of the Endowment Fund. Each committee member must be a confirmed, communing, and contributing member of Holly Grove Lutheran Church. No more than 2 of the 5 committee members may serve concurrently on the Church Council. All called pastors of Holly Grove Lutheran Church shall be ex-officio non-voting members of the Endowment Fund Committee.
5. The committee shall elect from its membership a chairperson, treasurer and secretary.
6. Be it further resolved that the church council will approve recommendations of the Endowment Committee for what purposes the Endowment Fund net proceeds are to be used, And,
7. The committee shall meet at least quarterly at a time set by the committee and more frequently as it may be deemed by it for the best interests of the Fund. Special meetings may be called on twenty-four (24) hours written or oral notice to members. No notice other than recording of the minutes of the committee setting the time of the regular meeting need be given the members. Written minutes shall be provided to all committee members and to the church office. Minutes from the prior meeting shall be reviewed and approved at the next committee meeting.
8. A quorum shall consist of three (3) members. The affirmative vote of a majority present and voting shall carry any motion or resolution.
9. The committee shall establish written rules and regulations as may be necessary for the conduct of its business. It shall adopt standards and goals to guide in the expenditure of the net proceeds from the Endowment Fund.
10. The committee shall maintain accounts with such financial institutions as it may by resolution authorize and determine. The treasurer and/or the chairperson of the committee shall execute all transactions transferring or expending any funds or assets in the Fund.
11. The committee may ask other members of the congregation to serve as advisory members and may employ, at the expense of the Endowment Fund, such professional counseling on investments and legal matters as it deems to be for the best interest of the Fund.
12. The Committee shall maintain complete and accurate books of accounts and may employ such

professional help, as it deems necessary in this connection. The Finance Committee of the congregation shall audit the books annually. The Endowment Fund Committee shall provide a financial summary in the annual report to the congregation.

13. The secretary shall maintain complete and accurate minutes of all meetings of the committee and supply a copy thereof to each member within thirty (30) days after the meeting. Each member shall keep a complete copy of the minutes to be delivered to his/her successor.
14. The chairperson, or the member designated by the chairperson, shall preside at all committee meetings.
15. No member of the committee shall engage in any self dealing or transactions with the Fund in which the member of the committee has direct or indirect financial interest and shall at all times refrain from any conduct in which his/her personal interests would conflict with the interests of the Endowment Fund.
16. All new members of the Endowment Fund Committee are to receive a copy of the Endowment Fund Bylaws to become acquainted with the function and purpose of the Fund.

SECTION III. Administration of the Endowment Fund

The Endowment Fund Committee or church may receive funds through gifts, bequests, wills, estates, etc. from any entity or from any other source in cash or in other property acceptable to them. All endowment funds and property shall be kept and maintained separate, distinct and independent from the funds and property otherwise belonging to the church.

The committee is to inform the members of the congregation the purposes of the Fund, and may periodically arrange for members of the congregation to meet with professional counselors in the areas of charitable giving, wills, bequests, insurance, etc.

In the administration of the Endowment Fund, the Endowment Fund Committee shall have all powers and authority necessary to carry out the purposes of the Fund, including the following powers and authority on behalf of Holly Grove Lutheran Church:

To take, have, hold, sell, exchange, rent, lease, transfer, convert, invest, reinvest, and in all other respects to handle and manage and control, the Endowment Fund, or any part thereof, as they in their judgment and discretion shall deem wise and prudent;

To retain any property in the form in which received; to convert and reconvert the Endowment Fund, or any part thereof, into other kinds and forms of property, real or personal or mixed; and to invest or reinvest the Fund or assets herein, or any thereof, as they shall deem wise and prudent and according to such investment policies set forth in these by-laws, including in such common or preferred stocks, bonds, debentures, mortgages, notes or other securities, investments or property whether real or personal, which they in their absolute discretion may select or determine, and including, without limitation, savings deposits of any bank, mutual savings bank, federal home loan bank or savings and loan association, or in ELCA Mission Loan Fund, or in any common endowment fund, mutual fund, or

any like fund, subject to the usual standards of prudence required of trustees of similar funds;

To receive the income, profits, rents and proceeds of the Endowment Fund and to collect and receipt for the same, and pay all administrative and necessary expenses in connection with it. Expenses are to be deducted from the Endowment Fund proceeds;

To make, execute and deliver all instruments necessary or proper for the accomplishment of the purposes of Holly Grove Endowment Fund or of any of the foregoing powers, including deeds, bills of sale, transfers, leases, mortgages, assignments, conveyances, contracts, purchase agreements, waivers, releases and settlements;

To contribute, donate, support or distribute, from time to time, for the purposes herein stated, such payments or amounts as the Endowment Fund Committee in its discretion shall determine;

To hold investments in the name of Holly Grove Endowment Fund on the behalf of the congregation and to execute all necessary documents on behalf of the congregation in furtherance of the Endowment Fund purposes;

To employ and reasonably compensate from the Endowment Fund income, accountants, agents, and attorneys to assist and advise in the execution of the Endowment Fund, without liability for their omissions or neglect, but using reasonable care in their selection, and to rely on the advice of the persons so employed.

The Endowment Fund Committee shall not be liable for any losses, which may be incurred upon investments of the Endowment Fund except to the extent that such losses shall have been caused by bad faith or gross negligence of the committee members. No member shall be personally liable as long as he or she acts in good faith and with ordinary prudence in discharging the duties of the office. Each committee member shall be liable only for his or her own willful misconduct or omissions in bad faith. No committee member shall be liable for the acts or omissions of any other committee member, or of any accountant, agent, attorney or custodian selected with reasonable care.

The Endowment Fund Committee members shall not receive any compensation, but may be reimbursed from the net proceeds of the Endowment Fund for expenses reasonably incurred.

The congregation may upon recommendation by the Endowment Fund Committee decide when and if any Fund assets shall be used by a two-thirds (2/3) majority vote of those present at a legally called meeting of the congregation. This holds true if the principal, or corpus, is ever needed in the event of a catastrophe, or dire emergency.

The Endowment Fund Committee shall provide the church council with the amount of funds to disburse to make the best use of the Endowment Fund proceeds according to its purposes.

The Endowment Fund Committee shall provide the church council recommendations for disbursements to be made from the endowment fund. The council will then vote on the recommendation at its next meeting.

This Endowment Fund Resolution may not be altered or amended except by a two-thirds (2/3) vote of the members present at an annual meeting of the congregation or at a special meeting called

specifically for the purpose of amending this resolution.

Any gifts given to the Endowment Fund, as well as all income derived there from, shall be used exclusively for religious, charitable and educational purposes in accordance with Section 501 (c) (3) of the Internal Revenue Code of 1954 or the corresponding provision of any future United States Internal Revenue Law. This Endowment Fund is created and shall be operated exclusively for church purposes. No part of the income or property of this Endowment shall inure to the benefit of or be distributable to any member, director or officer of the church or to any other private person, except that the Endowment Fund Committee is authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein. No part of the activities of the Endowment Fund shall be the carrying on of propaganda or otherwise attempting to influence legislation, and it shall not participate in or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of this document, the Endowment Fund shall (1) not carry on any activities not permitted to be carried on by an entity exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code of 1954 or the corresponding provision of any future United States Internal Revenue Law or (b) do any act which would render contributions to the endowment Fund non-deductible under section 170 (c) (2) of the Internal Revenue Code of 1954 or the corresponding provision of any future United States Internal Revenue Law.

SECTION IV. Donors Rights and Responsibilities

1. Compliance with Legal Requirements

Although representatives of Holly Grove Lutheran Church will provide all appropriate assistance, the ultimate responsibility regarding evaluations, the tax deductibility and/or similar legal local, state and/or federal compliance issues rests with the donor and/or such counsel as the donor may wish to secure. Such a statement will be included on all gift transference documents.

All prospective donors will be urged to seek their own legal counsel and accountant's advice in matters relating to their deferred gift, tax and estate planning.

2. Priority of Donor's Best Interest

The interest of the donor will have priority over the interest of Holly Grove Lutheran Church. Volunteers, officers, or paid employees of Holly Grove Lutheran Church will not knowingly seek nor accept any commitment regardless of size, tender, designation, or other parameter which they believe is not in the potential donor's best interest to commit. No program, trust agreement, contract or commitment will be urged upon any donor or prospective donor which will benefit Holly Grove Lutheran Church at the expense of the donor's best interests. Exceptions are only possible with written approval of the donor.

In the event that such a commitment is unknowingly accepted, the appropriate mitigating circumstances will be subsequently brought to the attention of the Church Council.

3. Withdrawal of Commitment

A donor may, upon written request, seek without explanation to withdraw his or her commitment (pledge).

Return of payments may be made under extreme mitigating circumstances and where allowable by law. In some cases it may not be possible to return payments in which donor funds have been committed.

4. A Donor Bill of Rights

Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To assure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the not-for-profit organizations and causes they are asked to support, we declare that all donors have these rights:

- I. To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.
- II. To be informed of the identity of those serving on the organization's church council and endowment fund committee, and to expect the council to exercise prudent judgment in its stewardship responsibilities.
- III. To have access to the organization's most recent financial statements.
- IV. To be assured their gifts will be used for the purposes for which they were given.
- V. To receive appropriate acknowledgment and recognition.
- VI. To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.
- VII. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.
- VIII. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

SECTION V. Holly Grove Lutheran Church Rights and Responsibilities

1. Gift Record and Tax Report

Complete donor records will be maintained by the church financial secretary. For purposes of compliance with the Internal Revenue Service's regulations, records of gifts will be kept for a period of seven years.

Individual files will be maintained for all donors who have contributed. Legal documents, securities, copies of wills, etc. will be maintained elsewhere with appropriate security necessary for their protection.

2. Donor Communications

The Pastor will monitor the donor relation process to provide continued cultivation and satisfaction of the donor.

- a. An acknowledgment letter will be sent within 30 working days of receipt of gifts.
- b. All donors will be entered into the donor database for purposes of receiving all appropriate publications.
- c. Opportunities will be provided for appropriate donor participation in Holly Grove Lutheran Church programs and activities.

3. Administration of Planned Gifts

Holly Grove Lutheran Church will, as much as possible, utilize the ELCA Foundation to administer charitable gift annuities, charitable lead trusts and other trust agreements, pooled life income fund and other gifts with retained life interest.

4. Use of Legal Counsel

Holly Grove Lutheran Church will seek legal counsel in all matters pertaining to its deferred giving program and will not execute deferred giving agreement without the advice of legal counsel or the ELCA Foundation.

All agreements in which the Holly Grove Lutheran Church is the trustee will follow the format of the specimen agreement approved by the ELCA Foundation.

5. Confidential Information Concerning Planned Gift Donors

All information concerning planned gift donors and prospective planned gift donors, including their names, the names of the beneficiaries, the amount of the gift, the size of their estate, etc., will be kept strictly confidential by the appropriate staff person and authorized personnel unless permission is obtained from the donor to release such information.

6. Ethics Statement

Holly Grove Endowment Fund Committee members will:

1. Seek to serve Christ faithfully and hold His name as supreme.
2. Work for the best interest of the donor.
3. Strive to model and promote the concept of Christian stewardship among donors and Holly Grove Lutheran Church personnel.
4. Portray accurately the institutional mission in all communications.
5. Maintain confidentiality in handling donor and prospective donor records.
6. Offer public recognition and appreciation for gifts.
7. Ensure accurate use of designated gifts, optimal management of all solicited funds, and truthful reporting.
8. Comply with all federal, state, municipal and/or provincial laws.
9. Deal charitably, fairly, and honestly with other professionals and organizations.
10. Maintain and encourage high levels of professional competence and accurately present professional qualifications and experiences to prospective donors.
11. Avoid or otherwise disclose all potential conflicts of interest.

SECTION VI. Gift Acceptance Policies

A. All gifts will be considered unrestricted unless otherwise specified by the donor.

B. CASH

Gifts of cash will be accepted. Gifts of checks and share-drafts will be accepted.

C. PLEDGES

Gifts may be made by pledge to Holly Grove Lutheran Church. To be considered accepted, the gift by pledge must be in writing and include the donor's signature. Gifts by pledge will receive timely payment reminders, in a manner satisfactory to the donor and Holly Grove Lutheran Church.

D. PERSONAL AND BUSINESS PROPERTY

Gifts of personal or business property will be accepted by Holly Grove Lutheran Church including outright gifts, in-kind gifts, or gifts to fund trusts, annuities or other deferred gift contracts.

1. The IRS requires that gifts of personal property valued in excess of \$5,000 be appraised by a qualified appraiser in order to claim a tax deduction.

- a. The donor will be asked to pay for this appraisal since it is deductible to the donor. Holly Grove Lutheran Church may assist with appraisal costs if necessary to insure the donation is given to Holly Grove Lutheran Church.
- b. Holly Grove Lutheran Church must acknowledge, in writing, the appraisal which is to be attached to the donor's tax return.
- c. Holly Grove Lutheran Church is required to notify the Internal Revenue Service of the sale price of any property gift sold within two years of the date of the gift.

2. Miscellaneous items of property will be accepted if they are useful to Holly Grove Lutheran Church or are easily salable.

- a. Establishment of value is always the responsibility of the donor. When the value of the item may be in doubt, the donor will be asked to provide a letter from a reputable and knowledgeable person certifying the value of the gift.
- b. Other matters that will be taken into consideration by Holly Grove Lutheran Church before deciding on acceptance of gifts of personal property will be transportation costs, storage, cost of selling, and maintenance and repairs.

E. SECURITIES

Gifts of securities may be accepted by Holly Grove Lutheran Church.

1. All readily marketable securities will be accepted and handled as follows:
 - a. Sold through a broker on the open market. If the number of shares

- involved is sufficient to have a depressing impact on the price of the stock, in the opinion of the broker, the sale may be extended over a period of time necessary to avoid such an impact.
- b. Transferred to the investment portfolio if, in the opinion of investment counselors, the security is a desirable addition to the funds.
2. Gifts of securities which are not readily marketable will be accepted under the following conditions:
 - a. Non-publicly traded securities may be accepted after approval of the Endowment Fund Committee.
 - b. Such securities may be subsequently disposed of with the approval of the Endowment Fund Committee.
 - c. No written comments shall be made for the repurchase of such securities by Holly Grove Lutheran Church prior to completion of a gift of securities.
 3. Gifts of securities that will not be accepted include:
 - a. Securities which are not assessable or in any way could create a liability to Holly Grove Lutheran Church.
 - b. Securities which, by their nature, may not be assigned (such as series "E" savings bonds.)
 - c. Securities which, on investigation, have no apparent value.

F. REAL PROPERTY

Gifts of real property will be accepted by Holly Grove Lutheran Church, including outright gifts, or where real property is used for funding a trust, or a life estate is retained.

1. Before acceptance, all offered gifts of real property will be appraised by a qualified appraisal firm, totally independent of Holly Grove Lutheran Church.
 - a. The donor will be asked to pay for this appraisal since it is deductible to the donor. Holly Grove Lutheran Church may assist with appraisal costs if necessary to insure the donation is given to Holly Grove Lutheran Church.
 - b. This appraisal will perform two functions: Establish the donors tax deduction and establish an asking price for the property.
2. An environmental assessment must be completed on all property to determine:
 - a. Location of any chemical or toxic waste dumps.
 - b. Location of any potential chemical, oil, or fuel spills or seepage from underground storage tanks or other causes.
 - c. Toxicity of chemicals in waste dumps or from leakage.
 - d. Costs of cleanup of dumps or leakages.

The donor will be asked to pay for this assessment since it is deductible to the donor. Holly Grove Lutheran Church may assist with assessment costs if necessary to insure the donation is given to Holly Grove Lutheran Church.

3. Holly Grove Lutheran Church will require the completion of the ELCA

Foundation real estate questionnaire attached as “Appendix to Section VI”.

4. The property will be listed with a broker or brokers in the area in which the property is located for sale at no less than the appraised value.
 - a. Holly Grove Lutheran Church should be willing to wait a reasonable period of time to receive an offer in this range. One year is reasonable, although it may wait longer.
 - b. If, because of high taxes or a sizable mortgage Holly Grove Lutheran Church is unwilling to hold the property for a reasonable period and will be forced to cash out as quickly as possible, the prospective donor will be so informed.
5. Holly Grove Lutheran Church is required by law to notify the IRS of the resale price if the property is sold within two years.
6. Properties with mortgages will not be accepted except:
 - a. With an independent appraisal.
 - b. If the mortgage amounts to 50% or less of the value established by the appraisal.
7. Gifts of commercial properties and businesses will be evaluated not only on the basis of property tax and mortgage liabilities, but also taking into consideration that:
 - a. Holly Grove Lutheran Church may have to pay income tax on unrelated business income.
 - b. Holly Grove Lutheran Church as a non-profit corporation, receives no tax benefit from depreciation.
8. A donor may transfer the title of his or her home, ranch, farm, or other real property to a donee, retaining a life estate, thereby placing no obligation upon Holly Grove Lutheran Church. Therefore, there is no necessity for a guideline governing life estate gifts.

G. RIGHTS AND INSURANCE

1. Holly Grove Lutheran Church will accept gifts of insurance policies, such as:
 - a. The donor making regular contribution to Holly Grove Lutheran Church to pay premiums on a life insurance policy on the donor’s life, with the policy owned by Holly Grove Lutheran Church.
 - b. The donor transferring ownership of a policy to Holly Grove Lutheran Church
 - c. The donor naming Holly Grove Lutheran Church as a beneficiary of a policy.
2. The portion of the gift which may be used to purchase life insurance will be determined when the gift is initially made.

3. Ownership of a policy with premiums still due may be transferred to Holly Grove Lutheran Church as long as the policy and insurance company conforms to the previously stated guidelines.
4. Policies purchased, or continued, by Holly Grove Lutheran Church will:
 - a. Have annual or semi-annual premium due dates.
 - b. Be written by Insurance companies having a “Best Rating” of “A” or better (or a similar industry rating).
 - c. Be purchased from an agent licensed in the state of North Carolina.
5. Gifts of beneficiary, where Holly Grove Lutheran Church is named as a beneficiary of a life insurance policy will be acknowledged as other gifts are. However, no recognition based on monetary value will be given to the donor for gifts of beneficiary.
6. Gifts of rights and royalties will be accepted by Holly Grove Lutheran Church on a case-by-case basis, subject to review by the Church Council.

H. GIFTS IN TRUST AND ANNUITY

1. Gifts in trust and annuity will be accepted by Holly Grove Lutheran Church. Guidelines of the ELCA Foundation will be followed in the acceptance of all gifts of trust, charitable gift annuities, charitable remainder trusts, pooled life income gifts, short term trusts and revocable trusts.
2. Generation Skipping Rules – No deferred gift which would be a “generation skipping” transfer will be accepted.
3. Remainder Interests – It is understood that Holly Grove Lutheran Church may be named as remainderman in charitable trusts or other life income arrangements without becoming trustee, and with no knowledge of the trust, should the donor so choose.
4. Gift Restriction – Holly Grove Lutheran Church recognizes that gifts produce the maximum benefit if the funds are unrestricted. Donors are urged, in preparing their gift instrument, to consult with Holly Grove Lutheran Church before designating a restricted gift.
5. The Final Disposition of Deferred Gift Funds – upon the death of the surviving beneficiary of the deferred gift agreement, the agreement will terminate and the assets and any accruals will be paid to Holly Grove Lutheran Church for its general purposes or as restricted by the donor for specific use as stated in the agreement. It will be the policy of Holly Grove Lutheran Church to direct all gifts designated for general purposes to be classed as “Endowment Fund Assets.”

6. Special Cases – Any deviations from the above listed guidelines will require approval of the Church Council.

I. GIFTS IN BEQUEST

Donors may bequest a gift to Holly Grove Lutheran Church in their will. When notified of such gifts Holly Grove Lutheran Church will acknowledge these gifts as they do others. They will be further encouraged to provide direction on the use of the earnings of such gifts, should Holly Grove Lutheran Church invest them for a time.

SECTION VII. Planned and Deferred Gifts

Holly Grove Lutheran Church will, as much as possible, utilize the ELCA Foundation to plan, secure and administer planned gifts such as charitable gift annuities, charitable lead trusts and other trust agreements, pooled life income fund and other gifts with retained life interest.

1. Solicitation of Planned and Deferred Gifts

1. Personal contact will be maintained with all those who have indicated Holly Grove Lutheran Church is included in their estate plans. The Endowment Fund Committee will make themselves available for addressing any new issues regarding their giving needs.
2. A planned giving mailing list will be maintained. A publication, as well as brochures and other documents, specifically for planned giving prospects will be used to promote giving options and to inform the constituency of pertinent issues.
3. Seminars may be used to inform staff, families, donors and regional professionals about the planned giving program of Holly Grove Lutheran Church.
4. Planned giving information will be included in publications such as the monthly newsletter and other promotional methods as appropriate.

B. Types of Planned and Deferred Gifts

1. Wills and Trusts – Gifts through wills and trusts may be accepted. Gifts may be cash, property or present or future interests. Donors will be encouraged to inform Holly Grove Lutheran Church of the existence of such bequests.
 - a. Designated Holly Grove Endowment Fund Committee members and other authorized agents shall solicit gifts by will and trusts.
 - b. Wills and trusts are best written by an attorney. Donor prospects will be encouraged to seek qualified independent counsel.
 - c. Holly Grove Lutheran Church will not act as trustee of any trust.
 - d. When a donor indicates that Holly Grove Lutheran Church is included in their will or trust, Holly Grove Lutheran Church will contact the donor to express thanks for the gift and to request a copy of the relevant portions of the document.
2. Insurance Product

Gifts of life insurance, including whole life, universal life by its numerous trade names and variable life may be accepted.

- a. Designated Holly Grove Endowment Fund Committee members and other authorized agents shall solicit gifts of life insurance.
 - b. Gifts of life insurance may be made by purchasing policies and naming Holly Grove Lutheran Church as owner and beneficiary or by assigning ownership and beneficiary rights of existing policies to Holly Grove Lutheran Church. Policies, which are to be minimally funded, will be reviewed by an advisor prior to acceptance.
 - c. Donors may retain ownership of the policy and name Holly Grove Lutheran Church beneficiary, but they should be advised that no income tax benefit will be received.
 - d. Donors may make necessary premium payments directly to the insurance company or agent, but they should be advised that no tax advantage may be received. The preferred method of payment shall be for the donor to make annual or semi-annual gifts directly to Holly Grove Lutheran Church which shall then forward payment to the appropriate company.
 - e. If a donor should fail to make the required gift of the premium due on policies owned by Holly Grove Lutheran Church, the Endowment Fund Committee may make payment of premiums from other sources or take other action, including letting the policy lapse.
 - f. Holly Grove Lutheran Church shall annually monitor the status of the policies to determine the accumulated cash value, the face value guaranteed and to see that the premiums are promptly paid and that the insured has not taken a loan against the accumulated value of the policy.
 - g. The donor shall be responsible for the selection of the insurance agent and program which best fit the donor's needs. Further, Holly Grove Lutheran Church shall not promote any particular plan, agency, or company, in the course of developing a planned gift.
 - h. Holly Grove Lutheran Church will receive the original of each insurance policy for which it is the owner and beneficiary. Holly Grove Lutheran Church will review it for consistency with Holly Grove Lutheran Church policies and for accuracy of information.
 - i. Donors will be given acknowledgement for tax purposes.
3. Real Property and Other Non-Cash Assets Either Outright or in Trust

Holly Grove Lutheran Church may accept gifts of real property.

However, due to the nature of real property and the latent or patent environmental problems, appraisal and examination may be required. Holly Grove Lutheran Church shall make a visual inspection of any real property offered as a donation. The inspection shall look specifically for conditions which indicate the presence of hazardous materials, underground storage tanks, and exposed or friable asbestos. If the inspector has reason to believe there may be a problem, an environmental audit by a competent professional may be ordered, at the donor's expense and with the donor's permission. (Appendix to Section VI.)

All gifts of real property are subject to approval by the Holly Grove Lutheran

Church Council prior to acceptance.

4. Gifts With a Retained Life Interest (Charitable Gift Annuities, Charitable Remainder Unitrusts, Charitable Remainder Unitrust)

Gifts with a retained life interest may be accepted. Some exceptions and stipulations do exist. All gifts are subject to review by the endowment committee.

5. Charitable Lead Trusts

A gift annuity or unitrust funds a charitable lead trust. The lead trust agreement provides annual payments to Holly Grove Lutheran Church during a term of years or the life or lives of one or more individuals. At the end of the trust term, the remaining value in the trust will go to designated members of the donor's family or other designee(s).

Because of the special character of this gift, it is not likely Holly Grove Lutheran Church will be asked to administer the assets of a lead trust; normally the donor will arrange for administration with his/her own professional advisors. In the event a donor wishes to have Holly Grove Lutheran Church manage the trust assets during the term in which Holly Grove Lutheran Church receives income from the trust, the Church Council may authorize a trustee to manage any such assets.

6. Pooled Life Income Fund

Pooled income gifts are an irrevocable gift of money, securities, and/or property given to Holly Grove Lutheran Church separately maintained pooled income fund (commingled with other such gifts). The donor (or other designated beneficiary) receives annually his/her proportionate share of the fund's current earnings. Upon the death of the donor, the gift is removed from the Pooled Fund and transferred to Holly Grove Lutheran Church. All income paid to donors is taxable to the donors as ordinary income.

SECTION VIII. Donor Restricted Funds

- A. Donor Restricted Endowment Funds – Disbursements will be made in the same fashion as for the general endowment. Typically, 4% of the value of the fund based on a three year trailing average will be allowed for distribution in a given year. The Endowment Fund Committee has discretion to reduce or increase that amount if it is in the best interest of Holly Grove and the Fund.
- B. Donors may restrict the ultimate purpose(s), for which their gift will be used so long as that purpose is consistent with the programs and purposes of Holly Grove Lutheran Church. A minimum amount of \$20,000 is required to permanently restrict the use of the specially named fund. Whenever such restrictions are made, the donor will be asked to include an authorization for the Endowment Fund Committee to change the restriction at some future date should the purpose(s) named by the donor no longer exist.

SECTION IX. Investment Policies For The Endowment Funds

For the purpose of those funds in which Holly Grove Lutheran Church acts as fiduciary, the following investment guidelines will govern:

A. General Investment Principles

It is the intent of Holly Grove Lutheran Church to establish guidelines which will direct the management of Holly Grove Endowment Fund assets toward the desired performance.

- a. Investments shall be made with the primary interest of Holly Grove Lutheran Church in mind and with consideration being given to the reasonable wish of the donor.
- b. Endowment Fund assets shall be invested, as a prudent person would consider the purposes, terms distribution requirements, and other circumstances of the Endowment Fund. This standard requires the exercise of reasonable care, skill, caution, and shall be applied to investments not in isolation but in the context of the endowment portfolio as a whole, and as a part of an overall investment strategy that should incorporate risk and return objectives reasonably suitable to the Endowment Fund.
- c. Investment of the Fund shall be diversified to minimize risk.
- d. Short-term fluctuations in value shall be considered secondary to long-term results.
- e. Cash is to be productively employed at all times by investment in short-term cash equivalent short term interest bearing accounts.
- f. The Endowment Fund's assets may be managed by one or more professional investment managers with the necessary expertise to obtain the investment objectives.

B. INVESTMENT OBJECTIVES/POLICIES

During the course of a complete market cycle, the total fund return objective shall be to achieve a return equal to capital market returns weighted similarly to the asset allocation of the fund.

1. Equities - Equities may be invested through the ELCA Foundation or through regional investment venues such as Banks, Investment Centers, etc. All equity investments will be professionally managed and be directed to equities that are socially responsible.
2. Fixed income and cash equivalent investments will be held in only government guaranteed investments unless they are included in the professionally managed funds considered an "equity" investment.
3. Prohibited investments shall include but not be limited to investments in:
 - b. Restricted stock.
 - c. Commodities, or futures contracts.
 - d. Stock and index options.
 - e. Warrants.
 - f. Margin buying.
 - g. Short selling.
 - h. Venture capital.
 - i. Private placements.
 - j. Zero Coupon bonds.

- k. Non-investment Grade Bonds.

Exceptions to these prohibitions may be granted only upon written authorization from the Church Council.

4. Professionally Managed Funds

- a. Professionally managed funds are to be selected in accordance with criteria to be determined by the Endowment Fund Committee or any designated investment managers and applied on a consistent basis.
- b. Professionally managed funds will be purchased at competitive costs.

5. Diversification

The asset mix of fixed income, equity, professionally managed, and cash equivalent investments will follow the Investment guidelines under Part C and will be at the discretion of the Endowment Fund Committee and any designated investment managers, consistent with the “prudent man rule.”

6. Communications

- a. It is expected that any designated investment managers will meet with the Endowment Fund Committee at the Committee’s convenience.
- b. Performance results, portfolio securities listings and valuations, and transaction summaries shall be provided on a quarterly basis to the Business Administrator.

C. INVESTMENT GUIDELINES

1. Asset Allocation for Funds

The Endowment Fund Committee will set the overall asset allocation within the range stipulated below.

- a. The maximum allocation to equities is 60% (market value)
The minimum allocation to equities is 20% (market value)
- b. The maximum allocation to fixed income investments is 80%.
The minimum allocation to fixed income investments is 40%.

The asset allocation at any given time will be determined by the Endowment Fund Committee. The Committee will base its asset allocation on:

- a. The projected intermediate cash flow needs of the fund,
- b. A conservative analysis of the expected returns of the capital markets.

Changes in asset allocation direction will be reported annually to the Church Council.

SECTION X. Disbursement Policy

- A. The disbursement amount will be 4% of the three year trailing average of the fund based on September 30th values for the current and 2 previous years. The Endowment Committee may from time to time recommend not making a distribution. This would normally happen in year of a significant loss in the value of the fund. The Endowment Committee may also recommend a higher distribution percentage. This will normally take place following several years of growth of 10% or more in each year. The committee may include the value of real estate that has been gifted, but not sold as part of the value of the fund.
2. Individual endowments within the endowment fund will be assigned their appropriate share of the market value of the pooled endowment funds. Undisbursed earnings will be assigned accordingly to each of these individual funds as a quasi-endowment portion of their principal.
3. The Endowment Fund Committee's investment philosophy should be a passive one, whereby we avoid security selection and market timing. It is the policy to use professional investment counsel.
4. The purpose of the Endowment Fund is to support the mission of Holly Grove-
"to provide worship, Christian Education, and respond in loving action to a needy world."

Appendix to Section VI

Evangelical Lutheran Church in America Foundation Real Estate Environmental Questionnaire and Disclosure Statement

1. Legal description of the property and mailing address (attach separate sheet if insufficient space):
2. Name of present property owner:
3. Names of former property owners for past 50 years (attach separate sheet if needed):
4. Describe present use of the property:
5. Describe previous use of the property for past 50 years (attach separate sheet if needed):
6. Describe present and previous uses of immediately adjacent property:
7. Asbestos:
 - A) Is asbestos currently present in any of the structures?
 - B) If asbestos is present has a survey been made to assess the type, amount, location and condition of the asbestos? (If so, attach a copy of any survey)
 - C) Have asbestos air samples been taken? If so, what were the results?
8. Polychlorinated Biphenyls (PBCs):
 - A) Have PBC's been used in electrical transformers, capacitors, or other equipment on the property?
 - B) If so, describe the use and quantity of the PBCs used on the property.
9. Fuel/Chemical Storage Tanks, Drums and Pipelines:
 - A) Are there any above ground or underground gasoline, diesel, fuel oil or other chemical storage tanks or pipelines on the property?
 - B) If so, please describe substances stored and capacity of tank(s) and use of any pipelines.
 - C) Have the tanks and/or pipelines been inspected or tested for leakage? When was the most recent test? What were the results?
 - D) Are any other chemicals stored on the property in drums or other containers? If so, please describe the substances, quantities stored, and types of containers.
 - E) Have there been any spills, leaks, or other releases of chemicals or petroleum products on the property? If so, describe the chemicals or petroleum products and quantities released, any cleanup measures taken, and the results of any soil or groundwater samples performed to detect the presence of the chemicals or petroleum products spilled, leaked, or released on the property.
 - F) Attach copies of any permits or licenses pertaining to the use, storage, handling, or disposal of chemicals or petroleum products on the property.

Appendix to Section IV (con't)

10. Air Emissions/Radon Gas:
 - A) Describe air emissions from each source of air pollutants, including fuel burning equipment (describe type of fuel burned) on the property.
 - B) Describe air pollution control equipment used to reduce emissions for each source of air emissions.
 - C) Are air emissions monitored? If so, indicate frequency of monitoring.
 - D) Attach copies of any air permits or licenses pertaining to operations on the property.
 - E) Have tests to determine the existence of Radon gas been performed? When? Results? Attach copy of test reports.

11. Water Discharges:
 - A) List all sources of waste water discharges to surface waters, septic systems, or holding ponds:
 - B) List all sources of waste water discharges to public sewer systems:
 - C) For each discharge list the average daily flow:
 - D) Attach copies of any water discharge permits or licenses pertaining to operations on the property

12. Waste Disposal:
 - A) Describe the types of liquid wastes (other than waste water described in part 11 above) and solid wastes generated at the property.
 - B) Describe how the liquid and solid wastes generated at the property are disposed.
 - C) Attach copies of any waste disposal permits or licenses pertaining to operations on the property.

13. Provide the following additional information if the property has been or is used for industrial purposes:
 - A) Has the property been used for disposal of any liquid or solid waste? If so, describe the location of all disposal sites, the type of wastes disposed at each site, the results of any soil or groundwater samples taken in the vicinity of each site, and the manner in which each site not presently in use was closed.
 - B) Have evaporation or storage ponds been located on the property? If so, describe the location of all ponds, the type of wastes placed in each pond, the results of any soil or groundwater samples taken in the vicinity of each pond, and the manner in which each pond not presently in use was closed.
 - C) Have waste water treatment facilities, such as acid neutralization vaults, been located on the property? If so, describe the location of all facilities, the type of wastes treated in each facility, the results of any soil or groundwater samples taken in the vicinity of each facility, and the manner in which each facility not presently in use was closed.
 - D) Are there raw chemicals or waste chemical storage areas on the property? If so, please describe the location of all such areas, the type of products or wastes stored in each area, the results of any soil or groundwater samples taken in the vicinity of each area, and the manner

in which each area not presently in use was closed.

- 14.** Provide the following additional information if the property has been or is used for agricultural purposes:
- A)** Have pesticides, herbicides, or other agricultural chemicals been applied to the property? If so, describe the locations where such pesticides, herbicides, or chemicals were applied, the type of pesticides, herbicides, or chemicals applied in each area, and the results of any soil or groundwater analysis performed to detect pesticides, herbicides, or chemicals used at the site.
 - B)** Have pesticides, herbicides, or other agricultural chemicals been mixed, formulated, rinsed, or disposed of on the property? If so, describe the locations where such pesticides, herbicides, or chemicals were mixed, formulated, rinsed, or disposed of, the type of pesticides, herbicides, or chemicals mixed, formulated, rinsed, or disposed of at each location, and the results of any soil or groundwater analysis performed to detect pesticides, herbicides, or chemicals missed, formulated, rinsed, or disposed of at the site.

As the present owner of the property or as an officer or a general partner of the present owner of the property (or the duly authorized representative of such owner), I am familiar with all the operations presently conducted on the property, have made a diligent inquiry into the former uses of the property, and hereby certify to and for the benefit of any purchases of the property that, to the best of my knowledge, information, and belief, the information disclosed above is true and correct.

Signature

Title

Date