

First Presbyterian Church of Lansing, Michigan

Endowment Fund
Policy on Endowments, Bequests, and Other Enduring Gifts

“According to the grace of God given to me, like a skilled master builder I laid a foundation, and someone else is building on it. Each builder must choose with care how to build on it. For no one can lay any foundation other than the one that has been laid; that foundation is Jesus Christ.”
I Corinthians 3:10-11

As a community of faithful believers, the members of The First Presbyterian Church of Lansing established the endowment fund as an expression of faith, acknowledging all that we have has been conferred upon us and is divinely given as a tangible expression of God’s grace. We, the people of God, share the responsibility to use these gifts wisely and prudently to maintain, improve, and preserve the church of Jesus Christ and, through our responsive gratitude, give glory to God.

The Endowment Fund of The First Presbyterian Church of Lansing was established in August, 1982 to provide a stronger financial base for the ministry, program, operations, and facilities management of the congregation. The primary objective for the management of these gifts is to provide resources to further the mission of the church, now and in the future. Gifts to the endowment fund benefit the church by providing additional resources to create new program initiatives for a changing world, to increase outreach and ministry, and to provide a legacy for future generations. It is the intention of this policy that these gifts will be handled with care and prudence.

The guidelines in this policy are to be followed in the receipt, investment and distribution of financial gifts, bequests, and contributions to First Presbyterian Church of Lansing (Church). At no time shall these guidelines be construed to contravene the overarching policies of the church and/or the authority of the session or the Presbyterian Church (USA).

Administration: In accordance with the by-laws of the Presbyterian Church (U.S.A.) and the First Presbyterian Church of Lansing, the session is responsible for all of the assets of the church, real and personal. The endowment and restricted funds are managed by the endowment committee (Committee), which is accountable to the session.

Endowment Committee Membership: The committee shall consist of not fewer than five (5) and no more than 15 members recommended by the committee and approved by the session. Members shall be invited to serve for a three-year term and are limited to two (2) consecutive three-year terms of service. Retiring members must wait an interval of one (1) year before resuming service on the committee. A chairperson shall be appointed by the session and will conduct the meetings. A secretary will be chosen annually from among the committee members to record the proceedings of the committee.

It shall be the responsibility of the committee to:

- Supervise the overall implementation of the church's investment policies and employ outside advisors as it deems necessary;
- Monitor and evaluate the investment performance of funds;
- Report regularly on the church's investment matters to the session;
- Grant exceptions as permitted in these policies and recommend changes in approved policy, guidelines, and objectives as needed; and,
- Execute such other duties as may be delegated by the session.

Meetings: The committee shall meet at least quarterly. A quorum shall consist of one-third of the committee being present. There must be a quorum present for the approval of any transaction and no less than three members shall approve all transactions.

Reporting: Minutes shall be taken at every meeting of the committee. Committee minutes shall be prepared by the secretary and copies given to committee and session members. The chairperson will submit an annual accounting to the congregation in the form of the church's annual report, and any other communication between the session and congregation as deemed necessary or desirable throughout the year.

Liability: Having made a good faith effort to comply with the terms of this policy, the endowment committee members shall be released from liabilities incurred in such a good faith effort. Individual committee members shall not be liable for the acts or omissions of any other committee member. Any member having a direct or indirect personal interest in any dealings or transactions involving these funds shall refrain, at all times, from any conduct in which personal interests would conflict with the interest of the church.

Review: This document shall be reviewed every three (3) years by the committee to ensure that the administration and investment policies reflect the current needs and investment goals of the church.

Amendment: Changes and amendments to this policy may be recommended as deemed necessary by the committee and shall be sent to the session for approval and adoption. Changes shall only be recommended with a majority vote of committee members.

Management of Assets:

With approval from the session, the committee may utilize an advisor as an investment consultant to advise and assist the committee in the discharge of its duties and responsibilities. In that regard, a consultant may help the committee to:

- Develop and maintain investment policy, asset allocation strategies, risk-based fund objectives, and appropriate investment management structures;
- Select, monitor, and evaluate investment advisors and/or investment entities;
- Provide and/or review quarterly performance measurement reports and assist the committee in interpreting the results;
- Review portfolios and recommend actions, as needed, to maintain proper asset allocations and investment strategies for the objectives of each fund; and,
- Execute such other duties as may be mutually agreed.

When delegating discretionary investment authority to one or more advisors, the committee will establish and follow appropriate procedures for selecting such advisors and for conveying to each the scope of their authority, the organization's expectations, and the requirement of full compliance with these policies.

Definition of Terms

Endowment funds: Funds whose principal is nonexpendable (true endowment) and that are intended to be invested to provide earnings for institutional use. The institutional endowment fund may also include term endowments and funds functioning as endowment (quasi-endowment).

Term endowment: Fund in which, after a stated period of time, part or the entire principal of the term endowment may be spent. Earnings may be restricted to a particular use by the donor.

Quasi-endowment funds: Funds established by the session to function like an endowment fund but which may be totally expended at any time at the discretion of the session. These funds represent nonmandatory transfers from the current fund rather than a direct addition to the endowment fund, as occurs for the true endowment categories.

Unrestricted gift: Moneys or other property given to the church which may be used for any church purpose or expenditure. Such moneys would become a part of the endowment fund at the discretion of the session (quasi-endowment).

Restricted gift: Moneys or other property given to the church which may be used only for a particular purpose as specified by the donor. Such moneys would become a part of the restricted funds portfolio upon receipt by the session.

Income: The earnings received from a direct gift, to include the interest, dividends, and net appreciation, realized and unrealized, in the market value of the assets of a gift fund over the historic dollar value of the fund. A net loss, realized or unrealized, will result in a reduction of income.

Receipt of Gifts

Types of Gifts: Gifts of an enduring nature may be given to the church directly or as bequests, in such forms as

- wills or through other governing documents
- charitable remainder trusts
- charitable gift annuities and other life income agreements
- assignment of life insurance
- transfers of property (cash, stocks, bonds, real estate, personal property)
- memorial gifts

Properties transferred to the church will ordinarily be sold promptly and the proceeds placed with the church's investment managers. Gifts given to the endowment fund may be in the form of unrestricted or restricted gifts, as approved by the session.

Acceptance of Gifts: The session, with a recommendation from the endowment committee, shall have the responsibility for the acceptance or rejection of all gifts. Gifts which are unwieldy to manage or not in keeping with the Christian mission of the church will be carefully reviewed and may be defined accordingly. Undesignated gifts will be accepted by the session and may be designated as quasi-endowment at the discretion of the session. Gifts designated for the endowment fund must be added to the permanent endowment and the principal therefore shall follow the rules for endowment assets as prescribed by the Michigan Uniform Management of Institutional Funds Act (UMIFA).

Investment Policy

The church's primary investment objective is to preserve and protect its assets by earning a total return for each category of assets, which is appropriate for each fund's time horizon, distribution requirements, and risk tolerance

To accomplish its investment objectives, the committee is authorized to utilize any legal investment structure including separately managed portfolios, mutual funds, exchange traded funds, limited partnerships, and other commingled investment entities. This authority is subject to the requirements and restrictions contained in these policies.

When utilizing mutual funds or other commingled entities, the committee shall see that the church's consultant, and/or investment advisors have selected the investment entity appropriately based on the strategies and provisions contained in the entity's prospectus. In that event, the terms and conditions of the prospectus are deemed to control the entity's internal asset allocation, asset quality, diversification, and other requirements.

The endowment is managed in accordance with the Prudent Investor Rule, which states that a fiduciary shall invest and manage assets held in a fiduciary capacity as a prudent investor would, taking into account the purposes, terms, distribution requirements expressed in the governing instrument, and other circumstances of the fiduciary estate. To satisfy this standard, the fiduciary must exercise reasonable care, skill, and caution.

Endowment Fund Objective

The primary endowment fund objective is to seek a total return adequate to support a trailing five percent (5%) spending policy and to maintain the integrity of the endowment, net of inflation. Maintaining integrity means growing these assets at a rate at least equal to that of the rate of inflation. Distributions will be made from the fund quarterly. The time horizon is perpetual and the fund is not concerned with intermediate volatility. The fund is nonetheless to be balanced with fixed income instruments in order to reduce the risk of substantial drops in principal value.

The fund may annually distribute to the church's operating budget an amount no greater than five percent (5%) of the unrestricted fund's average value as calculated in this paragraph. The distributions shall be made quarterly in an amount up to one and one-quarter percent (1.25%) of the calculated distribution value. The distribution value is the average of the fair market value of the fund as of the close of each of the preceding 12 calendar quarters, beginning with the value of the funds on 09/30/2004 (for a spending rate to begin 10/01/2007). Distributions of restricted balances are done in accordance with restricted funds documentation.

The fund's market value shall be based upon all assets in the fund including principal and retained income, adjusted for all gains and losses, whether realized or unrealized, and determined as of the last business day of the quarter. The distributions shall be made promptly following the close of each quarter. To the extent that it may legally do so, the organization shall interpret this policy as satisfying a gift provision which calls for retaining principal and distributing income.

Asset Allocation Policy

The Committee believes that to achieve the greatest likelihood of meeting fund objectives and the best balance between risk and return for optimal diversification, the Fund should allocate assets in accordance with the targets for each asset class as stated in Exhibit A attached.

Asset Concentration

The advisor will maintain reasonable diversification at all times. The equity securities of any one company should not exceed 5 percent of the portfolio at the time of purchase and the combined debt and equity securities should not exceed 10 percent of the portfolio at any time. The advisor shall also maintain reasonable sector allocations. In that regard, the maximum allocation to any one economic sector shall be 150% of the sector's weighting, as defined in the published index used for measuring the portfolio's performance (e.g., S&P500, Russell 1000, etc.). These restrictions do not apply to U.S. Government securities.

Cash Flow Requirements

The committee will be responsible for advising the consultant and each advisor in a timely manner of the church's cash distribution requirements from any managed portfolio or fund. Each advisor is responsible for providing adequate liquidity to meet such distribution requirements.

Investment Restrictions

The fund's investment assets are to be managed with regard to the following restrictions for tax, risk, or mission purposes:

- **Tax-Based Restrictions**

The church is a charitable organization under § 501(c)(3) of the Internal Revenue Code. Consequently, its income is generally exempt from Federal and State income tax with the exception of income that constitutes Unrelated Business Taxable Income (UBTI). Since UBTI can be generated by leveraged investments (resulting in "debt-financed income"), The fund will not utilize margin, short selling, or other leveraged investment strategies unless the endowment committee grants a specific exception.

- **Risk-Based Restrictions**

The fund will not engage in commodities transactions or option strategies (puts, calls, straddles) nor will it invest in any non-publicly traded securities including but not limited to managed futures funds, hedge funds, private equity funds, or other alternative investments.

- **Mission-Based Investment Criteria**

The church desires to invest in companies whose business conduct is consistent with the church's goals and beliefs. Therefore, the fund consultant and/or investment advisors will use their best efforts to avoid holding securities of any company known to participate in businesses the church deems to be socially or morally inconsistent with the church's objectives, as outlined in the National Ministries Division of the Presbyterian Church (U.S.A.)'s Mission Responsibility Through Investment (MRTI) policies.

The committee has adopted screens for the twenty companies on the General Assembly Divestment List of the Presbyterian Church. In addition, the committee will instruct investment advisors to screen out businesses related to the gaming and pornography industries.

Reporting Requirements

1. *Monthly* – The committee will obtain written monthly custodial statements. Such statements should contain all pertinent transaction details for each account that holds all or a portion of any church investment funds. Each monthly statement should include:
 - the name and quantity of each security purchased or sold, with the price and transaction date, and any fees assessed; and
 - a description of each security holding as of month-end, including its percentage of the total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income (yield) at market.

In addition, if not included in the custodial reports, the consultant and/or the investment advisor(s) should provide a report for each fund or portfolio showing the month-end allocation of assets between equities, fixed-income securities, and cash.

2. *Quarterly* – The committee should obtain from its investment consultant and/or investment advisors, a detailed review of the church’s investment performance for the preceding quarter and for longer trailing periods as appropriate. Such reports should be provided as to each fund and as to the church’s investment assets in the aggregate. As to each fund, the committee should establish with its investment consultant and/or investment advisors the specific criteria for monitoring each fund’s performance including the index or blend of indices that are appropriate for the objectives of each fund and for the investment style or asset class of each portfolio within a fund. The committee shall meet with the consultant to conduct such reviews to the extent it deems necessary.
3. *Periodically* – The committee should meet with its investment consultant at least annually to review all aspects of the church’s investment assets. Such a review should include (1) strategic asset allocation, (2) manager and investment entity performance, (3) anticipated additions to or withdrawals from funds, (4) future investment strategies, and (5) any other matters of interest to the committee.
4. *Annually* – The fund shall undergo a financial review annually which may be in conjunction with an audit of other funds of the church. If deemed necessary, the committee shall recommend to the session that a certified audit be performed. This audit shall be distributed to the session and made available to members of the church.

Contingency

With regard to all property, real and personal, of the First Presbyterian Church of Lansing, the following statutes in the *Book of Order* of the Presbyterian Church (U.S.A.) apply:

“All property held by or for a particular church, a presbytery, a synod, the General Assembly, or the Presbyterian Church (U.S.A.), whether legal title is lodged in a corporation, a trustee or trustees, or an unincorporated association, and whether the property is used in programs of a particular church or of a more inclusive governing body or retained for the production of income, is held in trust nevertheless for the use and benefit of the Presbyterian Church (U.S.A.).”

G-8.0201

“Whenever a particular church is formally dissolved by the presbytery, or has become extinct by reason of the dispersal of its members, the abandonment of its work, or other cause, such property as it may have shall be held, used, and applied for such uses, purposes, and trusts as the presbytery may direct, limit, and appoint, or such property may be sold or disposed of as the presbytery may direct, in conformity with the *Constitution of the Presbyterian Church (U.S.A.)*.”

G-8.0401

First Presbyterian Church of Lansing, Michigan
Endowment Fund

Restricted Endowment Funds

Barth Fund for Youth Development *(date and amount of initial gift)*

Income available to support youth missionary work; camping activities for boys and girls, young men and women; recreational activities; study programs; and scholarships

Jean Hayes Byrd Church Maintenance Fund *(date and amount of initial gift)*

Income available to support extraordinary maintenance needs of the church

Molly Grove Chapel Music Fund *(date and amount of initial gift)*

Income available to maintain chapel musical instruments

Harvey Whitman Fund for Special Youth Activities *(date and amount of initial gift)*

Income available to support youth ministry

June Woodhouse Fund *(date and amount of initial gift)*

Income available to provide financial support to persons in the church who face hardship due to high medical expenses

First Presbyterian Church Mission Fund – established November 2006 by committee

Income available to support the church's outreach in connection with its international, national, and local mission initiatives

First Presbyterian Church Building Fund - established November 2006 by committee

Income available to support the improvement and maintenance of the church's physical plant and other real property

First Presbyterian Church Education and Ministry Fund - established November 2006 by committee

Income available to support the church's educational mission and the service of ministry to the people of God.

First Presbyterian Church Worship and the Arts Fund – established November 2006 by committee

Income available to enhance the worship life of the congregation through music, dance, theatre, and the visual arts

New gifts may be added to any of the previously named restricted funds. Gifts may be designated for any of these funds by the donor, or by the session in the absence of any designation.

Exhibit A: Asset Allocation Policy

Academic research indicates that the decision to allocate total account assets among various asset classes will far outweigh security selection and other decisions that impact portfolio performance.

The Committee believes that to achieve the greatest likelihood of meeting fund objectives and the best balance between risk and return for optimal diversification, the Fund should allocate assets in accordance with the targets for each asset class as stated below:

Asset Class	Normal Weight
<i>Equity - U.S.</i>	
Large Cap Core	10%
Large Cap Growth	15%
Large Cap Value	17%
Small Cap Core	11%
<i>Equity – International</i>	
Large Cap Developed Growth	4%
Large Cap Developed Value	8%
<i>Fixed Income</i>	
Core	34%
<i>Cash</i>	1%

Rebalancing Procedures

From time-to-time, market conditions may cause the Portfolio's investment in various mutual funds to vary from the established allocation. To remain consistent with the asset allocation guidelines established by this Statement, each mutual fund in which the Portfolio invests will be reviewed on a monthly basis and rebalanced back to the normal weighting if the actual weighting varies by 5% or more from the recommended weighting.

In addition, the allocation of assets in the Portfolio may deviate from the normal allocation within the permitted range when market conditions warrant. Such deviations are designed primarily to reduce overall investment risk in the long term.

Risk Tolerances

The Committee recognizes that the objectives of the Portfolio cannot be achieved without incurring a certain amount of principal volatility. The Portfolio will be managed in a style-neutral manner that seeks to minimize principal fluctuations over the established time horizon and that is consistent with the Portfolio's stated objectives.

Performance Expectations

Over the long-term, the investment objectives for this portfolio shall be to achieve an average total annual rate of return which consists of the Consumer Price Index (CPI) plus 5% for the aggregate investments under this Investment Policy Statement. Returns may vary significantly from this target year to year.

ENDOWMENT INVESTMENT POLICY STATEMENT AUTHORIZATION

Name in which the accounts are registered:

First Presbyterian Church Endowment

Address:

c/o Jim Donaldson
510 W Ottawa Street
Landing, MI 48983

Signed _____

Title _____

Signed _____

Title _____

Signed _____

Title _____

Signed _____

Title _____

General nature of business: Church Endowment

Date: _____

**Accepted and
Approved by:** _____
THE WINDSOR WEALTH MANAGEMENT

By: Robert S, Kaspar, Managing Principal
Print Name and Title