

MEMORANDUM

SUBJECT: The Endowment Fund of Bethesda-by-the-Sea
Vestry and Endowment Board Responsibilities

DATE: December 15, 2009

This Memorandum summarizes the basic provisions of the various Endowment Fund governing documents (Vestry Enabling Resolution and Endowment Policies) as adopted by the Vestry on December 15, 2009 and highlights the responsibilities of the Vestry and the Endowment Board as set forth in the documents.

I. PURPOSE AND USES OF ENDOWMENT FUND

(A-1) The Enabling Resolution –

Under the Enabling Resolution:

The **purpose** of The Endowment Fund is “(i) to enable Bethesda to more completely fulfill its mission by further developing its ministries and maintaining its physical plant beyond what is possible through its annual operating funds, and (ii) to more completely fulfill its obligations to such other purposes as are specifically designated by donors to Bethesda whose gifts are acceptable to Bethesda and included in The Endowment Fund, pursuant to the terms of this Resolution.”

The **Endowment Fund Board** is established and shall consist of five (5) regular members appointed by the Vestry for three-year terms, all of whom shall be members in good standing of Bethesda, at least one of whom, and no more than two of whom, shall be a member of its Vestry. Additionally, the Rector shall be an ex-officio member of the Board with vote, and the Senior Warden and the Treasurer shall be ex-officio members of the Board without vote unless either is appointed as the Vestry representative. The Board will oversee all gifts and deposits to, and distributions from The Endowment Fund, in accordance with the Enabling Resolution and relevant Endowment Policies. A quorum requires four (4) Board members, and a resolution or motion of the Board requires the affirmative vote of three (3) Board Members. The Rector shall appoint the Chairperson, and the Board shall elect the Secretary. The Board shall make quarterly reports to the Vestry and an annual report to the Parish.

Sub-funds of The Endowment Fund may be established for special purposes at the discretion of the Vestry. “The Bethesda Preservation Fund,” is established as a sub-fund of The Endowment for the purpose of the maintenance, repair, improvement, and preservation of Bethesda buildings and grounds.

Regarding **distributions from the Endowment Fund**, the Enabling Resolution provides: “It is the intent of this resolution that The Endowment Fund shall be managed as a true endowment employing the restriction that the principal shall not be invaded and that the spending power of The Endowment Fund shall be maintained.”

Amendment to the Enabling Resolution or the Spending Policy, Gift Acceptance Policy, Bequest Policy or Restricted Funds Policy (collectively, the Policies) shall be made only by a vote of at least three-fourths (3/4) of the membership of the Vestry at both of two regularly scheduled consecutive meetings or special meetings, held at least fifteen (15) days apart, called specifically for the purpose of amending this Resolution or Policies, provided that all Vestry members shall be informed of and provided information relevant to the vote at least ten days in advance of any vote. Notice of the approval of the amendment to this Enabling Resolution or any of the Policies shall be communicated in writing within 30 days to all members of Bethesda.

II. ENDOWMENT FUND POLICIES APPROVED BY VESTRY

The following endowment policies were submitted for consideration and approved by the Vestry: (1) **Gift Acceptance Policy**; (2) **Bequest Policy**, (3) **Restricted Funds Policy**; (4) **Spending Policy**.

(A-2) Gift Acceptance Policy – This policy provides guidelines and rules for receiving gifts and bequests and handling various types of gifts and ensuring confidentiality if desired by the donor. It particularly encourages deferred gifts (charitable lead or remainder trusts, bequest, retained life estate, pooled income fund, etc.). The Policy also sets forth procedures for pre-acceptance review of gifts where there is a question regarding suitability, concluding with the statement: “The Vestry, upon the advice of the Board or its designee, reserves the right to decline any gift that does not further the mission or goals of the parish or may create an administrative burden or cause the parish to incur excessive expenses.”

(A-3) Bequest Policy – This Policy governs the disposition of bequests “to or for the benefit of Bethesda.” For purposes of this statement, bequests “will mean any type of gift in which the assets are transferred upon the death of the donor.” Prior to their acceptance and subsequent disposition, all bequests are subject to the aforementioned Gift Acceptance Policy.

Restricted Bequests will be directed to their designated purpose(s) either (i) as an endowment (in which case they normally would either be a co-mingled sub-fund of The Endowment Fund or established as a separate restricted fund of The Endowment Fund) or (ii) by direct expenditure of the funds as provided for in the Restricted Funds Policy

Unrestricted Bequests, “regardless of amount. . . will be transferred upon receipt by Bethesda to that portion of The Endowment Fund that is unrestricted.”

The Bequest Policy establishes the procedure for deciding the appropriate disposition of bequests. Review is initiated by the Treasurer, who will prepare copies of relevant documents and distribute them to the relevant offices of the Parish including the Board, Rector, Chancellor, and Senior Warden.

(A-4) Restricted Funds Policy – This Policy relates to a gift into The Endowment Fund for which the donor has designated a specific purpose. A separate fund of The Endowment Fund may be established for gifts in the amount of \$100,000 or more which are restricted as to purpose. Unless required by the donor, these assets “shall be merged (comingled) with other assets of The Endowment Fund for investment purposes but the identity and restricted purpose of each fund shall be preserved individually.” When a gift becomes a Restricted Fund, “the funds made available for expenditure, pursuant to the Spending Policy, shall be limited to the purposes specified in the restriction.” Such funds will be valued quarterly and will be allocated their proportionate share of the overall gains and losses of the Endowment Fund.

(A-5) Spending Policies – Each year, the Endowment Board, upon written request from the Vestry, will determine the amount of endowment funds available for expenditure that year. The amount of endowment funds available for expenditure shall be determined on a total return basis and is not limited to income generated by investments. The percentage of the corpus to be made available “shall not exceed 4% of the three-year rolling average.” In determining the annual release, the market performance of the portfolio shall be an important consideration. However, it will be the goal of the Board to “maintain the purchasing power of The Endowment Fund,” taking inflationary effects into account.

(A-5) Spending Rules - Emergency Provisions – The Spending Policies contain the following provision regarding emergency distributions: “Expenditures from The Endowment Fund may also be made for emergency purposes upon written request of the Vestry if approved in advance by votes of at least three-fourths (3/4) of the membership of the Vestry and two-thirds (2/3) of the voting membership of the Board. Such emergency expenditures shall not be made to offset budget deficits or what would otherwise be considered the “annual operations” of Bethesda.”