Episcopal Diocese of Southwest Florida
Endowment Fund
Policies and Guidelines

TABLE OF CONTENTS

DIOCESAN COUNCIL RESOLUTION

Enabling Resolution ................................................................. 2

ENDOWMENT BOARD POLICIES

Section A:  *Investment Policy Statement* ........................................ 7
Describes the committee’s general investment goals and objectives, risk tolerance, and target asset allocation.

Section B:  *Spending Rule Policy* ................................................. 14
Sets up a formula that determines how the funds available for distribution will be calculated and spent.

Section C:  *Disposition of Bequests Policy* ................................. 15
Establishes in advance how the church will handle bequests.

Section D:  *Donor-Designated Funds Policy* .............................. 16
Sets a minimum for any donor-designated funds and defines how they will be managed.

Section E:  *Gift Acceptance Policy* ............................................. 17
Defines the types of gifts the Diocese may receive and how it will handle them. This applies to all gifts, not just gifts to the endowment fund.
ENABLING RESOLUTION

ESTABLISHING A GENERAL ENDOWMENT FUND
FOR
THE EPISCOPAL DIOCESE OF SOUTHWEST FLORIDA
PARRISH, FL

WHEREAS, Christian stewardship involves the faithful management of all of God’s gifts – time, talent, the created world, and money, including accumulated, inherited and appreciated assets; and

WHEREAS, Christians can give to the work of the Church through a variety of gift vehicles, in addition to cash, including bequests in wills, life income gifts, annuities, trusts, life insurance policies, real estate, securities and other assets; and

WHEREAS, it is the desire of this Diocese to encourage, receive and administer these gifts in a manner faithful to the loyalty and devotion to God expressed by the donors and in accord with the canons of the Episcopal Church and the Diocese of Southwest Florida and the policies of this Diocese:

THEREFORE BE IT RESOLVED, that this Diocese, through action of its Diocesan Council, establishes a new and separate fund to be known as “The Endowment Fund” (hereafter called the “FUND”) of the Episcopal Diocese of Southwest Florida, 8005 25th St. East Parrish, FL. This FUND shall administer and manage the existing Donor Restricted Funds of the Diocese and as approved by the Council, administer and manage the Council Designated Funds of the Diocese. All future gifts and bequests received by the Diocese not designated by the donor for operating purposes shall be administered and managed in accordance with the gift agreement or other device established by the donor and in accordance with the policies of the Diocese.

BE IT FURTHER RESOLVED that the purpose of the FUND is to enable the DIOCESE to fulfill its mission more completely by developing its ministries beyond what is possible through its annual operating funds. Distributions from the fund therefore shall be limited to: (i) maintenance and support of the physical assets of the DIOCESE; (ii) outreach ministries and grants; (iii) seed money for new ministries and special one-time projects; and (iv) such other purposes as are specifically designated by donors to the DIOCESE whose gifts are included in the FUND.

BE IT FURTHER RESOLVED that the distributions from the FUND shall not be made to the operating budget of the DIOCESE except to fulfill the purposes described above.

BE IT FURTHER RESOLVED that an ENDOWMENT FUND BOARD (hereafter called the “BOARD”) is hereby established. The BOARD shall be the custodian of the FUND and its composition and duties are described in the following “Plan of Operation,” which may be amended from time to time.
PLAN OF OPERATION

1. Composition of the Fund Board

Members of the BOARD will be appointed by the Ecclesiastical Authority of the Diocese and approved by Diocesan Council. The BOARD shall consist of five (5) members, not less than two (2) of whom shall be members of the Finance Committee of the Diocese and three (3) at large members. Additionally, the Bishop and Diocesan Treasurer/CFO shall be ex-officio members of the BOARD with votes. Except as herein limited, the term of each non-permanent member shall be three (3) years. Upon adoption of this resolution, the Diocesan Council shall approve the appointment of members as follows: two (2) members shall be appointed for a term of three (3) years; two (2) members for a term of two (2) years and one (1) member for a term of one (1) year. Thereafter, the Diocesan Council shall approve the appointment of the necessary number for a term of three years. No member shall serve more than two consecutive three (3) year terms. After a lapse of one (1) year, former BOARD members may be reappointed. In the event of a vacancy on the BOARD, the Diocesan Council shall approve the appointment of a member to complete the unfulfilled term. Upon the completion of the term, that person would be eligible for reappointment to a normal three (3) year term.

2. Roles of the Fund Board

The BOARD will manage the invested funds and oversee distributions from the FUND in compliance with the approved Spending Rule (Section B) and in accordance with the purposes as defined in this resolution.

3. Frequency of Meetings

The BOARD shall meet at least quarterly, or more frequently as deemed by it in the best interest of the FUND.

4. Quorum

A quorum shall consist of five (5) members. The affirmative vote of four (4) members shall be necessary to carry any motion or resolution. Meeting attendance by audio or video conferencing technology is acceptable.

5. Officers and Duties

The BOARD shall elect from its membership a chairperson and a secretary. The chairperson, or member designated by the chairperson, shall preside at all BOARD meetings. The secretary shall maintain complete and accurate minutes of all meetings of the BOARD and supply a copy thereof to each member of the BOARD. Each member shall keep a complete set of minutes to be delivered to his or her successor. The secretary shall also supply a copy of the minutes to the Diocesan Council in a timely manner. The CFO of the Diocese shall maintain complete and
accurate books of account for the FUND. The books will be audited as part of the diocesan annual audit by a certified public accountant or other qualified person. Such person shall not be a member of the BOARD.

6. Reports

The BOARD shall report on a quarterly basis to the Diocesan Council and, at each annual diocesan convention shall render a full and complete account of the administration of the FUND during the preceding year.

7. Professional Counsel

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

8. Investments

All funds will be invested in accordance with the investment guidelines established in the Investment Policy Statement (Section A).

9. Funds for Specific Purposes

At the discretion of the Diocesan Council, the BOARD may establish sub-funds within the FUND for specific purposes.

Also, donors may designate their gifts for a specific purpose. Any donor-designated gifts must be approved by the BOARD and the Diocesan Council. They must meet the requirements of the Donor Designated Fund Policy (Section D).

11. Liability of Fund Board Members

Members of the BOARD shall be liable for any acts or omissions committed by them (including losses which may be incurred upon the investments of the assets of the FUND) only to the extent that such acts or omissions were not in good faith or involved intentional misconduct. Each member shall be liable only for his/her own intentional misconduct or for his/her own acts or omissions not in good faith, and shall not be liable for the acts or omissions of any other members. No member shall engage in any self dealing or transactions with the FUND in which the member 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 FUND.

The Diocese holds Director and Officers Liability Coverage which covers all members of committees and boards that are a part of the diocese. The full coverage documentation is available from the Office of the CFO.

All members of the BOARD will owe a fiduciary duty to the FUND and the Diocese and are required to acknowledge such duty in writing annually.
12. **Holding of Assets, Action to Sell**

All assets are to be held in the name of the Endowment Fund of the Episcopal Diocese of Southwest Florida. Actions to hold, sell, exchange, rent, lease, transfer, convert, invest, reinvest, and in all other respects to manage and control the assets of the FUND, including stocks, bonds, mortgages, notes, warrants of other securities, are to be made by the diocesan CFO/Treasurer on behalf of the BOARD.

13. **Acceptance of Gifts to the Endowment Fund**

The BOARD will establish a Gift Acceptance Policy (Section E) through which decisions will be made as to whether a gift to the FUND or to the Diocese shall be accepted.

14. **Distributions from the Fund**

It is the intent of this resolution that the FUND shall be managed as a true endowment employing the restriction that the principal shall not be invaded. Distributions from the FUND, however, shall be made utilizing a “Total Return Policy” that incorporates a designated percentage of the corpus which will be available for expenditure annually. The BOARD shall formulate a policy defining the spending rules and protocols (Section B) with the approval of the Diocesan Council. The policy will provide for the withdrawal and use of funds consistent with the stated purposes of the FUND as defined in the first section of this Resolution. No portion of the principal amount of the FUND shall be “borrowed,” including any “temporary usage” for other needs of the Diocese.

15. **Amendment of this Resolution**

Any amendment to this Resolution shall be adopted by a vote of at least two-thirds (2/3) of the full membership of the Diocesan Council.

16. **Disposition or transfer of FUND**

In the event the DIOCESE ceases to exist, whether through merger, dissolution, or some other event, disposition or transfer of the FUND shall be at the discretion of the Diocesan Council in conformity with the approved diocesan constitution and in accord with diocesan canons and the Bishop of the Diocese of Southwest Florida. It may be appropriate to consult with the Episcopal Church Foundation to determine the manner in which Fund obligations will be met after the DIOCESE ceases to exist.

17. **Ecclesiastical Authority of the Diocese**

In case of the absence of a Bishop of the Diocese, the diocesan ecclesiastical authority will provide the actions required by this document.

The foregoing resolution is hereby adopted by the Diocesan Council this 12th day of March, 2011.
Episcopal Diocese of Southwest Florida
Sarasota, FL
Attest:

The Rt. Rev. Dabney T. Smith
Fifth Bishop of the Diocese of Southwest Florida

Anne Vickers, CFA
Chief Financial Officer

______________________________ (signature) ___________________________________
President      Treasurer/Secretary
SECTION A  
Investment Policy Statement

Purpose
This Investment Policy Statement (IPS) establishes the fund objectives, investment philosophy, investment objectives, constraints, strategic asset allocation, and rebalancing guidelines for managing the investments of the FUND. The IPS also sets forth implementation and monitoring guidelines for the BOARD, reporting requirements to the Diocesan Council, and an annual review of the IPS.

Responsibility
The ultimate responsibility for managing the FUND resides with the Diocesan Council which has chosen to delegate portions of its responsibility to the BOARD, which will administer the portfolio of the FUND in accordance with these guidelines, as adopted and amended from time to time. As described in the Implementation Guidelines section, it is recommended that the BOARD choose to employ one or more outside investment manager to implement the asset allocation strategy.

Conflict of Interest
All members of the BOARD shall be prohibited from also serving as an outside investment manager to the FUND, or from receiving compensation for serving as an investment adviser to the FUND or the BOARD. Any outside investment manager or investment adviser to the FUND or the BOARD who also serves on another Diocesan committee or elected Diocesan Council shall disclose such conflict of interest in writing to the BOARD. Prior to the hiring of such a manager or adviser, the Diocesan Council must approve the waiver of such a conflict of interest, at the recommendation of the BOARD. Additionally, all such conflicts of interest must continue to be disclosed to the BOARD and Diocesan Council in writing on an annual basis, as long as the conflict remains and the party remains an outside investment manager or investment adviser to the FUND or the BOARD.

Fund Objectives
The assets of the FUND are to be invested with the same care, skill and diligence that a prudent investor would exercise in investing institutional endowment funds. The primary objective will be to provide a total return commensurate with the Spending Policy set forth in Section B and achieve a level of growth in principal to keep pace with inflation, net of all investment fees. Any growth in excess of inflation shall be a secondary objective, to be balanced against an objective for capital preservation. All investments shall be evaluated for expected risk and return in the context of the total portfolio, rather than individually.
**Investment Philosophy**

The BOARD, under the direction of the Diocesan Council, believes the best approach to pursue the highest risk-adjusted long-term investment return is through an asset allocation strategy. An asset allocation strategy offers constant exposure to all areas of the investment markets in appropriate weightings based upon an investor’s tolerance for volatility or risk. As such, the BOARD will not attempt to “time the market” by entering or exiting the investment strategy based upon perceived market swings. To carry out its duty, the BOARD will generally research, select, and monitor high quality asset managers to implement Strategic Asset Allocation. From time to time the BOARD may make tactical shifts in the FUND’S asset allocation (defined as within the pre-established ranges) in order to take advantage of more long-term trends in the market environment. Larger, more strategic changes to the asset allocation will only be made when a fundamental change in the FUND or the FUND’S objectives, as determined by the Diocesan Council, occurs.

**Investment Objectives**

**Return Objective:**
The FUND’S return objective is to achieve a gross-of-fees average annual return of between 7% and 9%. This objective is established to meet the FUND’S primary objectives of:

- Provide for the spending policy of 3%-5% annually
- Average annual inflation of 3%
- Assumed aggregate investment fees of 1%

**Risk Tolerance:**
The FUND has an overall moderate risk tolerance when considering the return objectives and investment constraints described in this section. In establishing this risk tolerance, the BOARD acknowledges that some risk must be assumed in order to achieve the investment objectives of the FUND. Given the long time horizon, the BOARD understands the need to accept the possibility of short and intermediate term volatility in pursuit of these objectives, while also recognizing the desire to minimize the possibility for long term loss of principal.

In modeling the variability of investment returns associated with a return objective of 7%-9%, a one year loss limit of -17% has been calculated for the portfolio, using a 5% statistical tolerance. This means that there is a 5% chance that the investment return in any given year will be less than -17%. Over a ten year time frame, the associated minimum return expectation is 3.00% annually, using a similar 5% statistical tolerance. A copy of the capital market assumptions used in this analysis is attached as Appendix A.

**Investment Constraints**

**Time Horizon:**
The FUND has a perpetual time horizon normally associated with endowments.

**Liquidity:**
The FUND has annual liquidity requirements to meet the spending policy described in Section B. As such, the FUND should keep a minimum amount of cash or cash equivalent assets equal to anticipated distribution amount each year. Cash equivalent assets are defined as Money Market
Funds, or other bond investments explicitly guaranteed by the US Treasury with a maturity date not exceeding 1 year.

**Prohibited Investments:**
The BOARD shall not engage, or hire an investment manager to engage, in short sales, margin transactions, or use any form of leverage, including the use of derivatives contracts to replicate leveraged positions. Leverage is defined as a level in excess of capital invested in that asset or exposure to any asset in excess of the market value appreciation of the asset. The BOARD shall only consider the use of derivatives contracts when they are used to hedge, or reduce the risk of the portfolio for a specific purpose, and in all cases the notional value of such derivatives contracts may not exceed 10% of the market value of the FUND.

The BOARD shall not invest in private placements, private equity, hedge funds, hedge funds of funds, or other unregistered or illiquid investments until such a time as the market value of the FUND exceeds USD $25 million. At such a time, the strategic asset allocation may be amended, at the discretion of the BOARD, to include an “Alternative Securities” category, but at no time should the allocation to such alternative or illiquid securities exceed 10% of the market value of the FUND.

In keeping with the social mission of the Episcopal Church, the BOARD shall, where practical, not invest in any securities, public or private, of businesses that derive a substantial portion of their revenue from the production or sale of armaments, alcohol, tobacco, pornography, or gambling. All outside investment managers must agree to these constraints prior to being hired.

Additionally, as directed in writing from the Bishop, the BOARD may, from time to time, be restricted from investing in securities, public or private, of businesses that derive any revenue from sales conducted in countries whose governments are sanctioning explicitly or implicitly the pursuit of a policy of genocide, ethnic cleansing, human trafficking, or other social injustices, as determined by the sole discretion of the Bishop. In such an instance, it will be the responsibility of the BOARD to contact all outside investment managers to inquire as to any current holdings affected by this restriction and determine an appropriate strategy for divesting the affected holdings within a reasonable time frame.

**Strategic Asset Allocation**
The BOARD has established the following strategic asset allocation for the FUND, intended to govern the asset allocation of the FUND through all market cycles and in any market environment.

<table>
<thead>
<tr>
<th>Asset or Sub-asset Class</th>
<th>Strategic Allocation</th>
<th>Lower Limit</th>
<th>Upper Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity Securities</strong></td>
<td>60%</td>
<td>50%</td>
<td>70%</td>
</tr>
<tr>
<td>Domestic Large Cap Equity</td>
<td>25%</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>Domestic Mid Cap Equity</td>
<td>11%</td>
<td>6%</td>
<td>16%</td>
</tr>
<tr>
<td>Domestic Small Cap Equity</td>
<td>6%</td>
<td>1%</td>
<td>11%</td>
</tr>
<tr>
<td>Asset Class</td>
<td>Lower Limit</td>
<td>Target</td>
<td>Upper Limit</td>
</tr>
<tr>
<td>-------------------------------------------------</td>
<td>-------------</td>
<td>--------</td>
<td>-------------</td>
</tr>
<tr>
<td>International Developed Market Equity</td>
<td>14%</td>
<td>9%</td>
<td>19%</td>
</tr>
<tr>
<td>International Emerging Market Equity</td>
<td>4%</td>
<td>0%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Income Securities</strong></td>
<td><strong>35%</strong></td>
<td><strong>25%</strong></td>
<td><strong>45%</strong></td>
</tr>
<tr>
<td>Domestic Short Term Investment Grade Bonds</td>
<td>4%</td>
<td>0%</td>
<td>8%</td>
</tr>
<tr>
<td>Domestic Intermediate Term Investment Grade Bonds</td>
<td>20%</td>
<td>12%</td>
<td>28%</td>
</tr>
<tr>
<td>Domestic Long Term Investment Grade Bonds</td>
<td>4%</td>
<td>0%</td>
<td>8%</td>
</tr>
<tr>
<td>Foreign Investment Grade Bonds</td>
<td>5%</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>High Yield Bonds / Variable Rate Bank Loans</td>
<td>2%</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>Convertible Bonds</td>
<td>0%</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>Investment Grade Preferred Stocks</td>
<td>0%</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Cash or Cash Equivalents</strong></td>
<td><strong>5%</strong></td>
<td><strong>3%</strong></td>
<td><strong>15%</strong></td>
</tr>
</tbody>
</table>

The Strategic Allocation is intended to provide the BOARD with the appropriate asset allocation for the FUND in a normal market environment, where the BOARD does not have an active view on the market environment, but should not be construed to dictate that the asset allocation of the FUND should at all times equal the Strategic Allocation. The Lower Limit and Upper Limit columns are intended to provide the BOARD with an appropriate amount of flexibility to position the FUND in response to the current market environment without jeopardizing the long term return and risk objectives of the FUND.

The BOARD shall set the current target asset allocation for the FUND (if different from the long term strategic asset allocation). The target asset allocation shall be reviewed by the BOARD at each quarterly meeting in consultation with any/all outside investment managers in order to determine the appropriate target asset allocation for the current market environment.

**Rebalancing Guidelines**
The FUND will be allowed to fluctuate around the target asset allocation (if different from the long term strategic allocation), but within the lower and upper limits established above. The BOARD should rebalance the fund to the target asset allocation at least annually.

If at any time the asset allocation of the FUND should stray more than 5 percentage points beyond the lower or upper limit for any asset or sub-asset class, then the FUND must be rebalanced to the target asset allocation at the earliest reasonable opportunity, allowing for current market conditions.

**Implementation Guidelines**
The primary responsibility for the BOARD in implementing the IPS shall be to research, select, and monitor outside investment managers hired to invest the fund according to the target asset allocation. The BOARD may also hire an investment advisor to assist in this process and advise on any proposed changes to the IPS.

At such time as the FUND exceeds USD $25 million and the BOARD wishes to invest in alternative, private, or other illiquid assets, the IPS should be amended to include such assets as a...
part of the Asset Allocation Strategy and provide additional implementation and monitoring
guidance for such assets.

Each outside investment manager shall be properly registered and regulated as i) a bank; ii) an
insurance company; iii) a registered investment company (mutual fund); or iv) a registered
investment adviser. The BOARD shall use the following due diligence criteria in selecting each
outside investment manager:

1. Track record: The manager should have a minimum three year history.
2. Assets in the strategy: The strategy should have at least $75 million under management
   (total across all share classes).
3. Stability of the organization: The portfolio manager should have at least a three-year
   tenure. In a management team setting, the most senior manager’s tenure should be at least
   three years.
4. Composition consistent with asset class: A minimum of 80% of the strategy’s securities
   should be consistent with the strategy’s asset class. This does not apply to Hybrid and/or
   Balanced strategies, which will be evaluated separately according to each strategy’s
   prospectus or offering documents.
5. Style consistency: The strategy’s category and current style box should be the same. This
   does not apply to Hybrid and/or Balanced funds, which will be evaluated separately according to each strategy’s
   prospectus or offering documents.
6. Expense ratio/fees relative to peers: The expense ratio for the strategy should be above
   the bottom quartile (most expensive) of the peer group.
7. Risk-adjusted performance relative to peers: The strategy's Alpha and Sharpe Ratio
   should be above the peer group's median (Not applicable for indexing strategies).
8. Performance relative to peers: The strategy's 1-, 3-, 5-, and/or 10-year trailing
   performance should be above the peer group's median. For indexing strategies,
   performance should match the appropriate index, after fees.

Each strategy must meet at least 6 of the 8 due diligence criteria to be initially considered for
inclusion as an investment option for the FUND. Once added as an investment option for the
FUND, each fund will be monitored on an ongoing basis by the BOARD.

Monitoring Guidelines

Performance Objectives

The ongoing review and analysis of the investment managers is just as important as the initial
due diligence process. The performance of the investment managers will be monitored on an
ongoing basis and it is at the BOARD’S discretion to take corrective action by replacing an
investment manager if the BOARD deems it appropriate at any time. On a quarterly basis (or as
needed to respond to situations as they arise), the BOARD will meet to review each investment
manager based upon the following ongoing criteria:

1. Material changes in the investment manager's organization, investment philosophy and/or
   personnel
2. Any legal, SEC and/or other regulatory agency proceedings affecting the investment
   manager's organization.
3. Assets in the strategy: The strategy should have at least $75 million under management (total across all share classes or investment formats).

4. Composition consistent with asset class: A minimum of 80% of the strategy’s securities should be consistent with the strategy’s asset class. This does not apply to Hybrid and/or Balanced strategies, which will be evaluated separately according to each strategy’s prospectus or offering documents.

5. Style consistency: The strategy’s category and current style box should be the same. This does not apply to Hybrid and/or Balanced strategies, which will be evaluated separately according to each strategy’s prospectus or offering documents.

6. Expense ratio/fees relative to peers: The expense ratio for the strategy should be above the bottom quartile (most expensive) of the peer group.

7. Risk-adjusted performance relative to peers: The strategy's Alpha and Sharpe Ratio should be above the peer group's median (Not applicable for indexing strategies).

8. Performance relative to peers: The strategy's, 1-, 3-, 5-, and/or 10-year trailing performance should be above the peer group's median, as applicable. For indexing strategies, performance should match the appropriate index, after fees.

Performance benchmarks shall be established for each investment manager. Manager performance will be evaluated in terms of an appropriate market index (e.g. the S&P 500 stock index for large-cap domestic equity manager) and the relevant peer group (e.g. the large-cap growth mutual fund universe for a large-cap growth mutual fund). Additionally, a custom benchmark shall be designed to monitor the performance of the FUND as a whole.

**Replacement of Outside Investment Managers**

It is important to recognize that fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the BOARD shall evaluate investment performance from a long-term perspective. The BOARD shall also place greater weight to the non-performance-related criteria described above when evaluating the FUND’S outside investment managers.

Failure of the any outside investment manager to meet the ongoing due diligence criteria will not be cause for automatic replacement in the FUND. The decision of when and why to replace an outside investment manager will be made at the full discretion of the BOARD, using the above criteria as a guideline on which to base the BOARD’S decision. Underperforming investment managers may be placed on a temporary “watch list” before the decision is made to permanently replace the outside investment manager.

**Measuring Costs**

The BOARD will review at least annually all costs associated with the management of the FUND, including:

1. Expense ratios of each outside investment manager against the appropriate peer group.
2. Administrative Fees and other FUND expenses; costs to administer the FUND, including record keeping, custody and trust services.
3. The proper identification and accounting of all parties receiving soft dollars and/or 12b-1 fees generated by the FUND.
**Reporting**
The quarterly report provided by the BOARD to the Diocesan Council will include the fund value, any changes in the asset allocation strategy, and the investment performance. The report shall reflect compliance with the objectives, policies and guidelines set forth herein.

**Investment Policy Review**
The BOARD will review this IPS at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.
SECTION B

Spending Rule Policy

Money will be distributed from the FUND upon written request of the Diocesan Council and with the approval of the BOARD for those uses which conform to the purposes and restrictions established by donors or incorporated in the Enabling Resolution.

Funds available for distribution will be determined by using a total return principle, i.e., return derived from dividends and interest as well as realized and unrealized capital gains. The funds available for distribution during any one year will be limited to a percentage of the market value of the corpus that is based on a three-year rolling average, with measures taken at the end of each of the preceding twelve quarters. The market value for this purpose will be taken net of the fees for investment management.

The percentage of the FUND made available for distribution shall be determined each year by the BOARD and will normally fall in the range of three to five percent. In so doing, market performance of the portfolio will be an important consideration. It will be the goal of the BOARD to grow, or at least maintain, the purchasing power of the FUND taking inflationary effects into account.

Any unexpended funds from those available for distribution in a given year will be accrued and will continue to be considered available for distribution in subsequent years unless otherwise designated by action of the BOARD with the approval of the Diocesan Council.

Expenses related to the management and administration of the FUND will be deducted from the funds available for distribution.
SECTION C
Disposition of Bequests Policy

This policy statement governs the disposition of bequests which, for purposes of this statement, will mean any type of gift in which the assets are transferred upon the death of the donor. The assets may be in any form, such as cash, securities, personal property, real property, etc.

The bequest may identify the beneficiary in one of two general ways: The Episcopal Diocese of Southwest Florida or some other wording such as The Endowment Fund of the Episcopal Diocese of Southwest Florida.

Bequests with The Episcopal Diocese of Southwest Florida as beneficiary can be of two general types:

a. Restricted: The donor has identified a specific purpose(s) to which the funds should be directed. The Diocesan Council will guarantee that the use(s) to which those funds are applied is faithful to the donor's wishes. The funds may be directed to their designated purpose(s) either as an endowment, in which case they normally would become a designated fund within the Endowment Fund, or by direct expenditure of the funds through the Treasurer of the Diocese.

b. Unrestricted: The expectation is that such a bequest will be transferred to the Endowment Fund and allocated by Diocesan Council to a specific designated fund or funds within the Endowment Fund. Such transfers are intended to be held in perpetuity. This policy specifically acknowledges that from time to time truly extraordinary needs of the Diocese may arise to necessitate an exception to this policy.

In such instances the following procedure will apply:

The Bishop and Treasurer of the Diocese will assess the particular circumstances giving rise to a perceived need to make an exception to the policy. Such circumstances should be judged to be truly extraordinary and that no other financial resources of the Diocese are available or are expected to become available in time to fulfill the urgent need. If an exception is deemed appropriate, the Bishop and Treasurer will make a recommendation. Final authority for granting such an exception to the policy will rest with the Diocesan Council.

Bequests designating the Endowment Fund as beneficiary are automatically transferred to the Endowment Fund upon receipt. If the bequest was given for a designated purpose, then the value of the assets will be applied to establish a designated fund of the Endowment Fund, as provided for in a separate policy. If the bequest to the Endowment Fund is otherwise undesignated, the assets will be directed to that portion of the corpus of the Endowment Fund where earnings are unrestricted.
SECTION D

Donor-Designated Fund Policy

A separate and designated fund within the FUND may be established for gifts in the amount of $50,000 or more. These assets are merged with other assets of the FUND for investment purposes, but the identity and designated purpose of each fund is preserved individually.

The fund is established effective the last day of the quarter in which the gift is received. The value is determined either by the actual value, if received by the FUND in cash, or the market value of the assets determined on the date the fund is established.

Income, realized gains or losses, and unrealized gains or losses are allocated quarterly to each fund based on its market value relative to the total market value of the FUND at the end of the previous quarter. New gifts are then added and withdrawals are subtracted to arrive at the new value of the designated fund on the last day of the quarter. Expenditures are limited to the purposes specified in the designation and are governed by the FUND’s Spending Rule.
SECTION E  
*Gift Acceptance Policy*

**Purpose**
This gift acceptance policy will provide guidelines to representatives of The Diocese of Southwest Florida who may be involved in the acceptance of gifts, to outside advisors who may assist in the gift planning process, and to prospective donors who may wish to make gifts to the The Diocese of Southwest Florida. This policy is intended only as a guide and allows for some flexibility on a case-by-case basis. The gift review *process* outlined here, however, is intended to be followed closely.

**Gift Acceptance**
The Diocesan Council, upon the advice of the Gift Review Committee, reserves the right to decline any gift that does not further the mission of the Diocese. Also, any gifts that would create an administrative burden or cause the Diocese to incur excessive expenses may be declined.

**Gift Review Committee**
Any questions which may arise in the review and acceptance of gifts to The Diocese of Southwest Florida will be referred to The Gift Review Committee. The Committee, unless otherwise designated by the Diocesan Council, will be comprised of the full Endowment Fund Board.

**Cash**
1) All gifts by check shall be accepted by The Diocese of Southwest Florida regardless of amount. Gifts of an amount less than $50,000 will be added to a current designated category of the Endowment Fund or spent according to any donor restriction and as approved by Diocesan Council.
2) Checks shall be made payable to The Diocese of Southwest Florida. In no event shall a check be made payable to an individual who represents The Diocese of Southwest Florida or the church in any capacity.

**Publicly Traded Securities**
1) Readily marketable securities, such as those traded on a stock exchange, can be accepted by The Diocese of Southwest Florida.
2) The value of the gift of securities is the average of the high and low prices on the date of the gift.
3) A gift of securities to The Diocese of Southwest Florida is usually liquidated immediately.

**Closely Held Securities**
1) Non-publicly traded securities may be accepted after consultation with the Gift Review Committee.
2) The Gift Review Committee will explore methods for liquidation of the securities through redemption or sale *prior to acceptance*. The Gift Review Committee will try to determine:
   a) An estimate of fair market value
   b) Any restrictions on transfer
   c) Whether and when an initial public offering might be anticipated
3) No commitment for repurchase of closely held securities shall be made prior to completion of the gift of the securities.
Real Estate
1) Any gift of real estate must be reviewed by the Gift Review Committee.
2) Normally, the donor is responsible for obtaining and paying for an appraisal of the property. The appraisal will be performed by an independent and professional agent.
3) The appraisal must be based upon a personal visitation and internal inspection of the property by the appraiser. Also, whenever possible, it must show documented valuation of comparable properties located in the same area.
4) The formal appraisal should contain photographs of the property, the tax map number, the assessed value, the current asking price, a legal description of the property, the zoning status, and complete information regarding all mortgages, liens, litigation or title disputes.
5) The Diocese of Southwest Florida reserves the right to require an environmental assessment of any potential real estate gift.
6) The property must be transferred to The Diocese of Southwest Florida prior to any formal offer or contract for purchase is made.
7) The donor may be asked to pay for all or a portion of the following:
   a) Maintenance costs
   b) Real estate taxes
   c) Insurance
   d) Real estate broker’s commission and other costs of sale
   e) Appraisal costs
8) For gift crediting and accounting purposes, the value of the gift is the appraised value of the real estate. This value may be reduced, however, by the costs of maintenance, insurance, real estate taxes, broker’s commission and other expenses of sale.

Life Insurance
1) A gift of a life insurance policy must be referred to the Gift Review Committee.
2) The Diocese of Southwest Florida can be named a contingent beneficiary or the beneficiary of a percentage of a life insurance policy.
3) The Diocesan Council will accept ownership of a life insurance policy as a gift only if The Diocese of Southwest Florida is named as the owner and beneficiary of 100% of the policy.
4) If the gift is a paid-up policy, the value for gift crediting and accounting purposes is the policy’s replacement cost.
5) If the policy is partially paid-up, the value for gift crediting and accounting purposes is the policy’s cash surrender value. (For IRS purposes, the donor’s charitable income tax deduction is equal to the interpolated terminal reserve, which is an amount slightly in excess of the cash surrender value.)

Tangible Personal Property
1) Any gift of tangible personal property shall be referred to the Gift Review Committee prior to acceptance.
2) Gifts of jewelry, artwork, collections, equipment and software shall be assessed for their value to The Diocese of Southwest Florida. Their value may be realized either by being sold or used in connection with the Diocese’s exempt purpose.
3) Depending upon the anticipated value of the gift, a qualified outside appraiser may be asked to determine its value.
4) The Diocese of Southwest Florida shall adhere to all IRS requirements relating to valuation and disposition of gifts of tangible personal property and will provide appropriate forms to the donor and IRS.
Deferred Gifts

1) The Diocese of Southwest Florida encourages deferred gifts in its favor through any of a variety of vehicles:
   a) Charitable gift annuity (or deferred gift annuity)
   b) Pooled income fund
   c) Charitable remainder trust
   d) Charitable lead trust
   e) Bequest
   f) Retained life estate

2) The Diocese of Southwest Florida (or its agent) shall not act as an executor (personal representative) for a donor’s estate. A member of the Diocese staff serving as personal representative for a member of the Diocese does so in a personal capacity and not as an agent of the Diocese.

3) The Diocese of Southwest Florida (or its agent) shall not act as trustee of any charitable remainder trust.

4) The Diocese of Southwest Florida may invite prospective donors to consider gift vehicles offered by The Episcopal Church Foundation (specifically, Charitable Remainder Trusts, Charitable Gift Annuities and the Pooled Income Fund).

5) When donors are provided planned gift illustrations or form documents, these will be provided free of charge. For any planned gift related documents, materials, illustrations, letters or other correspondence, the following disclaimer should be included:

   *The Diocese of Southwest Florida strongly urges you to consult with your attorney, financial and/or tax advisor to review this information provided to you without charge or obligation. This information in no way constitutes legal or financial advice.*

6) All information obtained from or about donors/prospects shall be held in the strictest confidence by The Diocese of Southwest Florida staff and volunteers. Neither the name, the amount, nor the conditions of any gift shall be published without the express written or oral approval of the donor and/or beneficiary.

7) The Diocese of Southwest Florida will seek qualified professional counsel in the exploration and execution of all planned gift agreements. The Diocese recognizes the right of fair and just remuneration for professional services.

8) If desired, a Legacy Society Certificate will be given to those who have filled out a Letter of Intent regarding the naming of the Diocese of Southwest Florida in their will. Neither the name, the amount, nor the conditions of any gift shall be published without the express written or oral approval of the donor and/or beneficiary.