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Approved By: Bethel Lutheran Foundation Board

ENDOWMENT POLICY AND GUIDELINES

Policy Statement: The purpose of the “endowment Policy and Guidelines” is to document the Bethel Lutheran Foundation’s management of gifts and bequests to Bethel Lutheran Ministries. The goal is to provide a framework for establishing endowment funds that will permit Bethel member’s gifts/bequests to continue doing “the work of the Kingdome of God” beyond their lifetime. These guidelines will also ensure that donors to these endowments will be confident their gifts/bequests will be properly managed and that their contributions will be used for the intended purpose.

Scope: The Bethel Lutheran Foundation currently handles gifts as memorials by Bethel members and non-members. The Foundation also handles specific gifts to the Foundation for designated purposes. In addition, the Foundation currently manages several small endowment funds that have been established for specific purposes (e.g., church worker scholarships and school scholarship). These guidelines do not apply to these Foundation “Endowment” responsibilities.

The “Endowment Policy and Guidelines” are for new, future endowment funds that are currently contemplated for various facets of Bethel Lutheran Ministries. It is expected that these endowment funds will be significantly larger than the existing funds that have financial assist of less than \$25,000 each.

Background: God has created the world and all that is in it. He has blessed us with time, talents and treasures. We are commanded to love one another and to care for our brothers and sisters in need. We are also commanded to “make disciples” and reach out to those who do not know Christ as their Savior.

Accordingly, Bethel Lutheran Ministries wishes to encourage gifts/bequests to fulfill its mission and vision by developing its ministries beyond what is possible through its annual operating budget. Regular distributions from endowments will ensure that God-pleasing programs and efforts by Bethel Lutheran Ministries can continue and expand.

Administration: The Bethel Lutheran Foundation, established as an agency of Bethel Evangelical Lutheran Church, Morton, Illinois in 1982, is responsible for the administration of the “Endowment” funds. The Foundation by-laws state “The purpose

of the Foundation is to further the work of the Kingdom of God through Bethel Lutheran Ministries by receiving, managing and disbursing memorials, gifts, grants and bequests". A nine-member board of directors governs the Foundation.

Board of Directors: The Foundation Board Chairman, Treasurer and two at-large members are appointed by the Congregational President. The Bethel Lutheran Church pastor is a member as are elected representatives of four other congregational boards. A quorum of four members is required to conduct endowment business.

Meetings: The Foundation Board meets on a regular basis but at least quarterly. Complete and accurate minutes of each meeting are maintained and provide to Board members.

Audits: The Foundation financial records are audited annually and suggested improvements implemented in a timely fashion.

Reports: Foundation reports are made at regular scheduled Voter's Assembly meetings and Parish Planning meetings. An annual report is submitted to the congregation each year.

Endowment Policy and Guidelines: The following paragraphs discuss the Endowment Policy and Guidelines that direct the Foundation Board in the administration of the "Endowment" funds.

Acceptance of Gifts: If a gift of assets other than cash or publicly traded securities is offered, there will be a careful review to determine whether the best interests of Bethel Lutheran Ministries are served by accepting or rejecting the gift. Guidelines for conducting such a review by the Foundation Board are incorporated in the Foundation's "Gift Review Policy".

Number of Endowment Funds: The Foundation will strive to minimize the number of specific Endowment funds. It is likely the Church and school will have several "Endowment" funds since the designated uses may be different. It is also possible that the gifts may have a stipulation on use that cannot be accommodated with existing funds. In all cases, the Foundation Board will try to honor the donor's wishes, either to use an existing Endowment fund or to establish a new entity.

Designated: A separate, designated fund of the "Endowment" fund may be established for gifts and bequests in the amount of \$10,000 or more. The donor will specify the designated use of the fund and also whether or not it will be a true endowment (i.e., the principal will not be used in distributions). More detail on designated funds is included in the Foundations' "Designated Funds".

Investment Objective: The primary investment objective will be to achieve a reasonable return on the assets while limiting the risk exposure to ensure the preservation of capital. The Board will determine whether an outside professionally qualified investment manager should be employed to manage the "Endowment" funds. The main criterion in this decision is the value of the assets. More detail on investment guidelines is included in the Foundation's "Investment Guidelines".

Distributions from the Endowment: It is intended that the "Endowment" funds be managed as true endowments with the restriction that the principal shall not be

invaded. However, there may be situations whereby a certain percentage or a certain amount of the corpus be available for annual distribution. In any event, annual distributions would be available for the intended purposes. No portion of the principal amount of the Endowment funds shall be “borrowed”, including any “temporary usage” for Bethel Lutheran Ministries’ needs.

Spending Rules and Disbursements: Allocations of funds available for distribution will be the responsibility of the Foundation Board. Requests for funds will be through the normal Foundation request process. The Foundation’s “Spending Rules and Disbursements” provide administration detail.

Disposition or Transfer of Endowments: In the event Bethel Lutheran Ministries cases to exist, disposition or transfer of Foundation Endowments shall be at the discretion of the Voters’ Assembly in conformity with the Bethel Evangelical Lutheran Church constitution and by-laws. Consultation with the Lutheran Church Missouri Synod Foundation and/or Lutheran Community Foundation may be desirable for the potential continuation of certain Endowment fund obligations.

Exhibits: Following are the separate guidelines mentioned in the above paragraphs:

- A. Gifts Review Policy
- B. Investment Guidelines
- C. Designated Funds Guidelines
- D. Spending Rules and Disbursements

Exhibit A:

GIFT REVIEW POLICY

Purpose: This “Gift Review Policy” provides guidelines to the Foundation Board members who may be involved in the acceptance of gifts, to outside advisors (tax, legal, financial) who may assist in the gift planning process and to prospective donors who may wish to make gifts to Bethel Lutheran Ministries. This policy is a guide only for gifts and bequests and is intended to allow some flexibility on a case-by-case basis.

Bethel Lutheran Foundation Board: Any questions that may arise in the review and acceptance of gifts and bequests to Bethel Lutheran Ministries will be referred to the Bethel Lutheran Foundation Board.

Cash: Bethel Lutheran Ministries (Bethel Lutheran Church and Bethel Lutheran School and Bethel Lutheran Preschool) shall accept all undesignated gifts of cash, or its equivalent. The Foundation Board prior to its acceptance for said designation shall review designated gifts of cash, or its equivalent. Drafts or checks should be made payable to Bethel Lutheran Ministries. No draft or check will be accepted that has been made payable to an individual, whether or not that individual represents Bethel Lutheran Ministries in capacity.

Publicly Traded Securities: Bethel Lutheran Ministries may accept readily marketable securities, such as those traded on a stock exchange. The Foundation Board shall be responsible for the transfer and processing of gifts and securities and will determine whether to sell or hold the securities. For gift crediting and accounting purposes, the value of a gift of securities is the average of the high and low prices on the date of the gift.

Closely Held Securities: Non-Publicly traded or closely held securities may be accepted as a gift after consultation with the Foundation Board. Prior to acceptance of such securities, the Foundation Board will explore methods and timing of liquidation of the securities through redemption, sale or other acceptable means. The Board will make a determination as to (a) an estimate of fair market value, (b) any restrictions on transfer and (c) whether and when an initial public offering might be anticipated. No commitment for redemption or repurchase of this type of securities shall be made prior to completion of the gift of the securities.

Real Estate: The Foundation Board must review any gift of real estate. The donor shall be responsible for obtaining at his/her sole expense an appraisal of the property. An independent and professional appraiser shall perform this formal appraisal in accordance with industry standards. Bethel Lutheran Ministries reserves the right to require an environmental assessment, including but not limited to a Phase I evaluation, of any potential real estate gift prior to acceptance. The cost of the environmental assessment shall be the sole responsibility of the donor. If the gift is acceptable to Bethel Lutheran

Ministries, the property must be transferred to Bethel Lutheran Ministries prior to any formal offer or contract for purchase being made.

If the gift is acceptable, the donor may be asked to pay for all or a portion of the following:

1. Maintenance costs
2. Annual real estate taxes
3. Realty transfer tax, if applicable
4. Hazard insurance
5. Real estate broker's commissions and/or other costs of sale or transfer of the property

For gift crediting and accounting purposes, the value of the gift is the appraised value of the real estate. However, costs of maintenance, insurance real estate taxes, broker's commission and other expenses of sale may reduce this value.

Life Insurance: A gift of a life insurance policy shall be regarded as a gift of cash or its equivalent and shall be accepted by Bethel Lutheran Ministries as long as the amount of potential premiums do not jeopardize the Foundation's financial situation and Bethel Lutheran Ministries is named as the owner and beneficiary of 100% of the policy. If the gift is a paid-up policy, the value for gift crediting and accounting purposes is the policy's replacement cost. If the policy is partially paid-up, the value for gift crediting and purposes is the policy's cash surrender value. (Note: 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: Any gift of tangible property shall be referred to the Foundation Board prior to acceptance. A gift of jewelry, artwork, collections, equipment and software shall be assessed for its value to Bethel Lutheran Ministries which may be realized by either selling the gift or using it in connection with Bethel Lutheran Ministries exempt purpose. An appraisal may be required to determine the anticipated value of the gift. If so, the donor shall be responsible for obtaining such an appraisal, at his/her sole expense, from a qualified and independent appraiser using the acceptable standards for such an appraisal. Bethel Lutheran Ministries shall adhere to all IRS requirements relating to disposing of gifts of tangible personal property and will provide appropriate forms to the donor and the IRS.

Deferred Gifts: Bethel Lutheran Ministries encourages deferred gifts to its Endowment funds through any of a variety of vehicles including, but not limited to:

- 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

Bethel Lutheran Ministries and the Bethel Lutheran Foundation shall not act as a personal representative for a donor's estate nor shall it act as trustee of a charitable remainder trust. When appropriate, prospective donors may be invited to consider the gift vehicles offered by the LCMS and Lutheran Community Foundations. All non-public, personal information obtained from or about any donor or prospective donor shall be held in the strictest confidence. The name, amount or conditions of any gift shall not be published without the express approval of the donor or prospective donor. Bethel Lutheran Ministries and the Bethel Lutheran Foundation will seek qualified professional counsel in the exploration and execution of all planned gift agreements and recognizes the right of fair and just remuneration for professional services. The Bethel Lutheran Foundation Board reserves the right to decline any gift that does not further the mission of Bethel Lutheran Ministries. Any gifts that would create an administrative burden or cause Bethel Lutheran ministries to incur excessive expenses may be declined.

Exhibit B

INVESTMENT GUIDELINES

Purpose: This “investment Guideline” provides direction to the Foundation Board as decisions are made regarding the investment of gifts to the Foundation’s “Endowment” funds. These guidelines shall be reviewed at least annually by the Board to determine whether they should be amended or remain unchanged. These guidelines are applicable to outside professional management of “Endowment” funds if outside resources are used.

Bethel Lutheran Foundation Board: Any questions related to the investment of the endowment assets will be referred to the Bethel Lutheran Foundation Board.

Investment Objectives: The endowment assets are to be invested with the same care, skill and diligence that a *prudent person* would exercise in investing endowment funds. The primary objective will be to achieve a reasonable total return on the assets, while limiting the risk exposure to ensure the preservation of capital.

Policies: The Foundation Board will make investment decisions in accordance with those Objectives stated above. The “*prudent person* rule” shall be the governing policy in making investments. These guidelines are not intended to restrict or impede the efforts of the Foundation Board to attain endowment fund objectives nor is it intended to exclude the Board from taking advantage of appropriate opportunities as they arise. The Board shall have discretion and flexibility to implement the objectives and policies herein set forth.

The Foundation shall not invest in private placement, letter stock, futures transactions, arbitrage and other uncovered options and shall not engage in short sales, margin transactions or other similar specialized investment activities.

Reporting: The financial status of the “endowment” funds shall be reported at each regular scheduled Foundation Board meeting or at least quarterly. An annual report shall be provided to Bethel Lutheran Ministries.

Audit: An annual audit by a certified public accountants (CPA) will be considered as soon as practical after the end of the calendar year. Their report will be made available to interested parties upon request.

Exhibit C

DESIGNATED FUNDS

Purpose: This policy statement governs the administration of “Designated Funds” by the Bethel Lutheran Foundation.

Designated Funds: A separate, designated fund of the “Endowment” fund may be established for gifts and bequests in the amount of \$10,000 or more. These assets are merged with other assets of the Bethel Lutheran Foundation 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 in cash or equivalent, 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 Foundation’s “Endowments” at the end of the previous quarter. New gifts and bequests are then added and withdrawals are subtracted to arrive at the new value of the designated fund on the last day of the quarter.

The funds made available for expenditure are limited to the purposes specified in the designation. Any available but unspent funds are held in the fund and are available for expenditure in subsequent years. These unspent funds increase the total market value of the designated fund and continue to accrue earnings until expended.

The Foundation Board may agree to establish an individual fund with a lesser amount than the \$10,000 with the assurance of the donor(s) that the fund will be added to over time and that the \$10,000 minimum level will be reached in a reasonable time. Until such time as the minimum level is reached and a designated fund is established, no earnings will be available for expenditure. The portion of the earnings attributed to that fund will be accrued and become part of the corpus to more readily move the fund to the \$10,000 minimum level.

Exhibit D

SPENDING RULES AND DISBURSEMENTS

Purpose: This policy statement provides guidelines to the Foundation Board for the spending and disbursement of “Endowment” funds.

Spending Rules: Allocations of funds will be made in two general ways:

1. Upon written request of the Chairmen of the various Boards of Bethel Lutheran Ministries, and with the approval of the Foundation Board, funds may be transferred to the Bethel Lutheran Church Treasurer for those uses that conform to the purposes and restrictions of “Endowment” funds.
2. As set forth in the “Endowment Policy and Guidelines”, the Foundation Board may obligate monies for general expenses incident to the management and administration of “Endowment” funds. Extraordinary initiatives contemplated by the Foundation Board to be undertaken for “Endowment” fund development will be reviewed and approved by the Parish Planning Council before implementation.

Disbursements: The Foundation’s “Memorial Request” form will be used to request “Endowment” monies. This form will have the proper review signature before being submitted to the Foundation Board. The Foundation Board will review the request at the next meeting after submittal and approve or disapprove the request.

It is the goal of the Foundation Board to provide for a reasonable and consistent level of expendable funds to be made available for the purposes established for those funds. At the same time it is committed to providing for the long-term growth of the “Endowments”, at least at the level commensurate with inflation.

