

**THE HERITAGE FUND  
OF  
CHRIST CHURCH - ST. MICHAEL'S PARISH  
ST. MICHAELS, MD**

**HERITAGE FUND TRUSTEES OF CHRIST CHURCH POLICIES**

**Developed by the TRUSTEES, and To Be Approved by the Vestry**

**Vestry Approving Resolution  
August 5, 2013**

WHEREAS, the HERITAGE FUND OF CHRIST CHURCH – ST. MICHAEL’S PARISH (hereafter called the FUND) shall be managed by the HERITAGE FUND TRUSTEES OF CHRIST CHURCH (hereafter called the “TRUSTEES”). The TRUSTEES’s have developed the Policies governing the management of the FUND and now seek Vestry approval of these policies.

THEREFORE BE IT RESOLVED, the Vestry approves the Policies written below

**SECTION A  
*Investment Policy Statement***

**Purpose**

This Investment Policy Statement establishes the philosophy, guidelines and investment objectives for managing the investments of the Heritage Fund of Christ Church - St. Michael’s Parish (hereafter known as the FUND).

**Responsibility**

The ultimate responsibility for managing the FUND resides with the Vestry which has chosen to delegate portions of its responsibility to the Heritage Fund Trustees of Christ Church (hereafter known as the TRUSTEES), which will manage the portfolio of the FUND in accordance with these guidelines, as adopted and amended from time to time. These guidelines shall be reviewed at least annually by the TRUSTEES to determine whether they should be amended or remain unchanged. The TRUSTEES may choose to employ an outside investment manager.

**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 long-term growth of principal and income without undue exposure to risk.

## **Investment Guidelines**

### ***Time Horizon***

The FUND'S investment objectives and strategic asset allocation are based on a long-term time horizon.

### ***Risk Tolerance:***

Because of its long-term time horizon, the FUND can tolerate some interim fluctuation in market value and rates of return in order to achieve its objectives. High level risk, high volatility and low quality rated securities, however, are to be avoided.

### ***Prohibited Investments:***

The TRUSTEES shall not invest in private placement, restricted stock or other illiquid issues, commodities' futures, arbitrage and other uncovered options, and shall not engage in short sales, margin transactions or other similar specialized investment activities; however, the use of funds that use these investment activities in a constructive manner are permitted.

### ***Portfolio Diversification:***

The investment objectives should be achieved through a diversified portfolio, which may include but is not limited to, large-cap, mid-cap, small-cap U.S equities, international equities (both developed and emerging markets), bonds and cash. Mutual funds, common trust funds, exchange traded funds, and notes representing any of these asset classes may be used. No more than 5% of the FUND shall be held in any one stock; and no more than 20% of the FUND shall be held in any one industry.

### ***Investment Discretion:***

These guidelines are not intended to restrict or impede the efforts of the TRUSTEES to attain the FUND'S objectives, nor are they intended to exclude the TRUSTEES from taking advantage of appropriate opportunities as they arise. The TRUSTEES shall have discretion and flexibility to implement the objectives and policies herein set forth.

### **Asset Allocation**

Because securities markets may vary greatly throughout a market cycle, the TRUSTEES may change the asset mix of the FUND within the following ranges as long as that mix meets the overall objectives and is consistent with the policy guidelines herein set forth. The FUND shall be allocated between equity investments and bonds and/or other fixed income securities. A minimum of 3% cash shall be maintained for liquidity.

The strategic target allocation shall be within the following ranges (plus or minus 5%):

EQUITIES:	40% - 60%
FIXED INCOME:	60% - 40%
CASH:	3% - 20%

The target allocation among equity classes shall be determined periodically (and at least annually) by the TRUSTEES in consultation with the investment manager(s) to reflect a prudent response to current market conditions.

## **Investment Goals**

While maintaining the asset mix within the above guidelines, the TRUSTEES accepts a risk level for the FUND's overall investment program that is intended to produce a total annual return adequate to cover these components: expenditures from the FUND (as determined annually by the TRUSTEES under the Spending Rule Policy), inflation and growth of the FUND.

## **Reporting**

The quarterly report provided by the TRUSTEES to the Vestry 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.

## **SECTION B** ***Spending Rule Policy***

Money will be distributed from the FUND upon written request of the Vestry initiated by the Senior Warden and with the approval of the TRUSTEES for those uses which conform to the purposes and restrictions established by donors or incorporated in the Enabling Resolution.

Funds available for distribution each calendar year shall be the amount equal to the lesser of:

- a) five percent (5%) of the average of the fair market value of the FUND for each of the last three years using the balance as of December 31 for the prior two years and the balance as of October 31 for the current year or;
- b) the net income of the FUND as of the last day of the previous calendar year, as calculated in January of each calendar year by the Trustees of the FUND and reported to the Vestry.

Income of the FUND is defined as dividends, interest and realized capital gains, net of investment management fees. Upon the report of the Trustees of the FUND, the Vestry shall vote, in its sole discretion, to accept the FUND income and designate its use for the benefit of Christ Church or to direct the reinvestment of the FUND income as additional principal to the FUND.

## **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: *Christ Church - St. Michael's Parish of the Episcopal Diocese of Easton* or some other wording such as *Christ Church - St. Michael's Parish, St. Michaels, MD*; or *The Endowment Fund of Christ Church - St. Michael's Parish*; or *The Heritage Fund of Christ Church – St. Michael's Parish* or similar wording.

Bequests to Christ Church - St. Michael's Parish as beneficiary can be of two general types:

**a. Restricted Use:** The donor has identified a specific purpose(s) to which the funds should be directed. The Vestry 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 FUND or by direct expenditure of the funds through the Treasurer of the Parish.

**b. Unrestricted Use:** The expectation is that such a bequest will be transferred to the FUND. Such transfers are intended to be held in perpetuity unless otherwise specified by the donor. This policy specifically acknowledges that from time to time truly extraordinary needs of the parish may arise to necessitate an exception to this policy.

In such instances the following procedure will apply:

The Rector and Senior Warden of the Parish 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 Parish are available or are expected to become available in time to fulfill the urgent need. If an exception is deemed appropriate, the Rector and Senior Warden will make a recommendation to the Vestry. Final authority for granting such an exception to the policy will rest with the Vestry and require a two-thirds vote of the Vestry at two successive meetings.

Bequests designating the FUND as beneficiary are automatically transferred to the 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 FUND, as provided for in a separate policy. If the bequest to Christ Church does not designate a restriction in access to principal, the assets will be directed to the Operating Fund. Vestry will determine the best use for the parish.

## SECTION D

### *Donor-Designated Fund Policy*

A separate and designated fund within the FUND may be established for gifts in the amount of \$25,000 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**

The purpose of this policy is to establish guidelines and regular procedures for receipt, management, and disposition of funds or other properties received by the Church as gifts. The gift acceptance policy provides guidelines to representatives of Christ Church - St. Michael's Parish 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 Christ Church. 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.

#### **Policy**

In general, Christ Church – St. Michael's Parish welcomes gifts of cash, stock, materials, equipment or property of any kind which promote the mission of the Church. The Church shall issue a "Gift Receipt" to the donor of any gift. The form is at the end of this document.

The Church reserves the right to refuse any gift that the Vestry, in its sole discretion, deems to be not in the best interests of the Church to accept.

If a gift is accepted by the Church, the gift shall be final and no restrictions on the Church's ownership, possession, use or disposition of the gift shall be effective other than restrictions approved by the express vote of the Vestry and memorialized in writing.

#### **Gift Review By The TRUSTEES**

Any questions which may arise in the review and acceptance of gifts to Christ Church will be referred to the TRUSTEES. Gifts of Closely Held Securities, Real Estate, Life Insurance and Tangible Personal Property shall be referred to the TRUSTEES for review and recommendation to the vestry. Vestry will by vote make the final decision to accept or refuse any gift based on the best interests of the Church.

#### **Gift Receipts**

The Church will provide a timely, written acknowledgment of the receipt of gifts to the donor and, if desired, to a recognized individual or organization. Income tax regulations leave the determination of the gift's monetary value to the donor. Donors wishing to have an appraisal of their gifts for income tax purposes should do so prior to donation.

A Gifts Receipt Form is included at the end of this document.

#### **Monetary Gifts**

- 1) All gifts by check shall be accepted by Christ Church regardless of amount.
- 2) Checks shall be made payable to Christ Church - St. Michael's Parish. In no event shall a check be made payable to an individual who represents Christ Church 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 Christ Church and will be received by direct transfer from the donor's brokerage to the account of Christ Church – St. Michael's Parish.
- 2) Details of the process are provided in Section F *Donating Stock*.
- 3) A gift of securities to Christ Church is liquidated immediately.

### **Closely Held Securities**

- 1) Non-publicly traded securities may be accepted after consultation with the TRUSTEES. The fair market value will be the value used by the donor in the preparation of the donor's tax return.
- 2) The TRUSTEES will explore methods for liquidation of the securities through redemption or sale **prior to acceptance**. The TRUSTEES will try to determine:
  - a) Any restrictions on transfer
  - b) 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 TRUSTEES.
- 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) Christ Church reserves the right to require an environmental assessment of any potential real estate gift.
- 6) The property must be transferred to Christ Church 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 TRUSTEES.
- 2) Christ Church can be named a contingent beneficiary or the beneficiary of a percentage of a life insurance policy
- 3) The vestry will accept ownership of a life insurance policy as a gift only if Christ Church 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 TRUSTEES prior to acceptance.
- 2) Gifts of jewelry, artwork, collections, equipment and software shall be assessed for their value to Christ Church. Their value may be realized either by being sold or used in connection with the parish's exempt purpose.
- 3) Depending upon the anticipated value of the gift, a qualified outside appraiser may be asked to determine its value.
- 4) Christ Church 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) Christ Church encourages deferred gifts in its favor through any of a variety of vehicles:
  - a) Bequest
  - b) Charitable gift annuity (or deferred gift annuity)
  - c) Pooled income fund
  - d) Charitable remainder trust
  - e) Charitable lead trust
  - f) Retained life estate
- 2) Christ Church (or its agent) shall not act as an executor (personal representative) for a donor's estate. A member of the parish staff serving as personal representative for a member of the parish does so in a personal capacity and not as an agent of the parish.
- 3) Christ Church (or its agent) shall not act as trustee of any charitable remainder trust.
- 4) Christ Church 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:

***“Christ Church 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 Christ Church staff and volunteers. The donor's 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) Christ Church will seek qualified professional counsel in the exploration and execution of all planned gift agreements. The parish recognizes the right of fair and just remuneration for professional services.
- 8) The Vestry, upon the advice of the TRUSTEES, reserves the right to decline any gift that does not further the mission of the parish. Also, any gifts that would create an administrative burden or cause the parish to incur excessive expenses may be declined

## **SECTION F** ***Donating Stock***

Donation of stock directly to Christ Church – St. Michaels Parish often has many benefits to the donor. Transferring the stock directly to Christ Church permits the donor a full tax deduction on the value of the stock at the time of the donation regardless of acquisition cost. The donor also avoids the cost of selling stock and capital gains taxes. Hence, this policy encourages donors to transfer the stock and not to sell it. Donors should be advised to consult a tax advisor prior to making the donation to assess personal tax implications. The following is a guide for donating stock:

1. The donor’s broker should transfer the stock directly to the account of Christ Church - St. Michael's Parish at Morgan Stanley Smith Barney. The OTC transfer information and account information the broker needs is

OTC# 0015  
Morgan Stanley Smith Barney c/o Kate E. Kraus  
[Kate.Kraus@morganstanley.com](mailto:Kate.Kraus@morganstanley.com)  
28601 Marlboro Avenue, Suite 201  
Easton, Maryland 21601  
410-822-3400  
Account Number: 923105796  
FBO Christ Church St. Michael's Parish

Wiring instructions are as follows:

ABA Number: 021000089  
Bank: Citibank, New York  
For Benefit of Morgan Stanley Smith Barney LLC  
Beneficiary Account: 406111 72  
For Further Credit to: Account Number 923105796  
Christ Church-St. Michael's Parish

2. The donor shall complete *Notice of Stock Donation Transfer* form which is available from the Parish Administrator.
3. The donor shall email a scanned copy of the form directly to Morgan Stanley Smith Barney at the email address listed on the form and email a copy to the Christ Church- St. Michael’s Parish Administrator [cosborne@christstmichaels.org](mailto:cosborne@christstmichaels.org) . The Parish Administrator’s phone number is 410-745-9076 for any questions.

## **The Transfer Process**

1. The donor's brokerage firm will send a confirmation of the transfer to the donor for their tax records.
2. The form emailed to Morgan Stanley Smith Barney informs them to sell the stock immediately after it arrives, usually in several business days. With this email notification, they will be aware that the stock transfer is in process.
3. Morgan Stanley Smith Barney sends a stock sales confirmation to Christ Church confirming the sale and the price, usually in approximately one week.
4. Morgan Stanley Smith Barney sends a check with the proceeds to Christ Church within several days after the sale has cleared.
5. Christ Church provides an acknowledgement of your stock donation on the statement of all of your donations mailed directly to you each quarter.

**Christ Church - St. Michael's Parish  
Talbot & Willow Streets  
St. Michaels, Maryland  
410-745-9076**

***Gifts Receipt***

Date: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Town: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

has made a donation to Christ Church - St. Michael's Parish which is a not-for-profit 501(c)3 religious organization. This form will serve as a receipt for purposes of income tax deduction. The Internal Revenue Service advises not-for-profits that it is the responsibility of the donor to determine the fair market value of the contribution.

All gifts accepted are accepted under the terms of the Church's Gifts Policy.

Signature of donor: \_\_\_\_\_

Description of donation: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Date received: \_\_\_\_\_

Signature of Rector/Sr. Warden: \_\_\_\_\_

*Gifts to Christ Church - St. Michael's Parish are deductible to the full extent allowed by law. No gifts and/or services have been provided to the donor by the Church in consideration of this gift.*

The original of this form goes to the donor, and the Church retains the duplicate.

The foregoing resolution is hereby adopted by the Vestry this \_\_\_\_ day of \_\_\_\_\_, 2013.

**Christ Church - St, Michael's Parish  
St. Michaels, MD**

_____	(print name)	_____	Attest:
_____	(signature)	_____	
<b>Senior Warden</b>		<b>Registrar</b>	