

THE ST. ANDREW PERMANENT ENDOWMENT CHARTER

Revision NC

Establishment

The Charge Conference of St. Andrew United Methodist Church in Plano, Texas established the St. Andrew Permanent Endowment in 2011. This Permanent Endowment was established under the guidelines of the Methodist Church Book of Discipline dated 2008 and the Endowment Committee will make any adjustments in Policy or Procedure to comply with these Disciplines as they are amended by the Methodist Church.

Purpose of the Endowment

The Permanent Endowment was established to provide members and friends of St. Andrew the opportunity to make significant gifts to the church either as direct gifts or through estate planning and bequests. The earnings from these funds will be used for the establishment of new ministries of the church, including new churches and new church locations, scholarships for development of future pastors and Clergy who come from the family of St. Andrew, and for the support of our permanent Church facilities including response to emergencies and the need for major upgrades. These earnings will not be used for ongoing expenses normally included in the operating fund of the church.

Administration of the Endowment

The Permanent Endowment will be administered by the Endowment Committee at the direction of the Charge Conference of St. Andrew. The Church Charge Conference approved this Charter Document and is responsible for approving any changes to this charter. Approval requires a 75% majority of the Charge Conference attendees with the exception as noted in the "Distributions from The Fund-Spending Rate" section of this Charter. The Endowment Committee shall consist of nine voting lay members nominated by the Nomination Committee of the church. Terms will be for three consecutive years, and no member may serve more than two consecutive terms. Terms will be staggered in groups of three expiring each year. The Senior Pastor, from the voting members of the committee, shall name the Chairperson of the Endowment Committee.

No member of the committee shall profit personally or through any business entity that they are involved with or own more than 1% of, or exceeds 5% of their personal net worth from any transaction or investment made by the Endowment.

The administration of the Endowment, including investing and reporting, will be the duties of the church Business Office and monitored by the church Business Administrator. The Chairperson of the Endowment Committee will report on a biannual basis to the Finance committee the investments of the Permanent Endowment, the returns and metrics of the Endowment, and all distributions of the Endowment. This shall include appropriate measures of the returns for each investment versus an index for those type funds. On an annual basis the will present the same information to the Annual Charge Conference of St. Andrew.

Gifts to the Endowment

The Endowment Committee will have authority to accept or decline any and all gifts to the Endowment for any reason the committee feels that acceptance of the gift is not in the best interest of the church both short term and long term. No gift will be accepted that risks the charitable tax status of the church.

A general guideline is that the church will accept all non restricted, non designated gifts of liquid assets including cash, stocks, bonds, etc. that have an acceptable market to be converted to cash immediately after the gift is received. All non-cash assets will be converted to cash as quickly as possible by the Business Office of the church.

The establishment of new funds to be managed by the Endowment Committee through restricted or designated gifts must be over \$250,000 and restrictions of designations must be acceptable to the Endowment Committee from both an ability to use the funds appropriately, and to not put the church in an unacceptable position by the restriction or designation. A separate charter will be established for each of the new funds by The St. Andrew Charge Conference to give the Endowment Committee specific instructions on the funds management and distribution of corpus and earnings.

Assets that are not liquid at the time of the gift will be rejected until a method of conversion to a liquid asset at the time of acceptance of the gift is determined. The cost to make the gift acceptable will be borne by the donor. No gift will be accepted that creates any liability to the church in the future.

Gifts of mineral interests may be received absent extenuating circumstances such as extended liabilities or other considerations making receipt of the gift inadvisable. Before acceptance of mineral interests a qualified consultant will review the gift and advise the committee on any issues that might make the gift unacceptable to the church. The cost of the advisor will be borne by the donor.

Investment

The Permanent Endowment is intended to have a long time horizon and will not make distributions of principle per the distribution provisions expressed below. The St. Andrew Permanent Endowment shall only be invested in low cost index funds or funds managed by a socially conscious investment manager such as the Texas Methodist Foundation (and their sub-advisors). The equity/fixed income allocation shall be in a range of 40% Equity and 60% Fixed Income to 60% Equity and 40% Fixed Income. Cash may be held as part of the Fixed Income allocation for such period of time as the Endowment Committee deems appropriate. The donor may direct which investment approach (index funds or socially conscious funds) their donation may be placed. Otherwise, the donation will be placed in either investment objective at the discretion of the Endowment Committee. The Endowment Committee shall monitor these investments and returns given the risk and return expectations of the asset classes selected. These results shall be shared with the Finance Committee of St. Andrew on a bi-annual basis.

The Objective of the Endowment's investments shall be to achieve significant long-term growth while deriving current income to allow distribution from the Endowment as detailed in the distribution section of this document. It is the intent of the Endowment Committee to apply the standards of the Uniform Prudent Management of Institutional Funds Act as set forth in the Title 10 of the Texas Property Code effective September 1, 2007 as may be subsequently amended.

The Endowment Committee shall review the investments at least twice per year. Any changes or re-balancing of the investments shall be at the discretion of the Endowment Committee. The Endowment Committee shall make these investments and returns available for all Church membership on at least an annual basis.

Distributions from the Endowment

Income Definition | The Permanent Endowment shall use the "Corporate Law" definition of income, which generally defines income as earnings from all sources including interest, dividends, net rental income or distributions from Real Estate Investment Trusts, and capital gains (appreciation).

Inflation Considerations | The Permanent Endowment shall retain all contributions made by any donor. No part of the principle of any such donation shall be distributed at any time. The Endowment Committee may (but is not obligated to do so) retain so much of the earnings from the Endowment as they may deem appropriate to offset the effects of long-term inflation.

Spending Rate | It is the intention of the Permanent Endowment to preserve the corpus of donations made to this Endowment and as such no distribution of donor corpus is authorized. No earnings shall be distributed from the Permanent Endowment until the account value of contributions, plus accumulated income shall equal \$1,000,000.00. At no future time shall any distribution be made which will cause the account value of the Endowment to be lower than, the greater of \$1,000,000.00, or the sum total of all unrestricted donations made to the Endowment. At such time as the account

value of the Endowment exceeds \$1,000,000.00, distributions may be made from the Endowment only from Income generated by the Endowment. Such distributions shall be limited by Texas Property Code Title 10, Sub-Title B, Chapter 163 Section 163.005(d): "... appropriation for expenditure in any year of an amount greater than seven percent of the fair market value of an endowment fund with an aggregate value of \$1 million or more, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure was made, creates a rebuttable presumption of imprudence." Notwithstanding the foregoing provision, this limitation does not apply to an appropriation for expenditure permitted under law or by the gift instrument. Furthermore, it is not anticipated that a distribution from the Permanent Endowment will be made every year. Thus, if no income is distributed in any given year or years, said accumulated income may be added to income earned in a year of distribution to allow for a distribution in a given year which would be greater than seven percent of the fair market value of the Endowment.

The Endowment Committee shall determine the funds available for annual distribution. First the funds available from designated and restricted funds will be set, based on the agreement with the donors at the time the gifts were given. Then the available funds from the unrestricted and undesignated gifts will be calculated based on the last three years return on those funds. At no time will the available funds reach into the original gift or exceed 5% of the total Permanent Endowment without a 90% approval of the Church Conference of St. Andrew. The final amount contributed to various funds within the Church, e.g. The Charles Stokes Scholarship fund, is at the discretion of the committee.

Distributions from the Permanent Endowment will include monies used for the marketing and collection of donations to the Endowment. The Endowment Committee will have sole discretion as the amount utilized for these purposes. These monies must also come from the earnings of the fund and not from the corpus.

Requests for financial support from the Permanent Endowment will generally be accepted twice per year through a request process. In cases of emergencies, requests can be at any time. The committee will then approve funding based on funds available and prioritizations for request, based on the Church priorities and missions. Designated and restricted funds will be approved based on requests, which meet with the restrictions or designations. The Endowment Committee will consult with the Senior Pastor before the determining distributions.

Donor Support and Recognition

Donors to the Permanent Endowment will be acknowledged and recognized by the Church with an appropriate series of programs that support the donor's wishes and recognized the importance of the gift to the Church. These programs may include but are not limited to the following:

- Recognition by communicating to the church through the weekly bulletins, an annual update on endowment gifts and commitments, a wall of givers, etc.
- Written communication to the donor and their family thanking and recognizing the gift.
- Updates to all donors on the progress of the funds and uses of distributions.
- Donors and families of donors of designated gifts will be sent separate communication on distributions of moneys from their gift.
- A Legacy Society for all commitments from Estate planned gifts from living donors.
- A membership in the Saltire Circle for gifts over \$50,000.
- Cornerstone for gifts given in a designated period after the roll out of the fund.

Donors may participate in these programs or remain anonymous if they desire that. The purpose of this recognition is to support committed donors and expose other members of the church of the commitment of other members and exposure to opportunities for them to be a part of the Permanent Endowment.

The Senior Pastor and the St Andrew Permanent Endowment Committee will approve all programs for recognition.

Liability

In the absence of gross negligence or fraud, no member of the Administrative council, the Endowment Committee, the Board of Trustees, or the Finance Committee shall be personally liable for and action taken or omission made with respect to the Permanent Endowment.

Merger, Consolidation, or Dissolution of the Church

If at any time the Church is lawfully merged or consolidated with any other church, all provisions hereof in respect to the Permanent Endowment shall be deemed to have been made on behalf of the merged or consolidate church, which shall be obligated to administer the same in all respects and in accordance with the terms hereof.

If the Church should ever be dissolved without a lawful successor, the Permanent Endowment, including both principal and interest to date, shall be transferred to the North Texas Conference of the United Methodist Church to be used as a permanent endowment fund in its ministry in accordance with The Book of Discipline, 2008 and with particular reference to Paragraph 2548.5.

Severability


If any provisions or any application of any provisions of these Guidelines for the Permanent Endowment shall be held, or deemed to be, or shall be illegal, inoperative, or unenforceable, the same shall not affect any other provisions or any application of any provisions herein contained or render the same invalid inoperative or unenforceable. This Charter, when approved by the Charge Conference replaces all previous versions of same and on this date April 7, 2016 is approved by:



CHAIRPERSON OF ENDOWMENT COMMITTEE



CHAIRPERSON OF EXECUTIVE COMMITTEE



SENIOR PASTOR OF ST. ANDREW UNITED METHODIST CHURCH REPRESENTING THE CHURCH CHARGE CONFERENCE

Revision Status

| REVISION | DATE | DESCRIPTION | APPROVAL |
|----------|------------|-------------|----------|
| NC | 03/20/2016 | Creation | |
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