

THE TRINITY LUTHERAN CHURCH ENDOWMENT FUND

I. NAME AND GENERAL PURPOSE

- A. The congregation of Trinity Lutheran Church of Onekama, MI shall have an Endowment Fund. This Fund for the congregation shall be called the Trinity Lutheran Church Endowment Fund of Onekama, MI. hereinafter called the Fund. It shall be one of the Funds of this congregation under the authority of the Church Council.
- B. This Fund's purpose shall be to receive gifts and bequests and to use them for the mission and ministry of Trinity Lutheran Church and assist the Church in carrying out the Great Commission as stated in Matthew 28: 19-20, be it locally, within our state, our nation or around the world.

II. ENDOWMENT FUND GOVERNING BOARD AND ITS DUTIES

- A. The Endowment Fund shall be promoted and managed by the Trinity Lutheran Church Endowment Fund Board, hereinafter called the Board. The Board shall consist of the following members:
 - 1. The pastor of the congregation, ex-officio non-voting member;
 - 2. The congregational chairperson an ex-officio voting member.
 - 3. Six members elected and qualified according to the church's constitution and bylaws;
- B. The Board members should be voting members of Trinity Lutheran Church. Except as herein limited, the term of each elected member shall be three (3) years. After the adoption of the Endowment Fund by the Voter's Assembly, the Voter's Assembly shall elect six (6) members to the Board. The initial six members will be elected to these terms to begin the staggering of their terms of office; two (2) for a term of three (3) years; two (2) for a term of two (2) years; and two (2) for a term of one (1) year. No elected member shall serve more than three (3) full or partial consecutive terms. A former Board member may be re-appointed after a lapse of twelve (12) months following completion of his or her third consecutive term.

In the event of a vacancy on the Board, the Church Council shall, at its next regular meeting, upon the recommendation of the existing Board, appoint a member to fill the vacancy.

- C. The Board shall meet on a frequency determined by the By Laws of the Congregation (or as often as agreed to by the Board if more frequent) to receive and administer gifts to the Fund, make plans for Fund distributions, and make plans to promote the Fund. The meetings may be held in person or via any electronic means determined by the Board.

The Board shall organize itself with a chairperson, a secretary, and an endowment financial secretary.

The chairperson shall preside at all meetings of the Board.

The secretary shall maintain complete and accurate minutes of all meetings of the Board and supply a copy thereof to each member after each meeting. Each member shall keep a complete set of minutes to be delivered to his or her successor.

The Endowment Fund records should be reviewed annually by other congregation members appointed to the task. The Fund's review should be completed at the same time as the records of the congregation are reviewed, to ensure that such report will be on file at the time of an agreed to Voter's Assembly or Church Council meeting of the congregation.

- D. The endowment financial secretary of the Board shall be responsible for receipts by and disbursements from the Fund, shall maintain complete and accurate books of account, and shall provide, at least annually, a written financial report of the Fund to the Church Council. The endowment financial secretary, church treasurer, or the chairperson of the Church Council are authorized check signors for the Fund and two of the three individuals shall execute all checks and other documents transferring or expending any funds or assets in the Fund.
- E. The Board shall maintain accounts with any or all of the following financial institutions as it, by resolution, may determine and authorize:
1. Banks, savings and loans, and/or credit unions;
 2. Brokerage firms.
- F. The Board may, if it so determines, cover the endowment financial secretary of the Fund with a corporate fidelity bond in an amount determined from time to time. The bond would be an expense of the Fund.
- G. No member of the Board 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 or her personal interests would conflict with the interest of the Fund.

- H. The Board shall adopt means for acknowledging the receipt of gifts and contributions in a manner that will permit the donor to claim federal income, gift, and estate tax charitable contribution deductions.
- I. All funds and property shall be kept and maintained separate, distinct, and independent from the funds and property otherwise belonging to Trinity Lutheran Church. The congregation shall not be allowed to borrow against the Endowment Fund or use the Fund as collateral for a loan.
- J. The Board shall inform the members of the congregation of the purpose of the Fund, and may periodically arrange for members of the congregation to meet with a representative of Trinity Lutheran Church as well as professional counselors in the field of charitable giving, wills, bequests, insurance, etc.
- K. The Board seeks to fulfill the legal and regulatory requirements of local, state, and federal laws pertaining to the operation of endowment funds. In particular, as it manages the assets and distributions of the Fund, the Board will comply with the provisions of the Uniform Prudent Management of Institutional Funds Act enacted by the State of Michigan.
- L. The personal liability of a Board member of this Corporation (referring to the Church) is eliminated to the fullest extent permitted by the provisions of Section 209 of the Michigan Non-Profit Corporation Act, as amended and supplemented. The Corporation assumes all liability of its volunteer directors to any person other than the Corporation or its members for all acts or omissions of a volunteer director occurring on or after January 1, 1988 incurred in the good faith performance of the volunteer's duties.
- M. Each person who is or was director, officer, employee, or agent of this Corporation (referring to the Church) on or after January 1, 1988 shall be indemnified, held harmless, and defended by the Corporation to the fullest extent permitted by the laws of the State of Michigan as they may be in effect from time to time; provided, however, the Corporation shall have no obligation to indemnify any director, officer, employee, or agent in connection with any proceeding or part thereof initiated by such director, officer, employee, or agent without authorization of the Church Council. This Corporation may purchase liability insurance to protect its directors, officers, employees, and agents against liability asserted against and incurred by them in their capacity with the Corporation or arising out of their status with the Corporation, whether or not the Corporation would have power to indemnify such person against such liability under the laws of the State of Michigan. The purchase of such liability insurance shall not be interpreted as any type of waiver of any protection afforded to the Corporation, its directors, officers, employees, or agents by Michigan laws. Any director, officer, employee, or agent of this Corporation against whom a claim has been asserted or threatened and who seeks indemnification, protection, or insurance coverage from this Corporation must give timely

notice to another officer of this Corporation of such claim before incurring any expense otherwise indemnifiable under this Article. (All references to the Corporation or this Corporation refer to the Church.)

III. DURATION

The Trinity Lutheran Church Endowment Fund shall continue in existence and be used as hereinabove provided, so long as the Trinity Lutheran Church shall continue to exist. If Trinity Lutheran Church should cease to exist, then the assets constituting the Fund shall be dispersed as all other property of the church according to the constitution and bylaws of the Church. In all events, the successor must qualify as a tax-exempt organization under the Internal Revenue Code.

IV. TYPES OF GIFTS ACCEPTED

- A. How to Contribute to the Fund. Individuals who desire to support the Fund should designate that their gift is to: "Trinity Lutheran Church, for the Trinity Lutheran Church Endowment Fund."

These designations will ensure that gifts will be administered according to the terms of the Fund, whether they are made during an individual's life, or made following his or her death, through a bequest or gift in a will or a trust, or through a beneficiary designation of some or all of the proceeds of a life insurance policy, annuity, retirement plan, or other asset types.

- B. The Process for Acceptance or Declining of Gifts. The Board shall adopt procedures for review and acceptance of the assets that a donor offers to give. Gifts of cash or publicly traded securities will almost always be acceptable. However, gifts of operating businesses, partial interests in property, gifts encumbered by debt, gifts of property which may have title problems or environmental problems, or gifts of property which may not be marketable within a reasonable time may not be acceptable, due to the expense of owning the property. In addition, certain types of property may cause adverse federal or state income tax consequences for the Fund and, therefore may not be acceptable. The acceptance or declining of gifts is fully defined in the Gift Acceptance Policy of the Trinity Lutheran Church Endowment Fund.

If the Board determines that an asset, which a donor offers to give to the Fund, is not acceptable, the Board will immediately reply in writing to the Donor, explaining the reasons along with any suggestions or alternatives for making the asset acceptable. If the donor requests the Board to do so, the Board shall forward a summary of the proposed gift, and its concerns about the gift, to the Church Council for review.

Some property may cause unexpected tax or other consequences to the donor. The congregation is not responsible for advising donors of the tax effects or other consequences of any gift. Donors are advised to consult with their own attorney, tax advisor, and other professional advisors about the consequences of giving of a gift in their circumstances. This Fund will abide by the requirements of the Internal Revenue Code and its regulations.

C. Types of Acceptable Gifts. The Trinity Lutheran Church Endowment Fund shall accept these types of gifts described as follows:

1. Gifts to the Fund - The Trinity Lutheran Church Endowment Fund shall accept gifts additions to the principal of the Fund. These gifts, as additions to the principal of the Fund, may be used for the purposes, projects, and programs recommended through the discretion of the Board to the Church Council. The distributions from these non-designated gifts to the Fund shall be for the purposes set forth in Section I. B. of this agreement. None of the income or principal of the Fund shall be used for the congregation's operational budget. (The congregation's operational budget is defined as fixed expenses for salary, benefits, utilities, and fixed costs for the church operation. While programs and projects may be carried out by a church budget, these church budget items may instead be supported by gift distributions from the Endowment Fund.)

At least annually, the Board shall make recommendations to the Church Council, as described in Section VI, for the distributions from these funds.

V. FISCAL YEAR

- A. For tax, accounting, distribution, or other purposes, the fiscal year of the Trinity Lutheran Church shall be the fiscal year of the Fund.
- B. Within the first quarter of the year after the Fund's fiscal year closes, and at other time(s) as is deemed convenient, an itemized, written statement should be prepared. It must accurately reflect the position of the Fund's income and corpus accounts as of a date reasonably close to the date the statement should be submitted to the Church Council. All such statements should indicate the receipts, disbursements, and changes in the Fund since its inception or the previous accounting, as the case may be.

VI. DISTRIBUTIONS TO CARRY OUT THE PURPOSES OF THE ENDOWMENT FUND

- A. Responsibility for Distribution. The Board shall be responsible for distribution of the approved amounts from the Endowment Fund.

- B. Distribution Intent. The distributions from the Endowment Fund for the purposes described within this agreement shall be determined by the Board, which will make its recommendations to the Church Council for approval. The Church Council shall have the responsibility to accept or reject any of the Board's recommendations. No distributions shall be made without the approval of the Church Council.
1. It is the intention of the Trinity Lutheran Church Endowment Fund to protect the assets entrusted to the Fund by its donors. The Fund defines those contributions to the Fund as the baseline donations which the Board will seek to preserve in the management of the collective assets of the Endowment Fund. In making the annual determination to provide the distribution to support the mission of the Endowment Fund or to accumulate the earnings and growth of the Fund, the Board shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, all of the following factors:
 - The duration and preservation of the Endowment Fund,
 - The purposes of the Church and the Endowment Fund,
 - General economic conditions,
 - The possible effect of inflation and/or deflation,
 - The expected total return from earnings and the appreciation of investments,
 - Other resources of the Church, and
 - The Investment Policy of the Endowment Fund.

Once these factors have been considered, the Board will seek to make distributions to support the mission of the Fund through the greater of the net income earned or a percentage of the fair market value of the Endowment Fund assets as valued on December 31 of each year. The Board will distribute five percent (5%) of the fair market value, however this amount may be reduced in any given year based on the findings of the Board outlined above in seeking to protect the baseline donations of the Fund. The Board may determine annually, by the last day of February of each year, to increase the distribution rate to calculate the monies available for payout. Factors that may influence the Board's decision include program or project expenditures or the previous year's investment results.

In the event that the net income or the distribution from the Fund is not used in any year for the purposes described, such unexpended net income or distribution may be added to the principal of the Fund or retained as monies available for distribution in future years, subject to the discretion of the Board.

2. Should the Board be required to change the distribution intent described herein, the Board may amend the Fund's distribution guidelines, subject to applicable laws and authorization by the Church Council, as provided for in Section VIII, Amendments to the Agreement.
- C. Distribution Guidelines and Spending Priorities. The Board shall create distribution guidelines and spending priorities in conjunction with the Church Council for proper management of Fund distributions to support the mission and purposes of the Trinity Lutheran Church Endowment Fund.

VII. POWERS

The Board shall have the following powers and authority:

- A. Sales and Distribution. To sell all or any part of the property of whatsoever kind which at any time may constitute a part of any trust within the Endowment Fund that may hereby be established, at such times, for cash or on credit in such manner and at such prices, either at public or private sale, which shall seem advisable and proper, and to execute good and sufficient deeds and bills of sale thereof.
- B. Leases. To lease all or any property held by the Board and to fix the duration of the term, irrespective of the provisions of any statute or of the termination of any trust, and to mortgage, pledge, collect, convert, redeem, exchange, or otherwise dispose of any securities or other property at any time held by the Board.
- C. Investments. To change investments and properties and to invest and reinvest all or any part of the corpus of any trust hereby established in such securities, investments, or other property which seems advisable and proper without investment restrictions that are otherwise imposed by the laws of the State of Michigan. The Church shall be guided by its concept of the policy of a prudent investor whose investment purpose includes both income and capital appreciation and shall not otherwise be restricted by any law, rule, or custom (i) requiring safety of corpus as a primary consideration, (ii) regarding investment in income-producing property, or (iii) requiring diversification of investments. Through this policy the Board seeks to comply with the provisions of the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA). To comply with the duty of loyalty imposed by law, each person responsible for the managing and investing of an institutional fund shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. All investments will be made within the guidelines of quality, marketability, and diversification mandated by controlling statutes.

The Board should adopt and implement an Investment Policy for the Trinity Lutheran Church Endowment Fund to provide consistency and oversight for the assets of the Endowment Fund in compliance with UPMIFA.

- D. Retention of Assets. To retain in the Board's absolute discretion and for such period of time as shall seem advisable, any and all investments and other properties transferred to the Endowment, without liability for any loss incurred by reason of the retention of such investments or properties.
- E. Dealing with Securities. To enforce any bonds, mortgages, or other obligations or liens held hereunder; to vote personally or by proxy any shares of stock which may at any time be held by the Board hereunder, and similarly to exercise by attorney any rights appurtenant to any other securities or other property at any time held by the Board hereunder; to consent to the reorganization, consolidation, merger, liquidation, readjustment of, or other change in any corporation, company, or association, or to the sale or lease of the property thereof or any part thereof, any of the securities or other property of which may at the time be held hereunder; and to do any act or exercise any power with reference thereto that may be legally exercised by any person owning similar property in his own right, including the exercise of options, deposit, or exchange of securities, entrance into voting trusts, making of agreements or subscriptions which the Board may deem necessary or advisable in connection therewith, all without applying to any court for permission so to do, and to hold and redeem or sell or otherwise dispose of any securities or other property which may be acquired; to cause to be registered in the Fund's name, or in the name of a nominee or nominees, without qualification or description, any securities at any time held in any account hereby established.
- F. Deposits. To invest the Endowment Fund property in accordance with the prudent investor standard, including the power to invest in commercial and savings accounts, money market certificates and funds, cash management accounts, any kind of property or any kind of interest therein (whether real or personal, tangible or intangible, and/or domestic or foreign) including, but not limited to, real estate, oil, gas, and other natural resources, common and preferred stocks, bonds, U.S. governmental obligations, exchange traded funds (ETFs), I-Shares, mutual funds, mutual funds which are under the management or control of the corporate fiduciary (and its affiliated entities), notes, debentures, and common trust funds, including the power to deposit cash funds of the Fund in the commercial or savings departments of the corporate fiduciary (if any) or of any other bank or trust company or in any other depository.
- G. Borrowing. To borrow money, whether to pay taxes, exercise subscription rights and options, pay assessments, or to accomplish any other purposes of any nature incidental to the administration of any fund hereby

established, and to pledge any securities or other property held by the Board as security therefore.

- H. Principal and Income. To allocate to principal and not to income all dividends paid in stock of the paying corporation, all subscription rights and, except as otherwise expressly provided for herein, to allocate other receipts and disbursements between principal and income in accordance with sound principles of accounting.
- I. Division of Property. The Endowment Fund assets may be pooled and allocated for investment purposes to allow for ease of administration. To divide the Endowment Fund, determining values and designating particular assets for the categories of gifts received by the Fund, to assign like or unlike properties to different categories, to create or hold undivided interests in any property of the Endowment Fund, and to make distributions and payments in cash or in kind or in both.
- J. Delegation of Authority. To delegate authority to agents or proxies for the administration of the Fund, with liability only for reasonable care in the selection of such agents or proxies, conferring on such delegates both administrative and discretionary powers and duties, and paying them reasonable compensation from the Fund. Any fiduciary hereunder shall not be prohibited by such fiduciary capacity from being employed by or compensated from the Fund or by any business in which the Fund is interested. The Board may employ, at the expense of the Fund, attorneys, investment counsel, brokers, custodians of assets, and other agents and employees.
- K. Execution of Instruments. To execute all deeds, mortgages, notes, leases, security agreements, bills of sale, contracts, and all other instruments in writing which the Board shall deem necessary and proper in connection with the exercise of the powers granted herein.
- L. General Powers. To enter upon such contracts and agreements and to make such compromises or settlements of debts, claims, or controversies as the Board may deem necessary or advisable; to submit to arbitration any matter or difference; and to perform all other acts which are deemed necessary or advisable for the complete administration of the Fund, including the exercise of all powers provided by applicable law.
- M. Variance Powers - The Board retains the powers to modify restrictions or conditions regarding the distributions from any Designated Funds in the Endowment Funds if the original purpose described herein would fail or would need amending, as determined by the Board of the Trinity Lutheran Church Endowment Fund and the Church Council. Additionally if such restriction or condition becomes, in effect, unlawful, impossible to achieve, wasteful, unnecessary, undesirable, impractical, incapable of fulfillment, or inconsistent with the investment or other policies of the Fund or with the

charitable needs of the congregation the Board and the Church Council may use the variance powers to so modify these Funds described in this agreement.

- N. Insurance. The Board may protect the Fund and its property by insuring them against damage, loss or liability. Such insurance shall be covered at the expense of the Fund.
- O. Checking Account. The Board may establish one or more checking accounts in which cash may be deposited to income and/or corpus.
- P. Council Authoritative Powers. All powers and authorities of the Board stated herein may be exercisable, if necessary, by the Church Council as the church body authorized to oversee for the Board.
- Q. Subcommittees. The Board may establish subcommittees to carry out its responsibilities in managing the Fund, and may seek the assistance of volunteers with the skills needed to fulfill the purposes of the Fund. Subcommittees may include but not be limited to Investments, Marketing and Promotion, and Grant Distributions.

VIII. AMENDMENTS TO THE AGREEMENT

Any amendment to this Agreement that will change, alter, or amend the purposes for which the Fund is established shall be adopted utilizing the procedures stated in the constitution and bylaws of Trinity Lutheran Church of Onekama, Michigan.

This Endowment Agreement was adopted by Trinity Lutheran Church on this _____ day of _____, 2012.

Chairperson of the Church Council

Secretary of the Church Council