

THE FIRST LUTHERAN CHURCH ENDOWMENT FUND BY-LAWS

I. NAME AND GENERAL PURPOSE

- A. The Congregation of First Lutheran Church of Venice in Venice, California shall have an Endowment Fund. This fund shall be called the First Lutheran Church Endowment Fund. It shall be one of the funds of this congregation.
- B. This fund's purpose shall be to receive gifts and bequests and to use them for the further growth of our church, the mission and the ministry of First Lutheran Church of Venice.

II. ENDOWMENT FUND GOVERNING BOARD AND DUTIES

- A. The endowment fund shall be promoted and managed by the First Lutheran Church Endowment Fund Committee. The First Lutheran Church Endowment Fund Committee shall consist of the following members:
 - 1. The President of the Congregation, ex-officio member;
 - 2. Pastor of the Congregation, ex-officio member;
 - 3. The Treasurer of the Congregation, ex-officio member;
 - 4. The Principal of the School, ex-officio member.
 - 5. Five elected members by the Church Council.

- B. The Endowment Fund Committee members shall be voting members of First 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 congregation, the Church Council shall elect five (5) members to the committee – two (2) for a term of three (3) years; two (2) for a term of two (2) years; and one (1) for a term of one (1) year. No elected member shall serve more than two full or partial consecutive terms. A former committee member may be re-elected after a lapse of twelve (12) months following completion of their second consecutive term.

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

- C. The Endowment Fund Committee shall meet at least semi-annually to receive and administer gifts to the fund, make plans for fund distributions and make plans to promote the fund.

The committee shall organize itself with a chairperson, secretary, and a financial secretary.

The chairperson shall preside at all meetings of the committee.

The financial secretary shall assist the treasurer of the congregation in maintaining complete and accurate books of accounts in the endowment fund.

The endowment fund records shall be independently reviewed in time so that a report will be on file at the time of the annual meeting of the congregation.

The secretary shall maintain complete and accurate minutes of all meetings of the committee and supply a copy thereof to each member after each meeting.

- D. The treasurer of the congregation 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 voter's assembly.
- E. The Endowment Fund Committee shall maintain accounts with financial institutions as it, by resolution, may determine and authorize.
- F. The Endowment Fund Committee shall from time to time review whether the treasurer of the congregation or any investment committee members managing the endowment fund assets should be covered by a corporate fidelity bond, in a principal amount to be determined by the Endowment Fund Committee. Any such bond shall be at the expense of the fund.

The endowment fund accounts must be set up such that all divested funds can only be deposited into a church checking or money market account. No member of the investment committee or anybody else with access to the endowment fund may have check-writing authority or similar access to any such church checking or money market account.

- G. No member of the Endowment Fund Committee 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 their personal interests would conflict with the interest of the fund.
- H. The Endowment Fund Committee 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 First 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 Endowment Fund Committee is to inform the members of the congregation of the purpose of the fund, and may periodically arrange for members of the congregation to meet with the Lutheran Church Missouri Synod Foundation Gift Planning Counselor or other professional counselors in the area of charitable giving, wills, bequests, insurance, etc.
- K. The Endowment Fund Committee is responsible to Church Council.

III. DURATION

The First Lutheran Church Endowment Fund shall continue in existence and be used as hereinabove provided, so long as First Lutheran Church shall continue to exist. If First Lutheran Church should cease to exist, the Voters shall disperse the assets to religious or charitable organizations. If First Lutheran Church should cease to exist, and the assets have not been designated for a religious or charitable organization, then the assets constituting the fund when First Lutheran Church ceases to exist shall become the property of the Pacific Southwest District or its successor. In all events, the successor must qualify as an 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: "First Lutheran Church, for the First 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 the death through a bequest or gift in a will, or trust, or through a beneficiary designation of some or all of the proceeds of a life insurance policy, annuity, or retirement plan.

- B. The Endowment Fund Committee shall adopt procedures for review and acceptance of the assets that a donor desires 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 or environmental problems, or gifts of property which may not be marketable within a reasonable time considering the expense of owning the property may not be acceptable. In addition, certain types of property may cause adverse federal or state income tax problems for the endowment and may not be acceptable.

If the Endowment Fund Committee determines that an asset, which a donor desires to give to the Fund, is not acceptable, it will immediately explain the reasons to the donor with any suggestions or alternatives for making the asset acceptable. If the donor requests, the Endowment Fund Committee shall forward a summary of the gift, and its concerns, 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 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 a gift in their circumstances. This Endowment Fund will abide by the requirements of the Internal Revenue Code and its regulations.

- C. The First Lutheran Church Endowment Fund shall accept two types of gifts described as follows:
1. Unrestricted Gifts – 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 Endowment Fund Committee to the Church Council and approved by a simple majority of the voter's assembly. The distributions from these unrestricted gifts shall be for the purposes set forth in Section I. B. of this agreement for the further growth of our church, the mission, and the ministry of First Lutheran Church. None of the income or principal of the Fund shall be used for the congregation's operational budget.

At least annually, the Endowment Fund Committee shall make distribution recommendations to the Church Council, as described in section VI, for approval by the voter's assembly from these unrestricted funds.
 2. Restricted Funds – Donors may designate their gifts to specific missions and ministries. The approved categories for First Lutheran Church Endowment Fund are described in Appendix A to this agreement.

At least annually, the Endowment Fund Committee shall make distribution recommendations to the Church Council, as described in section VI, for approval by the voter's assembly from these restricted funds.

The First Lutheran Church Endowment Fund is not able to individually manage donor-restricted gifts for the congregation due to the complex nature of administration.

V. FISCAL YEAR

- A. For tax, accounting, distribution or other purposes, the fiscal year of First Lutheran Church shall be the fiscal year of the Fund.
- B. Within two (2) months after the close of each of the Fund's fiscal years, 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, and should indicate the receipts, disbursements and changes therein since the Fund's inception or the previous accounting, as the case may be. The statement should then be submitted to the voter's assembly.

VI. DISTRIBUTIONS TO SUPPORT THE PURPOSE OF THE ENDOWMENT FUND

- A. The Endowment Fund Committee shall be responsible for distribution of the amounts from the unrestricted portion of the Endowment Fund and the restricted portion of the Endowment Fund.
- B. The distributions from the Endowment Fund for the purposes described within this agreement shall be determined by the Endowment Fund Committee who will make their recommendations to the Church Council for approval by a simple majority of the Voter's Assembly at a regularly scheduled meeting.

The amount distributed from the Endowment Fund for the purposes described within this agreement shall be made according to the Endowment Distribution Policy of First Lutheran Church of Venice, as appended. As described in the policy, distributions should be made to maximally support church endowment projects while (1) preserving the endowment fund principal in real dollars in the long run and (2) producing relatively stable inflation-adjusted distribution amounts from year to year. As the Endowment Fund Distribution Policy is an integral part of this agreement, any amendment has to be authorized by the Voters' Assembly as provided for in Section VIII of this agreement.

- C. If restricted funds are dedicated to a purpose that becomes obsolete or restricted funds are significantly overfunded for their purpose, and this obsolescence or overfunding is not just of a temporary nature, the Voters' Assembly shall redesignate such funds; the new restriction shall be as close as possible and reasonable to the original donor intentions and shall be made by a two-third majority of the Voters. Categories for restricted funds should be broad enough that such redesignations should not be necessary except in the rarest of circumstances.
- D. Available Funds from Unrestricted Assets of the Endowment Fund. Congregational members, committees, or boards seeking resources for a project with the mission and purpose of the Endowment Fund may submit to the Endowment Committee requests for distributions of unrestricted funds as described in IV(C)(1). The requests should follow the distribution guidelines and criteria established by the Endowment Fund Committee.
- E. The Endowment Fund Committee will generally consult with the appropriate congregational board to determine how to distribute amounts of restricted funds, set forth in Appendix A and as described in IV C 2, for projects or budgets within the scope of their ministry. However, any person or group within the congregation may submit to the appropriate board other requests for resources for a project or purpose that falls within the scope of the categories set forth in Appendix A.
- F. It is recommended that the Endowment Fund Committee 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 First Lutheran Church Endowment Fund.

VII. POWERS

The Endowment Fund Committee 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, with or without security, 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 Endowment Fund Committee and fix the duration of the term, irrespective of the provisions of any statute or of the termination of any trust; to mortgage, pledge, collect, convert, redeem, exchange or otherwise dispose of any securities or other property at any time held by the Endowment Fund Committee.
- C. Investment. 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 restrictions as to investments that are otherwise imposed by the laws of the State of California. 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.

It is recommended that the Endowment Fund Committee adopts and implements an Investment Policy for the First Lutheran Church Endowment Fund to provide consistency and oversight for the assets of the Endowment Fund.

- D. Retention of Assets. To retain in the Endowment Fund Committee'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 Endowment Fund Committee hereunder, and similarly to exercise by attorney any rights appurtenant to any other securities or other property at any time held by the Endowment Fund Committee 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 Endowment Fund Committee 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 of 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 trust hereby established.
- F. Deposits. To invest the Endowment 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, 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 Endowment Fund Committee as security therefor.
- H. Principal and Income. To allocate to principal and not to income all dividends paid in stock of the paying corporation and 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 Endowment Fund, with liability only for reasonable care in the selection, conferring on such delegates both administrative and discretionary powers and duties, and paying them reasonable compensation from the Endowment Fund. Any fiduciary hereunder shall not be prohibited by such fiduciary capacity from being employed by or compensated from the Endowment Fund or by any business in which the Endowment Fund is interested. The Endowment Fund Committee may employ, at the expense of the Fund, attorneys, investment counsel, brokers, custodians of assets, and other agents and employees.
- K. Execution of Instruments. In connection with the exercise of the powers granted herein, to execute all deeds, mortgages, notes, leases, security agreements, bills of sale, contracts, and all other instruments in writing which the Endowment Fund Committee shall deem necessary and proper.
- L. General Powers. To enter upon such contracts and agreements, and to make such compromises or settlements or debts, claims, or controversies as the Endowment Fund Committee may deem necessary or advisable; to submit to arbitration any matter or difference; 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. The Endowment Fund Committee may protect the Fund and its property by insurance against damage, loss or liability.
- N. The Endowment Fund Committee may establish checking account(s) in which cash may be deposited to income and/or corpus.
- O. All powers and authorities of the Endowment Fund Committee stated herein shall, except as expressly delegated to the Voter's Assembly, be exercised by the Church Council.
- P. The Endowment Fund Committee may establish Subcommittees for its responsibilities in managing the Fund, and may seek the assistance of volunteers with the skills needed to carry out the purposes of the Fund. Subcommittees may include, but not be limited to Investments, Acceptance of Assets, Acceptance of Restrictions, Receipts, Priorities, Distributions, Reports and Publicity.

VIII. AMENDMENTS

Any amendment to this Agreement that will change, alter or amend the purposes for which the Fund is established shall be adopted only if approved by a two-thirds (2/3) majority of the voting members present at a duly called and constituted meeting of the voter's assembly.

The approved categories of restricted funds as set forth in Appendix A can also be amended by a two-thirds (2/3) majority of the Church Council.

This Endowment Agreement was adopted by First Lutheran Church of Venice on the _____ day of _____, 200__.

Congregational President

Congregational Secretary