

TO: Mount Cross Congregation

FM: Endowment Committee and Church Council

Date: December 15, 2020

The Endowment Committee has submitted to the Church Council a proposal to amend and restate Section VIII of the Bylaws of the Church regarding the Endowment Fund and the Endowment Committee. Pursuant to Chapters 5.03 and 17.03 of the Church's Constitution the Church Council has reviewed the Endowment Committee's proposal, made amendments thereto in consultation with the Endowment Committee and now recommends the adoption of the attached "Proposal to Amend and Restate Section VIII of the Bylaws of Mount Cross Lutheran Church regarding the Endowment Fund and Its Committee."

The current bylaws of the church relating to the Endowment Fund and Its Committee are contained in "Section VIII" of the Church Bylaws. Section VIII consists of the resolution from 2003 creating the Fund and subsequent amendments adopted by the congregation in 2005, 2011, 2012 and 2013. Unfortunately, no effort was made to organize the various provisions/amendments similar to how Sections I through VII of the Bylaws are organized. Rather, the amendments were simply attached to what previously existed.

This year, 2020, the Endowment Committee, consisting of Lisa Higginbotham, Nils Rueckert, Brian Fisher, Tracy Blois, Jan Gerk and Jim Prosser, undertook a review of the bylaws governing the Endowment Fund and how the Endowment Fund is invested. The committee has met several times to review the bylaws and has met with representatives of the ELCA Endowment Fund Pooled Trust (Fund A), where our approximate \$600,000 fund is invested.¹ The Committee determined that Fund A continues to be a proper investment of the Mount Cross Endowment Fund, but that due to minor inconsistencies with the bylaws, specific authorization from the congregation would be appropriate.² The Committee also used this opportunity to organize Section VIII similar to the other Sections of the Bylaws and to make other changes to facilitate the smooth operation of the Fund.

The substantive changes proposed are as follows:

1. The requirement for the Committee to present an "audited" account" of the Fund at the annual meeting is deleted. (Section 8.03, E.) This was considered to be too short a time for an "audit." An accounting will still be provided at the annual meeting and the ELCA will provide quarterly reports of Fund A's performance. An annual audit of the books and records of the Committee" is still required but

¹ The ELCA Endowment Fund Pooled Trust (Fund A) was established to allow for the collective long-term investment of funds belonging to the ELCA, its congregations, synods, seminaries and other eligible affiliated entities. The Endowment Fund of Mount Cross has been invested in Fund A since its inception.

² For instance, Fund A invests in "options" that are prohibited under the existing Bylaws and Section 8.04,E,2 of the Revised and Restated Bylaws. Therefore, in order to retain the "Prohibited Activity" in the event the Fund is invested with other Investment Managers, a specific exemption for Fund A was added. (See Section 8.04,G.)

may be performed by either the Mount Cross Audit Committee or a CPA appointed by the Council. (Section 8.03,D and E.)

2. The restriction on the fund's investment in only "U.S. Equities" is eliminated. The ELCA Fund A invests in both US and foreign equities and it was felt that any Investment Manager should have that flexibility to provide Mount Cross the best return on the Fund.

3. The decision on the Hiring of the Investment Manager is changed from the "congregation" to the "Endowment Committee with the concurrence of the Church Council." (Section 8.04, F.) The Committee felt that the fiduciary duties imposed on the Committee members and the Council were a sufficient safeguard and that the Committee and Council were in a better position to make an informed decision on the hiring of a new or additional "investment manager" than the congregation.

5. A provision specifically authorizing the loaning up to 10% of the Fund to Mount Cross is proposed. Whether the Endowment Fund could do this was raised several years back and it was felt that this should be specifically addressed in the bylaws. (Section 8.04, H.)

6. The distribution of "income" from the Fund has been the subject of a previous amendment to the bylaws. (See amendments adopted by the congregation at the January 2013 annual meeting.) Clarifying amendments are recommended to make clear that the 2013 amendment governs the determination of "income" for purposes of distributions. (Section, 8.05, A & D.)

The Endowment Committee and the Church Council recommend the adoption of the attached Amended and Restated Bylaws Governing the Endowment Fund and Endowment Committee.

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**Proposal to Amend and Restate Section VIII of the Bylaws of Mount Cross
Lutheran Church concerning the Endowment Fund and its Committee**

1. The existing SECTION VIII of the Bylaws of Mount Cross Lutheran Church are repealed and reenacted as set forth below:

SECTION VIII – ENDOWMENT FUND AND ITS COMMITTEE

8.01. RESOLUTION TO IMPLEMENT THE ENDOWMENT FUND

WHEREAS, Christian stewardship involves the faithful management of all the gifts God has given to humankind -the created world, the gospel, life, time, abilities, money, including accumulated, inherited and appreciated resources; and

WHEREAS, the scriptural principle of proportionate giving, to return to the Lord a portion of the gifts God has first given to his beloved children, is both a privilege and an appropriate response in all times and circumstances; and

WHEREAS, Christians can give to the work of the church through bequests in will, assignment of life insurance, charitable gift annuities, charitable remainder and other trusts, assignment of certificates of deposit, and transfers of property such as cash, stocks, bonds and real estate; and

WHEREAS, it is the desire of Mount Cross Lutheran Church to encourage, receive and administer these gifts in a manner consistent with the loyalty and devotion to our Lord expressed by donors and in accord with the policies of this congregation:

THEREFORE, BE IT RESOLVED that this congregation in meeting assembled on January 19,2003 approve and establish on the records of the church a new and separate fund to be known as THE MISSION ENDOWMENT FUND ("FUND") of the Mount Cross Lutheran Church 102 Camino Esplendido, Camarillo, California 93010-1717; and

BE IT FURTHER RESOLVED that the purpose of this FUND is to enhance the mission outreach of Mount Cross Lutheran Church apart from the general operation of the congregation; that no portion of the income generated by the FUND shall be used for the annual operating budget of the congregation; and

BE IT FURTHER RESOLVED that the Mission Endowment Fund Committee shall be the custodian of the FUND in regards to disbursements.

8.02 THE ENDOWMENT FUND

A. The Endowment Fund, whose purpose, governance and operational procedures shall be defined by special resolution adopted by the congregation, shall be established. The Endowment Fund is to provide the means and structure for members who have the ability and desire to benefit Mount Cross Lutheran Church through charitable giving that is consistent with its mission of witnessing to the message of salvation through Jesus Christ on both a local and global level. The purpose of the Endowment Committee (“**Committee**”) is to enable Mount Cross Lutheran Church to promote funding of specific needs that support its mission and ensure its financial stability. The Committee will seek to provide a perpetual source of income to benefit five current categories (not in order of importance):

- Missions: local, regional and world projects.
- Education: college and seminary scholarships.
- Children and Young Adult Ministry.
- Worship and Music: support for the worship life of Mount Cross.
- Capital Projects: major renovations and building of new facilities.

B. Examples of Ministries that the Fund might support include, but are not limited to the following:

Local Missions: RAIN Project, CATS, St. Columba’s food pantry, California Youth authority;

Regional Missions: Lutheran Social Services, Habitat for Humanity, Teen Challenge, Lutheran Border Concerns;

World Missions: An ELCA missionary, World Hunger Appeal, Lutheran Disaster Relief, Church World Services (CROP Walk);

Education: College and seminary scholarships, Stephen Leadership training;

Children and Young Adult Ministries: Camp scholarships, sending youth to synod, regional or national gatherings, youth servant trips, training for Sunday school teachers and youth leaders;

Worship and Music: Purchasing new or upgrading old instruments, incorporating arts into worship which may include helping to purchase banners or new paraments, upgrading sound technology for use in worship;

Capital Projects: major renovations and building of new facilities.

8.03 THE ENDOWMENT COMMITTEE

A. The Committee shall consist of five members, all of whom shall be voting members of Mount Cross Lutheran Church. Except as herein limited, the term of each member shall be three (3) years. Upon adoption of this resolution by the congregation, it 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. Thereafter, at each annual meeting, the congregation shall elect the necessary number for a term of three (3) years. No member shall serve more than two consecutive three (3) year terms. After a lapse of one (1) year, former Committee members may be reelected. A pastor and the president and/or vice president of the church council shall be advisory members of the Committee. The church council of the congregation shall nominate the Committee, which shall report at the annual congregational meeting in the same manner as other offices and committees. In the event of a vacancy on the Committee, the church council shall appoint a member to fill the vacancy until the next annual meeting of the congregation, at which time the congregation shall elect a member to fill the term of the vacancy.

B. The Committee shall meet at least quarterly, or more frequently as deemed by it in the best interest of the assets of the FUND.

C. A quorum shall consist of three (3) members. When only three (3) members are present a unanimous vote shall be required to carry any motion or resolution. The committee shall elect from its membership a chairperson, recording secretary and financial secretary. The chairperson, or member designated by the chairperson, shall preside at all committee meetings. The recording secretary of the Committee shall maintain complete and accurate minutes of all meetings and supply a copy thereof to each member of the committee. The recording secretary shall also supply a copy of the minutes to the church council. The church office will keep a complete collection of the minutes, and the minutes will be available to the successors of the Committee.

D. The financial secretary of the Committee shall work with the congregation's treasurer in maintaining and coordinating complete and accurate accounts for the FUND and shall sign checks and all other necessary documents on behalf of the congregation in furtherance of the purposes of the FUND

E. The Committee shall report on a quarterly basis to the church council and at each annual meeting or duly called special meeting of the congregation. At the annual meeting, the Committee shall render a full and complete account of the administration of the FUND during the preceding year. The books and records of the Committee shall be audited annually by the Mount Cross Audit Committee or by a certified public accountant appointed by the church council.

F. The Committee may request other members of the congregation to serve as advisory members and, at the expense of the FUND income, may provide for such

professional counseling on investments or legal matters as it deems to be in the best interest of the FUND.

G. Members of the Committee shall not be liable for any losses which may be incurred upon the investments of the assets of the FUND except to the extent such losses shall have been caused by bad faith or gross negligence. No member shall be personally liable as long as he or she acts in good faith and with ordinary prudence. Each member shall be liable only for his or her own willful misconduct or omissions and shall not be liable for the acts or omissions of any other member. No member 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.

8.04 MANAGEMENT OF THE FUND

A. All assets are to be held in the name of the Evangelical Lutheran Church in America (or other brokerage or financial institution), for the benefit of the Mount Cross Lutheran Church Mission Endowment Fund.

B. Management of funds will be by an independent investment manager outside of Mount Cross Lutheran Church. The Committee's recommendation for the independent investment manager will be presented for approval to the church council. The investment strategy, policies and performance of the independent investment manager shall be reviewed annually by the Committee.

C. The Investment Strategy and Policy of Mount Cross Endowment Fund is:

1. To seek and select investment opportunities, which promote social and economic justice, life and human dignity in a manner that, is consistent with the overall vision and mission of Mount Cross Lutheran Church.

2. The endowment fund is to provide the means and structure for members who have the ability and desire to benefit Mount Cross Lutheran Church through charitable giving that is consistent with its mission of witnessing to the message "of salvation through Jesus Christ on both local and global level."

3. To preserve and grow each funds' principal annually.

D. Each fund should have specific asset allocation consistent with the following:

1. Equities 45%-75%

2. Fixed Income/Bonds – 25%-55%

E. Securities Guidelines

1. Both U.S. and foreign equities require a mixture of large and small cap stocks in order to reach the investment goal. Neither fund will acquire more than

5% of any class or single issuer of securities. Neither fund will position more than 20% of the portfolio in any one industry group (United States Government securities not included).

2. Prohibited Activity. Each fund is restricted from engaging in the following:
 - a. Options or futures contracts, for hedging purposes only.
 - b. Margin transactions.
 - c. Non-rated commercial paper.
3. Socially Responsible Investment Guidelines. Investments of each fund shall be consistent with ELCA social statements. (e.g., not supporting alcohol, tobacco, gambling, Weapons of Mass Destruction, or environmentally destructive practices, hope to promote good labor and environmental practices and community investing).

F. Responsibilities of the investment Manager. The Committee, with concurrence of the Church Council, may hire one or more Investment Manager(s) to achieve investment goals and objectives. Each Investment Manager must adhere to the following responsibilities:

1. The Investment Manager must follow the Investment Strategy & Policy Statement set forth in this Section VIII of these bylaws
2. The Investment Manager must keep the congregation informed in writing of any particular Investment guideline he/she/it believes should be altered or changed. The Investment Manager must report to Mount Cross Endowment Fund Committee quarterly (in writing) the progress of each fund.

G. Investment with the ELCA Endowment Fund Pooled Trust (Fund A). Notwithstanding any provision of these Bylaws governing the Endowment Fund and the Committee, the Committee is authorized to invest all or some of the Endowment Fund in the "ELCA Endowment Fund Pooled Trust (Fund A)".

H. LOANING OF ENDOWMENT FUNDS TO MOUNT CROSS LUTHERAN CHURCH. Notwithstanding any provision of these Bylaw governing the Endowment Fund, the Committee is authorized to loan up to ten percent (10%) of the value of the Endowment Fund to Mount Cross Lutheran Church. The terms and conditions of any such loan shall be negotiated between the Committee and the Congregational Council and shall require an affirmative vote of two-thirds of both the elected members of the Congregational Council and the Committee. This is not to be considered usual practice and should be considered only in rare situations warranting such need.

8.05 PRINCIPAL, INCOME AND DISTRIBUTIONS

- A. The Committee shall determine what is principal and income according to accepted accounting procedures consistent with Paragraph D below. Income may include realized and unrealized capital gains in the portfolio.
- B. Income from the FUND may be distributed annually and at such other times as deemed necessary or feasible. The distribution of income for the year may be given to a minimum of usually two (2) or up to five (5) of the following categories: missions, education, children and young adult ministry, worship and music and capital projects.
- C. The congregation may submit requests to the Committee each year for the distribution of the FUND income. If no requests are received, the Committee will decide which category, or categories, should be funded according to the Committee's best judgment. The endowment distribution will be publicized in the church bulletin, church newsletter and at the annual meeting.
1. After requests have been submitted, by the pre-determined dateline, and the Committee has recommended programs for support, the recommended programs will be approved by the church council for funding, according to these bylaws.
 2. Total disbursement of income from the FUND need not occur annually if, in the judgment of the Committee, total annual disbursement of income is not recommended.
- D. The annual distribution of "income" from the FUND will be 4.25% based on a three (3) year rolling average of the FUND balance on March 31 of the current year and previous two (2) years.
- E. Emergency Distribution of Principal. When, in the opinion of the Committee, circumstances are so dire and of such an emergency nature that the future of the congregation is at stake, and that the only recourse seems to be the use of the FUND principal, the Committee may, upon two-thirds majority vote, recommend such authorizing action to the congregation.

8.06 MISCELLANEOUS

- A. Disposition or Transfer of Funds. In the event Mount Cross Lutheran Church ceases to exist either through merger or dissolution, disposition or transfer of the FUND shall be at the discretion of the church council in conformity with the approved congregational constitution and in consultation with the bishop of the synod to which this congregation belongs at such time. Consultation with the Evangelical Lutheran Church in America may be desirable for continuation of Mission Endowment Fund obligations.

B. Amending Endowment Bylaws. Any amendment to Section VIII of the Mount Cross Lutheran Church Bylaws governing its Endowment Committee and Endowment Fund that will change, alter or amend the purpose for which the Endowment Fund is established shall be adopted by a two-thirds vote of the members present at an annual meeting of the congregation or at a special meeting called specifically for the purpose of amending the purpose of the Endowment Fund.

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