

CHARTER

DUKE MEMORIAL UNITED METHODIST CHURCH
Durham, North Carolina
THE LEGACY INVESTMENT PROGRAM

I. THE PURPOSE

The Legacy Investment Program of Duke Memorial United Methodist Church, Durham, North Carolina (the "Legacy Investment Program"), is established for the purpose of providing members and friends opportunities to make charitable gifts to Duke Memorial United Methodist Church that will become a permanent legacy of financial support and a living memorial. The Legacy Investment Program is intended to provide a permanent source of income to the church, as well as income for purposes that are not a part of the church's established programs funded through the annual operating budget of the church and the regular giving of its members. The Legacy Investment Program provides a way for members to continue their annual giving in perpetuity.

As a result of the generous gifts of many members, the Trustees of Duke Memorial have long maintained a number of restricted and unrestricted "funds" as described below. This Charter is intended to provide overriding policies and guidelines for all the funds in the Legacy Investment Program.

II. THE HISTORY

Prior to the formal establishment of the Legacy Investment Program in November 2004, Duke Memorial UMC has been blessed to maintain a number of funds for many years which were the result of generous gifts and bequests with designated or suggested uses. They can perhaps be described as:

1. Funds which by their name or definition are held for specific purposes - (Scholarship, Altar Guild, Methodist Men, etc). While these were administered over the years by the Trustees, there has been an effort in recent years to transfer the funds and the administration to the church treasurer.

2. Funds which have been restricted as to their use by the donor or donors - (Shore Memorial, Upchurch, Reade, and a portion of the Operating Investments). These have been and continue to be the responsibility of the Trustees or the Legacy Investment Committee.

3. Funds which appear to have suggested but not legally required use - In some years, particularly in the 1980s, these were taken directly into operating income as "Undesignated Memorials". More recently, 20% has been taken into income either for a specific purpose or as "Undesignated" and 80% left in the Operating Investments (which in the past transferred 80% of its income into the operating budget). In very

recent years, the Administrative Board has seen a necessity to allocate more than 80% of the income of the fund to operating income as well. These are also the responsibility of the Trustees or Legacy Investment Committee.

4. Funds of which the church is the beneficiary, but has no control – Best known and discussed is Memorial Church Fund, Inc, a Delaware Corporation, funded by the Duke family and friends in the late 1920s which is administered by its own Board of Directors. Income is restricted to use for the major upkeep, repairs, and renovation of the church's physical properties. Also, the church is the beneficiary under a trust created by the will of a deceased member of the Duke family. The income therefrom is recorded as operating income.

III. ADMINISTRATION

The Legacy Investment Program will be administered by the Legacy Investment Committee of Duke Memorial United Methodist Church (the "Committee"), under authority granted by the Charge Conference in a resolution adopted on November 17, 2004, and amended on the same date as the adoption of this Charter (the "Initial Resolution"). The Initial Resolution is attached to this Charter as Exhibit A and contains administrative provisions regarding the appointment of members of the Committee, the length of terms, the role of the Executive Committee, etc.

The Committee shall cooperate with the Committee on Finance in assuring that the annual audit process (as stated in Paragraph 259.4c of *The Book of Discipline - 2004*) is followed. The Committee shall make a full report no less frequently than once each year to the Board of Trustees, the Administrative Board and the Charge Conference.

IV. GIFTS TO THE FUND

Gifts to the Legacy Investment Program shall be classified as "designated" or "undesignated." Designated gifts are for a specific purpose specified by the donor of the gift. Undesignated gifts are for general purposes to be determined by the Administrative Board.

The Legacy Investment Program currently has the following designated funds:

1. Shore Memorial Fund – for the support of missionaries and mission projects of the Church.
2. R. Bailey and Maude M. Reade Youth Fund - for youth ministries and activities.
3. William and Barbara Self New Initiatives Fund – for new church programs and initiatives.

Other designated funds could be created depending on the purposes specified by the donor. Each designated fund shall have a Declaration document which describes the purpose of the fund and any limitations and requirements regarding Investment, distributions and use of the fund.

The Legacy Investment Program currently has one undesignated fund, the General Legacy Investment Fund. This fund is the primary fund under the Committee's stewardship and is by far the largest fund currently. A portion of the income from this fund supplements the operating budget of the church. As described above, with regard to designated and undesignated gifts to the church, it has been the church's recent practice to allocate 20% of the gift to the operating account of the church during the year of the gift and 80% of the gift for investment as part of the General Legacy Investment Fund or a designated fund, depending on the type of gift. This allocation allows the donor to have both an immediate impact on the church, as well as a larger impact on future generations of church members and the long-term health of the church. Unless otherwise specified by the donor, designated and undesignated gifts to the church will be allocated in this manner.

Designated investment funds administered by the Legacy Investment Committee include the Upchurch Fund – for upkeep and maintenance of the chancel organ, the Scholarship Fund, the Altar Guild Fund, and the Goodyear Memorial Fund.

The Committee shall have the authority and responsibility to accept or reject any and all gifts to the Legacy Investment Program in keeping with the authority granted by the Charge Conference.

All provisions of the Legacy Investment Program as to investment of funds, administration of funds, and limitation of use of distributions shall be applicable to both designated and undesignated gifts, and all gifts made to the Legacy Investment Program shall be accepted subject to the terms and limitations set forth in this document.

V. INVESTMENT OF LEGACY INVESTMENT FUNDS

The Legacy Investment Program's Investment objectives are:

1. Conservation of principal for the effective maintenance of purchasing power.
2. Regular income at a reasonable rate.
3. Growth of income and principal over and above that necessary to offset cost of living increases.
4. Investment of assets in institutions, companies, corporations, or funds which make a positive contribution toward the realization of the goals outlined in the Social Principles of the Church.

All gifts received by the Legacy Investment Program shall be invested in one or more existing or new accounts managed by a certified investment management consultant/analyst, the United Methodist Foundation, Inc. or other investment broker approved by the Committee. The specific purpose of each account authorized by the Committee shall be stated in order to fulfill the wishes of the donor and thereby to segregate and maintain gifts for their stated purposes.

VI. DISTRIBUTIONS FROM THE LEGACY INVESTMENT PROGRAM

A. *General Policy.* Distributions from accounts in the Legacy Investment Program shall be made by the Committee as directed by the donors at the time of their gift or as directed by will or other gift document if such direction is in conformity with the general purposes set forth herein. Unless otherwise specified by the donor, a percentage of the net fair market value of each designated and undesignated fund will be distributed to the operating accounts of the church each year. The purposes and causes to which distributions from undesignated gift accounts are to be made shall be approved by the Administrative Board upon recommendation of the Committee.

B. *Annual Distributions to Operating Account.* The Legacy Investment Committee shall determine the net fair market value (net of liabilities) of the General Legacy Investment Fund and all designated legacy investment funds on June 30 of each year and shall distribute in the subsequent year a certain percentage (the "Distribution Percentage") of said net fair market value to the operating accounts of the Church.

C. *Periodic Review of Distribution Percentage.* At its first meeting after June 30 of each year, the Legacy Investment Committee shall review the Distribution Percentage used in the previous year and may adjust the Distribution Percentage upward or downward. The Distribution Percentage thus adjusted or remaining unadjusted shall be used in calculating the amount to be distributed for the subsequent year as described in Paragraph B above. In adjusting the Distribution Percentage, the Committee shall consider the fluctuations in the stock market and the Legacy Investment Program investment objectives stated above including the maintenance of principal to offset cost of living increases.

D. *Exceptional Distributions of Income.* As described above in Sections I and V, the Legacy Investment Program is intended to generate income for future generations. Growth of the principal and income of each legacy investment fund is important in achieving that goal. However, under exceptional circumstances and upon a specific request, the Administrative Board may approve a distribution of a portion of the income of a legacy investment fund which is in addition to the annual distribution described in Paragraph B above. Any request for such additional distribution shall be presented at one meeting of the administrative board, advertised and approved by 2/3 of the administrative board members present at a subsequent meeting at least 10 days later.

VII. PRINCIPAL AND INCOME DEFINED

The current balance of the General Legacy Investment Fund and the various designated legacy investment funds (except the more recent Self New Initiatives Fund) are made up of assets gifted to the Church over the past several decades, appreciation of such assets, and the undistributed income of such gifts. In recognition of the difficulty in determining the extent to which the current balance of each fund is principal and the extent to which the current balance of each fund is income, the Legacy Investment Committee voted to establish the allocation between the principal

and the income of the balance of the Fund as of a certain date. Therefore, the principal and income of each fund as of December 31, 2004 is as follows:

<u>Fund</u>	<u>Principal</u>	<u>Income</u>	<u>Total</u>
General Legacy Investment Fund	\$610,061	\$447,323	\$1,057,384
Shore Memorial Fund	\$35,384	\$41,280	\$76,664
Bailey-Reade Youth Fund	\$215,747	\$0	\$215,747

The following definitions related to principal and income shall apply for purposes of each legacy investment fund:

- A. "Income" shall include "Realized Gain" and "Unrealized Gain."
 - 1. "Realized Gain" shall include interest, dividends and capital gain from the sale of assets of a fund.
 - 2. "Unrealized Gain," or "Appreciation," shall include the increase in the net market value of a fund (not including Realized Gain) in excess of the Principal of the fund.
- B. "Principal" shall be defined as (i) the amounts shown above for existing legacy Investment funds and (ii) the net fair market value of the assets gifted to the fund on the date of the gift for all new legacy investment funds.

VIII. LIMITATION ON USE OF PRINCIPAL

The objectives of the Legacy Investment Program are to conserve principal and make use of only the distributions determined by the Committee. Any part of the principal may be withdrawn only in extreme and overwhelming circumstances, bordering on the survival of Duke Memorial United Methodist Church. *Any request for withdrawal of principal shall be presented at one meeting of the administrative board, advertised and approved by 2/3 of the administrative board members present at a subsequent meeting at least 10 days later.*

IX. CHANGE IN INVESTMENT MANAGER

The current investment broker is Edward D. Jones & Co., L.P. Any transfer of the Legacy Investment Program assets for investment with another institution must be approved by a majority vote of the Administrative Board, upon a recommendation of the Committee.

X. APPLICABILITY OF THE NORTH CAROLINA UNIFORM MANAGEMENT OF INSTITUTIONAL FUNDS ACT (NCUMIFA)

The Legacy Investment Program is subject to the provisions of the NCUMIFA found at N.C.G.S. Sec. 36B-1 - 10 (2003); provided that, notwithstanding anything in this Charter or any fund declaration to the contrary, no individual fund under the Legacy Investment Program shall be considered an "endowment fund" as defined by the NCUMIFA, unless the specific gift instrument indicates that the gift is to be defined as such or describes the gift in a way that is substantially the same as the definition of an "endowment fund" under the NCUMIFA.

XI. BONDING OF MEMBERS OF THE COMMITTEE

Duke Memorial shall maintain an adequate fidelity bond to cover actions by the Committee, the Administrative Board and the Trustees with respect to the Legacy Investment Program.

XII. MERGER, CONSOLIDATION, OR DISSOLUTION OF DUKE MEMORIAL UNITED METHODIST CHURCH

If at any time Duke Memorial United Methodist Church is lawfully merged or consolidated with any other church, all the provisions hereof in respect to the Legacy Investment Program shall be deemed to have been made in behalf of the merged or consolidated church which shall be authorized to administer the same in all respects and in accordance with the terms thereto. If Duke Memorial United Methodist Church should ever be dissolved without any lawful successor thereto, the funds of the Legacy Investment Program, including both principal and interest to date, shall be transferred to and administered by the United Methodist Foundation, Inc., which shall have the authority to make distributions from the funds in keeping with the fund's original purpose to the extent possible or appropriate, in the discretion of Foundation, while maintaining the principal.

XIII. AMENDMENTS

Technical corrections and amendments to the Legacy Investment Program which do not alter the stated purpose of the Legacy Investment Program may be made by a two-thirds (2/3) affirmative vote at a duly called Charge Conference of Duke Memorial United Methodist Church at which a quorum is present.

XIV. SEVERABILITY

If any provisions or any application of any provisions of the Legacy Investment Program 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.

Revised April 2007

This Legacy Investment Program Charter was adopted this 7th day of November, 2007, in a duly authorized Charge Conference of Duke Memorial United Methodist Church, Durham, North Carolina, by a vote of 20 For, 0 Against, and 0 Abstained.

Kevin Jackson
Recording Secretary

The Rev. H. Gray Southern
District Superintendent

The Rev. Jim Bell
Pastor

Exhibit A

Resolution for the Creation of a Permanent Endowment Fund Committee for Duke Memorial United Methodist Church

Given that Duke Memorial UMC, through the unselfish generosity of its members who desired to support their Church after their death as they did during their lifetime, has received such funds that are to be held and invested for the benefit of the present and future ministry of the Church, be it resolved that to maintain the proper stewardship of such funds, the Charge Conference of Duke Memorial UMC on November 17, 2004 hereby adopts the following:

- 1) That a permanent *Endowment Fund Committee* be established according to the guidelines of The Book of Discipline of the UMC, 2000, as contained in Part V, Organization and Administration, Chapter 6, Church Property, paragraph 2533, Permanent Endowment Fund Committee. All amendments and revisions as published under future editions of The Book of Discipline of the UMC concerning such permanent endowment fund committees would automatically be adopted as part of this resolution.
- 2) That the **Endowment Fund Committee** (EFC) shall have as standing members the Chairperson of the Trustees and the Chairperson of the Finance Committee. The other members of the **EFC** shall consist of *six* members of the congregation elected by the Charge Conference. *The membership shall be divided into three classes, one of which shall be elected each year for a three year term. The chairperson of the EFC shall be elected by members of the EFC.*
- 3) That the *Endowment Fund Committee* shall have as an *Executive Committee* the EFC Chairperson, the Chairperson of the Board of Trustees and the Chairperson of the Finance Committee. Each of these members shall be given "trade authorization" concerning any investment accounts established for the benefit of the endowment funds for Duke Memorial UMC. The members of the *EFC Executive Committee* may take such action as deemed prudently reasonable and with the deliberation of the *EFC* concerning investment transactions for the endowment funds held for the benefit of Duke Memorial UMC.
- 4) That the *Endowment Fund Committee* shall provide information and recommendations to the Trustees, Church staff and congregation concerning the status of the endowment accounts and the availability of income for the benefit of the Church.