

June 24, 1987

Trustees
Duke Memorial United Methodist Church
Durham, North Carolina

Ladies and Gentlemen:

You have asked that I research the various "non-operating" funds of Duke Memorial United Methodist Church and that I report both the results of that research and any suggestions for the administration of those funds. The categorization and amounts of the funds are summarized below. The detailed descriptions thereof are attached hereto.

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| I. Funds which have been restricted as to their use by the donor or donors | \$ 37,824.44 |
| II. Funds which by their name or definition are held for specific purposes | \$ 42,929.08 |
| III. Funds which appear to have no legal restrictions | \$ 289,797.21 |

Please note that any assets, and any income therefrom, of Memorial Church Fund, Inc. are not included in the listing above. That organization is a separate corporation, organized under the laws of the State of Delaware and, although by the terms of its organizing indenture, its income is to be used solely for Duke Memorial, title to its assets does not rest with the church.

All church funds have been historically administered by the church treasurer. The Book of Discipline seems to differentiate, however, between the responsibilities of the treasurer and of the trustees (although I do not believe we have been improper in previous years in delegating the responsibility to the church treasurer).

Section 267 (b) of the Discipline, copy attached, indicates that the treasurer shall handle budgeted monies.

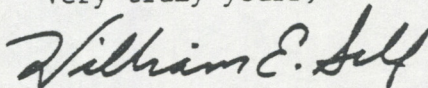
Sections 2532 and 2528, also attached, indicate that the trustees, as directed by the Administrative Board, "shall receive and administer all bequests....., all trusts....., invest all trust funds....."

With the increasing value of non-operating funds, in order to more closely conform to the Discipline, and to relieve the church treasurer of the responsibility of administering all funds, I recommend:

- The trustees, through their Treasurer, assume control and administration of the non-operating funds listed above
- The Chairman of the Trustees appoint an investment or advisory committee to assist the treasurer in the investment of non-operating funds
- The treasurer be adequately bonded
- The trustees maintain the policy, subject to approval by the Administrative Board, that
 - (a) The funds on hand and subsequently received for the purposes reflected in Categories I and II above be only spent for the purposes for which they have been restricted or identified, and
 - (b) The funds reflected in Category III above and non-operating funds received in the future which have no specific restriction or definition be maintained as a part of an Operating Endowment, the income from which is annually transferred to the church treasurer for inclusion in the operating budget, and
 - (c) That any requests for the use or appropriation of the corpus of the funds described in (b) immediately above be directed to the trustees for consideration (realizing that ultimate authority continues to rest with the Administrative Board).

It has been my pleasure to carry out this project. I shall be happy to seek additional information as requested.

Very truly yours,



William E. Self

I. Funds which have been restricted as to their use by the donor or donors

A. Shore Memorial Fund:

A fund established by Miss Mary W. Shore and Mrs. Lucille S. Coburn (now both deceased) as a living memorial to their parents, Reverend John Henry and Mrs. Annie W. Shore. "Proceeds from this memorial will be used solely for the support of missionaries and missionary projects of the United Methodist Church."

\$ 31,832.66

B. Upchurch Fund:

Walter McGowan Upchurch, Jr. has established this fund in memory of Walter McGowan and Minnie Daniel Upchurch. It is his wish that the corpus of the fund be retained and that income therefrom be used to (1) maintain the chancel organ in good operating condition and (2) if excess income accrues, it shall be added back to corpus.

Mr. Upchurch continues to make annual gifts to this fund.

\$ 5,991.78

C. Youth Fund:

Previously anonymous, the grantors of this fund have allowed, with the achievement of their goal in May, 1987, the announcement of their generosity.

R. Bailey and Maude M. Reade have provided through the last several years an endowment, currently funded with U. S. Treasury Notes with maturities 1995-2000 and high quality corporate obligations maturing in 1989. At maturity, the value of this fund will exceed \$108,000.

The Reades wish that an endowment fund be created and that the income therefrom "be of full benefit to the youth."

D. White Fund:

Mr. and Mrs. Thomas S. White, Jr. have provided a fund, currently invested in high yield government securities which, if the church ever establishes a "central memorial fund to help on current budgets" shall be made a part of that fund. Until such time, income shall be added back to the corpus of the fund. The Whites intend to continue to add to the fund.

II. Funds which, by their name or definition, are held for specified purposes:

A. Scholarship Funds:

A long-standing fund established by contributions from members and others (two specific contribution efforts in recent years have been in honor/memory of Reverend Charles Hubbard at his retirement and Dr. Clarence E. Bartholomew at his death). Expenditures are made in accordance with policy adopted in the Policies and Procedures Manual.

\$ 16,939.90

B. Dunn Scholarship Funds:

A fund established in memory of Mrs. Maude Dunn at her death. No definition of the fund or its use has been determined and no expenditures have been made.

\$ 5,376.56

C. Altar Guild Funds:

Funded from time to time by memorials and other gifts (Mrs. Kay Hammond, who acts as bridal consultant for the church, suggests that, in lieu of a fee to her, gifts be made to this fund). Although expenditures have been infrequent, they have been for special items requested by the Altar Guild.

\$ 4,777.51

D. Book of Remembrances:

Gifts by members (usually by families) for maintaining these books, cabinet, etc. which remain in the Narthex. Expenditures have been for the books themselves and for lettering therein.

\$ 1,067.17

E. Patron's Music Fund:

Gifts by members and others for use in the music program of the church. The only expenditure in recent years was to assist in paying for the Grand Piano several years ago.

\$ 3,761.02

F. Methodist Men:

An amount turned over to the church treasurer to hold for future use by the Methodist Men.

\$ 302.05

G. Elevator Fund:

Amounts given, usually in memorial, for funding an elevator. The project has not yet been approved, no policy has been adopted and no expenditures have been made.

\$ 6,584.00

H. Library Fund:

An account that has existed for many years. Transactions have been few - an occasional gift and an occasional purchase requested by the Librarian.

\$ 1,028.87

I. Computer Fund:

A computer fund existed at December 31, 1986. With the purchase of the computer this year, it has been depleted.

\$ 3,092.00

III. Funds which appear to have no legal restrictions. There may have been (as in the case of the Cliff Estate) suggestions, but not restrictions.

A. Shore Estate:

As the major beneficiary under the will of Miss Mary W. Shore and Mrs. Lucille S. Coburn, Duke Memorial United Methodist Church has received cash and property, both real and personal, through the estates. A home, temporarily used as a Parsonage by the church, its furnishings and other items have been converted to cash. Real property located in Person County, North Carolina provides some annual income. The value and saleability are not currently determinable.

\$ 126,150.19

B. Cliff Estate:

As a beneficiary under the will of Pearl T. Cliff (surviving spouse of Jack Cliff), we have been fortunate to receive the amounts shown below. Although no written binding instructions exist, it was Mrs. Cliff's expressed desire that the funds be maintained as an endowment with the annual proceeds being used to supplement the operating budget of the church.

12/31/86	\$ 51,269.20
6/18/87	\$ 90,000.00

C. Other Operating Endowments:

Through the years, gifts have been made by members and others, either undesignated as to fund or if, in memory of a member, the total amount contributed was not significant enough for a designated use.

During the last several years these "undesignated memorials" have been added into the operating budget. Prior to that time, they were allowed to accumulate as an operating endowment with the income therefrom added into the operating budget.

\$ 22,377.82

D. Non-cash Holdings:

Occasionally, gifts of securities are received. If they are a part of the donor's pledge, they are normally sold and the cash given to the church treasurer or if they are of a quality to make them desirable to hold, cash has been provided to the treasurer from the endowment funds so that the operating budget receives proper credit.

If the gift is from an estate such as the large gift last year from the Stephens estate, the securities have been held and the dividends are going into the operating budget.

Currently, we hold securities as follows:

Dominion Resources	1,000 Shares	44.25
Exxon Corporation	1,000 Shares	70.13
Duke Power Company	114 Shares	45.25
Carolina Power & Light	100 Shares	38.63