

FINANCIAL POLICIES



National Capital
PRESBYTERY
MISSIONAL · PASTORAL · PROPHETIC

Amended on May 22, 2018
by National Capital Presbytery

FINANCIAL POLICIES

National Capital Presbytery

***“We intend to do what is right not only in the Lord’s sight but also in the sight of others.”
2 Corinthians 8:21***

***“From everyone to whom much has been given much will be required...”
Luke 12:48***

***“Accountability, transparency, and integrity have never been more important for churches and
Christian ministries and the donors who support them.”
-- Dan Busby, President, Evangelical Council for Financial Accountability***

ACKNOWLEDGEMENTS AND CITATIONS

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INTRODUCTION

National Capital Presbytery, a Council (regional governing body) of the Presbyterian Church (USA) in the Washington DC metropolitan region, is a tax-exempt 501c (3) corporation incorporated under the District of Columbia Nonprofit Organization Act.

The presbytery is exempt from federal taxes because it is covered by an IRS Determination letter issued to the Presbyterian Church in 1964 and occasionally updated to ensure that name changes within the denomination do not affect its status. The Determination letter covers the denomination and all of its constituent parts. Unlike other public charities organized as tax-exempt corporations, the presbytery is not required to file Form 990, *Return of Organization Exempt from Income Tax* (See IRS Publication *Compliance Guide for 501c3 Public Charities*, page 7.)

The name of the DC Corporation is National Capital Presbytery, Inc.

The assets of the presbytery, either ecclesiastical or corporate, as reflected on its Balance Sheet and annual Audit, are:

CASH ACCOUNTS, INVESTMENT ACCOUNTS, NOTES RECEIVABLE, PROPERTY, PLANT & EQUIPMENT

All property of National Capital Presbytery and/or National Capital Presbytery Inc. is held in trust for the use and benefit of the Presbyterian Church (USA). In the event of the dissolution of the presbytery, ownership of all of its property conveys to the General Assembly of the Presbyterian Church (USA).

This document sets out the financial policies of the presbytery. It is not a procedures manual. An example of a procedure followed by the financial staff is that immediately upon receipt at the office all checks are restrictively endorsed by the Treasurer “for deposit only”. The policies embedded within this procedure are the control of and accounting for cash receipts, and the segregation of duties of the financial staff—the Treasurer is responsible for keeping the daily log of checks and cash received, while the Director of Finance is responsible for making bank deposits comprised of the checks and cash logged in by the Treasurer.

MISSION STATEMENT

National Capital Presbytery (PCUSA)

“God is doing a new thing, now it springs forth. Do you perceive it?” Isaiah 43:19

Sent by the Triune God to be agents of salvation, reconciliation and justice, we empower and challenge our congregations to be Missional, Pastoral and Prophetic.

Emphases through 2022

We are a relational network, proclaiming the gospel, aspiring to unity in Christ, and celebrating our diversity in service to God’s mission pursuing these emphases:

1. We will challenge, equip, and support our congregations and their leaders in their discernment of God’s invitation to discipleship and stewardship as we:
 - a. Serve as a catalyst for mission by connecting congregations with common local, national, and international mission interests.
 - b. Bear public witness to the love, truth, and justice of God in Jesus Christ specifically in the areas of racism and reconciliation.
 - c. Cultivate and nurture our congregations to be communities of love striving for a healthy forgiveness and reconciliation with our neighbors and working to dismantle the dividing walls of hostility and indifference.
 - d. Provide a forum for our leaders and congregations to equip them with the skills for adaptive change.
 - e. Connect ruling elders across congregations enriching their missional identity as apostles sent into the world to serve God’s mission.
 - f. Actively explore new ways of empowering and equipping congregations in their discipleship formation of children, youth, young and older adults.
2. We will launch new Christian communities.
3. We will provide care, oversight and accountability for teaching elders and certified educators.

1. OPERATING VALUES

Sections 1, 2, and 3 can be changed by a vote of the Presbytery Leadership Council.

- A. As it is incumbent upon all who express faith in Jesus Christ as Lord to share of their resources, so National Capital Presbytery of The Presbyterian Church (U.S.A.) as a receiving, holding and disbursing center shall seek to be a responsible and viable agent of the Church in handling the resources committed to its care.
- B. Funds and assets of National Capital Presbytery are held in trust for the Presbyterian Church (USA).

- C. The Budget and Finance Committee is subject to the direction and control of the Presbytery Leadership Council (which is the corporate Board of Directors for National Capital Presbytery, Inc.), which is subject to the direction and control of the Presbytery.
- D. The immediate oversight and jurisdiction of all funds and assets collected and held by the Presbytery is vested in National Capital Presbytery of the PC(USA), subject to the restrictions, designations and provider/giver intentions manifested and accepted by the presbytery.
- E. All monies and assets shall be monitored by the Budget and Finance Committee and/ or the Investment Committee, which regularly shall report to the Leadership Council the status and location of the monies and assets.
- F. The Budget and Finance Committee and the Investment Committee shall consult General Assembly investment policies as they make decisions regarding all financial practices conducted by the Presbytery. No monies of the Presbytery shall be invested in or disbursed to any individual, organization or entity whose practices or stated intentions are contrary to the work and mission of The Presbyterian Church (USA).
- G. The use and disbursement of the monies held by the Presbytery shall be determined by periodic budgets approved by the Presbytery in consultation with other Councils; the Presbytery may assign the implementation of its budgetary process to appropriate entities within its structure.
- H. Complete and simple accounting of the assets, liabilities and current net surplus or deficit of the Presbytery shall be made regularly to the Leadership Council and to the Presbytery; and the results shall be available to interested parties of the Presbyterian Church (USA). Annually the Presbytery shall be provided with the results of an audit, which shall be posted on the website and reported to the presbytery.
- I. Annually the National Capital Presbytery upon recommendation by its Leadership Council approves
 - a. An Operating Fund Budget which is funded primarily by a per capita assessment which is set annually by the presbytery as it approves the Operating Fund Budget for the coming year. Through the per capita income the presbytery funds its Operating Fund Budget and transmits monies to the Synod of the Mid-Atlantic and the General Assembly.¹

¹ National Capital Presbytery understands that it is required to comply with Authoritative Interpretations issued by General Assembly in 1999: "Presbytery has responsibility to remit per capita allocations to synod and GA even if a congregation does not pay per capita allocated to it by presbytery"; Presbytery has responsibility to pay the full amount irrespective of

- b. A Mission Fund Budget which is funded primarily by voluntary pledges from the Sessions of the individual congregations. This budget funds the mission efforts of National Capital Presbytery and General Assembly. The percentage distribution of undesignated mission dollars received by the presbytery, determining the amounts allocated to General Assembly and National Capital Presbytery, is approved annually by presbytery as it approves the Mission Fund Budget for the coming year.
- J. The disbursement of monies remitted by the congregations or provided by another funding source—e.g.—investment income, GA grants—is controlled by the adopted annual budgets. Variances in the annual budgets can be made by the Leadership Council. The particular entities funded within either budget—for example, Committee on Ministry or Mission Coordination Committee—are free to re-allocate monies among individual budget lines during the year as circumstances warrant, as long as the total allocation remains unchanged.
- K. On a monthly basis the Director of Finance produces financial reports as specified by the Budget and Finance Committee and/or the General Presbyter. These reports are reviewed by the Budget and Finance Committee and are distributed to all members of Leadership Council. In addition, the most recent Income Statement and Balance Sheet are distributed with the packet of materials for each Stated Meeting of the presbytery.
- L. Annually National Capital Presbytery shall undergo an audit of all monies and assets by a Certified Public Accountant selected by the Leadership Council.² The audit is reviewed by the Leadership Council and is published online (www.thepresbytery.org).³

specific collection from churches as long as funds are available within the presbytery.” Annotated Book of Order (2011-2013), G-3.0106, citations.

² “A full financial review of all books and records shall be conducted every year by a public accountant or committee members versed in accounting procedures....”

³ National Capital Presbytery considers this provision to be in compliance with the following Standard of the Evangelical Council for Financial Accountability: “Church must provide a copy of the most recent annual audit to any requester” because all requesters will be guided to the presbytery website where the audit is posted. The presbytery does not consider the ECFA Standard to require the transmittal of paper copies of the audit.

2. STANDARD OF CARE, FIDUCIARY RESPONSIBILITY

The “prudent person” rule.

All persons, whether paid staff or volunteer, who are involved in any way with the financial operations of the presbytery are held accountable to the *prudent person rule*. This means that each person is to act “with the same degree of judgment in administering the affairs of the organization as they would in their personal affairs”.⁴

Fiduciaries and Fiduciary Responsibility

The principal fiduciaries within National Capital Presbytery are the members of the Leadership Council which serves as the Board of Directors of National Capital Presbytery, Inc. Fiduciary responsibility involves the following duties:⁵

- The duty of care—this requires of each Board member regular attendance at meetings with adequate preparation prior to the meeting; active participation in discussions, debate, and voting; making sure of one’s understanding of the financial condition of the presbytery, as reflected in the periodic reports from the Director of Finance or others on the financial staff.
- The duty of loyalty—each Board member is obligated to act in ways that further the best interests of the presbytery, avoiding conflicts of interest, and disclosing fully any personal financial stake in any of the Board’s transactions and decisions.
- The duty of obedience—each Board member is to be fully familiar with the corporate bylaws, as well as with governmental regulations which impact on the presbytery—for example, assuring oneself that all aspects of payroll accounting and reporting are in compliance with IRS rules; that all required annual reporting to the State of Maryland, the District of Columbia, and the Commonwealth of Virginia has been accomplished and reported to the Board.
- The duty of communication – each approving entity of the Presbytery shall communicate any financial decision within one week either with minutes of the meeting or written notification to the appropriate staff members.

⁴ Bruce R. Hopkins and David O. Middlebrook, Nonprofit Law for Religious Organizations, page 17.

⁵ Hopkins and Middlebrook, pages 18-19.

3. POLICY ON RIGHT TO INSPECT BOOKS AND RECORDS

Adopted by Leadership Council July 19, 2011

As a District of Columbia nonprofit corporation, National Capital Presbytery inc. (hereafter "NCPI") is required to comply with the "right of inspection" provision of the District of Columbia Nonprofit Corporations Act, which reads:

Each corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its members, board of directors, and committees having any of the authority of the board of directors; and it shall keep at its registered office or principal office in the District of Columbia a record of the names and addresses of its members entitled to vote. All books and records of a corporation may be inspected by any member having voting rights, or his agent or attorney, for any proper purpose at any reasonable time.

NCPI requires that any member desiring to inspect the books and records of the corporation shall present a written notice addressed to the Stated Clerk of National Capital Presbytery or his/her designee at least five (5) business days prior to the date the member wishes to inspect and/or copy the records. In addition, the member's written notice is to specify the "proper purpose" of the request, and is to identify with reasonable particularity the specific records sought. The records sought are to have a direct connection to the "proper purpose." (Revised Model Nonprofit Corporation Act, 1987).

For purposes of compliance with the right of inspection, the "members" of the corporation are:

- The teaching elder members of presbytery as of the date of the request
- The ruling elder-commissioners from the congregations who were present and registered at the most recent meeting of National Capital Presbytery
- The ruling elders serving on Leadership Council
- The ruling elders who are Certified Christian Educators or Associate Certified Christian Educators who are currently serving one of the presbytery's congregations

The staff of the presbytery, under the guidance of the General Presbyter, will interpret the "proper purpose" requirement rather broadly, so that the routine decision will be to grant the request for inspection.

Open to inspection are all financial records, minutes of Presbytery meetings, minutes of Leadership Council meetings and any other non-confidential records. Specifically exempted from this policy are all documents which are identified and/or marked "Attorney-Client Privilege", Committee on Ministry minutes or records, Commission on Preparation for Ministry minutes or records, Sexual Misconduct Response Team minutes or records or any other record of a confidential nature.

4. PERMANENTLY RESTRICTED FUNDS (ENDOWMENTS)

The terms, titles and designations in this section cannot be changed.

Donor Restricted Funds

All permanently restricted funds shall identify the recipient of the funds, the conditions for the release of the funds to the recipient and the person or committee authorized to judge those conditions and release the funds accordingly. The Leadership Council shall certify that the conditions have been met and proper authority for release observed and will take action to release the funds. *(see appendix for full description)*

Additional donor permanently restricted funds can be created by Leadership Council upon recommendation by the Director of Business Affairs or the General Presbyter when gifts are received by the Presbytery. The authorizing agent for expenditure and the fund designation need to be specified in writing for each of these funds and reported to the Budget and Finance Committee.

The presbytery has custody of the following donor permanently restricted funds:

A. George W. Toland Scholarship Fund

This is a scholarship fund established in 1881 by Mr. Toland's family. The purpose is to use the income to assist in the education of a young person studying at a Presbyterian college or presbytery- approved seminary to become a minister. Applicants must be members of a congregation within the presbytery, be either an Inquirer or a Candidate, and be selected for this assistance by the Commission on Preparation for Ministry. *(see appendix for full description)*

B. John R. Bovard Memorial Scholarship Fund

The principal of this fund is invested with the Presbyterian Foundation. The interest earned is used to assist students under care as Inquirers or Candidates in preparing for a church vocation. First preference among applicants shall be given to persons recommended by the Session of Takoma Park Presbyterian Church. Recipients of scholarship assistance may, at the discretion of the Commission on Preparation for Ministry, be required to sign a promissory note for the amount of the aid, which shall be cancelled after five years of service to the Presbyterian Church (USA). *(see appendix for full description)*

C. Emma P. Grandin Memorial Fund

This is a fund established to provide short-term capital loans to congregations for a period of up to three years, with a loan maximum of \$20,000. Applications for funding will be processed by the Administrative Commission for Congregational Property (ACCP), which will also have the authority to declare any particular loan to be interest-bearing and to set the interest rate.

By policy when this fund was established the presbytery is authorized to offset its costs of administration of the fund by charging an administrative fee payable to the Operating Fund budget. *(see appendix for full description)*

D. The Garden Endowment Fund

This fund originated with Camp Springs Presbyterian Church. Upon the congregation's dissolution the fund was transferred to presbytery. The purposes are to help deserving and less fortunate people start gardens for their own table and canning use and to provide financial assistance to other religious and charitable organizations in starting similar endowment funds.

The principal of the fund is permanently invested with The Presbyterian Foundation. The income is available to provide for the purchase of gardening equipment and supplies. Funds are disbursed at the direction of the Hunger Committee of presbytery or the committee's successor, and have most recently been used to make a grant to a community garden project in DC. *(see appendix for full description)*

E. The Robert and Marie Moravetz Memorial Fund

This is a permanently restricted fund held by The Presbyterian Foundation. It was created in October 1982 through a gift of \$5,000 to the Foundation by Rev. and Mrs. Ralph E. Lamar III. National Capital Presbytery receives the income from the permanent investment of one half (\$2,500) of this gift, and is to use it "for the support of its programs in creative and experimental ministries". The Director of Finance files an annual report with the Presbyterian Foundation detailing the use of the annual distribution of earnings.

F. The General Scholarship Fund

This is a donor permanently restricted fund. It was created initially as the "Lacey Fund" in 1975 and in 1982 other permanently restricted funds were added to this fund. The income from the invested monies in this fund are used to provide scholarships to candidates and inquirers of National Capital Presbytery. The Commission on Preparation for Ministry is empowered to determine the recipients of these scholarship monies.

5. TEMPORARILY RESTRICTED FUNDS

These are “temporarily restricted” funds under the direction of various committees or entities within the presbytery—Mission Coordination Committee, Committee on Ministry, Church Development Committee, etc. Disbursements from each fund is requisitioned in the regular process by the appropriate staff person or volunteer committee member and are approved in the regular weekly approval process. The Director of Finance reports changes in these funds through the Income Statement which is produced monthly, and as part of the annual audit.

Additional board designated, or donor temporarily restricted funds can be created by Leadership Council upon recommendation by the Director of Business Affairs or the General Presbyter when gifts are received by the Presbytery. The authorizing agent for expenditure and the fund designation need to be specified in writing for each of these funds and reported to the Budget and Finance Committee.

A. *Donor Temporarily Restricted Funds:* The following funds are donor temporarily restricted funds. These funds cannot be directed to any other purpose than those specified by the donor.

a. **Ministry Crisis Fund**

The Ministry Crisis Fund is a longstanding financial resource which provides emergency assistance to ministers and/or their families when other resources are not sufficient. The fund is operated by Committee on Ministry. Income is primarily from the offering taken at all installation services. Assistance is provided in the form of grants or loans; where a loan is provided, ordinarily a promissory note is required. The Director of Finance disburses monies from the fund at the direction of the Relations Team of Committee on Ministry and prepares a quarterly report for the Team. The annual audit tracks the changes in the fund for the year in the report of Temporarily Restricted Net Assets.

The Committee on Ministry Coordinating Team has the authority to convert a loan to a grant, and/or to forgive part or all an amount owed. Where an amount owed by an individual has been forgiven, the financial staff will follow the guidance of the auditor as to providing an IRS form 1099 to the person and the IRS.

When a minister who has a repayment obligation to the Ministry Crisis Fund receives a call and wishes to transfer to another presbytery, the Ministry Crisis Team and/or the Committee on Ministry will decide whether to pursue repayment on a case-by-case basis.

b. Preparation for Ministry Scholarship Fund

Monies in this fund have been given by individuals and churches for seminary scholarships by direct giving and by the offering taken at ordination services. The Director of Business Affairs disburses monies from the fund at the direction of the Commission on Preparation for Ministry, with the approval of Leadership Council.

c. Riverdale Fund

Monies in this fund come from the sale of the real property of the Riverdale Presbyterian Church worship space. Withdrawals from this fund shall be initiated and approved by that congregation's Session and will require the concurrence of the Presbytery Leadership Council.

d. Arlington Presbyterian Church Fund

Monies in this fund come from the sale of the real property of the Arlington Presbyterian Church worship space. Withdrawals from this fund shall be initiated and approved by that congregation's Session and will require the concurrence of the Presbytery Leadership Council

B. Board Designated Funds: The following funds are board designated funds. These funds can be redirected by a vote of the Leadership Council or the Presbytery as specified for each fund below.

a. Mission Fund

The Mission Fund is to be used for the mission determined annually by the Presbytery through the budgeting process. Monies are allocated by Presbytery vote approving an annual budget. Budget variances can be approved by the Leadership Council.

b. Operating Fund

The Operating Fund is used for the costs incurred for the functioning of the basic work of the Presbytery required by the Book of Order. Monies are allocated by the Presbytery through an annual budgeting process. Budget variances can be approved by the Leadership Council. Monies come to this fund from per capita assessments from congregations and from other funds as determined by the Presbytery.

c. DC Resurrection Fund

The DC Resurrection Fund supports Mission Fund approved projects which strengthen and transform NCP congregations and worshipping communities to be missional, pastoral and prophetic. This fund is restricted to ministry within the District of Columbia. Monies are allocated by Presbytery vote to the Mission Fund with the

approval of the Leadership Council. Any change in the designation of this fund requires the vote of the Presbytery.

d. NCP Resurrection Fund

The NCP Resurrection Fund supports Mission Fund approved projects which strengthen and transform NCP congregations and worshipping communities to be missional, pastoral and prophetic. Monies are allocated by Presbytery vote to the Mission Fund with the approval of the Leadership Council. Any change in the designation of this fund requires the vote of the Presbytery.

e. NCP Scholarship Fund

Scholarships for Candidates and Inquirers in Seminary are approved by the Presbytery upon the recommendation of the Commission on Preparation for Ministry and with the approval of the Leadership Council. Any change in the designation of this fund requires the vote of the Presbytery.

f. New Church Development Fund

New Church Development Fund is for new church development under the direction of the Church Development Committee (CDC) or its successor committee(s). Monies are allocated by Presbytery vote upon the recommendation of the Church Development Committee and with the approval of the Leadership Council. Any change in the designation of this fund requires the vote of the Presbytery.

g. Hispanic Ministry Fund

Hispanic Ministry Fund is for church development under the direction of the CDC or its successor committee(s). Monies are allocated by Presbytery vote upon the recommendation of the CDC and with the approval of the Leadership Council. Any change in the designation of this fund requires the vote of the Presbytery.

h. Parish Pastor Retreat Fund

This fund was established upon dissolution of Trinity Presbyterian Church, Bethesda, by action of the National Capital Presbytery at its November 18, 2014 meeting. The Retreat Fund is to be used for an annual retreat for pastors who are currently serving parishes and Presbytery Staff for spiritual refreshment and limited program and community building across the differing theological perspectives among the participants. These funds are to be used over the next nine years from the above date. Any unused funds not disbursed by November 18, 2023 shall be deposited in the Board Designated Unrestricted Fund of the Presbytery. Funds are disbursed at the direction of the Leadership Council.

i. Immigrant Congregations and Emerging Ministries Fund

This fund is established upon dissolution of Trinity Presbyterian Church, Bethesda, by action of the National Capital Presbytery at its November 18, 2014 meeting. This fund is to support the development of the Immigrant Ministry Network Fellowships and to be distributed as needed among Ewe Church of American, Mizo Presbyterian Church, Riverside Presbyterian Church (one PCUSA church, two languages: Spanish & English), Taiwanese Presbyterian/English Ministry, Iona Conversations, Service Religieux En Francais (French speaking: under Silver Spring Presbyterian Church), Lunch for the Soul, and Newspaper Delivery Community. Funds are disbursed at the direction of the Church Development Committee.

j. Next Blessings Fund

This fund is established upon dissolution of Trinity Presbyterian Church, Bethesda, by action of the National Capital Presbytery at its November 18, 2014 meeting. This fund is to provide loans and/or grants for capital repairs, ministry initiatives, or “extreme makeovers” for struggling congregations participating in the “Next Blessings” initiative of the Presbytery. Funds will be administered by the “Next Blessings” Ministry and jointly overseen by the Church Development Committee and the Committee on Ministry of the Presbytery. The eligibility requirements must include the following elements:

- An Administrative Commission with original jurisdiction elected by Presbytery to oversee the congregation’s ministry;
- New pastoral leadership (in most cases) will be employed;
- No more than three years of program support with annual positive evaluation required after initial grant or loan before support is continued for subsequent years i.e. \$30,000 in year one, \$20,000 in year two, \$10,000 in year three;
- No more than \$50,000 may be available in loans to the congregations with the interest rate being set by the “Next Blessings” Committee.

Any unused funds remaining in the “Next Blessings Fund” on November 18, 2024 will revert to the Board Designated Unrestricted funds of the Presbytery.

k. Young Adult Volunteer Fund

The Young Adult Volunteer (YAV) Fund is for the expenses related to the Young Adult Volunteer initiative. These monies are to be disbursed upon the recommendation of the YAV Board of Directors and the approval of the Leadership Council of the Presbytery. These monies have been designated by Presbytery vote and come primarily from the Resurrection Funds. Any change in the designation of this fund requires the vote of the Presbytery.

l. Office Expense Fund

Office Expense Fund is for the expenses of an office for Presbytery and its staff. Allocation of monies is approved by the Presbytery in the context of the annual Operating Fund Budget which is approved by Leadership Council with the advice of the

Budget and Finance Committee. Any change in the designation of this fund requires the vote of the Leadership Council.

m. Property Management Fund

Property Management Fund is used for the upkeep of real property for which the Presbytery is the primary trustee or owner. The Director of Business Affairs is authorized to expend these monies with the concurrence of the General Presbyter and under the oversight of the committee charged with Property responsibilities in the Manual of Administrative Operations. Any change in the designation of this fund requires the vote of the Leadership Council.

n. Unrestricted Fund

The Leadership Council of the Presbytery is authorized to expend monies from this fund. These expenditures are to be reported to the Presbytery. Any change in the designation of this fund requires the vote of the Leadership Council.

6. THE SALE OF REAL PROPERTY

Sections 6, 7 and 8, can be changed by a vote of the Presbytery with the exception of the annual “draw” which is set by Leadership Council as noted below.

A. Sale of Real Property owned by the Presbytery which is not held for a congregation

When a congregation is dissolved, and the net assets of that congregation are allocated to the funds listed below, the names of those congregations will be honored in the fund descriptions.

Upon the dissolution of a congregation the Presbytery will allocate the net assets in the following fashion.

1. First all outstanding liabilities shall be satisfied including those owed the Presbytery for loans, maintenance expenses, outstanding per capita assessments or other obligations.
2. An amount which will bring the Property Management Fund to a balance of \$350,000 shall be placed in the Property Management Fund. This fund shall be used by the Committee specified in the Operations Manual of the Presbytery to maintain/improve the closed church property, pay bills and for any other costs between the time the church is closed and the time the property is sold. If the balance in the Property Management Fund has reached \$350,000 at the time of the distribution, then no further distribution to the Property Management Fund will be made.
3. The remaining assets shall be placed in the NCP Resurrection Fund.

An exception to the above distribution shall be made for churches within the boundaries of the District of Columbia. If an existing church within the boundaries of the District of Columbia is sold, and the income has not been previously restricted, then 100% of the earnings on the net proceeds resulting from that sale (minus the draw for the Property Management Fund) shall be placed in the DC Resurrection Fund (see Section 5.B.c.).

B. Sale of Real Property that is held for a congregation.

When real property, where the congregation primarily worships and conducts its ministry, is sold and the congregation is not dissolved, the liquid assets resulting from the sale are held by the Presbytery in partnership with the congregation in a Donor Temporarily Restricted Fund which shall not be accessed or redesignated by any future decision of the Presbytery unless the congregation is dissolved. Any withdrawals from this fund shall be initiated and approved by that congregation's Session and will require the concurrence of the Presbytery Leadership Council. Churches that qualify for the exception in G-4.0208, PC(USA) Book of Order, which are governed by the 1983 PCUS Book of Order property provisions, are exempt from this requirement. In the case of union congregations under the authority of National Capital Presbytery in partnership with any other denominational judicatory, any liquid assets from such a sale will be overseen in a manner consistent with the original covenant that established the congregation.

7. INVESTMENT ASSET ALLOCATION

The return on investment of the following temporarily restricted funds will be blended and a proportionate share of that return (or loss) will be allocated to the particular fund monthly. Additional funds can be added to this list by the Leadership Council.

- a. DC Resurrection Fund
- b. NCP Resurrection Fund
- c. NCP Scholarship Fund
- d. New Church Development Fund
- e. Hispanic Ministry Fund
- f. Parish Pastor Retreat Fund
- g. Immigrant Congregations and Emerging Ministries Fund
- h. Next Blessings Fund
- i. Young Adult Volunteer Fund
- j. Office Expense Fund
- k. Property Management Fund
- l. Unrestricted Fund

The donor temporarily and permanently restricted funds (Grandin, Toland, Bovard, Garden, Ministry Crisis, General Scholarship Fund, Preparation for Ministry Scholarship and any others in the future) will be separately invested and segregated as necessitated by their donor designations and will be excluded from any collateral agreements entered into by National Capital Presbytery.

The following funds, which the Presbytery decides to maintain with the principal generally intact (or the principal is held by the bank as collateral), have available for expenditure toward the designated mission a flat amount approved by the Leadership Council which annually will be proportionately divided among the listed funds. This draw amount shall be recommended annually by the Investment

Committee by March, and subsequently be approved by the Leadership Council for release the following January 1.

Unspent monies allocated would be available for expenditure in succeeding years. This draw will occur on or about January 1 of each calendar year.

- a. DC Resurrection Fund
- b. NCP Resurrection Fund
- c. NCP Scholarship Fund

Annually the Investment Committee of the Presbytery will review the level of this draw in light of current and predicted market performance and recommend any change in that amount to the Leadership Council which shall take action to set that draw. That action by the Leadership Council will occur before March 30.

Monies from the NCP Resurrection Fund and the DC Resurrection Fund draws will provide income to the Mission Fund of the Presbytery upon request by the Budget and Finance Committee, the approval of the Leadership Council and the approval of the Presbytery when it approves its Mission Fund budget. Expenses will likewise be budgeted through the Mission Fund in the ordinary budget formation procedure or approved budget variance.

The Commission on Preparation for Ministry (CPM) awards scholarships from the annual draw from the *Board Designated* Temporarily Restricted "NCP Scholarship Fund" with the approval of the Leadership Council.

Additionally, the CPM may recommend to the Leadership Council additional draws on the corpus of the *Donor* Temporarily Restricted Fund "Preparation for Ministry Scholarship Fund" and the income from the *Donor* Permanently Restricted "General Scholarship Fund."

8. MISCELLANEOUS PRACTICES

- The available assets of the Presbytery can be reallocated at a meeting of National Capital Presbytery upon the recommendation of the Leadership Council and must be approved by 2/3 majority vote.
- If property management needs exceed the available resources, Leadership Council may come to the Presbytery floor with a request to cover those expenses from the various Board Designated Temporarily Restricted funds, which must be approved by 2/3 majority vote.
- This practice across all of these funds (including the plan for distribution) will be reexamined every three years by the Leadership Council.

Specific Fund descriptions

- DC Resurrection Fund
 - NCP Resurrection Fund
 - NCP Scholarship Fund
 - New Church Development Fund
 - Hispanic Ministry Fund
 - Parish Pastor Retreat Fund
 - Immigrant Congregations and Emerging Ministries Fund
 - Next Blessing Fund
 - Young Adult Volunteer Fund
 - Office Expense Fund
 - Property Management Fund
 - Unrestricted Fund
-
- All temporarily restricted funds, both Board Designated and Donor Restricted, shall identify the recipient of the monies, the conditions for the release of the monies to the recipient and the person or committee authorized to judge those conditions and release the monies accordingly. In all circumstances the Leadership Council shall certify that the conditions have been met and proper authority for release observed and will take action to release the monies.

 - The Administrative Commission on Congregational Property (ACCP) is authorized to approve on behalf of the Presbytery encumbrances (and accompanying contingent liabilities), leases and real property sales required by the Book of Order (G-4.0206) with the following qualifications:
 - The ACCP shall include in its policies parameters to guide it concerning the approval of any encumbrance of real property requested by congregations.
 - These policies and any changes in these policies require the approval of the Leadership Council.
 - Any recommendation for approval from the ACCP which falls outside the parameters included in this policy shall additionally require the approval of the Leadership Council.
 - Any encumbrance exceeding \$5,000,000 shall additionally require Leadership Council approval and Presbytery's approval.

 - If the Presbytery is considering any direct liability (in contrast to a contingent liability) to the Presbytery of \$1,000,000 or more, the Leadership Council shall engage the services of professionals chosen by the Leadership Council to assess the risk of the transaction to the Presbytery and its congregations.

9. INVESTMENTS AND INVESTMENT POLICY

This section can be changed by the Leadership Council upon recommendation of the Investment Committee.

Purpose and Scope

The purpose of this Investment Policy is to define the parameters for investing and managing the monetary assets of National Capital Presbytery Inc. (“NCP”) in accordance with its missions and purposes. The Investment Policy applies to any funds noted in section 4. (Permanently Restricted Funds) and section 5. (Temporarily Restricted Funds) of this document which compose the Investment Portfolio (“the Portfolio”) and excludes funds received for the purpose of supporting normal operations (Mission Fund and the Operating Fund). This Investment Policy will be administered by the Investment Committee, comprising elected representatives of NCP Inc. as specified by the Manual of Administrative Operations of NCP.

Investment Objective

The basic investment objective of the Investment Portfolio is to achieve a total return that will provide sufficient assets to support the missions and purposes of NCP. The Portfolio will use a combination of asset allocation strategy and security selection to seek to achieve a real return (total return less an inflation factor such as the Consumer Price Index) of at least 4%.

Eligible Investments

Securities held in the Portfolio will be limited to investments conforming to the asset classes and parameters described in this section. The assets of the Portfolio cannot be invested in any asset class not included in this section.

1. *Equity Securities:* US and non-US common stocks, depository Receipts (including American, European, and Global Depository receipts), US dollar-denominated foreign securities, open and closed end country funds, and convertible preferred stocks.
2. *Fixed Income Securities:* Investments in treasuries, investment grade corporate securities (rated, at the time of purchase, the equivalent of BBB+ or higher by any two of Standard and Poor’s, Moody’s, or Fitch), asset-backed and mortgage backed securities with the guarantee of the US government, and preferred stock.
3. *Cash and Cash Equivalents:* Short-term money market funds or money market instruments that would mature in not more than one year, including direct or indirect obligations of the US government, negotiable Certificates of Deposit, in those banks with investment grade credit ratings, and commercial paper with ratings from at least two credit-rating agencies, of A-1 by Standard and Poor’s, P-1 by Moody’s, or F-1 by Fitch.

Asset Allocation

Assets of the Portfolio shall be maintained within the percentages given below. Variance from these stated percentages must be approved by the Investment Committee and reported to the Leadership Council of NCP.

<u>Asset Class</u>	<u>Percentage Range</u>
US and International Equity	30-60%
Fixed Income	30-60%
Cash Equivalents	5-30%

Prohibited Investments

1. Short Sales: Short sales are not permitted in the Portfolio except as may occur in mutual funds or other commingled funds in which Portfolio assets are invested.
2. Commodities: Assets of the Portfolio cannot be invested directly in commodities.
3. Leverage: The Portfolio cannot borrow funds for any purpose.
4. Securities Lending: The assets of the Portfolio cannot be included in any securities lending strategy.
5. Hedge Funds and Alternative Investments: The assets of the Portfolio cannot be invested in Hedge Funds, Alternative Investments, or any investment that is not registered with and subject to the regulation of the US Securities and Exchange Commission.

Performance Benchmarks

Performance benchmarks shall be established in writing for each investment manager and reported to the Leadership Council of NCP. Benchmarks will be reviewed and revised as appropriate by the Investment committee. Benchmarks will be appropriate to each investment manager's investment objectives and strategies.

Performance of each investment manager will be reviewed on a quarterly basis by the Investment Committee and reported to the Leadership Council of NCP, recognizing, however, that benchmarks are generally expected to be achieved over a three-to-five-year period of a market cycle.

10. BUDGET PROCEDURES

This section can be changed by the Leadership Council.

A. Budget Process (*see Appendix for "New Way to Do A Presbytery Budget approved 9-20-2010; Also note details in the NCP Manual of Operations.*)

B. Miscellaneous Practices related to budget matters

- a. The Budget and Finance Committee shall have the primary responsibility to develop and present to the Leadership Council a balanced Mission Budget and a balanced Operation Budget for the coming time period, demonstrating reasonable expectation that anticipated expenditures are supported by anticipated income. The Leadership Council may modify or alter the Budget and Finance Committee's recommendations before presentation to the Presbytery for its approval.
- b. The Budget and Finance Committee shall be charged with the oversight of financial operations of the Presbytery and the Receiving Center and shall advise the Treasurer on matters relating to the Presbytery's finances, fiscal policies and procedures. The Leadership Council shall select and approve a Certified Public Accountant or accounting firm to audit the financial records of the Presbytery. The committee shall have oversight of various funds and endowments and the coordination of special gifts.
- c. The Budget and Finance Committee shall review on a timely basis the receipts and disbursements of the funded units of the Presbytery. The Budget and Finance Committee shall present to the Leadership Council a balanced Operating Budget and Mission Budget for review, approval and recommendation to the Presbytery for its approval.
- d. The funded units, categories and committees of the Presbytery (referred to as a "budget unit") will operate within their approved budgets. Wherein a budget unit finds the need to reallocate monies within an approved category and/or committee, it may do so and report such to the Leadership Council, provided such monies are for the support of a line item already approved for funding by the Leadership Council. Reallocation of monies between and among committees and fund categories within a unit shall be upon approval by the Presbytery Leadership Council.
- e. A task force can be created by the Presbytery, the Leadership Council or any committee noted in the Manual of Administrative Operations. When the task force is created the creating body will provide guidelines which will include clear instruction for the management of expenses and/or income. Those guidelines will include who has authority to approve expenditures and what fund those monies will be drawn from.
- f. Only the Leadership Council can approve an allocation for a new project or line item. No budget unit shall approve a funding reallocation from an item not in its approved budget without the explicit approval of the Leadership Council. No budget unit shall disburse monies to a cause or project not specifically approved by the Leadership Council.
- g. Operation and Mission Funds are managed by the Budget and Finance Committee upon authority of the Leadership Council on behalf of National Capital Presbytery. Budget units are authorized to request disbursements in accord with the approved budget of the Presbytery.
- h. No budget unit of the Presbytery shall carry over monies from one year to the next without the approval of the Leadership Council. No budget unit will open nor operate an account of funds

from the Presbytery or any other source without the explicit consent of the Budget and Finance Committee. Should such authorization be granted, it shall be in an institution insured by an agency of the Federal Government, use the Presbytery's tax ID number, have as one of its sole operating signatures the seal of the Presbytery's Treasurer, and it shall provide a periodic accounting of its funds and operations to the Budget and Finance Committee not less than once a year.

- i. No budget unit of the Presbytery shall make loans to any individual or entity without providing to the Treasurer a satisfactory, legal instrument signed by the recipient or authorized representatives of the receiving entity showing the amount loaned, interest charged, the provisions for repayment and a satisfactory provision for recovering the monies should the recipient fail to complete the provisions of the loan.

11. APPENDICES

- The Garden Endowment Fund
- The John R. Bovard Memorial Scholarship Fund
- The Emma P. Grandin Memorial Fund
- The George W. Toland Scholarship Fund
- The General Scholarship Fund

The Garden Endowment Fund

There are two accounts at the Foundation plus an account at Provident Bank. One of the funds at the Foundation was established by Camp Spring Presbyterian Church. When Camp Springs church closed they forward the fund to National Capital Presbytery.

The purpose of the Garden Endowment fund is: to help deserving and less fortunate people start gardens for their own table and canning use and to provide financial assistance to other religious and charitable organizations in starting a similar endowment fund.

The Garden Endowment fund shall derive its support through voluntary gifts from National Capital Presbytery, its congregations, individuals, foundations and other interested sources.

Use of the income from the Garden Endowment fund is restricted to garden and canning related expenditures such as seeds, fertilizers, pesticides, purchase and repair of garden tools and equipment, plowing, discing, gasoline, oil, canning supplies and tuition for training courses in basic gardening and canning skills.

Within the above purposes and restrictions, the priorities are:

- A. To help persons and organizations as identified by:
 1. The Hunger committee or its successor of National Capital Presbytery;
 2. Churches of other denominations, synagogues, and other religious and non-profit bodies, in the same general geographical area of National Capital Presbytery.

- B. To provide financial assistance to the abovenamed bodies, and to extend the reach of this assistance to the Synods of the Piedmont and/or Virginias or their successors and to the General Assembly of the Presbyterian Church (USA) to encourage them to start endowment funds of their own with the same purposes.

In the event the Garden Endowment fund does not materialize as envisioned within five years from date of establishment and only minimal funds have been raised, the Board of Directors, in consultation with the Hunger committee or its successor, may make recommendation to the National Capital Presbytery or its successor that the fund be terminated and that the accumulated funds be disbursed to the Presbyterian Foundation of the Presbyterian Church (USA).

The John R. Bovard Memorial Scholarship Fund

Established 1959

The principal of the fund is to be deposited with the United Presbyterian Foundation. Withdrawals of interest earned by the fund are to be made quarterly to the Presbytery.

Interest from the fund shall be used to assist students who are under the care of the National Capital Presbytery in their preparation for Church Vocations. The Presbytery shall select a student or students needing assistance and shall determine the amount of assistance to be granted except that first preference shall be given to candidates recommended by the session of the Takoma Park Presbyterian Church.

Money which cannot be used as indicated in Section 2 by the Presbytery may be accumulated in the Presbytery Fund. The current excess of this amount as of February 1 of any year, and any money in the Presbytery fund which the Presbytery does not wish to accumulate, shall be paid to the Council on Theological Education of the General Assembly of the Presbyterian church in the U.S.A. or its successor, to be used to assist Presbyterian students or Presbyterian seminaries in any manner authorized by the General Assembly.

Students receiving aid from the fund shall, at the discretion of the Presbytery sign a note for the amount of the aid. The note shall be canceled after five years of service to the church.

Persons and institutions which benefit from this fund shall be notified that the money is given to the Glory of God and in loving memory of John R. Bovard.

The Emma P. Grandin Memorial Fund

Established in 1984

The Board of Directors of the National Capital Presbytery, Inc. has the authority to invest such funds in such manner as they deem appropriate; and that a revolving fund be established for the purpose of short-term capital loans under the following guidelines:

1. Loans made from the fund will be made only to organized congregations and mission congregations of the National Capital Presbytery.
2. Loans will be made for no more than a three (3) year period subject to a one-time extension of an additional three (3) year period.
3. Interest will be charged on all loans at a rate set by the Board of Directors at their annual meeting and will be in effect until the next annual meeting.
4. Loans will be for no more than \$20,000.00 each.
5. The Board of Directors shall determine at the annual meeting each year the amount of service charge to be paid to the Operating Budget of the Presbytery for administrative services. (audit, bookkeeping, etc.).
6. The Board of Directors shall pay to the Presbyterian Home of the District of Columbia one half (1/2) of the earned interest each quarter and one half (1/2) will be added to the principal of the fund. The earned interest shall be divided after the appropriate administrative cost has been deducted.

The Board of directors shall make a report to the Presbytery on it stewardship of the fund upon the request of the Presbytery.

The George W. Toland Scholarship Fund

Definition: The George W. Toland Scholarship Fund was established by Mrs. Hannah S. Toland, May 12, 1881, in memory of her husband, George W. Toland.

Purpose: The income of the fund is to be used for the education of a young person(s) studying at a Presbyterian College or Preparation for Ministry approved seminary to become a minister, who is a member of the Presbyterian Church, who is under the care of a Presbytery, who qualifies for financial assistance, and who is selected by the Preparation for Ministry Committee to receive such financial aid.

Investment: The Board of Directors of the National Capital Presbytery, Inc. as custodian shall be free to invest the trust funds in conformance with the dictates of Section 32-1204 and 32-1206 of the D.C. Codes (1973 edition, supplemented).

Procedures: Application for aid shall be submitted to the Candidates Committee of the Presbytery. Aid shall be in the form of Loans to be secured by promissory notes, said notes to be cancelled when the applicant has spent five (5) years in the service of the Presbyterian Church (or in any church in correspondence with the General Assembly), after graduating from the Seminary or graduate school. All Loans shall be made by the Board of Directors of the National Capital Presbytery, Inc. on recommendation of the Preparation for Ministry Committee and approved by the Presbytery.

In the event of multiple applications to the George W. Toland Scholarship Fund, the Preparation for Ministry Committee will give priority of allocation consideration to black candidates at the Howard University Divinity School, and then to others as funds are available.

The General Scholarship Fund

Established September 1982

Custodian of the Fund:

The By-laws of the National Capital Presbytery, Inc. provide that the Board of Directors shall have authority to provide fiscal advice to the Presbytery with respect to the disposition and management of bequest, gifts, trusts, memorials, etc.

Therefore, the Board of Directors of the National Capital Presbytery, Inc. shall be the official custodians of the fund.

Purpose and Eligibility:

The purpose of the National Capital Presbytery Scholarship Fund shall be to provide financial assistance to candidates or other persons that are under the care or supervision of the Presbytery. The Preparation for Ministry or equivalent committee shall determine eligibility and the amount of any grants made from the Fund. All amounts shall be in the form of grants with no repayment condition.

Administration:

Churches, organizations, and individuals be encouraged and urged to provide additional funds each year to the principal of the Fund. All Funds presently on hand of the Graham G. Lacy Scholarship Fund and those funds received in memory of the Rev. Richard A. Gear be the principal of the fund. The Board of Directors of Presbytery invest the funds in such securities that are safe and bring the highest amount of interest on the investment.

Earned interest on the Fund may be expended each year by the Preparation for Ministry or equivalent committee. Any unexpended interest each year may be accumulated from year to year. Ten (10%) of earned income each year shall be added to the principal of the Fund. The principal of the Fund shall not be invaded except on recommendation of the Preparation for Ministry or equivalent committee and approved by Presbytery. The National Capital Presbytery Scholarship Fund provide opportunities for future memorial gifts.

LEADERSHIP COUNCIL ACTION AND COMMUNICATION

September 3, 2014

Time Line:

1. In 1975 we have record of the “**Busey Fund**” – a Board Designated Temporarily Restricted fund being renamed the “Lacey Fund”.
2. In 1990 the “**Kearney Fund**” was established as a donor designated permanently restricted fund.
3. In February 1991, the **Kearney Fund** and the **Lacey Fund** along with the **Grear Fund** (which had been previously combined with the Lacey Fund and about which we have no record pertaining to its fund parameters) were combined and renamed the “**Scholarship Fund.**”
4. Over the years additional gifts have been given to this fund which are donor designated in nature.
5. Since that time the fund has been maintained as a donor designated permanently restricted fund which has also seen 10% of the annual income from the investment of these monies return to the corpus of the fund while the remaining 90% of the income has been used for Seminary Scholarships for NCP candidates. The donors have indicated that they “*would like to have a percent (sic) of the interest be held back and added to the principle to offset inflation.*”

They do not specify the numeric percentage which can be determined by the Presbytery Board of Directors.

6. The 1990 audit would give valuable information concerning the balances in these funds preceding their being co-mingled in 1991. The historical society, our files and the auditor’s files cannot locate this audit, thus decision will need to be made without this data.
7. Our current auditors confirm that this is a problem the Board of Directors will just need to decide. If additional information to further clarify this matter is secured at a later time the Presbytery Board of Directors can make a different decision.

In light of these issues the Leadership Council, acting as the Board of Directors has made the following decision. Please note that this position is the most conservative approach available and insures that no permanently restricted funds are reassigned, even if that means that some board restricted funds are erroneously placed in a permanently restricted fund.

1. Keeping with faith with the intention of the fund, the beginning balance for the permanently restricted fund will be set at \$56,645. This is the reported amount in the "General Scholarship Fund" and the titles the same fund has had over the last 10 years in the Presbytery audits.
2. 10% of the earnings at year end will be added to the permanently restricted fund balance. The percentage of this return to the corpus can be changed by the Board of Directors of the Presbytery. Unless the Board changes this percentage, it will remain at 10%.
3. 90% of the earnings will be transferred at year end to a temporarily restricted donor designated "draw" line item which will be available to the Commission on Preparation for Ministry for scholarship designations to NCP candidates and Inquirers. Any amounts not expended in a calendar year shall remain in this "draw" fund until such time that it is expended.
4. The remainder from the current fund balance in the "General Scholarship Fund" minus the above identified "principle amount" shall be placed in this "draw" fund.
5. From this point forward this "General Scholarship Fund" will be considered as a permanently restricted donor designated fund with a Board designated percentage of the income generated by the fund monies begin returned to the corpus.