



Niles Discovery Church

United in God's love for everyone's journey ... no exceptions.

FINANCIAL GOALS and POLICIES

Main body adopted by the NDC Cabinet on October 20, 2014
Investment Policies adopted by the NDC Cabinet on March 16, 2015
Modifications approved by the NDC Cabinet on January 16, 2017
Modifications approved by the NDC Cabinet on January 15, 2018
Modifications approved by the NDC Cabinet on June 15, 2019
Modifications approved by the NDC Cabinet on May 18, 2020
Modifications approved by the NDC Cabinet on October 19, 2020
Modifications approved by the NDC Cabinet on May 15, 2023

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Introduction

This document provides the framework for the management of the financial resources of Niles Discovery Church (NDC). Article X of the Bylaws of Niles Discovery Church designates the Cabinet as the body of the church responsible for setting financial policies for the church; Article IX, Section B,3 designates the Finance Committee for carrying out those policies. Additionally, Article X, Section A says that the Congregation adopts an annual budget, which is presented by the Cabinet.

The philosophy incorporated these policies is to allow for sufficient flexibility in the management of the church's financial assets to capture opportunities to optimize the utilization of resources as they may occur, yet set forth reasonable parameters to ensure prudence and care in the execution of the financial program. The policies are in place to facilitate checks and balances to protect the church.

These policies, established by the Cabinet, outline:

- General Goals of the Financial Policies
- Budget Process
- Donation and Income Management Policy
- Payments and Expenditures Policies
- Mileage Reimbursement Policy
- Payroll Policy
- Financial Administration Policy
- Three Year Plan
- Annual Audit Policy
- Investment Policies
- Endowment Fund Policy

General Goals of the Financial Policies

The goals of these policies are to provide appropriate oversight and safeguards of the financial assets of church's financial resources so that the church can carry out its part of God's mission in the world. This includes providing for the ministries of the church, the growth of our members and friends in their generosity so they can more fully live into that aspect of having been created in the image of God, supporting the wider church and partner organizations, and making a difference in the world though how our monies are invested.

Budget Process

The operating budget for the Church is prepared on a fiscal year basis from January 1 to December 31 (Bylaws, Article X, Section D). The Finance Committee prepares the operating

budget and submits it to the Cabinet at its December meeting. The Cabinet reviews, makes any adjustments it deems appropriate, and recommends the budget to the Congregation at the budget meeting. The Congregation adopts the budget (perhaps with modification) at the Annual Budget Meeting (Bylaws, Article V, Section B,1,A).

Fiscal Year-End Closing

For accounting purposes, the “fiscal year” will be considered to be all funds received (or postmarked) or any check signed by a Church Officer between January 1 and December 31.

The year-end Treasurer’s report for any fiscal year should be prepared by the fourth Monday of January.

Income and Donation Management

Donation Acknowledgement

The Church is required by law to provide receipts for gifts in the amount of \$250 or more. Some donors may request receipts for tax or other reasons. The Bookkeeper will provide a receipt if requested for a gift in an amount less than \$250.

Proposals for donations with use restrictions (other than already-established restricted funds) and proposals for donations of a non-cash nature (e.g., artwork, personal property, real property, etc.), should be given to the Bookkeeper who will forward the proposal for consideration to the Cabinet. Approval is required before any donations with restrictions or donations of a non-cash nature will be accepted by the Church.

Securities may be donated to the church (within the parameters outlined in the paragraph above). When someone wants to donate securities, he/she should make arrangements for the donation with the Treasurer. For tax purposes, the value of the donation of securities is the cash value of the securities at the time the church takes possession of them and that value will be reported by the Bookkeeper as other donations to the church are reported.

Weekly Offering

Donations are generally received by mail, online, or by placing them in the offering plate/basket during worship. The Finance Committee will, based on risk, establish procedures to the auditable counting and recording of these gifts (checks and cash) no matter how received. They may include, on Sundays, the counting, recording and safeguarding of the gifts received in the offering plate by two people who are members of the Finance Committee and/or Cabinet as long as they are not related. If a lower risk warrants, the gifts on Sunday may be collected by one worship attendant, Finance Committee or Cabinet member and safeguarded in the office until processed later. The procedures will include the proper safeguarding of private financial information the gifts may represent (individual checks, copies, etc.). These documents will be

retained until audited. The Finance Committee will inform the Cabinet of their evaluation of the current risk and procedures used, and notify them of any changes.

Pledge Related Bookkeeping

Each fall, members and friends of the church are invited to make pledges of financial support for the coming year. These pledges are recorded by the Bookkeeper in the church's accounting software at the time they are made. Pledges are made for a calendar year and are met (paid) at the pledger's discretion throughout the year.

Quarterly member pledge statements should be sent by the Bookkeeper by the 15th day of the month following the end of each quarter.

Access to Member Pledge Information

The Senior Minister and Bookkeeper are the only individuals that have access to the donor database and member pledge information. The Bookkeeper has access to pledge information for input purposes and statement generation.

Donations Received by Online Giving

Donations can be submitted/received through the church's website using the Donate link on the home page. A person can donate to a designated fund or make a regular offering. A management company maintains the form and transaction security. There is a processing fee of 2.5% which either the donor can add to the amount given, or the church will pay the fee and the donation will be reduced by that amount.

The Bookkeeper and the donor receive an email from the online processing company acknowledging the donation. The Bookkeeper records these gifts as he/she would any other gift and ensures the funds are credited to the appropriate fund to be included in the monthly financial reports.

Non-Donation Income

Other income received, such as for building use, should be restrictively endorsed by the Bookkeeper for deposit-only into the Church bank account. This income is processed in the same manner as gifts received during the week.

Memorial Gifts

Memorial gifts shall be received and recorded by the Bookkeeper and placed in the General Memorial Designated Fund unless designated to a specific purpose. These gifts must also meet the requirements set out in the second paragraph under Donation Acknowledgement. Memorial gifts given by persons and families who are regular contributors to the Church will receive acknowledgements of their memorial contributions on their year-end giving statements prepared by the Bookkeeper. The Bookkeeper will provide a list of donors to the family, and will send a thank you note to the donor.

Donation/Revenue Filing

The Church database will be utilized as the official data source for tracking all donations and revenue provided to the Church. Hardcopy backups may be maintained by the Bookkeeper per our document retention policy.

Payments and Expenditures

Pre-Approval of Purchases

Generally, it is acceptable for Niles Discovery Church Ministers, staff, and lay leaders to order or purchase items that have been planned for in the current operating budget or outreach budget, and/or that have been approved by the respective Ministry Team for whom the items or services are purchased. However, in times of fiscal constraint, the Cabinet at their discretion may require pre-approval of some or all purchases (except for payroll) for the purposes of controlling expenses and cash flow.

Emergency Purchases

The Ministry of Properties Team will be permitted to make emergency purchases of an amount up to and including \$2,000 without prior approval of the Cabinet. A detailed description and substantiating documentation must be sent to the Cabinet within one week of the emergency purchase.

Substantiating Documentation

Each request or check request must be accompanied by appropriate documentation in order for approval to be granted and a check written. Original invoices are often used for this purpose. If the item has already been purchased, the original receipts (not copies) must be affixed.

If an item has been purchased through the mail or a shipment is dropped at the Church, a copy of the packaging information must be included which demonstrates that the Church received the materials.

If the check request is for remuneration for an hourly consultant, then either a time card or a time sheet must accompany the request.

Letters of agreement, consultant contracts, and written notices of compensation changes serve as substantiating documentation for consultants who are paid a flat fee for services.

Check Requests

Expenditure requests must be submitted in writing using an NDC Request for Payment form before a check will be written. Each request must include:

1. The date of the payment request.
2. The payment recipient.
3. The reason for the request. Substantiating documentation (receipts, invoices, etc.) must be attached.
4. Which budget line item (if to be paid from the General Fund) or which designated fund (if to be paid from a designated fund).
5. The amount requested.
6. Requested by: the name of the person submitting the request.
7. Optional: Check the box if this is a donation of goods or services.

Authorized Check Signers

The approved signers are the Moderator, Vice Moderator, Treasurer, the chair of the Ministry of Property Team, the chair of the Ministry of Spiritual Life, and the chair of the Ministry of Christian Education.

Reimbursements and Payments

All disbursements must be pre-approved as described herein, even for items clearly identified in the NDC budget documents. All disbursements are made by check or electronic fund transfers and are accompanied by substantiating documentation.

Expense Approvals and Processing

Expense approvals begin with placing the completed check request voucher together with the supporting documentation in the Bookkeeper's inbox. Generally, the Bookkeeper cuts the check for authorized persons to sign. If the Bookkeeper has any questions about the expense, she/he will check with the Senior Pastor and/or the Treasurer before cutting a check.

Checks and supporting documentation are reviewed weekly by people authorized to sign checks and the final approval of any specific expense happens when they sign the check. Check signers should initial substantiating documents to show that they have reviewed them. If they have any questions about the expense, they should not sign the check, but ask the Treasurer to discuss the expense with the appropriate person or body of the church before the expense is authorized. Checks of more than \$500 require two signatures.

If the Bookkeeper is not available and a manual check is required, a check will be prepared by a Church Officer. A copy of the written and signed check and the appropriate documentation will be given to the Bookkeeper so it can be entered into the Church database.

Checks Void after 180 Days

Checks issued by the Church shall become void 180 days from the issuing date shown on the check. The Bookkeeper should enter the check as void in the Church database once the 180 day period has elapsed. If the payee presents the voided check to the Treasurer with a written request to reissue a replacement check, the Treasurer may submit a Niles Discovery Church voucher for approval of a new check made out to the payee in the same amount as the original

check less any bank fees required to put a stop order, on the missing check. However, lost or stolen checks may be reissued less any bank charges.

Transfers of Monies

Except for the account(s) in which the Endowment Fund is invested, the Treasurer may initiate at his/her discretion transfers of monies between the church's accounts (e.g., between bank accounts and/or investment accounts). The Treasurer will make such transfers to ensure the church has sufficient money in the checking account(s) to cover anticipated cash-flow while maximizing interest/dividend/earnings.

Electronic Auto Payments

Electronic Auto Payments, such as utilities or a mortgage, will be processed by the Bookkeeper in the same manner as the process for requesting a check which includes completing an annual master voucher for the vendor, attaching a paid invoice or computer receipt, obtaining the required approval signatures, and entering the payment into the Church database.

Credit Card Use

The Church maintains a credit card account and cards are issued upon specific approval by the Cabinet for use by staff members and pastor(s) to provide benefits to the Church and expedite the purchase of items required for Church operation. However, the cardholder(s) assume(s) responsibility for paying all purchases made on the credit card until those expenses are approved for payment as provided for elsewhere in these policies.

Bank Reconciliations

Original bank statements are to be reviewed by the Finance Committee who will look for unusual transactions. The Bookkeeper will look for more specific issues such as: deposits in transit more than a few days old; checks outstanding more than 6 months old; electronic fund transfers that go to non-Church accounts or unfamiliar vendors; and unusual in/out correcting entries. Any problems discovered during the reviews should be corrected immediately. Once all reviews have been completed the Bookkeeper will reconcile the accounts. Upon completion of the bank reconciliation, the bank statements will be placed in a folder and signed "Finalized by <<name of Bookkeeper>>" and dated.

Treasurer's review of accounts

The Finance Committee should review all deposits and expenditures utilizing the banks on-line account activity system looking for abnormalities on a weekly basis. The Treasurer should run Church database reports during the month which identify expenditures made so as to be familiar with all expenses as they occur and to ensure an adequate balance in the checking account. The Treasurer should also review on-line copies of each account statement as they become available. Upon completion of the review the Finance Committee will sign off and return the statement to the Bookkeeper to be filed. Any problems discovered during the review should be corrected immediately.

Payment Filing

The Church database will be utilized as the official data source for tracking all payments made by the Church. Hardcopy backups shall be maintained by the Bookkeeper per our document retention policy.

Mileage Reimbursement

While volunteers are encouraged to donate their driving expenses, it is the policy of Niles Discovery Church to make volunteer service accessible to all by reimbursing volunteers when they request it for mileage driven for activities away from the church (e.g., taking the youth group to a retreat, Care Team members calling on someone at their home) at the rate allowed by Internal Revenue Service regulations and tax law.

It is the policy of Niles Discovery Church to reimburse employees for mileage driven in the course of their work, other than commuting, at the rate allowed by Internal Revenue Service regulations and tax law.

To request reimbursement, volunteers and employees need to fill out a check request form (see "Expense Approvals and Processing" above). Substantiating documentation includes the date driven, the purpose of the driving, and the miles driven.

Payroll

Each hourly employee provides their supervisor with timecards on a bi-weekly basis. The supervisor reviews, approves, and signs the bi-weekly time sheets and then places them in the Bookkeeper's box.

All payroll procedures are handled by the Bookkeeper using software that also does the monthly payroll tax statements, quarterly tax and annual reports for the Federal and State governments. Payroll checks are signed by two authorized officers.

An annual review of the payroll records by the Finance Committee is recommended

Financial Administration

Financial Software

Niles Discovery Church utilizes an electronic database to save and track member pledges, donations, investments, expenses, membership and membership contact. The software used permits NDC to have a fully integrated financial management information system.

A complete review of the software & database by the Finance Committee is recommended on an annual basis to ensure the software and database are up-date and sufficient for Church purposes.

Financial Software Backup

The Church database will be backed up at least monthly by the Bookkeeper. The Bookkeeper is also responsible for backing up the Church software each year. The backup data should be retained off site for safe keeping.

Financial and Administrative Staffing

Niles Discovery Church employs a part-time Bookkeeper to perform financial duties relative to this Financial Policy as described in the Bookkeeper job description.

Records Retention

Niles Discovery Church has an established record retention policy. Refer to the separate Records Retention Policy.

Property and Equipment Schedule

A list of property and equipment is maintained by the Ministry of Property Team including land, buildings, computers, and office furniture and fixtures. This list would include acquisition date, description and cost. This schedule is maintained in a spreadsheet in the database.

A video of all Church assets should be made and kept at an offsite location. In case of fire, this information can be turned over to the NDC's insurance company. This should be re-done every 3 years or when significant improvements have been made to the Church.

Three Year Plan

The Finance Committee will prepare a three-year operating plan and present it to the Cabinet for approval. The plan would budget anticipated income and expenses by line item for the next three years. The three-year plan will also include anticipated capital needs. The plan will be reviewed and modified annually as needed.

Monitoring of Policy Results and Objectives

Once each month, the Bookkeeper will prepare and the Treasurer will present to the Cabinet a Balance Sheet Report and Treasurer's Report which clearly identifies the location of all Church funds and the current status of each budget line item, respectively.

All objectives and policies are in effect until modified by the Cabinet. The Finance Committee will review these at least annually and make recommendations for any changes to the Cabinet for its approval.

Annual Audit

An audit of the church's financial records shall be completed by the elected Auditor. The audit summary is made available to church members at the annual financial meeting.

Investment Policies

Niles Discovery Church seeks to integrate its financial asset management responsibilities with the mission of the congregation through fiscally prudent investing that is environmentally and socially responsible. The assets of the church are only to be used for the benefit of the church and its mission.

Investment Goal

1. For long-term funds, a long-term investment horizon with growth to protect against inflation.
2. Prudent diversification to reduce risk and enhance value.
3. Environmental and social responsibility.

Investment Objectives

1. Long-term annualized rate of return: greater than or equal to 5%, after inflation and management fees.
2. Performance that meets or exceeds the appropriate benchmark for a given asset type.

Sources of Investment Funds

1. Monies given by members and friends of the church through planned giving.
2. Monies that the Cabinet designates for long-term investment.

Use of Reserved Savings for the General Fund

1. The Cabinet expects and plans to take a quarterly draw from the Reserved Savings fund for use in the budget (General Fund). The draw will generally be 5% annually, based on the average asset value of the Reserved Savings fund over the preceding twelve quarters (3 years).
2. The withdrawal amount will be determined in January of each year as part of the Budgeting Process. Cabinet will work with the Finance Committee and their Investment Managers/Advisors on the timing of the actual withdrawal.

3. When withdrawals are made, the money is always either transferred to or deposited in the church's main checking account.
4. At the end of each fiscal year, monies remaining in the General Fund are transferred into the Reserved Savings fund, zeroing out the General Fund for the new fiscal year. Likewise, any deficit in the General Fund is covered by a transfer from the Reserved Savings fund, zeroing out the General Fund for the new fiscal year. It is Cabinet's hope that by 2020, the budget for the General Fund created each year will be balanced (anticipating neither a surplus nor a deficit).

The Finance Committee's responsibilities as they relate to investments include:

1. Establishing and modifying investment objectives, subject to Cabinet approval.
2. Reviewing investment performance on a regular basis (at least quarterly).
3. Reporting investment results to Cabinet on a regular basis (at least quarterly).
4. Reporting investment results to the congregation on a regular basis (at least annually).
5. Discharging all responsibilities prudently.
6. Notifying Cabinet if there is any substantive conflict of interest with an Investment Manager, any committee member, or any investment chosen.

Investment Management

The Cabinet may select, based on the recommendation of the Finance Committee, one or more Investment Managers and companies, and, when necessary, change an Investment Manager.

1. Selection considerations:
 - a. Manager should have a local presence or be affiliated with UCC or DOC.
 - b. Manager should have competitive fees.
 - c. Manager should not currently be subject to regulatory sanctions.
 - d. Manager should offer a diversity and breadth of investment options.
 - e. Manager should have good sources of dedicated research.
 - f. Manager should have proper insurance and bonding.
 - g. Manager should have low turnover of management.
 - h. The Investment Manager(s) should have a good track record with the church's investment objectives.
 - i. The Investment Manager(s) should have prior experience and demonstrated results in investing.
 - j. The Investment Manager(s) should have prior experience with or an understanding of non-profit and Environmental, Social and Corporate Governance investment strategies.
 - k. The Investment Manager(s) should not exhibit investment style drift.
2. Performance:
 - a. Fund performance should meet or exceed market benchmarks as agreed upon with the Finance Committee.
 - b. Gross and net fund performance should be reported regularly to the Finance Committee.

- c. The fund's risk/return performance should be plotted against the appropriate benchmarks.
 - d. Quarterly statements should be sent to the Finance Committee and be available to all committee members.
 - e. The Investment Manager(s) must meet regularly and face-to-face with the Finance Committee (at least annually).
3. Evaluation/Termination:
- The Finance Committee will regularly review the Investment Manager's performance, strategy, research capabilities, organizational and other business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.
- The Finance Committee will generally evaluate the portfolio performance over at least a three-year period, and reserves the right to recommend to the Cabinet to terminate an Investment Manager for any reason, including:
- a. Investment performance which is significantly less than anticipated, given the strategy employed and the risk parameters established, or an unacceptable justification of poor results.
 - b. Failure to adhere to any aspect of this statement of investment policy, including the communication and reporting requirements.
 - c. Changes to the Investment Manager's corporate structure, organization or investment style.

Environmental, Social, and Corporate Governance Criteria

- 1. Niles Discovery Church desires to invest its assets in a manner deemed to be socially responsible. The Investment Manager and the Finance Committee will agree upon practical screens that meet the church's desire to avoid direct investments in companies which derive more than 10% of their revenue from tobacco, alcohol, gambling, and military weapons production.
- 2. The church will minimize its investment in fossil fuel companies and will make every effort to attempt to have environmentally sound investment strategy.
- 3. The church supports investment in companies with positive records with regards to social justice, peaceful economic development, environmental preservation and recognized good corporate governance.

Asset Allocation and Securities Restrictions

- 1. Balances Asset Allocation
- The investments shall be kept within the following asset allocation ranges:
- a. Cash and cash equivalents 5-25%
 - b. Fixed income instruments 25-75%
 - c. Equities, mutual funds, exchange traded funds (ETFs) – domestic and international 25-75%
 - d. Alternative investments 0-10%

2. Required Diversification of Assets
 - a. The assets in any given sector shall represent no more than 50 – 150% of that sector's portion of the total S&P 500 index.
 - b. No more than 5% of the total investment portfolio shall be in the equity or debt securities of any one issuer, other than the U.S. government or its guaranteed agencies.
3. Prohibited Investments
 - a. Commodities and futures contracts.
 - b. Limited partnerships, including hedge funds.
 - c. Direct real estate investments in income property.
 - d. Venture capital investments.
 - e. Private placements.
4. Prohibited Transactions
 - a. Any transaction that directly benefits the Investment Manager or a Finance Committee member.
5. Other Conditions

Except where the Investment Manager recommends otherwise, and the Finance Committee concurs, any donated securities or property assets will be sold upon receipt.

Endowment Fund Policy

The Endowment Fund was established by a resolution of the congregation of Niles Congregational Church (now Niles Discovery Church) on March 20, 1988. It is also referred to as one of the four established funds of the church in Article X of the bylaws.

Purpose

Article X, Section C of the Bylaws says, "Monies typically received through bequests, charitable trusts, gift annuities, assignments of life insurance, and transfers of property, shall be managed as the Endowment Fund. These monies shall be invested for long term gain and the earnings made available to the Congregation without invasion of principal.

"The purpose of the Endowment Fund shall be two-fold: (1) to enhance the mission outreach of the Niles Discovery Church, extending the ministry of the church beyond what it could otherwise finance without Endowment Fund earnings, and (2) to sustain the congregation in perpetuity by funding operations as necessary with the goal of balancing the annual budget. These two components of the same Endowment Fund shall be held separately under strict accounting controls so that the funding streams may remain independent. Funds earmarked for one purpose shall not be diverted to another.

"The Finance Committee shall be the custodian of the Endowment Fund. Decisions to hold, sell, exchange, rent, lease, transfer, convert, invest, reinvest, and in all other respects to manage and control the assets of the Endowment Fund, including stocks, bonds, debentures,

mortgages, notes, or other securities, as in their judgment and discretion they deem wise and prudent, shall be made by the Finance Committee.

“The Cabinet may request that funds be distributed for specific purposes that meet the criteria of the first purpose of the Endowment Fund stated above from the earnings of that portion of the Endowment Fund. The Finance Committee shall be responsible for determining if the request enhances the mission outreach of the Niles Discovery Church and extends the ministry of the Church beyond what it could otherwise finance without the disbursement from the Endowment Fund.”

Christian stewardship involves the faithful management of all the gifts God has given to humankind – time, talents, the created world and money, including accumulated, inherited and appreciated resources.

It is the desire of the congregation to encourage, receive, and administer these gifts in a manner consistent with the loyalty and devotion to their Lord in accord with these policies. Funds which are not designated by the donor for either purpose, however, shall be allocated to sustain the congregation in perpetuity by funding operations as necessary with the goal of balancing the annual budget.

It is the intention of the church that the principal amounts given to this fund will be retained and only the income will be expended. However, only in particular, temporary, difficult circumstances, and where the integrity of gift restrictions permit, may this congregation, by action of a congregational vote, use a portion of the Endowment Fund principal for the general operating budget of the church.

The following Plan of Operation sets forth the administration and management of the Endowment Fund.

Endowment Fund Plan of Operation

1. All assets are to be held in the name of Niles Discovery Church.
 - a. Because the Endowment Fund has two purposes, funds donated for one purpose and their earnings shall be tracked separately from funds donated for the other purpose.
 - b. Donations to the Endowment Fund that are not designated for either mission outreach or sustaining the general ministry of the church at the time the donation is made will automatically be added to the principle of the portion of the Endowment Fund that has the purpose of sustaining “the congregation in perpetuity by funding operations as necessary with the goal of balancing the annual budget.”
2. Decisions to hold, sell, exchange, rent, lease, transfer, convert, invest, reinvest, and in all other respects to manage and control the assets of the Endowment Fund, including stocks, bonds, debentures, mortgages, notes, or other securities, as in their judgment and discretion they deem wise and prudent, are to be made by the Finance Committee

and will be done in accordance to the Investment Policy stated elsewhere in these Financial Policies.

3. The Finance Committee shall determine what is principal and income according to accepted accounting procedures.
4. Distribution of income – Mission Outreach portion of the Endowment Fund
 - a. Income from this portion of the Endowment Fund may be distributed annually and such other times as deemed necessary and/or feasible at the discretion of the Finance Committee.
5. Distribution of income – General Ministry of the Church portion of the Endowment Fund
 - a. The value of the annual income from this portion of the Endowment Fund may be transferred to the General Fund quarterly at the discretion of the Finance Committee.