

The Episcopal Diocese of Hawai`i  
Description of the Investment Portfolio of the Diocese

## Summary

The attached information with regard to various Funds in the Diocesan Investment Portfolio is being provided to you to assist you in the performance of your duties as members of the Diocesan Council.

Not all of the various Funds were well defined at their inception in terms of their use both as to the purpose(s) for which they can be used and as to any restrictions on the use of principal (as opposed to the use of only the income). As a result, in the latter half of the 1980's, in order to take advantage of both institutional memory which existed at that time as well as the memory of certain key individuals, a Blue Ribbon Committee was formed to undertake and to establish the appropriate parameters as to each Fund. Since that time, when a new Fund has come into existence, care has been taken to document such appropriate parameters.

The first schedule is a description of the various Funds over which the Diocese has total control.

The second being those Funds administered by others for the benefit of the Diocese.

The third schedule is a series of definitions which is included to assist you in the interpretation of the description of the various Funds in terms of their restrictions and their nature.

The fourth schedule is a chart that summarizes the various Funds, their characteristics and the value of the funds as of June 30, 2010.

I would be happy to answer any questions you may have after you have reviewed the information.

Yours in Christ,

Peter Pereira  
Treasurer

# TABLE OF CONTENTS

DESCRIPTION	PAGE #
SCHEDULE 1	
Funds over which the Diocese has total control	4 - 9
SCHEDULE 2	
Funds administered by others for the benefit of the Diocese	10
SCHEDULE 3	
Definitions	11 - 12
SCHEDULE 4	
Chart summarizing restrictions and value	13

## SCHEDULE 1

### FUNDS OVER WHICH THE DIOCESE HAS TOTAL CONTROL

#### Episcopate Endowment Fund

Principal: Permanently Restricted  
Income: Designated

This fund was established in 1904 by a gift of 1,880 pounds for the purpose of eventually having an endowment large enough so that the income derived therefrom would support the Bishopric. The principal of this fund may not be spent. The review of the documents relating to this Fund, by the "Blue Ribbon Committee" in 1989, led the members to the conclusion that the use of the income was restricted to directly supporting the costs of the Bishop. When the Diocese enters into a shared equity agreement with the Bishop in order to provide suitable housing for the Bishop, principal from this Fund is used to acquire the share of the Diocese. Upon the sale of the residence to a third-party or the acquisition of the share of the Diocese by the Bishop in accordance with the terms of the shared equity agreement, the principal is restored to the Fund

#### E. Lani Hanchett Mission Memorial Trust Fund

Principal: Permanently Restricted  
Income: Designated

This Fund, initially entitled "Capital Fund for Mission" was initially created pursuant to a resolution passed at the annual meeting of the Convention held on Maui in 1972. After Bishop Hanchett's death, it was renamed as set forth due to the fact that it was Bishop Hanchett who realized the need for such a fund. In the Minutes of the Diocesan Board of Directors of 12/19/75 "Chairman Charles Crane of the Financial Strategy Task Force Committee asked for and received permission from the Board of Directors to circulate a letter to all Rectors and Vestries encouraging gifts to the E. Lani Hanchett Memorial Mission Trust fund." To the best of Fr. Crane's recollection (1987) this fund was to be used at the discretion of the Diocesan Board for mission work.

#### Hawaiian Church Chronicle

Principal: Permanently Restricted  
Income: Designated

This Fund was established on January 1, 1983 by miscellaneous donors. The principal may not be spent. The income is to be used to defray the expense of publishing the Hawaiian Church Chronicle.

#### Thomas D. Phillips Memorial Pension Fund

Principal: Permanently Restricted  
Income: Unrestricted

Nothing has ever been uncovered to explain the background of the fund. We have the title of the fund and money in the portfolio.

The Rev. J. Thurlow and Jane Baker Memorial Fund

Principal: Permanently Restricted  
Income: Designated

This Fund was established by Shurei and Betty Hirozawa in August, 2001. They are long time members of St. Mary's Church. The original principal will be permanently restricted. Income distribution will be based on spending policy adopted by the Diocesan Council. 1) The income from the fund is to be used to underwrite travel, lodging and other expenses to bring Neighbor Island youth of the Episcopal Church to church activities and meetings on Oahu to build a strong statewide relationship. Many of our Neighbor Island youth come to Oahu for their college education. Any earlier involvement in church activities on Oahu plus the acquaintanceship developed with the church youth of Oahu will help those from the other islands maintain an interest in our church in the event they come to Honolulu for college and/or to live here. 2) Any remaining funds may be used to send Neighbor Island youth to mainland activities of The Episcopal Church. 3) Although the fund is meant to benefit our youth, adults from the Neighbor Islands may be considered as funds and circumstances permit

Bishop's Pastoral Fund

Principal: Permanently Restricted  
Income: Designated

This Fund was established in February 1959 and the donations to this Fund came from various people over the years. The Funds received are to be used for pious and charitable uses as deemed fit by the Bishop.

Bishop's Scholarship Fund for Clergy Children

Principal: Permanently Restricted  
Income: Designated

This Fund is established to provide scholarship grants for children of clergy who are canonically resident and domiciled in the Episcopal Diocese of Hawai'i. It was established in 2001 by the Rt. Rev. Richard Chang, his family and friends and members of the Episcopal Diocese of Hawai'i, in celebration of the fifth anniversary of his Episcopate and in thanksgiving of his 60<sup>th</sup> birthday. Bishop Chang specified that the original principal of the Fund is permanently restricted, and income distributions will be based on the spending policy adopted by the Diocesan Council.

Bishop's Special Fund

Principal: Unrestricted  
Income: Unrestricted

This fund was set up from the proceeds of the Marjorie McKinney Estate and additional miscellaneous amounts from other sources at various times. The money is used by the Bishop at his discretion. This is separate and apart from the regular Bishop's Discretionary Fund.

### Clergy Continuing Education Fund

Principal: Permanently Restricted  
Income: Advisory

This Fund was created by a grant from the Venture in Mission project in 1981. Because of the context of funding from Venture in Mission it has been the Chancellor's opinion that the principal cannot be spent. Advice on the disbursement of the income is given by the Commission on Ministry.

### Diocesan General Fund

Principal: Unrestricted  
Income: Unrestricted

This reserve fund was setup in 1993 to cover shortfalls between market value and original principal balances.

### Election Process Fund

Principal: Board (Council) Restricted  
Income: Designated

This fund was established by the Diocesan Council in 1979 and receives regular contributions from the Diocesan Budget. It is intended to provide funds to at least partially cover the cost of calling a new Bishop. The current balance is estimated to be adequate to cover the next election

### Episcopate Construction Fund

Principal: Temporarily Restricted  
Income: Designated

This fund was started by Bishop Kennedy many years ago and was increased by some of the proceeds from The Episcopal Advance Program Fund Drive in 1962. This fund is to be used to help churches with construction projects of one kind or another.

### Hurricane Deductible & Earthquake Reserve Fund

Principal: Temporarily Restricted  
Income: Designated

This Fund was established by the Diocesan Council in year 2000 to cover the 5% deductible in our hurricane property insurance coverage and for no insurance coverage for earthquake. We collect approx. \$45,000 additional property premium from the churches and invest this money in the portfolio to cover the churches in the event of Hurricane or Earthquake. In addition the Lindberg Revolving Fund has also been designated by Diocesan Council as reserve for this fund.

### Mary Y.C. Ing Fund

Principal: Board (Council) Restricted  
Income: Unrestricted

This Fund was established in 1994 through a bequest by Mary Y.C. Ing who was a member of Epiphany Church. The Trust did not place any restrictions on the gift. It was initially used by Diocesan Council to pay down the EHH debt. Subsequently Council restored the fund

Harry and Katherine Kennedy Memorial Fund

Principal: Board (Council) Restricted  
Income: Board (Council) Restricted

At the time of Bishop Kennedy's retirement funds were raised to acquire a residence for the Bishop and Mrs. Kennedy. The Bishop and Mrs. Kennedy had a life interest. This fund was established in 1998 from the proceeds of the sale of the residence at 1001 Wilder Avenue, Honolulu. The fund is restricted by Diocesan Council for new mission work as defined and determined by this or future Diocesan Councils in consultation with the Bishop.

Lambeth Conference Travel Fund

Principal: Board (Council) Restricted  
Income: Board (Council) Restricted

This Fund was established in March, 1989 by the Diocesan Council and receives regular contributions from the Diocesan Budget. Income is accumulated in the fund and the fund will be used to support the Bishop's travel to the next Lambeth Conference.

Lindberg Revolving Fund

Principal: Permanently Restricted  
Income: Designated

This Fund was established in 1974. In the Last Will and Testament of Elvera F. Lindberg, the following appears—"THIRD: All of the rest of my property, real, personal and mixed, of whatsoever nature and wheresoever situate, I give, devise and bequeath to THE EPISCOPAL CHURCH IN HAWAII, to be used for the purpose of making loans to parishes and missions of The Episcopal Church in Hawaii..." This clearly indicates an intent that neither the principal nor the income is to be spent, but rather the income be added to the principal and that the principal be used to make loans. Diocesan Council passed a resolution in 1989 to adopt as the "terms and conditions" of the loans made from the Lindberg Revolving Fund that they be used for repair of structures which have been damaged by hurricane or earthquake.

Eleanor McKinney Fund

Principal: Permanently Restricted  
Income: Temporarily Restricted

Ms. McKinney donated a residence in 1999. Her intention was that it be used as a retreat center. This was not feasible because of the condition of the property. With the permission of her children, the house was sold and part of the proceeds was used to construct a vicarage for St. Jude's. The balance was used to set up an endowment fund for clergy housing. Ms. McKinney was a member of St. Jude's until she passed in April 1999.

Medigap Fund

Principal: Temporarily Restricted  
Income: Designated

This Fund was established in 2004 which represents the unused portion of the Catton Fund. The Catton Fund is donor restricted for use for the benefit of retired clergy/lay workers.

Mission Fund

Principal: Temporarily Restricted  
Income: Advisory

Father John Liu established this Fund in his estate plan. He died in 2001. This fund is to be used for mission needs, at the discretion of the Bishop. Father Liu was a priest who served the Diocese of Hawaii.

Eric Potter Memorial Fund

Principal: Temporarily Restricted  
Income: Designated

This Fund was created from funds donated in memory of Fr. Potter on September, 2003. The principal is temporarily restricted and the fund is to be used to assist part Hawaiians who need assistance to attend seminary.

Alice Ann Rice Fund

Principal: Permanently Restricted  
Income: Unrestricted

This fund from the Alice Ann Rice Trust was received upon the death of Alice Ann Rice in May of 2009. Alice Ann was a dedicated volunteer for the church and assisted the diocese in the Venture in Mission Project in 1991.

Scholarship Fund

Principal: Permanently Restricted  
Income: Advisory

This Fund created by a grant from the Venture in Mission project in 1981. Because of the context of funding from Venture in Mission, it has been the Chancellor's opinion that the principal cannot be spent. Advice on the expenditure of the income from this fund is given by the Commission on Episcopal Schools.

Victory Fund

Principal: Temporarily Restricted  
Income: Designated

This Fund was created by Father John Liu in September 1999 to help the indigent youths in Kalihi or Waianae on a rotational basis for remedial education or vocational training or pursuing a higher education. Father Liu was a priest who served the Diocese of Hawaii.

Von Holt Fund

Principal: Permanently Restricted  
Income: Unrestricted

This Fund was established with funds realized from the sale of the Von Holt residence, which was given to the Diocese. The funds were received in 1989. According to the terms of the gift (1960) "The residue of the net sales price shall be used to set up a new endowment account to the designated as 'Directors' Discretionary Fund' to be added to the church's Endowment Fund and the income therefrom to be used for any purpose selected by a two-thirds vote of the Board of directors of the church corporation, any income not expended to be accumulated and added to the corpus of the Fund, but available in any subsequent year".

## SCHEDULE 2

### FUNDS ADMINISTERED BY OTHERS

Valvon Fund: This fund was established by gifts from Mr. and Mrs. Herman Von Holt. The use of the income from the fund is undesignated and it is included in the unrestricted income portion of the Diocesan Budget

J. Benny and Margaret Catton Trust Fund: This fund was established by the Cattons, it is not known whether by bequest or gift. Income is restricted by the donors for use for the benefit of retired clergy/lay workers. As such, it is included in the restricted income portion of the Diocesan Budget and is used to support the Ministry to Retirees.

Annie B. Parke Trust Fund: The donor's stated purpose for the fund was "...to Support the work of the Episcopal church army in Hawaii." Church Army personnel have not been in Hawaii for many years and the performance of their work has devolved upon others. In 1987 Hawaiian Trust was studying the impact this would have on the use of the fund's income but no information was ever received about the results of the study. Income from the Trust is treated as "Undesignated" in the income portion of the Diocesan Budget.

Prisanlee Fund: This fund was established by Andrew Lee Yates Ward and Priscilla Camp Ward. The use of the income from the fund is undesignated and it is included in the unrestricted income portion of the Diocesan Budget.

## SCHEDULE 3

### Definitions

As used in philanthropic work throughout the United States today, the following key terms and definitions:

(1) With respect to principal:

Restricted( Permanent or Temporarily): The word “Restricted” can either mean that the donor has specified that principal may not be consumed (**permanently restricted**), or that that the donor has placed temporary restrictions, that expire by passage of time or fulfillment of the purpose it was intended, i.e. principal may be used, but only for specified purposes (**temporarily restricted**).

Among donor restrictions are those where a donor has given specific instructions, As well as those where it appears to the Council that Contributors were led to understand that principal would be restricted. A third form of donor restriction as that in which the title given to the fund strongly suggests a restricted purpose.

Board(Council)Restricted. This category includes restrictions created by the Council and includes funds for which the Council is empowered to use its discretion.

Unrestricted: The word “Unrestricted” means those funds over which the Council has complete discretion as to use of principal.

(2) With respect to income:

(A) Designated: The word “Designated” means income that must be used for a specific, identified purpose. The designation may be made by the donor (temporarily restricted) or by the Board (Council Restricted).

(B) Unrestricted: The word Unrestricted or Undesignated means income over which the Council has complete discretion.

(C) Advised: The word “Advised” means income the use of which is controlled by a third party.

(3) With respect to principal, unrestricted principal may be held or expended at the discretion of the beneficiary of a donation. Conversely, restricted principal may be required to be retained or may be limited in its use to specified purposes. Donors may place restrictions or recipients (the Council) may elect to place restrictions on the uses of gifts of monies.

(4) Unrestricted income may be spent at the discretion of the recipient of the gift.

- (5) Designated income may be expended only for designated purposes. Designations may be made by either the donor or the recipient of the gift.
- (6) A gift which is silent as to the use of principal, but specifies that income will be used to fund a specific project, is said to be unrestricted and designated.
- (7) A gift for which the donor specifies that principal is to be invested for purposes of generating income to spend on a specific project is “donor restricted and designated.” If a gift to the corporation is silent as to the use of principal or income, but the Council decides to designate both the principal and any income earned on the principal as being held to fund a specific need, the gift can be defined as “Board (Council restricted) and designated.”

## SCHEDULE 4

### DIOCESAN INVESTMENT FUNDS

<u>Fund Name</u>	<u>Principal</u>	<u>Income</u>	<u>Market Value As of 6/30/10</u>
Episcopate Endowment Fund*	PR.	D	3,748,572
E. Lani Hanchett Mem. Msn Tr. Fd*.	PR	D	18,370
Hawaiian Church Chronicle*	PR	D	16,631
Thomas D. Phillips Mem. Pen. Fund*	PR	UR	37,096
The Rev J. Thurlow & Jane Baker Mem Fd**	PR	D	132,035
Bishop's Pastoral Fund	PR	D	58,073
Bishop's Scholarship Fd. for Clergy Children**	PR	D	56,863
Bishop's Special Fund	UR	UR	21,194
Clergy Continuing Education Fund	PR	A	480,153
Diocesan General Fund**	UR	UR	218,772
Election Process Fund	BR	BR	122,512
Episcopate Construction Fund	TR	D	9,847
Hurricane Deductible & Earthquake Reserve Fd. **	TR	D	575,537
Mary Y.C. Ing Fund***	BR	UR	1,734,690
Harry & Katherine Kennedy Mem Fund*	BR	BR	34,088
Lambeth Conference Travel Fund	BR	BR	8,836
Lindberg Revolving Fund	PR	D	411,986
Eleanor McKinney Fund	PR	UR	45,365
Medigap Fund**	TR	D	79,198
Mission Fund**	TR	A	38,851
Alice Ann Rice Endowment Fund	PR	UR	138,976
Eric Potter Memorial Fund**	PR	D	13,161
Scholarship Fund	PR	A	333,182
Victory Fund**	TR	D	75,968
Von Holt Fund*	PR	UR	3,096,576
TOTAL MARKET VALUE			\$ 11,466,251

**Use of Principal:**

PR = Permanently Restricted  
 TR = Temporarily Restricted  
 UR = Unrestricted  
 BR = Board (Council) Restricted

**Use of Income:**

D = Designated  
 UR = Unrestricted  
 A = Advisory

\* Income included in the operating budget.

\*\* Funds received subsequent to Blue Ribbon Committee Report in 1989.

\*\*\* Both of the above