

**FOUNDING TERMS  
OF THE  
MESSIAH/LUTHERAN HIGH SCHOOL YOUTH EDUCATION  
ENDOWMENT**

1. The Messiah/Lutheran High School Youth Education Endowment (the “Education Endowment”) shall be owned and controlled by Messiah Lutheran Church of Yorba Linda, California (“Messiah”) in accordance with the terms of this document.
2. The Education Endowment shall be governed by the Council of Messiah (the “Council”). However, the Council cannot change, alter or amend the terms of this founding document (“Founding Terms”), except after: (a) first, a public discussion forum, open to all members of Messiah, which is held after a two-week public notice of such forum, and (b) second, unanimous approval by all members of the Council, with no vacancies.
3. The purpose of the Education Endowment is to create, to the extent possible, a perpetual source of capital that can provide funds to be used for certain youth education programs endorsed by Messiah, as further provided below. At the direction of the Council and in compliance with these Founding Terms, the Education Endowment will actively solicit and receive monetary contributions, make financial investments and distribute funds.
4. The assets of the Education Endowment shall be accounted for separately. With the approval of Council, the assets of the Endowment Fund may be held in an account or accounts that are specifically designated to hold other endowment assets of Messiah with the same investment guidelines; otherwise, the assets of the Endowment Fund shall be held in a separate segregated account or accounts and not co-mingled with any other assets, funds or accounts.
5. The Council must establish, and regularly revise as necessary, but at least once per year, investment guidelines for the Education Endowment which:
  - (a) Strive generally to balance the benefits and risks of income and capital gains investment strategies.
  - (b) Monitor the performance of investments on a regular basis, but no less than annually.
  - (c) Adjust the investment plan in response to performance results and changing market conditions.
6. The assets in the Education Endowment shall never be loaned to Messiah or any other person or entity. The Education Endowment may not borrow funds and the assets of the Education Endowment may not be encumbered or used as collateral for any debt.
7. In any calendar year that Messiah is an Associate Member of Lutheran High School Association of Orange County (“LHSOC”), then the Education Endowment may only distribute funds that are approved by the Council for the following purposes:
  - (a) Reimbursement to Messiah of any amounts (including membership, association or quota fees) it paid (and which have not been previously reimbursed) to LHSOC in the current or prior calendar year, or
  - (b) Donation to LHSOC for capital improvements or financial aid.

8. In any calendar year that Messiah is not an Associate Member of LHSOC, then the Education Endowment may only distribute funds that are approved by the Council to non-Messiah youth education programs selected by the Council.
9. Each calendar year the Education Endowment shall only distribute funds that are less than an amount equal to the greater of:
  - (a) 5% of the value of the Education Endowment at the beginning of the calendar year, or
  - (b) 70% of the total net value increase generated in the prior calendar year (including realized and unrealized interest, dividends, capital gains and capital losses, net of all fees and expenses).

Any portion of the amount specified in this paragraph (9) that is not paid out shall be added to the invested principal of the Education Endowment or otherwise accumulated.

10. Until such time as the Education Endowment has a value in excess of \$100,000, the Council shall make no distributions from the Education Endowment.
11. Annually, Messiah shall distribute a letter to each family that attends Messiah and has a child that attends the LHSOC high school ("LHSOC Family"). This letter shall contain the following information:
  - (a) An explanation of the existence and purpose of the Education Endowment.
  - (b) An explanation of the specific costs that Messiah incurs as an Associate Member of the LHSOC and the specific benefits each LHSOC Family receives through this membership.
  - (c) A report on the current value of the Education Endowment, how much it distributed in the prior year, and for what purposes.
  - (d) Specific information on contributions received into the Education Endowment in the prior year including: (i) number and percentage participation of contributing LHSOC Families and (ii) total dollars contributed by LHSOC Families.
  - (e) A specific request that each LHSOC Family prayerfully consider a contribution to the Education Endowment.
  - (f) For new LHSOC Families, a copy of these Founding Terms (as amended, if applicable).

The information in this paragraph 11 shall be available to any member of Messiah, whether or not that member has a child that attends the LHSOC high school, upon receipt of a written request for such information.

12. Any contributor to the Endowment Fund which has not previously received a copy of these Founding Terms (as amended, if applicable) shall be promptly given a copy of these Founding Terms (as amended, if applicable) as a basis upon which their contribution is being received.

13. With the approval of a majority of the Council, this Education Endowment may be transferred to another tax-exempt not-for-profit institution (e.g., a trust, nonprofit corporation, endowment, foundation, etc.) as long as such transfer does not materially change the conditions set forth in these Founding Terms and does not alter the tax deductibility of previous and future contributions to the Education Endowment.
14. In each and every event of any material failure to comply with these Founding Terms (which is not corrected within thirty days of written notice to the Council of such non-compliance), twenty-five percent (25%) of the then existing value of the Education Endowment shall be distributed:
  - (a) To LHSOC for capital improvements if at such time Messiah is an Associate Member of LHSOC, or
  - (b) To the Pacifica Synod, Evangelical Lutheran Church in America, to be used as the Synod deems appropriate for non-Messiah youth education programs, if at such time Messiah is no longer an Associate Member of LHSOC.
15. These Founding Terms shall expire fifty years after their approval by the Council. Upon expiration, Messiah shall have full access and rights to use the Education Endowment and its assets without restrictions.

#### CERTIFICATION

The undersigned duly elected secretary of Messiah, does hereby certify that these Founding Terms were approved by the Council as of the 14th day of December 2008.

  
Charlotte Knapp, Secretary

Messiah/Lutheran High School  
Youth Education Endowment  
Statement of Activities

(Prepared as of January 31, 2016)

	Fiscal/School Year Ending			
	June 30			
	Full Year 2012-2013	Full Year 2013-2014	Full Year 2014-2015	Year-to-Date 2015-2016
<b><u>Lutheran High Fees:</u></b>				
Tuition for Non-Association Student	\$ 13,375	\$ 13,875	\$ 14,325	\$ 14,700
Tuition for Association Student	10,440	10,940	11,540	12,100
Tuition Savings for Each Association Student	<b>\$ 2,935</b>	<b>\$ 2,935</b>	<b>2,785</b>	<b>\$ 2,600</b>
 Quota Charged to Association Church per Student	 <b>\$ 1,000</b>	 <b>\$ 800</b>	 <b>\$ 750</b>	 <b>\$ 750</b>
<b><u>Messiah Youth Education Endowment Performance:</u></b>				
Beginning Value of the Endowment	\$ 55,917	\$ 59,901	\$ 67,131	\$ 67,390
Net Earnings on Investments	59	60	184	0
Contributions Received from Messiah Lutheran High Families	3,925	7,170	75	100
Contributions Received from Others				
Distributions to Messiah General Operations				
Ending Value of the Endowment	<b>\$ 59,901</b>	<b>\$ 67,131</b>	<b>\$ 67,390</b>	<b>\$ 67,490</b>
<b><u>Messiah Lutheran Church Savings &amp; Costs:</u></b>				
Messiah Students Attending Lutheran High	45	39	38	27
Messiah Families with a Lutheran High Student	35	31	29	23
Messiah Lutheran High Families Contributing to Education Endowment	3	3	1	1
Participation Percentage	8.6%	9.7%	3.4%	4.3%
Average Contribution	<b>\$ 1,308</b>	<b>\$ 2,390</b>	<b>75</b>	<b>\$ 100</b>
 Tuition Savings for each Messiah Student Attending Lutheran High	 \$ 2,935	 \$ 2,935	 \$ 2,935	 \$ 2,600
Times the Number of Messiah Students	x 45	x 39	38	x 27
Total Tuition Savings Received by Messiah Families	<b>\$ 132,075</b>	<b>\$ 114,465</b>	<b>111,530</b>	<b>\$ 70,200</b>
 Total Quota Paid/Payable by Messiah	 \$ 45,000	 \$ 31,200	 28,500	 \$ 20,250
Distributions to Messiah from Education Endowment	0	0	0	0
Net Cost to Messiah Church from Association with Lutheran High	<b>\$ 45,000</b>	<b>\$ 31,200</b>	<b>\$ 28,500</b>	<b>\$ 20,250</b>