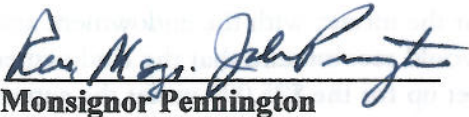


**Sister Kathleen Lannak, IHM Endowment Fund
Saint John Evangelist School
Ann Nalls Scholarship Gift
\$25,000.00 Request**

Endowment Internal Tracking Policy

1. The \$25,000 gift and request was deposited into the Sister Kathleen Lannak , IHM Endowment Fund in memory of Ann Nalls.
2. The initial interest earned on the 25,000 gift would be credited to the endowment fund, until the fund achieved its goal of \$1 million. The endowment goal of \$1m was achieved in May 17, 2008.
3. The annual partial scholarship of \$500 that was promised to be provided from the date of the request based on partial proceeds of the interest earned.
4. To meet this objective while the endowment was still below its \$1m goal and could not withdrawal proceeds, the \$500 scholarship proceeds were taken out from annual endowment fund raising events to meet this scholarship obligation
5. Now that the endowment fund has met the \$1m goal the following policy is being implemented.
 - a. The Endowment board will create a separate account within the overall endowment fund umbrella and invest the \$25,000 principle..
 - b. The \$25,000 will be invested in CD's or other conservative interest bearing instrument to insure that both the principle and interest will be protected and tracked separately.
 - c. An annual check of \$500 on the 1st Monday of April of each year commencing in 2010 will be dispersed from this account to meet the requirements of donating a partial scholarship in the name of Ann Nalls and remitted the check to the Principal of Saint John Evangelist School.

Approved:  Monsignor Pennington

Date: 10/13/08

Reference: Letter dated 6-29-05 from Msgr. Barry C. Knestout on this subject.

St. John the Evangelist Church
10103 Georgia Avenue
Silver Spring, MD 20902
301-681-7663

MEMO

TO: Sr. Kathleen Lannak, I.H.M.
Sr. Daniel Mary Heisey, I.H.M.

FROM: Msgr. Barry C. Knestout *BCK*

DATE: 6/29/05

RE: ^A
Nells Scholarship Status

After reviewing the file on the origin of the Nells scholarship, I drew two conclusions. First, Mr. Fauth, who arranged for the gift and requested the scholarship, was told that the principal of his gift would be deposited into the Endowment and all interest on his gift would go back into the endowment, until it reaches its goal. However, he was also told we would provide a \$500 annual scholarship based on partial interest accrued on the gift. It is difficult to see how we can honor both promises at the same time, and this has caused some confusion as to the source of the \$500 scholarship. Is it drawn from the endowment even though we are not able to use interest for anything but principal, or is it from another source?

The \$500 is approximately 2% of the initial gift of \$25,000. This amount of interest should be able to be achieved even with the most conservative of investments. In other words, the \$25,000 gift is likely already producing enough in interest for the endowment to more than meet the requirement for the partial scholarship.

For the time being, I have asked that there be \$500 deducted annually from money's raised for the endowment, but prior to their deposit in the investment accounts. For instance, if the annual golf tournament brings in \$4000 for the endowment, only \$3500 would be deposited into the investment account and the \$500 will be held in the school budget for use of the scholarship that year. The endowment would make up the loss of income in the interest gained on the original \$25,000. In this way, nothing is being drawn from the endowment principal as promised.

In order to honor the original request to invest the money with the endowment and still provide some money for the scholarship, I would recommend that the Endowment Board approve a separate endowment account be set up for the \$25,000 under the supervision of the endowment board. This separate Nells Scholarship Account would accrue it's own interest. \$500 would be transferred annually from this account to the school for the scholarship. Once the endowment reaches its \$1 million goal, then the entire \$25,000 could be added to the larger investment account and the amount of the scholarship adjusted to correctly reflect the amount of interest income on the original investment.