

SAMPLE

Endowment Fund Charter

Prepared by: United Methodist Foundation of Michigan

(Legal Name of church, full address), (hereafter referred to as “_____ UMC,” “The Church” or “Church”) hereby creates a permanent Endowment Fund to be known as the “(Name of church) Endowment Fund.” (hereafter referred to as “Endowment Fund” or “Fund”) This document, upon execution, is intended to amend and replace any and all previous documents establishing an endowment fund for The Church.

A. PURPOSE

The primary purpose of this Endowment Fund is to provide a means for members and friends of The Church to make gifts and bequests to provide a permanent endowment of financial support and living memorials. Gifts to the Endowment Fund will be held in perpetuity, if not otherwise designated by the donor, with income to be used to further Christian ministry and mission. Income from the Endowment Fund shall be used to assist The Church in fulfilling its purposes in Christian ministry and mission. This includes support of ministries of (Name of the Church, city, state), of the Annual Conference of the United Methodist Church, ministries of the United Methodist Church nationally or internationally and any other Christian ministry or mission deemed appropriate by the Endowment Committee.

This Endowment Fund and resulting income is intended for purposes that are not a part of the local Churches’ established programs, which are funded, or should be funded, through the annual operating budget of the church and the regular giving of those attending. It is NOT intended that Endowment Fund income provide for local Church general operating expenses. It IS intended that the Church annual budgetary process, together with annual giving, shall support normal and customary Church activities. Endowment Fund income should only be used to support ministries beyond normal local Church activities or to provide temporary assistance in starting new ministries in the local church.

The Fund may accept both cash and non-cash gifts and bequests. Non-cash gifts may include corporate stock, mutual funds, bonds, bank deposits, real estate, precious gems and metals, and other items deemed acceptable by the Endowment Committee.

B. ACCOUNTS

Within this Endowment Fund, the following accounts are hereby established to enable the Church to have an effective ministry:

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General Accounts

1. *Undesignated:* This account will receive gifts to the Fund, which are not designated for a particular purpose or restricted in any way. Income from this account will be used to fund the ministries or missions selected by the Endowment Committee.
2. *Missions:* Income from this account shall fund missionary support, work camps, advance specials, and missionary projects locally and beyond.
3. *Evangelism/Outreach:* Income from this account shall fund efforts to reach additional persons for Christ.
4. *Youth:* Income from this account will provide funds to increase participation by youth in worship, education, fellowship; expand services provided by the church for youth; and support development of Christian youth in other ways.
5. *Education:* Income from this account is to be used for special educational or evangelism programs, camperships, scholarships, leadership training of workers, and special workshops or seminars.
6. *Scholarships:* Income from this account shall be used to provide scholarship grants to students seeking post-secondary education. First preference will be given to students who have been an active part of the life of the congregation of The Church. Scholarship grants may be made to persons who have recently graduated from high school, or to persons that decide to seek further education later in life.
7. *Christian Life Development Account:* Income from this account will be used to further spiritual development of individuals and corporate Christian life. Ministries may include, but are not limited to: Evangelism, Youth, Education, Discipleship and Fellowship. (Note this account could be used in place of other more specific account samples listed.)
8. *Music, Worship and Arts:* Income from this account will be used to enhance the worship experience and may provide funds for musical instrument replacement or major repair, other instruments, music leadership, choirs, special programs and drama.
9. *Building:* Income from this account will provide for capital improvements, major repairs, equipment, furnishings or decorations for any properties owned by the church.

(NOTE: The above accounts are shown as examples only. Each church should select the accounts they deem most meaningful for them. We suggest 3 to 8 initial accounts. All churches should have an Undesignated Account.)

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Other accounts may be established by action of the Endowment Committee or a Charge Conference. Such accounts may be established for specific projects, ministries or missions to enhance the total ministry of the Church.

There will be no minimum contribution required for gifts to accounts established by action of this Committee or a Charge Conference.

Donor Designated Accounts:

Other designated accounts may be established by individual donors who place specific designations or restrictions on their gift. However, such new designated accounts may only be established if the following criteria are met:

1. The Endowment Committee agrees to accept the gift with the designations or restrictions proposed by the donor, and
2. The Endowment Committee agrees to establish a new designated account to hold this designated or restricted gift, and
3. The initial gift to the new designated account will be no less than \$_____ (We suggest a minimum of \$5,000.00).

There will be no minimum contribution required for additional gifts to accounts previously established by a donor.

Donors wishing to establish designated accounts of less than \$_____ (we suggest \$5,000.00) will be encouraged to make their gift to one or more of the other existing accounts. Alternatively, it may be recommended that such gifts be placed in the Memorials Fund of the Church rather than in the Endowment Fund.

Principal and income of accounts created by action of individual donors will be used in accordance with the written directives provided by the donor at the time of making the gift. Such directives may not be changed at a later date by the donors or their family members.

All provisions of the Endowment Fund as to investment of funds, administration of funds, and limitation on use of distributions shall be applicable to both General Accounts and Donor Designated Accounts. All gifts made to the Fund shall be accepted subject to the terms and limitations set forth in this document.

Sub Accounts:

Funds cannot be designated to establish a sub-account within a previously established account, regardless of the amount of the proposed gift.

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C. MANAGEMENT OF THE FUND

Responsibility for the management of the Endowment Fund shall be vested in the Endowment Committee, subject to the direction of the Charge Conference as prescribed in the *Book of Discipline* of the United Methodist Church.

D. ENDOWMENT FUND COMMITTEE

The Endowment Committee shall be composed of _____ members: _____ at-large and _____ ex-officio members.

(NOTE: We recommend a committee of 6 to 12 persons. No more than one-half the committee should be ex-officio members. Having an even number of committee members, and the pastor not having a vote leaves an odd number of voting members, which is desirable.)

At-Large Members: The at-large members will be nominated by the Church Nominations Committee and elected by the Charge Conference. The Nominations Committee shall seek at-large members among those members of the Church who have a strong interest in endowments, or expertise in legal, financial, public relations, or other services valuable to the committee. Ideally, members serving on the committee are strong financial supporters of the Church. Committee members should also have an understanding of the Church Vision and Mission.

(NOTE: persons who have, or may appear to have, a conflict of interest should not serve on the committee. Committee members should not use their position on the Endowment Committee as a means to promote a product or service that is normally sold in the course of their livelihood (or of their spouse or other family member). If members of the congregation observe or perceive such conflict of interest, they will likely avoid contacting the committee or making a gift.)

Each ad-large member will be elected for a five-year term. There will be ____ members selected for each five-year term. Initially, members will be elected to 1, 2, 3, 4 and 5-year terms to establish the five-year rotation. At-large members may succeed themselves to a maximum of ____ consecutive full five year terms. Filling a vacancy for a partial term is not included in this limit.

(NOTE: most church committees rotate after three years. An Endowment Committee needs more consistency of membership than most church committees do. Therefore, we recommend five-year terms and that members are allowed to serve more than one consecutive term. Some turnover of membership on the committee is needed. However, if the turnover is too frequent it will severely damage the success of the committee and the ability to attract gifts. There is much to be learned in developing a successful endowment program. Too much committee turnover will result in constant loss of that knowledge.)

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The chairperson of the Endowment Committee is nominated by the Nominations Committee and elected in the same manner as the other at-large Endowment Committee members. This should be a person who has a strong interest in helping the Endowment fund grow and succeed.

Nominations to fill vacancies will be made by the Nominations Committee for Election by the Administrative Board or Charge Conference.

Ex-officio Members: There will be ___ ex officio members with voting privileges and one without voting privileges. The ___ with voting privileges are the chairpersons (or their designate) of the following committees _____, _____, _____, _____, and _____.

(NOTE: you may wish to consider persons from Administrative Council, Board of Trustees, Finance Committee, Memorials Committee or others.) The Senior Pastor shall serve as an ex officio member without voting privileges.

Membership of the committee may be adjusted from time to time to maintain consistency with the rules of the *Book of Discipline* of the United Methodist Church. Such changes may be made as an action of the Charge Conference.

Voting: Unless otherwise indicated in this document, any action taken by the Endowment Committee must be approved by a majority of the members attending a committee meeting so long as a quorum is present. A quorum shall be defined as more than 50% of the members eligible to vote.

Officers: The Endowment Committee shall elect a Secretary, a Treasurer and such other officers, as it deems appropriate or necessary.

Secretary: The Endowment Committee may invite an additional church member to serve as Secretary of the Endowment Committee without voting privileges.

Subcommittees: The Endowment Committee shall appoint subcommittees, as it deems appropriate or necessary.

E. POWERS AND DUTIES OF THE ENDOWMENT COMMITTEE

The Endowment Committee shall have the following powers and duties pertaining to the Endowment Fund, and such other powers and duties as may necessarily be required to carry out the terms and conditions of the Endowment Fund.

1. To educate church members and other potential donors on planned giving and promote giving to the Fund.

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2. To accept or reject any designated or restricted gift, bequest or devise. Any unrestricted gift of \$_____ or more received by the Church from an inheritance, trust or estate that does not designate the Endowment Fund as the receipt will be presumed to have been intended for the Endowment Fund. (**NOTE:** coordinate amount in this paragraph with amount in section R.)

If a gift is received by the Endowment Fund without designation or restriction, it will be placed in the Undesignated Account.

3. To determine the distribution of income from all General Accounts.
4. To determine the proper distribution of income from all Donor Designated Accounts in accordance with the written instructions of the donor and otherwise follow directions of the donor in the use of income or principal.
5. To manage and administer the Fund, which shall include:
 - a. proper acknowledgment of gifts;
 - b. keeping a record of donors and gifts;
 - c. distributing income;
 - d. incurring and paying ordinary and necessary expenses of managing the Fund;
 - e. paying of local state and federal taxes and fees, where applicable;
 - f. recording receipts and expenditures from the Fund;
 - g. maintaining a record of assets of the Fund.
6. To invest all monies of the Fund. (See Section F)
7. To have the Fund audited annually by the Church auditor, and/or any other entity as determined necessary by the Endowment Committee and/or the Charge Conference.
8. To present an annual written report to the Charge Conference and Administrative Council. The congregation of the Church should also be informed of Endowment Fund activities through use of the newsletter or other mailing and presentation to the congregation.
9. To select the definition of “income” to be used by the Fund (trust law or corporate law definition.)
10. To determine an appropriate means of offsetting the effects of inflation on Fund assets.
11. To define “Spending Policies” to use in making distributions of income.

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12. To develop other policies or by-laws to guide the day-to-day management of the Fund.

F. INVESTMENT OF FUNDS

The Endowment Committee shall make a conscious effort to invest in institutions, corporations, companies, or funds whose operations are not detrimental to, or that make a positive contribution toward the realization of the goals of the Social Principles of the United Methodist Church, in accordance with the *Book of Discipline* as revised from time to time.

As a matter of good Christian and corporate stewardship, the principal of gifts, devises, and bequests received by the Endowment Fund shall be invested through the United Methodist Foundation of Michigan, or other financial institution, to be held in trust for management and investment purposes. The assets of the Endowment Fund shall only be invested through entities that allow continued ownership of the assets by the Endowment Fund.

Investment objectives of the Endowment Fund shall include:

1. Conservation of principal for the effective maintenance of purchasing power.
2. Growth of principal and income to offset cost of living increases.
3. Investment of assets in institutions, companies, corporations, or funds which make a positive contribution toward the realization of the goals outlined in the Social Principles of the United Methodist Church.

Any transfer of the Endowment Fund assets for investment with another institution, other than the United Methodist Foundation of Michigan must be approved by a majority vote of the Charge Conference, at which a quorum is present, upon recommendation of the Committee and the Administrative Board of said church.

(NOTE: THE BOOK OF DISCIPLINE - 2004, Paragraph 2533.1 states in part, "...Consideration shall be given to the placement of funds with the conference or area United Methodist foundation, or local church foundation, for administration and investment." Special attention also needs to be given to Paragraph 2532.5, which states in part, "...The Board of Trustees [Permanent Endowment Fund Committee when this committee has been authorized] is encouraged to invest in institutions, companies, corporations, or funds that make a positive contribution toward the realization of the goals outlined in the Social Principles of our Church." The investment services of your Conference United Methodist Foundation can help assure professional management of the Fund's assets. Your Conference United Methodist Foundation offers the possibility of minimizing investment expense and risk while maximizing investment return.)

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G. DISTRIBUTION OF INCOME

It is the intent to preserve principal amounts over the years while using the income generated over the years to provide funds for distribution. It is anticipated that over the years the total rate of return will exceed the expected long-term inflation rate and thus allow for the availability of income for distribution. In a separate policy document, the Endowment Committee will adopt a definition of income and spending policies to accomplish the above stated intentions.

Option A -

Income earned by the Fund shall be distributed as approved by the Endowment Committee. The following matters, terms and conditions, will apply or will serve as a guide for distribution of income: (**Note:** We recommend this option.)

Option B -

Income earned by the Fund shall be distributed as may be recommended by the Endowment Committee and approved by the Charge Conference. The following matters, terms and conditions, will apply or will serve as a guide for distribution of income:

(End of Option B)

1. If a gift is received without designation or restriction, it will be placed in the Undesignated Account. Income from the Undesignated Account will be distributed by action of the Endowment Committee.
2. Income from all other General Accounts (established by this Charter, the Endowment Committee or a Charge Conference) will be distributed by action of the Endowment Committee in accordance with the guidelines for those accounts.
3. If a gift is used to establish a Donor Designated Account, the income and/or principal will be distributed according to the written directions provided by the donor at the time of the gift.
4. If income in a particular account remains unused at the end of the calendar year, such income may be held in that account for use in a subsequent year. However, it is not within the purposes of the Endowment Fund to accumulate income as a means of enhancing the size of the Fund other than to offset the effects of inflation on assets of the Fund. The Endowment Committee, at its discretion, may reclassify unspent income as additions to principal. Thereafter, such accumulated income is no longer available for distribution.

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5. It is not intended that Endowment Fund income provide for local Church general operating expenses. It is intended that the Church annual budgetary process, together with annual giving, shall support normal and customary Church activities. Endowment Fund income should only be used to support ministries beyond normal local Church activities or to provide temporary assistance in starting new ministries in the local church.

6. Income shall not be used to subsidize the cost of a new program, ministry or staff position for more than three years.

H. LIMITATION ON USE OF PRINCIPAL

The objectives of the Endowment Fund are to conserve principal and make use of only the distributions determined by the Committee.

Undesignated Account principal may be withdrawn only in extreme and overwhelming circumstances, bordering on the survival of The Church. Any withdrawal of principal must be approved by a three fourths (3/4) vote of the Charge Conference of (Name of Church) at which a quorum is present. Principal shall not be withdrawn from any other account.

I. BORROWING FROM THE FUND

Option A-

Borrowing from the Endowment Fund is not permitted for any reason.

Option B-

Endowment Funds may not be borrowed by the Church except in unusual circumstances for major Church projects. However, such borrowing shall not to exceed 50% of the total Undesignated Account principal. In such an event, borrowing must be approved by a 3/4 vote of all members of the Endowment Committee and by a 3/4 vote of the Charge Conference members voting, subject to the rules of the *Book of Discipline* of the United Methodist Church. The terms and conditions of any such loan would be those as set by the Endowment Committee and would be generally comparable to terms and conditions available through commercial lending institutions.

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J. PLEDGING FUND ASSETS

Option A-

Endowment Fund assets shall not be pledged as collateral for any reason.

Option B-

Endowment Fund assets may not be pledged as collateral to secure Church obligation except in unusual circumstances for major church projects. However, by a 3/4 vote of all the members of the Endowment Committee and by a 3/4 vote of the Charge Conference members voting, Undesignated Account Principal may be pledged as collateral to secure Church obligations to finance said major projects under unusual circumstances. The terms and conditions of any such pledging of security would be those as set by the Endowment Committee and would be generally comparable to terms and conditions available through commercial lending institutions. In no event may the Endowment Committee or the Charge Conference, pledge more than 50% of the Undesignated Account assets as collateral for such Church obligations.

K. TOTAL ENCUMBERANCE

If there is borrowing by the Church from the Fund, as authorized in Section I. hereof, the combined total of borrowing and pledging shall not exceed 50% of the Undesignated Account principal.

L. MERGER OR CONSOLIDATION OF THE CHURCH

If at any time, The Church is lawfully merged or consolidated with any other church; all the provisions hereof in respect to the Endowment Fund shall be deemed to have been made in behalf of the merged or consolidated Church. Said Church shall be entitled to receive all the benefits of said Endowment Fund, and shall be obligated to administer the same in all respects and in accordance with the terms thereof.

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M. EVENT OF DISSOLUTION OF THE CHURCH

In the event of the dissolution of The Church, all principal and accumulated earnings of the Endowment Fund shall be distributed as follows:

1. *All undesignated* principal and accumulated earnings thereon shall be distributed as directed by a 2/3 vote of all members of the Endowment Committee and a 2/3 vote of the Charge Conference members voting; provided, however, that in any event, any such distribution must be made for Christian purposes and shall not be made for the direct or indirect benefit of any individual member of the Church. If the required 2/3 vote of the Committee and the Charge Conference cannot be attained after five votes, then the *undesignated* funds will be distributed to the United Methodist Foundation of Michigan.
2. *All designated* principal and accumulated earnings thereon shall be distributed to the United Methodist Foundation of Michigan which shall receive the benefits of the Endowment Fund and shall be obligated to administer the same in all respects in accordance with the terms of the donor designations, to the best of its ability.

N. ADMINISTRATION OF DESIGNATED GIFTS

The Church recognizes that many times the intent of a gift used to establish a Donor Designated Account is for a benefit to be derived for an indefinite period of time. However, the Church further recognizes that the passage of time, or other circumstances, may make the conditions of the designation impossible or impractical. Therefore, by unanimous vote of the Endowment Committee, any such gift to that has become impossible or impractical to administer may be transferred without condition or reservation to another existing account, which has similar purposes. If an account with similar purposes does not exist, the funds will be placed in the Undesignated Account. It is presumed that any individual or entity making a gift, bequest, or devise to the Endowment Fund is aware of the conditions of this section of the Charter. Therefore, no such gift shall fail or revert because of changed circumstances, which make the continued administration of any particular Donor Designated Account impossible or impractical.

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O. AMENDMENTS

This resolution may be amended by a 2/3 vote of the Endowment Committee and two succeeding Charge Conferences duly called in accordance with the *Book of Discipline* of the United Methodist Church. If the Endowment Committee is the initiator of the proposed amendment, at least six months shall elapse between the vote of the Endowment Committee and First Charge Conference called to vote upon such amendment. At least 30 days shall elapse between the First and Second Charge Conferences called to vote upon such amendment. The proposed amendments as adopted by the Endowment Committee shall be generally circulated through the congregation prior to the First Charge Conference called to vote upon such amendment.

If the proposed amendment is initiated by a Charge Conference, said proposed amendment shall be generally circulated throughout the congregation, and no vote shall be taken in the Endowment Committee until six months have elapsed from the time said amendment has been adopted by the First Charge Conference. If the Endowment Committee approves the amendment initiated by the Charge Conference, a second Charge Conference shall be duly called and the amendment approved or rejected at that time.

No amendment shall become effective until passage by a 2/3 vote of the Endowment Committee and by a 2/3 vote of those voting at two consecutive Charge Conferences; provided, however, that the lack of said 2/3 vote at either of the Charge Conferences or at a vote taken by the Endowment Committee shall defeat any proposed amendment. Any defeated amendment may again be considered only after one year following the last vote taken on said proposed amendment and only after again being initiated by either the Endowment Committee or a Charge Conference.

P. FREEDOM TO EMPLOY COUNSEL

The Endowment Committee, at its discretion, is free to employ counsel in the management of the Fund which may include but not be limited to legal advice, help of a certified public accountant or guidance from an investment counselor.

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Q. EXPENSES FOR MAINTAINING THE FUND

Option A -

Any expense incurred in managing, maintaining or operating the Fund as a whole shall come out of the income of the Undesignated Account before distribution. Any expenses incurred in managing or maintaining a specific Account or Accounts shall be paid from that Account or Accounts.

Option B -

Any expenses incurred in managing and maintaining the Fund as a whole shall be borne proportionately by all accounts of the Fund, and shall come out of the income of the Accounts before distribution. Any expenses incurred in managing or maintaining a specific Account or Accounts shall be paid from that Account or Accounts.

R. BEQUESTS TO (NAME OF CHURCH)

It is recognized that some persons may have previously executed, or may hereafter execute, wills, trusts, or other planned giving instruments naming The Church as beneficiary rather than naming the Endowment Fund as beneficiary. *The Book Of Discipline* provides that a Charge Conference may designate the Endowment Fund to provide services, which are normally provided by the Trustees of The Church. Therefore, any such gift, devise or bequest received by The Church after the date of adoption of this Resolution which is \$ _____ or larger, shall be transferred to, and placed in the Endowment Fund for management. The Endowment Fund shall receive and administer all such bequests, devises and gifts made to The Church; shall receive and administer all trusts; and shall invest all trust funds of the church in conformity with laws of the country and state in which the church is located. The board of trustees is hereby notified that this Charge Conference is delegating such power, duty and authority to the Endowment Fund.

(NOTE: See paragraph 2533.1 of the *Book of Discipline* - 2004 that provides that a Charge Conference may designate the Endowment Fund to provide certain services normally assigned to the Trustees in paragraph 2532.5 of the *Book of Discipline*.)

(NOTE: We suggest an amount of \$1,000 to \$5,000 be inserted in the blank above.)

Any such gift, devise or bequest received by The Church after the date of adoption of this Resolution which is less than \$ _____, shall be held by the Board of Trustees of The Church for use in capital improvement projects. (NOTE: Coordinate amount with paragraph above.)

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S. LIABILITY OF TRUSTEES AND MEMBERS OF THE COMMITTEE

In the absence of gross negligence or fraud, no member of the Endowment Committee or Board of Trustees of The Church shall be personally liable for any action made or omission with respect to the Endowment Program.

T. SEVERABILITY

If any provision, or any application of any provision, of the Endowment Fund is determined to be illegal, inoperative or unenforceable, said provision shall not affect any other provisions or any applications of any provisions herein contained or render the same invalid, inoperative, or unenforceable.

U. ADOPTION

This Endowment Fund Charter was adopted by the duly authorized Charge Conference of the (Name of Church) at a session held at (city, state) on the _____ day of _____, 20_____.

(Name of Church) _____

Attest:

By: _____
(Signature)

By: _____
(Signature)

Printed Name: _____
Presiding officer of the
Charge Conference

Printed Name: _____
Recording Secretary of the
Charge Conference

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NOTE: This sample document was prepared by the United Methodist Foundation of Michigan and is to be used only as a guide for local churches in developing their own Endowment Fund Charter. Legal counsel may be employed in developing an Endowment Fund Charter. The Foundation is also available to review your proposed draft charter prior to presentation to the charge conference.

After adopting an Endowment Fund Charter, the Endowment Committee should be elected. One of their duties will be to establish policies to guide the day-to-day management of the Fund (similar to by-laws for a corporation). The United Methodist Foundation can also supply sample policies and consult with you in that process.

This sample charter and/or sample policies can be supplied in electronic media form (computer file). If you wish to have an electronic media copy, please contact the Foundation office at (888)217-1905 or email us at info@umfMichigan.org.