



## **Endowment/Legacy Fund Charter**

*Legal name of church, full address, (hereafter referred to as "the Church")* hereby creates a permanent Endowment Fund to be known as the "Name of the 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 constituents 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 Permanent Endowment and Planned Giving Ministry Committee.

This Endowment Fund and resulting income is intended for purposes that are not a part of the 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 the 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 standard local Church activities or to provide temporary assistance in starting new ministries in the 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 interest, precious gems and metals, and other items deemed acceptable by the Permanent Endowment and Planned Giving Ministry Committee.

## **B. ACCOUNTS**

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

### **General Accounts**

1. *Undesignated Ministry:* This account will receive gifts to the Endowment 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 Permanent Endowment and Planned Giving Ministry Committee
2. *Missions:* Income from this account shall fund missionary support, work camps, advance specials, and missionary projects locally, nationally, or globally.
3. *Outreach:* Income from this account shall fund local and community-based relief efforts and ministries.
4. *Youth:* Income from this account shall provide funds to increase participation by youth in worship, education, fellowship; expand services provided by the Church for youth; and support the Christian development of youth.
5. *Education:* Income from this account shall 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 Church. Scholarship grants may be made to persons who have recently graduated from high school or to persons deciding to seek further education later in life.
7. *Christian Life Development Account:* Income from this account shall 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.
8. *Music, Worship and Arts:* Income from this account shall 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 shall 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. Church leaders should select 3 to 8 accounts deemed most compatible with the values, mission, and vision of the Church. All churches should have an Undesignated Ministry Account.*)

Other accounts may be established by action of the Permanent Endowment and Planned Giving Ministry Committee or 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 the Permanent Endowment and Planned Giving Ministry Committee or 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 Permanent Endowment and Planned Giving Ministry Committee agrees to accept the gift with the designations or restrictions proposed by the donor, and
2. The Permanent Endowment and Planned Giving Ministry 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 shall not be less than \$\_\_\_\_\_ (Suggested minimum of \$10,000.00).

No minimum contribution shall be required for additional gifts to accounts previously established by a donor.

Donors wishing to establish designated accounts of less than \$\_\_\_\_\_ (*Suggested \$10,000.00*) will be encouraged to make their gift to one or more of the other existing accounts.

Principal and income of accounts created by action of individual donors will be used in accordance with the Uniform Prudent Management of Institutional Funds Act.

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 Endowment Fund shall be accepted subject to the terms and limitations set forth in this document.

The Permanent Endowment and Planned Giving Ministry Committee shall exercise care and caution in accepting and abiding by the interest of the donor for the endowed use of the donor's gift. A written letter of designation, in the absence of a Will or other legally drafted document, from the Donor must exist to assure the Donor's interest is being honored.

No member or representative of the Permanent Endowment and Planned Giving Ministry Committee shall use any form of pressure on a prospective donor. However, education and the provision of informational materials is encouraged and shall be provided to the prospective donor to aid in making an informed decision concerning their Endowment gift.

#### **Sub Accounts:**

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

### **C. MANAGEMENT OF THE FUND**

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

### **D. PERMANENT ENDOWMENT AND PLANNED GIVING MINISTRY COMMITTEE**

The Permanent Endowment and Planned Giving Ministry Committee shall be composed of \_\_\_\_\_ members, including \_\_\_\_\_ ex-officio members.

**(NOTE:** *A committee of 3 to 9 voting members is recommended. No more than 1/3 of the Committee should be ex-officio members. 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 Committee as a means to promote a product or service that is normally sold in the course of their profession or the profession of their spouse or other family member.*)

Each Committee 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. The term limit shall be two consecutive terms. Filling a vacancy for a partial term is not included in this limit.

*(NOTE: Most church committees rotate after three years. An Permanent Endowment and Planned Giving Ministry Committee needs more consistency of membership than most church committees do. Therefore, five-year terms are recommended. 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.)*

Nominations to the Permanent Endowment and Planned Giving Ministry Committee shall be consistent with other leadership nominations as outlined in *The Book of Discipline of The United Methodist Church*.

**Ex-officio Members:** There shall 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: Consider chairpersons of Church Council, Board of Trustees, Finance Committee, Memorials Committee, or others.)* The 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 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 Permanent Endowment and Planned Giving Ministry 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.

**Subcommittees:** The Permanent Endowment and Planned Giving Ministry Committee shall appoint subcommittees, as it deems appropriate or necessary.

## **E. POWERS AND DUTIES OF THE PERMANENT ENDOWMENT AND PLANNED GIVING MINISTRY COMMITTEE**

The Permanent Endowment and Planned Giving Ministry 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 to promote giving to the Fund.
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 T.)**

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

3. To determine the distribution of income from all General Accounts and Donor Designated Accounts.
4. 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.
5. To invest all monies of the Fund.
6. To have the Fund audited annually by the Church auditor, and/or any other entity as determined necessary by the Permanent Endowment and Planned Giving Ministry Committee and/or the Charge Conference.
7. To present an annual written report to the Charge Conference and Church 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.

8. To select the definition of "income" in accordance with the Uniform Prudent Management of Institutional Funds Act.
9. To determine an appropriate means of offsetting the effects of inflation on Fund assets.
10. To define "Spending Policies" to use in making distributions of income.
11. To develop other policies or by-laws to guide the day-to-day management of the Fund.

## **F. RECEIPT OF GIFTS**

1. The Permanent Endowment and Planned Giving Ministry Committee cannot accept a gift that is designated to benefit or be channeled to an individual staff member of the Church or to any other individual.
2. The Permanent Endowment and Planned Giving Ministry Committee welcomes and encourages gifts and bequests to be designated to the Endowment Fund. Gifts shall include, but not be limited to, cash, stocks, bonds, certificates of deposit, real estate, and personal property. The donor may transfer such property to the Endowment Fund by outright gift, life estate gift, or any one of several deferred giving arrangements (planned gifts).
3. The Permanent Endowment and Planned Giving Ministry Committee must approve any gift offered to the Endowment Fund before being officially accepted. The Permanent Endowment and Planned Giving Ministry Committee reserves the right to decline or otherwise refuse any gift offered to the Endowment Fund, with or without cause. Reasons that a gift may be declined include, but are not limited to, the following:
  - a. The Permanent Endowment and Planned Giving Ministry Committee does not believe it is in the best interest of the Church or Endowment Fund to abide by the restrictions placed on the gift by the donor.
  - b. The costs to maintain the gift, or to meet the restrictions placed on the gift by the donor, are considered to be excessive for the Endowment Fund.
  - c. The gift is considered to be inappropriate or unrelated to the tax-exempt purposes of the Endowment Fund or the Church.

d. The gift may result in inappropriate or undesirable publicity.

4. The Permanent Endowment and Planned Giving Ministry Committee cannot accept a gift that is designated to benefit or to be channeled to an individual staff member of the Church or to any other individual.

## **G. INVESTMENT OF FUNDS**

The Permanent Endowment and Planned Giving Ministry 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 of The United Methodist Church*.

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 to be held in trust for management and investment purposes.

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.

## **H. 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.

The following matters, terms and conditions, shall apply or shall serve as a guide for distribution of income:

1. If a gift is received without designation or restriction, it shall be placed in the Undesignated Ministry Account. Income from the



Undesignated Ministry Account shall be distributed by action of the Permanent Endowment and Planned Giving Ministry Committee in accordance with the spending policies set forth herein.

2. Income from all other General Accounts (established by this Charter, the Permanent Endowment and Planned Giving Ministry Committee or a Charge Conference) shall be distributed by action of the Permanent Endowment and Planned Giving Ministry Committee in accordance with the guidelines for those accounts.
3. 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 Permanent Endowment and Planned Giving Ministry Committee, at its discretion, may reclassify unspent income as additions to principal. Thereafter, such accumulated income is no longer available for distribution.
4. 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 Church activities or to provide temporary assistance in starting new ministries in the Church.
5. Distributions in accordance with the spending policies set forth shall not be used to subsidize the cost of a new program, ministry or staff position for more than three years.

#### **I. LIMITATION ON USE OF PRINCIPAL**

The objectives of the Endowment Fund are to conserve principal and make use of only the distributions in accordance with the spending policies set forth herein.

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 3/4 vote of the Charge Conference at which a quorum is present. Principal shall not be withdrawn from any other account.

#### **J. SPENDING POLICY**

This Spending Policy is adopted in order to minimize the problems that may occur without such policy, including, but not limited to:

1. Erratic spending that may place the future of the Fund in jeopardy.
2. Disregard for the effect of inflation, thus decreasing the financial power of the Fund.
3. Lack of disbursements from the Fund resulting in a disinterest in future contributions and bequests to the Fund.
4. Investing too conservatively causing low growth of the Fund, or investing too aggressively placing the Fund at high risk.

The Permanent Endowment and Planned Giving Ministry Committee hereby adopts the following policies as the components of its Spending Policy:

1. **Income Definition:** The Fund shall use the definition of income as defined by Corporate Law, which generally defines income as earnings from all sources including interest, dividends, net rentals and capital appreciation.
2. **Inflation Retention:** The Fund shall retain sufficient income to offset the long-term effects of inflation.
3. **Spending Rate:** A set spending rate is an industry standard for charitable endowment balanced funds and is consistent with the Uniform Prudent Management of Institutional Funds Act. Thus, the Fund shall use a spending rate of \_\_\_\_\_% (*4% to 5% is recommended*) annually.
4. **Application of Spending Rate:**

**Option A**

The spending rate as determined above shall be applied annually to the account balance as of \_\_\_\_\_. The resulting amount shall be available for distribution as gifts or grants.

**Option B**

On or about \_\_\_\_\_ of each year, the spending rate as determined above shall be applied to the average account balance of the Fund at the end of the previous \_\_\_\_\_ calendar quarters (*suggest 5 quarters.*) The resulting amount shall be available for distribution as gifts or grants.

**Option C**

On or about \_\_\_\_\_ of each year, the spending rate as determined above shall be applied to the average account balance of the Fund at the end of the previous \_\_\_\_\_ years

(*suggest 3 to 5 years.*) The resulting amount shall be available for distribution as gifts or grants.

5. Limitation on Spending: (*Optional*) The Fund shall not make a distribution which would reduce the Fund balance below inflation-adjusted principal.
6. Unspent Income: Income available for making grants or other distributions, as determined under the above policies, definitions and formula, but which is not disbursed for any reason, shall be available for disbursement in future years. However, by action of the Permanent Endowment and Planned Giving Ministry Committee, undistributed income may be added to principal on a case-by-case basis.

#### **K. 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 Permanent Endowment and Planned Giving Ministry 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 Permanent Endowment and Planned Giving Ministry Committee and would be generally comparable to terms and conditions available through commercial lending institutions.

#### **L. 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 Permanent Endowment and Planned Giving Ministry Committee and by a 3/4 vote of

the Charge Conference members voting, Undesignated Ministry 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 Permanent Endowment and Planned Giving Ministry Committee and would be generally comparable to terms and conditions available through commercial lending institutions. In no event may the Permanent Endowment and Planned Giving Ministry Committee or the Charge Conference, pledge more than 50% of the Undesignated Ministry account assets as collateral for such Church obligations.

#### **M. TOTAL ENCUMBERANCE**

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

#### **N. 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 on behalf of the merged or consolidated Church. The 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.

#### **O. 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 in accordance with the *Book of Discipline of The United Methodist Church*.

#### **P. 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 Permanent Endowment and Planned Giving Ministry Committee, any such gift 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.

#### **Q. AMENDMENTS**

This resolution may be amended by a 2/3 vote of the Permanent Endowment and Planned Giving Ministry Committee and a 2/3 vote of the Charge Conference duly called in accordance with *The Book of Discipline of The United Methodist Church*.

#### **R. FREEDOM TO EMPLOY COUNSEL**

The Permanent Endowment and Planned Giving Ministry Committee, at its discretion, is free to employ counsel in the management of the Fund which may include but not be limited to legal, accounting and investment advice.

#### **S. 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 Ministry 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.

#### **T. 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 of The United Methodist Church* 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 Permanent Endowment and

Planned Giving Ministry Committee 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 Permanent Endowment and Planned Giving Ministry Committee.

*(NOTE: An amount of \$1,000 to \$5,000 should 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.)*

#### **U. LIABILITY OF TRUSTEES AND MEMBERS OF THE COMMITTEE**

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

#### **V. 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.

#### **W. 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 \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
*Name of the Church*

Attest By:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

Presiding Officer of the  
Charge Conference

Recording Secretary of the  
Charge Conference

**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 statement of policy.

*This sample document can be supplied as a Word document. Click [here](#) to contact us or call 888.451.1929*

SAMPLE

Revised 10/1/15