

Endowment Policy Manual

Chatham United Methodist Church

Illinois Great Rivers Conference

(Adopted by Church Council Jan. 29, 2013)

Permanent Endowment Fund Policy

Article I: Name and Purpose

Our Mission

To transform lives and grow disciples for Jesus Christ

Our Vision

Creating a welcome, open environment where all people can come to know and experience God, grow in Christ, serve him freely, and minister to people in our community and world.

Our Purpose

Chatham UMC is called to be a “Matthew 25” congregation for our community: to feed the hungry, welcome the stranger, clothe the naked, visit the sick and lonely – and in so doing, to share the good news of Christ’s love with our neighbors.

Stewardship Statement

Chatham United Methodist Church wishes to encourage Christian stewardship and the receipt of gifts of accumulated, inherited, and appreciated resources. It is understood that special gifts and bequests to the Endowment Fund should not take the place of faithful stewardship of current operating income, but should be made to enable the church to continue its mission in the future both here and abroad. Income from the funds will be expended for the capital and benevolent purposes discussed within the policy.

Preamble

A LIVING ENDOWMENT FUND shall be established, consisting of trusts, bequests, memorial funds, stocks, certificates of deposit, property, and other cash gifts. It is a “living” endowment, because through its growth and its interest, it allows persons to continue to contribute toward the work of Christ’s Church even after their death. It is an “endowment” since the principal remains secure for future generations. Interest is not to be used for the operating budget, under normal circumstances, unless it is so designated, since to do so would produce poor stewardship and lead to an irresponsible dependency on the funds.

Article II: Definitions

TERMINOLOGY:

Available Funds: Funds which are available for current use in the form of cash, checking funds, and money market funds.

Endowment Fund: The total reserve funds which may be invested for the long term benefit of the church shall be grouped in a common pool known as the Endowment Fund. Funds designated for a very narrow purpose or for near term expenditure shall not be included. They should remain in the Memorial Fund.

Endowed Restricted Funds: Funds which the donor has specified to have invested to the benefit of the church, with only the income available for current use.

Endowed Unrestricted Funds: Funds which the donor has made no specification of use restriction.

Value of the Fund: The total net assets of the fund as periodically reported by the Endowment Fund Committee. The year-end value will appear in the Church Annual Audit, the annual Church/Charge Conference and Year-End Report.

Total Return: The summation of annual appreciation of the fund from interest, dividends and capital gains.

Income: The portion of Total Return which shall be available to support sustainable spending levels, while also allowing for excess returns to be added back to principal and reinvested to promote growth and protect against inflation. Expendable income will be limited to no more than 3% of average market value over the previous eight quarters. The annual increase in spending, however, is limited to the consumer price index plus 1%, unless there were significant additions to an endowment during the last year.

Excess Returns: Earnings beyond the amount needed for spending. Excess returns will be added back to principal and reinvested to promote growth and protect against inflation. These returns can also be used to provide funding for future spending levels during down periods of investment return.

Article III: Fund Descriptions

ENDOWMENT FUNDS

A number of Funds shall be established within the Endowment as defined below.

GENERAL FUND: Assets in this Fund are used for areas of ministry consistent with the church's mission and vision.

CAPITAL FUND: Assets in this Fund shall be reserved for major items of upkeep of church properties or purchase of new major equipment.

MISSIONS FUND: Assets in this Fund may be applied to any special Missions projects which may be recommended by the Outreach Committee and authorized by the Church Council. It may not be applied to the annual Outreach/Missions budget.

Within each Endowment Fund, a portion of the funds may be restricted so that only the income may be expended in the current year, as indicated by the donor. Distribution of the annual income from both restricted and unrestricted funds shall be made by the Endowment Fund Committee before the end of the year. Distribution of any portion of the principal of unrestricted funds shall only be made upon recommendation by the Endowment Fund Committee and approval Church Council.

Article IV: Other Funds

Those families who wish to consider establishing a "named" fund in memory of a loved one, to be part of one of the above three endowment funds, can do so by contributing funds such that the principal balance of the fund at inception is in a minimum amount to be periodically set by the Endowment Committee. Additional gifts received after the initial contribution will be added to the balance in the fund. In order to give the church flexibility in how it administers the fund, donors will be encouraged to limit restrictions placed on contributions.

The minimum amount required for the establishment of an Endowment Fund of any kind will be \$10,000.

The stipulated minimum amount required at inception is subject to periodic review and adjustment by the Endowment Committee.

Those named funds already in existence at the time of the approval of this policy will be included in this policy, regardless of the balance in those particular funds.

New "Named Funds" will be watched by the Endowment Committee for the first year, to evaluate growth and potential. If new "Named" funds are not growing or showing signs of fulfilling their purpose, Endowment Committee will consider transferring those funds to the General Endowment Fund

Article V: Gift Acceptance

Acceptance of Gifts: The Endowment Fund Committee shall have the responsibility for the acceptance or rejection of all gifts. Gifts which are unwieldy to manage or not in keeping with the mission of the Church will be carefully reviewed and may be declined by the Endowment Fund Committee.

Types of Gifts: Gifts of an enduring nature may be given to the Church directly or as bequests, in such forms as wills, charitable remainder trusts, life income agreements, assignment of life insurance, transfers of property (cash, stocks, bonds, real estate, personal property), memorial gifts, or through other governing documents. Gifts may be in the form of unrestricted or restricted gifts or endowments.

Unrestricted gifts equal to or less than \$5000 shall be assigned to the General Fund.

Gifts greater than \$5000 shall be apportioned as follows:

General Fund	40%
Capital Fund	40%
Missions Fund	20%

All funds upon which the donor has placed no restriction shall be considered unrestricted.

In the event any restriction upon a gift becomes obsolete, inappropriate, or impractical, the Endowment Fund Committee may seek the release of the restriction by conforming to the procedures set forth in Illinois Law.

Article VI: Fund Management

The members of the Endowment Fund Committee will consist of 6 members, in addition to the Pastor and Treasurer. Each elected member will serve a three year term; the Treasurer may serve longer. There will be two members for each year. Every year the lay leadership and nominations committee will select two members for the open slots.

The Endowment Fund Committee is authorized to hold, sell, exchange, rent, lease, transfer,

convert, invest, re-invest, and in all other ways to manage and control the assets of The Fund, including property, stocks, bonds, debentures, mortgage notes, or other securities, as in their judgment and discretion they deem wise, prudent, and consistent with the investment policy for The Fund. The Endowment Committee is charged with seeking counsel and consultation as appropriate from professional investment managers.

The members of the Endowment Fund Committee shall provide overall management of the Endowment Fund, including the following duties:

Develop approaches to planned giving, with appropriate communication to members of the congregation.

Review new gifts and bequests that carry restrictions and recommend acceptance or rejection.

Establish investment policies, and implement these policies.

Establish a Spending Plan to govern the use of available funds each year, in alignment with the mission, vision and purpose of the church.

The Committee shall conduct itself following the principles of the Prudent Man Rule.

Under the Prudent Man Rule, The Funds shall be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

At the end of each calendar year, the Endowment Fund Committee shall prepare a report that details the current investment state and the total income (i.e. "total return") available from The Funds for that year. The report will make clear what is principal and income, according to accepted Funding principles.

The report will be presented to the Church Council. [A written report will also be included in the Church/Charge Conference Report, the Year-End Report and the Annual Financial Audit.]

Having made a "good faith" effort to comply with the terms of this policy, the Endowment Fund Committee or other delegated persons or parties, shall be released from liabilities incurred in such a good faith effort. Individual Endowment Fund Committee members shall not be liable for the acts or omissions of any other committee member or member of the church in general. Any member having a direct or indirect personal interest in any dealings or transactions involving these funds shall refrain, at all times, from any conduct in which personal interests would conflict with the interest of the Church. Every year each member will complete a non-disclosure form and those will be kept in the church office.

Those responsible for management of endowment funds or for direction of disbursements from those funds must assure that there is no possibility of a conflict of interest, such that those parties might receive direct or indirect benefit from investment vehicles, commissions, the fashion in which funds are spent, etc.

The Auditor shall review the records of the Endowment Fund at least once a year and shall provide a written report of the findings (as above).

All costs of any independent audit of the Funds shall be charged to the Funds proportionately.

Article VII: Modification

This policy shall be reviewed by the Endowment Fund Committee every five years or as necessary at a shorter interval. Amendments to this policy shall be made as follows:

Amendments shall first be approved by the Endowment Fund Committee.

Amendments shall next be approved by the Church Council for recommendation to the church.

Amendments shall be voted at the Annual Meeting of the Church/Charge Conference, and must receive at least a 2/3 majority favorable vote for adoption.

Article VIII: Merger or Dissolution

MERGER OR DISSOLUTION OF THE CONGREGATION

In the event that the church should merge with another congregation, the endowment funds shall pass to the new merged church.

In the event Chatham United Methodist Church ceases to exist through dissolution, disposition or transfer of The Funds shall be as follows, once any donor restrictions that would otherwise prohibit such transfers are lifted:

The General Endowment Fund: Distributed in its entirety by Church Council.

The Capital Fund: Distributed in its entirety by Trustees.

The Missions Fund: Transferred to each of their designations.