



Sample United Methodist Church Permanent Endowment Fund Policy

Note: This is a sample policy. You are encouraged to follow the outline and general direction but in no way is it to be construed to be the “correct” way for an endowment to be managed. In order for it to be effective, any endowment policy must represent the needs, wishes and culture of the local church.

Description

The permanent endowment fund of Sample United Methodist Church is established to provide long-term funding to benefit the mission and ministries of the Church.

Committee Membership

The committee shall be made up of 12 members, including:

Endowment Committee Chair

The Lay Leader

The Senior Pastor as an ex officio member with vote

Four at-large members

Chairs, or their designees, of the following committees:

- Administrative Board
- Finance
- Trustees
- Stewardship
- Worship

The Endowment Chair and the at-large members will be selected through the congregation’s lay leadership (nominating) process. The Chair and at-large members will serve no more than two consecutive four-year terms, with one at-large member rotating off the term every year.

Quorum and Majority

A quorum is defined as those members in attendance and voting at a duly-called meeting. All decisions will be made with a simple majority vote. However, any vote to amend this policy or approve a resolution to invade the principal of the fund will require a two-thirds majority of the committee. Invading the principal will require additional approvals as well.

Reporting

At all times, the Committee will operate in full transparent view of the congregation. On at least an annual basis the Endowment Committee will report to the congregation the following information:

- Membership of the Endowment Committee
- Balance of the Fund
- Amount of contributions to the fund in the past year
- Amount of disbursements from the fund in the past year
- The uses of those disbursements
- Any changes to this policy

Additionally, the Endowment Fund, as an asset of the congregation, will be reported on all appropriate church financial reports.

Limitations on Investments

Because the purpose of the Endowment is to provide long-term financial stability, all investments will be made with a long-term outlook. No investments may be made that violate Socially Responsible Investing Guidelines as defined in the *Discipline*.

Spending Policy

The value of the fund will be determined on September 30 of each year. That value will be averaged with the September 30 value of each of the preceding two years. The Committee will make available no more than 5% of this average value in the following year. In the first three years of the fund, the average of the September 30 value(s) in all of the preceding years will be calculated and no more than 5% of that value will be made available.

Distribution

NOTE: YOUR DISTRIBUTION SHOULD BE BASED ON YOUR CHURCH. THE FOLLOWING IS A SAMPLE OF HOW THIS MAY BE STRUCTURED:

One half of the available funds will be disbursed to the Trustees for capital improvements to the church, parsonage or grounds. The remaining will be distributed by the Committee as it sees fit. Any committee or other organization of the church (including the Day Care, Scout Troop and Meals on Wheels) may apply for the remaining funds. The Trustees may request additional funds. The Endowment Committee will establish a procedure for advertising the availability of funds, accepting applications and deciding which projects, if any, will be funded.

Any available funds not committed from the endowment fund by the end of the year will be considered part of the principal.

At no time should the endowment pay for utilities, the salary or benefits of staff (with the exception of staff positions established less than three years previously), taxes or political campaigns or attempts to influence legislation.

Principal Invasion

At all times the Endowment should be considered a long-term asset of the congregation. All donations and income or growth above the 5% spending policy and any unused funds from the 5% are to be considered part of the principal and should remain in the fund to ensure future financial viability.

However, in times of emergency the principal of the fund may be invaded. To request funds from the principal, the Administrative Board must pass a resolution with a two-thirds majority. The resolution must include:

- Amount requested
- Reason for the request
- The plan to repay the principal. If repayment of the principal is doubtful, this must be stated explicitly.
- What other funding options have or will be investigated.

The Endowment Committee will receive this resolution for its consideration. In order for the Endowment Committee to pass the resolution it must receive a two-thirds majority.

If both the Administrative Board and the Endowment Committee pass the resolution, the Pastor will request the District Superintendent hold a specially-called church conference as defined in the *Discipline*. The church conference will review the resolution made by the Administrative Board. In order for the church conference to approve any withdrawals of principal it must pass with a two-thirds majority.

Changes to this Policy

The Endowment Committee may make changes to this policy, with the exception of procedures for invading principal, with a two-thirds majority vote of the Committee. Changes may be made to the procedures for invading principal after being approved by a two-thirds vote of the Committee and also by a two-thirds majority vote at a church conference.

Policy changes are to be reported to the congregation as soon as is practical.

Sample language for restricted or designated endowment funds:

Capital Improvement Fund

Proceeds from this fund may be used for capital improvements to the church building and grounds or the parsonage and grounds. Capital improvements are defined as expenditures that have an expected life expectancy of five years or greater and are expected to cost \$1,000 or more. Funds will be used at the discretion of the Trustees.

Music Fund

Proceeds from this fund may be used for expenses related to the music in worship or other church programs. This may include purchase or maintenance of instruments, purchase of sheet music, purchase or maintenance of choir robes or similar clothing used by performers, or recorded music to be used for worship or other programs. It may also be used for the compensation of the organist, choir director(s), accompanist(s) or performers. It may not be used for salaries of the pastor or other church staff who, while they may have some involvement in the music program, do not have music as their primary responsibility. Funds will be used at the discretion of the worship committee.

Missions Fund

Proceeds from this fund may be used for mission projects either in the United States or internationally. It may not be used for apportionment or shared ministry funds for the Annual Conference or District, although some of those funds are used for mission purposes. Funds will be used at the discretion of the worship committee.

Christian Education

Proceeds from this fund may be used for Christian education expenses. It may be used for curriculum or other expenses related to Sunday school or, bible studies, training for teachers or others involved in these programs. It may be used to serve children, youth or adults. It may not be used for any salaries or benefits for staff. Funds will be used at the discretion of the Committee on Education.