



Endowment 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 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 a permanent endowment fund. Gifts to the Endowment Fund will be held in perpetuity, if not otherwise restricted by the donor, with income to be used to further the ministry and mission of the Church.

This Endowment Fund and resulting income are intended for purposes in addition to the annual operating budget of the Church and the regular giving of its constituents. Endowment Fund income supports ministries and initiatives beyond reasonable and customary operating expenses.

The Fund may accept both cash and non-cash gifts and bequests. Non-cash gifts may include, but are not limited to, corporate stock, mutual funds, bonds, bank deposits, real estate interest, precious gems and metals, and other items deemed acceptable.

B. COMPOSITION OF THE PERMANENT ENDOWMENT AND PLANNED GIVING MINISTRY COMMITTEE

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

Nominations to the Committee shall be consistent with other leadership nominations as outlined in *The Book of Discipline* of The United Methodist Church. The Committee shall be composed of _____ members, including _____ ex-officio members.

(NOTE: *A committee of 3 to 5 voting members is recommended. 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.*)

Ex-officio Members: ___ ex-officio members with voting privileges and one without voting privileges shall serve on the Committee. The ___ with voting privileges are the chairpersons (or their designee) of the following committees _____.

(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.

C. RESPONSIBILITIES OF THE PERMANENT ENDOWMENT AND PLANNED GIVING MINISTRY COMMITTEE

The Committee shall have the following responsibilities.

1. To educate constituents on planned giving and to promote giving to the Fund.
2. To accept or reject any donor restricted gift, bequest or devise. Any unrestricted gift of \$_____ (*insert amount from section D. below*) or more received by the Church from an inheritance, trust or estate which does not designate the Endowment Fund shall be presumed to have been intended for the Endowment Fund. If a gift is received by the Endowment Fund without restriction, it shall be placed in the Unrestricted Ministry Account.
3. To manage and administer the Fund, which shall include:
 - a. investing all monies of the Fund
 - b. properly acknowledging receipt of gifts;
 - c. keeping a record of donors and gifts;
 - d. distributing income;
 - e. incurring and paying ordinary and necessary expenses of managing the Fund;
 - f. paying of local state and federal taxes and fees, where applicable;
 - g. recording receipts and expenditures from the Fund;
 - h. maintaining a record of assets of the Fund.
4. To have the Fund audited annually by the Church auditor, and/or any other entity as determined necessary by the Committee and/or the Charge Conference.
5. To present an annual written report to the Charge Conference and Church Council. The Church congregation should also be informed of Endowment Fund activities through regular communication.
6. To define "Spending Policies" to use in making distributions of income.
7. To develop other policies, as necessary, to guide the management of the Fund.

D. ENDOWMENT FUND ACCOUNTS

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

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

General Accounts

1. *Unrestricted Ministry:* This account will receive gifts to the Endowment Fund, which are not donor restricted for a particular purpose. Income from this account will be used to fund the ministries or missions selected by the Committee, subject to approval of the Church Council or equivalent.
2. *Missions & Outreach:* Income from this account shall fund local and community-based ministries, national and global missionary support, mission trips, and work camps.
3. *Children & Youth:* Income from this account shall fund children and youth ministries in the church and across the community.
4. *Education:* Income from this account shall fund scholarships, leadership training, camp attendance, and staff or laity continuing education.
5. *Scholarships:* Income from this account shall fund scholarships, typically for college or graduate school students who have been active in the Church.
6. *Music, Worship and Arts:* Income from this account shall fund the overall worship experience, including expenses related to musical instrument purchases or repair, music, worship, or arts leadership, choirs, or drama.
7. *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 may select 3 to 5 accounts deemed most compatible with the values, mission, and vision of the Church. All churches should at least have an Undesignated Ministry Account.*)

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. Therefore, any such gift, devise or bequest received by the Church after the date of adoption of this Resolution which is \$_____ or larger (*Suggested \$10,000*), shall be transferred to, and placed in the Unrestricted Ministry Account.

Other accounts may be established by action of the Church Council or equivalent. Such accounts may be established for specific projects, ministries, or missions to enhance the ministry of the Church.

No minimum contribution is required for gifts to established accounts.

Donor Restricted Accounts:

Donor restricted accounts may be established by individual donors who place specific restrictions on their gift. A written letter from the donor which clearly states the donor restriction, in the absence of a Last Will and Testament, Living Trust, or other legally drafted document, is required in advance of establishing a donor-restricted account. Furthermore, such new restricted accounts may only be established if the following criteria are met:

1. The Committee agrees to accept the gift with the restrictions proposed by the donor, and
2. The Committee agrees to establish a new restricted account to hold this restricted gift, and
3. The initial gift to the new restricted account shall not be less than \$_____ (*Suggested minimum of \$25,000 – \$50,000.00*).

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

Donors wishing to establish restricted accounts of less than \$_____ (*Suggested \$25,000 – \$50,000.00*) will be encouraged to make their gift to one or more of the other existing accounts.

E. RECEIPT OF GIFTS

1. The 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 Committee must approve any gift offered to the Endowment Fund before being officially accepted. The 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 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.

F. INVESTMENT OF FUNDS

In accordance with *The Book of Discipline* of The United Methodist Church, the 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. As a matter of value-aligned, socially responsible stewardship, the Endowment Fund shall be invested in a balanced asset allocation through the United Methodist Foundation of Michigan to be held in trust.

G. SPENDING POLICY

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 Charge Conference.

Income shall be defined as earnings from all sources including interest, dividends, and capital appreciation.

Distribution based on a set spending rate is a standard method of distribution and is consistent with the Uniform Prudent Management of Institutional Funds Act. Thus, the Fund shall apply an annual spending rate of _____% (4% to 5% is recommended).

The application of the spending rate shall be as follows:

Option A

On or about January 1st of each year, the spending rate as determined above shall be applied to the account balance of the Fund at the end of the previous calendar year. The resulting amount shall be available for distribution as gifts or grants.

Option B

On or about January 1st 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 _____ quarters (*suggest 8 to 12 quarters.*) The resulting amount shall be available for distribution as gifts or grants.

Assets available for making grants or other distributions, as determined under the above policies, definitions, and formula, but which are not disbursed in a given year for any reason, shall be available for disbursement in future years.

H. 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 exceed 50% of the total Unrestricted Account principal. In such an event, borrowing must be approved by a majority vote of the Committee, the Board of

Trustees, and a Charge Conference, subject to the terms of *The Book of Discipline* of The United Methodist Church. The terms and conditions of any such loan would be those as recommended by the Committee and would be generally comparable to terms and conditions available through commercial lending institutions.

I. PLEDGING FUND ASSETS

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

J. 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.

K. EVENT OF DISSOLUTION/DISAFFILIATION OF THE CHURCH

In the event of the dissolution or disaffiliation 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.

L. ADMINISTRATION OF DONOR RESTRICTED GIFTS

The Church recognizes that many times the intent of an asset given to establish a Donor Restricted 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 restriction impossible or impractical. Therefore, by unanimous vote of the 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 Unrestricted Account. If the Committee determines that a designation contained in a restricted fund is unlawful, impracticable, impossible to achieve, or wasteful, the Committee may release or modify the restriction, in whole or part. 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 policy. Therefore, no such gift shall fail or revert because of changed circumstances, which makes the continued administration of any particular Donor Restricted Account impossible or impractical.

M. AMENDMENTS

This resolution may be amended by a 3/4 vote of the Committee and a majority vote of the Charge Conference duly called in accordance with *The Book of Discipline* of The United Methodist Church.

N. FREEDOM TO EMPLOY COUNSEL

The 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.

O. EXPENSES FOR MAINTAINING THE FUND

Any expense incurred in managing, maintaining or operating the Fund as a whole shall be drawn from the income of the Unrestricted Ministry Account before distribution. Any expenses incurred in managing, maintaining, or operating a donor-restricted account shall be paid from the respective account.

P. LIABILITY OF TRUSTEES AND MEMBERS OF THE COMMITTEE

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

Q. 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.

R. 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

Name

Printed Name

Printed

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. Revised 10/03/23.

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