



Checklist for a Church Endowment Policy

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Churches that are considering the creation of an endowment policy or reviewing existing policies may find this checklist helpful in addressing many of the issues that are inherent in this subject matter.

1. A Mission Statement for the Church Endowment. This would be a brief one-paragraph sentence(s) outlining the purposes of the endowment in this community. This is often the result of a major long-range plan for the church. It is important that it be voted on at an all-church meeting.
2. The name of the Endowment(s) and its sub-accounts.
3. A preamble outlining the general purposes or objectives of the Endowment program.
4. How to:
 - a. Amend
 - b. Modify
 - c. Invade
 - d. Etc.
5. Statements about distribution in case your church merges or becomes defunct should reflect the current Book of Discipline.
6. Identification of what committee or what officers have general responsibility for the church's Endowment(s).
7. Definition in terms, i.e., "What does this church mean by Endowment?" In accounting terms, an Endowment is made up of monies in which the principal cannot be spent and the income from the assets shall be spent.

Other words to define:

1. Memorial Funds
2. Contingent Funds
3. Emergency Funds
4. Discretionary Funds
5. Special Funds

Does the sacredness of the original gift mean:

1. A static figure
 2. An amount adjusted for inflation annually
 3. The original amount plus all appreciation
 4. Etc.
8. Provision for accepting or rejecting gifts.
 9. Provision for disposition of property when given to the church. Generally items should be sold as soon as possible except in unique situations.

10. Direction and/or placement of undesignated gifts (dependent on size).
11. Relief from liability for Trustees except for obvious.
12. A paragraph regarding conflict of interest.

INVESTING ISSUES

1. Delineate responsibilities of the committee or people responsible for endowments.
2. Investment management deals with three major elements- Income, Growth and Security. Each church needs to work through its philosophy and degree of emphasis on these characteristics and ***who is to provide ongoing supervision.***
 - a. Endowment committee
 - b. Investment committee
 - c. Trustee committee
3. Selecting the Rocky Mountain Conference United Methodist Foundation (the Foundation) as your investment administrator offers you:
 - Trusted, qualified experts who understand the specific needs of a UM church and the closely watched management of your fund.
 - A competitive rate of return.
 - Socially responsible investing (excludes tobacco and alcohol products, gambling, armaments, pornography, abusive human rights issues).
 - Broad options- a family of 3 United Methodist funds.
 - Access to the MHM loan program to conference churches and agencies for repairs, building, purchase of land, etc.
4. A review of investment products offered by the Foundation:
 - Money Market
 - Fixed Income Fund (Bond Fund)
 - Equity Growth Fund (Stock Fund)
 - MHM Fund

A discussion of the risks involved in each needs to take place periodically.

5. Percentage diversification of investments- Stock, Bond & Cash (regarding liquidity).
6. Watch for standard of measurement of Foundation funds- Standards and Poors and LB Intern GV/CP.

REPORTING PROCESS

1. Policy should be voted on by the Congregation at an annual or special meeting.
2. Endowment Funds should be audited periodically. Shall expense be borne by church budget or the Endowment Funds?
3. Separate report (from annual budget, etc.) to the Congregation at least annually as to principal, income, and spending as well as number of bequests and other gifts received. Acknowledgement of donors (if permitted).
4. Means of recognition of donors.
5. How do we publicize results of our spending?
6. How do we attract more Endowments?
 - a. Planned Giving
 - b. Capital Funds Campaigns
 - c. Bequests from Wills

Can the church spend some of our Endowment income on such educational or promotional programs?

SPENDING FROM ENDOWMENTS

Christians like to give and they are more likely to give if they have a sense that their "dollars" will be spent in areas of church life that interest them. The policy should deal with the ever-present tension between short-term vs. long-term goals.

1. Will spending be based on:
 - a. Annual Yield (dividends and interest)
 - b. Total Return on Portfolio (yield plus capital appreciation)
 - c. Net Income after
 - d. Percentage being reinvested
 - e. Fixed amount being reinvested
 - f. Net Income after purchasing power of principal being maintained (inflation factor at _____%)
 - An average percentage payout based on a 3-5 year rolling average of the total return.
2. Will spending be made to:
 - a. Church's total annual budget
 - b. Percentage only to annual budget
 - c. Fixed amount to annual budget
 - d. Specific:
 - i. Programs
 - ii. Missions
 - iii. Buildings and Maintenance

3. What provisions do we make to handle intended goals of a restricted gift that no longer exists or is no longer needed?
4. Other items:
 - a. Unrestricted Gifts:
 - b. Can capital ever be spent?
 - c. Is there a minimum size to go to permanent Endowment Funds?

EXISTING ENDOWMENTS

1. Recommend that records be checked regarding all existing Special Funds from church records or Probate Court concerning restriction and directions. Trustees should maintain and review periodically to assure wishes and/or intent are being honored.
2. Usually no guidelines exist for funds that may have been around for 100 or 200 years. Will new policies be applicable to those existing funds? If not, what?

IN GENERAL

1. It is recommended that outside professional investment management be utilized. Money and its uses can create conflicts in many ways in the life of a church.
2. All money handlers should be bonded (by By-Law direction).
3. Church By-Laws should be examined regarding length of terms of service of those handling or managing money.
5. Churches that spend time and effort creating an Endowment Policy are freed up to be "the Church", saving energy of individuals, avoiding conflict in the church, and creating goodwill in the community.

Churches that have been "accumulating" their Endowments need to consider upper limits in proportion to needs and size of the church.