

# Endowment Policy Manual



**UNITED CHURCH**  
OF CHRIST

**MASSACHUSETTS  
CONFERENCE**

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# Contents

Section 1:	Empowering Ministry Through Effective Endowment Management <i>By the Ann Kansfeld of The United Church Foundation</i>	P. 3
Section 2:	Endowment Policy Workbook	P. 19
Section 3:	Mass. General Laws, Chapter 180A	P. 42
Section 4:	Sample Endowment Policies:	P. 47
	South Congregational Church, UCC, <i>Pittsfield, MA</i>	<i>p. 48</i>
	First Church of Christ, U.C.C., <i>Longmeadow, MA</i>	<i>p. 53</i>
	Trinity Church, <i>Northborough, MA</i>	<i>p. 61</i>
	Evangelical Congregational Church, <i>Dunstable, MA</i>	<i>p. 68</i>
	Pilgrim Church, <i>Sherborn, MA</i>	<i>p. 74</i>
	First Congregational Church, <i>Burlington, VT</i>	<i>p. 79</i>
Section 5:	Developing a Planned Giving Ministry by Stella A. Schoen Originally published in <i>Connections Magazine</i> by the Stewardship Council of the United Church of Christ.	P. 83

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## Section 1: Empowering Ministry Through Effective Endowment Management

*By the Ann Kansfeld of The United Church Foundation*

Endowments have the potential to support vital, exciting ministries in our churches and organizations. Investment returns from endowments can be used to maintain buildings, to hire additional staff, or to develop innovative programs. They can pay for scholarship support for seminarians and mission trips for youth groups. In short, endowments can have a beneficial impact on the life and ministry of the church.

Endowments also bring potential pitfalls for ministry. They can undermine good stewardship, create a dependency on the giving of past generations and lead to complacency about keeping mission and service programs functioning effectively.

Through effective management based upon a well-defined Endowment Fund Policy, endowments can last in perpetuity, consistently and continually empowering ministry for the benefit of all of God's people.

Managing an endowment effectively is a skill. It takes more than just a desire to enable good ministry to happen. Rather, it takes foresight, planning and attention to detail. It requires knowledge of investments and accounting, and relies upon the dedication of those who are called to serve on endowment committees or boards. Most importantly, it involves planning and organization. Establishing endowment, investment and spending policies and ensuring that they are followed is the key to ensuring good stewardship of the endowment resources entrusted to your care. It is also the best way to avoid the potential downfalls mentioned above.

The United Church Foundation and the Financial Development Ministry of the UCC have developed *Empowering Ministry Through Effective Endowment Management* as a means of encouraging the faithful stewardship of endowment resources. It mixes theological reflection with practical suggestions that seek to guide you through the process of establishing and maintaining an endowment successfully.

The United Church Foundation provides asset management and other financial and trust services to the church. Their common investment funds offer long-term, low cost, socially responsible ways for investing the endowment resources and permanent assets of UCC churches and organizations. They can be reached at 877-806-4989.

The Financial Development Ministry team helps facilitate the giving of a variety of planned gifts such as charitable gift annuities, charitable remainder trusts and pooled income funds. They are available to assist UCC churches and organizations with planned giving programs and can be reached at 800-846-6822.

## Endowment Basics

Meeting the ministry needs of a community requires a deep faith in God. Individuals and groups of persons come together to worship, pray, care and grow. Adept leadership, strong vision and deep conviction help facilitate this. But building and maintaining a ministry also requires the use of financial resources. Providing for church leaders, caring for the physical plant, developing resources and providing opportunities for mission all rely upon the gracious and cheerful giving of the people who comprise the church community.

Money helps facilitate ministry, and churches and organizations rely on financial resources in order to fulfill their Christian mission. This money can come from a variety of places: from individual tithes and offerings, from grants and foundations, from the church's investments such as rental income or from planned gifts and endowments. Most churches receive funds from one or more of these sources.

An endowment fund is a single or combined pool of assets established to support the long-term needs of the organization. Endowments provide financial resources for general, time sensitive or specific purposes.

### **Endowments provide resources for:**

General purposes such as supplementing a church's overall operating budget

Time sensitive purposes such as the creation of a five-year pilot program

Specific purposes such as establishing an ongoing scholarship program

Giving or establishing an endowment provides benefits for both the not-for-profit organization receiving the gift as well as for the person or corporation providing the gift. The not-for-profit receives a resource that can provide a stream of income in perpetuity to strengthen their ministry.

The donor is able to remove assets from a taxable estate, thereby lessening his or her tax burden. By contributing assets to a qualified not-for-profit organization, the donor may be able to claim a current year charitable income tax deduction. At the same time, the donor is able to advance the work of not-for-profit about which he or she cares.

### **Why should your church or organization establish an endowment fund?**

- Endowments encourage an organization to manage resources in an effective manner that builds reserves for the future.
- Endowments provide stability over time by encouraging long-term planning.
- Endowments encourage donors to ensure that a particular organization, program or mission they care about is able to continue well into the future.
- Endowments provide donors with the peace of mind of knowing that checks and balances are in place to protect the gift they are making.
- Endowments encourage others to give generously by providing role models for giving.
- Endowments offer valuable tax and estate planning opportunities.

## **Developing an Endowment**

Typically, churches and organizations develop an endowment for two reasons.

1. They want to ensure the future of their ministry and establish an endowment with the faith that donors will participate in funding it.
2. They receive a substantial gift and need to plan how to make the best use of it.

Wherever your church or organization is in this process, there are several steps you need to go through in order to establish an endowment. These include forming an endowment committee, creating an endowment fund policy, deciding how the investments will be managed, maintaining proper accounting and encouraging others to give.

First, your church or organization will want to establish an endowment committee. This group of people has the task of developing and/or reviewing your organization's current endowment policy. There may be multiple endowment policies depending upon the number of endowments held by the church or organization. This committee is responsible for recommending how the endowment is invested and how its funds are spent based upon the fund policy or policies agreed upon.

In selecting people to serve on an endowment committee, it is best to have people with a variety of strengths on the committee. Those with experience in accounting, law, fundraising, investments and banking are naturally apt to share their gifts on such a committee. But additional characteristics such as having an inquisitive mind, attention to detail and an ability to ask probing, thoughtful questions are also helpful to an endowment committee. These traits may be found in people from a wide verity of backgrounds and careers.

The committee will need to determine the purpose of the endowment. This may be in conjunction with the donor(s) involved. Is it general in nature or specific in purpose? Is there a time-frame over which the funds are to be expended or is it to last in perpetuity?

When the purposes and timeframe for an endowment are agreed upon, it is time to present a recommendation to the governing body and obtain their approval and support for the concept.

## **Types of Endowments**

General or Unrestricted Endowment – Funds donated where the donor has made no restrictions regarding the purpose, timing or use of the corpus or income earned thereon.

Designated (Quasi) Endowments – Funds donated where the donor has made no restrictions regarding the purpose, timing or use of the corpus or income earned thereon, but the governing board of directors has voted to designate a portion or all of the unrestricted funds for a specific purpose. Such actions may also be reversed by the governing body of the organization.

Temporarily Restricted Endowment – Funds donated where the donor has specified a restriction regarding the purpose, timing or use of the corpus or income earned thereon. The restriction may be on the corpus, the income earned on the corpus or both. The restriction will be released upon a certain date or occurrence of a specified event.

Time Restricted Endowments – Stipulations by the donor whereby a future date triggers release of the corpus and/or income. For example, a donor may stipulate that the corpus and interest on a gift be maintained for 5 years and then be released for general purposes. Time restricted endowments by definition are always classified as temporarily restricted endowments.

Event Restricted Endowments – Stipulations by the donor whereby a future event triggers release of the corpus and/or income. For example, a donor may stipulate that the corpus and interest on a gift be maintained until the organization meets a certain target goal. Event restricted endowments by definition are always classified as temporarily restricted endowments.

Permanently Restricted Endowment – Funds donated where the donor has specified a restriction regarding the purpose, timing or use of the corpus or income earned thereon. The corpus must be maintained inviolate. The income from the investment may be entirely or partially available for distribution.

If you are developing an endowment around the specific wishes of a particular donor, you will need to make certain agreements with the person making the gift.

A not-for-profit organization that receives a major gift is often entering into a trust agreement with the donor to hold the contribution, also called the corpus, for a period of time, generally in perpetuity. The returns derived from the corpus provide a source of income to the organization. However, not-for-profit organizations must carefully review these agreements, since donors will often make specific restrictions on how the income is to be used, or how the release of income is calculated.

A good practice for not-for-profit organizations is to adopt a gift receipt policy for major gifts that define the terms of the endowment and how the release of income is handled. If a donor has specific requests for the endowment contribution, carefully confirm and document the details of those variations with the donor. The not-for-profit entity should clearly mark its records so those agreed-upon directives can be honored in perpetuity, especially in light of turnover among the board of directors and staff members as time passes. Donors should be equally as careful to make sure their wishes are well documented in the agreement with the not-for-profit.

Enacting an endowment fund policy ensures that the wishes of the donors are respected and guides the endowment committee in making its decisions regarding investing and spending. An endowment fund policy protects both the donors and the church or organization and is an highly recommended.

### **Creating an Endowment Fund Policy**

The endowment committee should create an endowment fund policy. There are three major components that need to be evaluated and documented to create an endowment fund policy: administration, accounting and investment. A good policy will address each of these three components. A Model Endowment Policy is found in Appendix A.

Administration – Establishing a policy of gift acceptance, acknowledgement to the donor and the minimum amount required to establish an endowment.

- The governing body should adopt a policy explicitly stating the terms and conditions under which gifts are accepted.
- As a benchmark, most named endowments require a minimum gift of \$10,000
- The minimum donation to an existing endowment can vary, many churches have no minimum for additional contributions.
- The function of recording and acknowledging gifts is established by the accounting and/or financial development person. Who is responsible for accounting and for communicating with the donor(s) regarding receipt of any funding.
- A spending policy should be defined stating how much of the endowment will be made available and under what conditions. Many endowments use a spending rule of 5% per year based upon a three or five year trailing average balance. When coupled with a reasonable level of investment gains over time this allows the endowment to continue in perpetuity.

Accounting – Written procedures documenting the standard for handling donations and the establishment of an endowment are absolutely necessary.

- Such procedures are typically prepared by staff and approved by the governing body.
- Procedures need to be detailed so there is consistency. They should state who is responsible for accounting, the methods of accounting and the checks and balances to ensure financial integrity of the endowment.
- The procedures should include provisions for regular reporting and how this is to occur.
- The policy should clearly state the procedures for auditing as well as other means of financial transparency.

Investment – Specific guidelines should be adopted regarding the investment strategy for endowment funds.

- These guidelines should establish who is responsible for the oversight of the investing of funds.
- Investment guidelines provide parameters for how the funds are to be invested. Many endowment fund policies suggest an asset allocation range.
- Often churches and faith-based organizations explicitly state socially responsible investing guidelines to ensure that funds are invested based on their faith values.

#### Checklist to construct an endowment policy

- ❑ A Mission Statement for the Church. This would be a brief (one paragraph) outlining the purpose of the church. This is often the result of a major long-range plan. It is important that the mission is voted on at an all-church meeting.
- ❑ The name of the Endowment(s).
- ❑ A preamble outlining the purposes or objectives of the endowment program.
- ❑ How to
  - Amend
  - Modify
  - Invade
- ❑ Distribution in case church merges or becomes defunct.
- ❑ Identification of what committee or which officers have general responsibility for the church's Endowment(s).
- ❑ Definition of terms such as:
  - Endowment
  - Memorial Funds
  - Contingent Funds
  - Emergency Funds
  - Discretionary Funds
  - Special Funds
- ❑ Provision for accepting or rejecting gifts.
- ❑ Provision for disposition of real property when given to the church. Generally it should be sold as soon as possible except in a unique situation.
- ❑ Direction and/or replacement of undesignated gifts, often dependant on size.
- ❑ Relief from liability of Trustees except for obvious/intentional acts
- ❑ A paragraph regarding conflict of interest.

#### Investing Issues

- ❑ Delineate responsibilities of the committee or people responsible for Endowments.
- ❑ Selection of investment manager:
  - In-house committee
  - Investment brokerage house
  - Trust department
  - Conference Funds
  - Foundation
- ❑ Statement regarding acceptable investments and unacceptable investments
  - Savings accounts
  - Certificates of Deposit
  - Treasuries
  - Mutual Funds
  - Bonds
  - Stocks
  - Real Estate
- ❑ How will performance of endowment investments be evaluated? By whom and using what benchmarks?
  - Dow Jones Average(s)
  - Standards and Poors

- Russell 2000
- Wilshire 5000
- Investment strategy guideline, risk tolerance and portfolio diversification among acceptable investment vehicles

#### Reporting Processes

- Endowment policy should be voted upon by the congregation at an annual or special meeting.
- Endowment funds should be audited periodically, determine how often and how this will be funded.
  - Church operating budget
  - Endowment funds
- Annual reporting to the congregation regarding
  - Principal
  - Return
  - Spending
  - Number of bequests or gifts received and acknowledgement of donors
- The means of recognizing donors.
- How spending results are publicized.
- How additional funds will be attracted
  - Planned giving
  - Capital fund campaigns
  - Bequests from wills

#### Spending from the Endowment

- Will spending be based on:
  - Annual Yield (dividends and interest)
  - Total Return (yield plus capital appreciation)
  - Net income after
    - Percentage reinvested
    - Fixed amount reinvested
  - Net income after purchasing power of principal is maintained (inflation factor at \_\_\_%)
- Will spending be made to:
  - Church's total annual budget
    - Percentage to annual budget
    - Fixed amount to annual budget
  - Specific
    - Programs
    - Missions
    - Building and maintenance
- What happens if the intended goal of a restricted gift no longer exists?
- Unrestricted gifts:
  - Can capital ever be spent?
  - Is there a minimum size needed in order to become a permanent endowment?

#### Existing endowments

- Will the new policy cover existing funds? If not why?

## Creating an Investment Policy

Within the context of an overall endowment policy lies the opportunity to establish an investment policy which provides guidelines for how the endowment's funds will be invested. Some organizations differentiate between the skills necessary to raise funds for an endowment and those needed to invest the endowment fund itself. As a result, they have separate documents outlining the overall endowment policy and its corresponding investment policy. Most often, the two are combined in one document.

An investment policy should incorporate the following considerations:

- Time horizon – how long will the funds be invested?
- Risk tolerance – how much risk is tolerable given the time horizon?
- Return expectations
- Asset allocation guidelines
- Socially responsible investment guidelines

Many endowments choose to incorporate a policy based on total return. Total return takes into consideration market gains as well as dividends and interest and allows an organization a steady, predetermined stream of funds for spend purposes.

## The Benefits of Total Return

For generations investors have been taught: "Spend the interest. Never touch the principal." When savings were invested primarily in banks, bonds and dividend-paying stocks, such a philosophy worked well. Investment principal was preserved, and investment earnings could be spent.

But the nature of investing has changed. The most significant gains in the stock and bond markets are often not in the form of cash distributions such as interest or dividend payments. This is because investment returns often come in the form of increased market value instead of cash yield. As a result, an investment return as high as 25% might yield less than 2% cash to an investor – not much spending power for a church or organization seeking to make an impact in its community.

If someone has invested \$1 for you back in 1925, how much would that investment be worth now?<sup>1</sup>

If that dollar had been invested in long-term government bonds, your portfolio would be worth about \$60. Long-term bonds have earned an average annual return of 5.4% since 1925 – somewhat above the average inflation rate of 3.0%.

However, if that dollar had been invested in the stock of large companies, your investment would be worth \$2,284 – an average annual return of 10.4%. This average annual return

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<sup>1</sup> Figures as of 1/1/2004, assuming income reinvestment and no transaction costs or taxes. Source: Ibbotson Associates, Inc. Because long-term bonds and Certificates of Deposit (CDs) both earn income at a fixed rate, the long-term bond rate has been used here for the sake of illustration; had CDs been available since 1925 the results would have been similar.

includes the period of the Great Depression, the market declines in the 1970s, the crash in 1987 and the most recent period of decline following September 11, 2001.

How did that \$1 invested in stocks become worth more than an extra \$2200 over fixed-income investments? From the increase in value over time, thanks to income compounding and *capital gain*. A Total Return Investment Policy permits assets to be invested without regard to direct cash distributions such as interest or dividends, *keeping the focus on growth* in the overall portfolio.

Without having investment choices dictated by the necessity of income from dividends or interest, a Total Return Investment Policy can consider a wider range of investments that offer the potential for greater returns for your church or organization. This is why Total Return is the modern standard for the investment industry.

But a Total Return Investment Policy offers additional benefits to churches and other organizations. Unencumbered by the limits of cash-return investing, organizations can invest in a manner that is more diversified and often more profitable. A more diversified portfolio tends to enjoy greater stability and ongoing growth potential, as its investments include a wider array of companies and industries, representing various facets of the economy. And diversification provides an added benefit of spreading out investment risk ensuring that all your eggs are not in the same basket.

To benefit fully from a Total Return Investment Policy, investors often adopt a spending policy based on Total Return, which considers capital gains as a part of total income. Because the only way to enjoy the spending benefits of a stock's increase in value (the capital gain) is to sell shares of the stock, a Total Return-based spending policy allows the sale of a small portion of the portfolio, while protecting the investment's overall value.

Different from spending the "principal," withdrawing a portion of the portfolio to take advantage of the capital gain increases the spending power of the investment while maintaining the value of the original principal. To ensure that the value of the portfolio does not erode over time, despite inflation and the inevitable down cycles of the market, a Total Return-based spending policy calculates an annual redemption rate of five percent of the five-year trailing average balance. This conservation method reduces the variations in the amount withdrawn each year by averaging the investment results of recent years.

With such a spending policy in place, a diversified portfolio can continue to increase over time. And as the portfolio value grows, the spending amount available each year will continue to grow as well.

#### The Benefits of Total Return

- Provides long-term investment stability for the portfolio
- Allows for greater investment diversification
- Provides spending based on overall portfolio growth, not just interest and dividend income
- Increases an organization's ability to plan around a predetermined percentage of the portfolio for annual spending

## **Social Guidelines**

Each action that we take (or do not take) has theological ramifications. As Christians, we have an obligation to express the values of our faith in all aspect of our lives, and especially in the ways that we invest. God calls us to do justice, to love kindness to care for creation and to seek the welfare of the poor and the oppressed.

We seek to fulfill our stewardship responsibilities by ensuring God's will is reflected in the way that we manage the resources entrusted to us. Money and investments are intricately bound with issues of power and domination. The global economy has a profound impact upon humanity. Corporations can work for the common good, caring for their workers, and for the environment or they can also exploit their employees, do damage to the earth and care little about the weakest and the poorest in the world.

Consequently, investing funds upon the basis of faith principles can be a difficult and at times perplexing task. Christians do not necessarily agree on what constitutes justice or equity, let alone what is moral or ethical. Many endowment policies state faith-based social guidelines with regard to the types of investments that will be permitted or avoided. Large endowments may consider establishing a committee to review shareholder issues in order to determine how best to vote on shareholder resolutions.

## **Study Finds Investors Benefit from Socially Responsible Investing**

A groundbreaking analysis of 52 studies looking at the link between corporate social responsibility and financial performance is the recipient of the Social Investment Forum's 2004 Moskowitz Prize for outstanding research in the field of socially responsible investing.

Entitled "Corporate Social and Financial Performance: A Meta-Analysis," the study by Marc Orlitzky, Frank Schmidt and Sara Rynes scrutinizes more than 50 academic reports and concludes "there is a positive association between corporate social performance and financial performance across industries and across study contexts."<sup>2</sup>

The study authors note that this link "varies (from highly positive to modestly positive) because of contingencies, such as reputation effects, market measures of financial performance, or corporate social performance disclosures." The study also found that corporate social performance was a better predictor of financial performance using accounting measures than market-based ones.

"This analysis provides strong evidence of what many people have suspected all along – that corporate social responsibility does indeed have a measurable impact on the financial bottom line," said Social Investment Forum President Tim Smith. "That a survey of so many studies by so many respected individuals supports this view is a major finding that validates the core thinking of socially responsible investing."

In awarding the prize, the Social Investment Forum noted that the study does an unusually thorough job of analyzing possible confounding issues. For example, some analysts have expressed concern about availability bias — that studies failing to show a positive relationship between social responsibility and financial performance are unlikely to be published. To address this bias, the study authors conducted a "file drawer" analysis demonstrating that the number of such studies would have to be very high (as many as 1,000) to change their overall conclusions.

Lloyd Kurtz, portfolio manager at Nelson Capital Management, added: "This study is an important review of the literature of corporate social responsibility as compiled by management theorists, and deserves the attention of managers, investment practitioners and academics. The statistical techniques used are complex and the results are novel.

"Nonetheless, the study poses a strong challenge to those who argue that no clear inference can be made from the academic work on corporate social responsibility that has been compiled over the years."

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<sup>2</sup> "Study of Studies" Finding Corporate Social Responsibility Impacts Financial Performance Wins Awards: Press Release." Social Investment Forum Website. October, 20 2004. [www.socialinvest.org/areas/news/102504release.htm](http://www.socialinvest.org/areas/news/102504release.htm). A full copy of this study is available at: [http://business.auckland.ac.nz/newstaffnet/profile/publications\\_upload/000000556\\_orlitzkyschmidrynes2003os.pdf](http://business.auckland.ac.nz/newstaffnet/profile/publications_upload/000000556_orlitzkyschmidrynes2003os.pdf)

Funds managed by the United Church Foundation are invested following guidelines of for both stock screening and shareholder activism as means of influencing corporate behavior.

In selecting investments, UCF managers should avoid securities of companies which derive a significant portion (as defined below) of their revenue from the manufacture, sale or distribution of alcohol, tobacco, gambling or military products and services.

Product	Approximate Percentage
Alcohol	10%
Gambling	10%
Tobacco	1%
Military products	10%
- conventional weapons	
Military products	5%
- nuclear weapons	

#### Socially Responsible Investing and the United Church of Christ

The General Synod of the United Church of Christ issues recommendations concerning socially responsible investing from time to time with regard to the investments of the national setting. While these are not binding on local congregations, associations, conferences or other church-based organizations, they are a form of guidance for the church.

At the Sixth General Synod in 1967, The Action on Poverty and Economic Justice declared that: *"Social value and social justice ought to be given consideration together with security and yield in the investment of funds held by religious organizations. Requests the Instrumentalities with substantial investments to study the social aspects of policies and practices with respect to investments and to report on such studies to the Executive Council."* (Minutes - Sixth General Synod, page 97.) Further guidance from the Sixth General Synod was the recognition and acceptance of the responsibility of the Instrumentalities to: *"Utilize in a strategic way its economic power."* (67-GS-195)

Two years later, the Seventh General appointed a Committee on Financial Investments (COFI). COFI was requested to: *"Establish criteria and make recommendation toward substantial use of investments of all national Instrumentalities and Conferences to promote maximum social impact based on established General Synod policies."* (69-GS-118)

The "COFI Report" was completed and presented to the Executive Council in October of 1970. The Executive Council subsequently adopted the criteria set forth in the COFI Report as guidelines for the investment policy of national Instrumentalities and Conferences. The central theme of their report was that: *"Investors should seek the best investment opportunities on financial grounds and then work from within to alter corporate practices that are at variance with social concerns of the church."*

COFI's members predicted that "corporate persuasion" would likely be the most effective option available to improve the social impact of a corporation in which a church organization held an investment. This is the principle behind what is now referred to as shareholder activism - collective efforts investors can use to influence the behavior and actions of a company.

Having an endowment policy is vital to the process of establishing an endowment. Once it is in place, the endowment committee can turn its attention to overseeing the endowment.

### **Investing Endowment Assets**

The majority of endowments are perpetual in nature, which calls for prudent long-term investing. The endowment policy should provide a guide as to how the funds are to be invested. The next step is to invest the funds.

There are many ways by which endowments can be invested. Most endowments hire outside managers who in turn invest the funds. This may be in mutual funds, individual stocks and bonds, or a combination of them.

If there is sufficient expertise within the investment committee, the committee itself can manage the portfolio, but this is not advised.

Questions to ask when thinking about self-managing the investments of an endowment

- Which committee member or members will have trading authority over your account? Be sure to build in checks and balances to ensure that trading decisions are made with full committee approval.
- How will trades be made? If you use no-load mutual funds, trades can be made directly through the investment company. Commissionable products — load mutual funds and individual stocks and bonds — will have to be purchased through a broker.
- If you decide to use a broker, is the broker connected in any way to a committee member? For example, is the selected broker also the personal broker, a friend, or a relative of a committee member? If the answer to any of these is “yes,” you risk a conflict of interest (or at least the appearance of such a conflict). Note that we refer to a broker here as one who merely executes trades at the direction of the committee, not an asset manager who has custody of money and is charged with the responsibility of managing the money in accordance with an investment policy.
- How will brokerage fees or sales commissions affect the return on your investments? Fees can have a material affect on your portfolio’s return and should be kept as low as possible.

As an alternative to self-management, you may seek the help of an outside asset manager. This is the most common approach to endowment investing as it limits the appearance of conflicts of interest and provides outside management expertise in addition to that found in the committee.

Plan to interview several different asset managers in order to find the one who is best suited for your investment strategy and situation.

Among your choices for asset managers are brokers, banks, investment companies, and the United Church Foundation. What are the proper criteria for choosing an investment manager?

Primary considerations for selecting an investment manager:

- The firm's structure
- Its management history
- Its performance history with the types of assets you have selected
- Its fee structure
- Its future direction —any anticipated change in management or strategic plan
- Its commitment to investing with your values in mind

An invested portfolio should be reviewed at least semi-annually (preferably quarterly) to ensure that it is invested in accordance with the endowment policy and to review overall performance.

### **Role of Board of Directors and Fiduciary Responsibility**

While the governing board is given latitude to invest in a broad variety of asset classes, the board may wish to establish an investment committee and/or to delegate its authority to an investment advisor and pay the advisor's fees from the fund. The law requires the governing board and any investment committee to exercise ordinary business care and prudence under the facts and circumstances prevailing at the time when:

- Making investment decisions
- Hiring an investment adviser, and
- Making expenditures from the fund.

In so doing, they are to "consider the long- and short-term needs of the institution in carrying out its purposes, its present and anticipated financial requirements, the expected total return on investments, price level trends and general economic conditions." Do the organization's board members need to become financial investment experts? No. But the board should approach their investment duty with due care and diligence and base their decisions upon sound information.

To meet this standard, we suggest that the not-for-profit organization carefully consider investment policies and prudent diversification, establish an investment committee, and keep good board minutes to document the considerations by the board and investment committee. The organization may be wise to seek guidance from an experienced investment professional in developing the investment policy.

The investment policy should not be static but should be reviewed at least annually by the investment committee and full board in light of the organizations' changing needs, economic conditions, and other factors that may affect the entity's risk tolerance and income needs. An organization's endowment investment policy may be different than the organization's unrestricted net assets investment policy. If the organization has significant fund balances, and the governing board or investment committee members do not have sufficient

investment experience, they may be well advised to hire an outside investment professional whose actions and recommendations would then be guided by the investment policy.

In developing the investment policy, the board or investment committee should determine the asset-class allocations, or ranges of allocations, that are appropriate to meet the policy objectives. Particular attention should be paid to the risk characteristics of the respective asset classes, as well as for the portfolio as a whole. The organization should then seek investments that comply with the investment policy. The organization may wish to use the following four criteria as part of the evaluation of individual investment alternatives:

- Is the investment appropriate in terms of liquidity, return versus risk, fit to portfolio, diversification, fit to the funding and cash requirements, and relevant economic factors?
- Does the asset meet the prevailing rate of return in the market consistent with the stated desired level of risk for the asset class?
- Relative to other investment choices, is the return appropriate to the desired risk level?
- What objective standards have been put in place to measure the prudence of that investment judged solely in the context of the total portfolio plan?

### **Endowment Accounting**

Generally, an endowment contribution increases the organization's permanently restricted net assets. Increases or decreases to the permanently restricted net assets can occur for the following reasons:

- Subsequent donor endowment contributions.
- Donor stipulations or applicable laws that subject the increase or decrease in the underlying endowment assets to permanent restriction.
- Reclassifications such as a donor withdrawal of a previous restriction.

Without explicit donor stipulation or restriction by a law that extends a donor's directive to them, losses on investments of donor-restricted endowment funds should first reduce temporarily restricted net assets for any previous net appreciation on those funds that were temporarily restricted, and then reduce unrestricted net assets.

Legal limitations that require the governing board to act to appropriate net appreciation for expenditure under a statutorily prescribed standard of ordinary business care and prudence do not extend donor restrictions to the net appreciation. Accordingly, unless the donor has explicitly restricted the net appreciation on an endowment fund, net appreciation subject to such limitations should be reported as a change in unrestricted net assets.

Naturally, significant losses in the endowment fund can significantly impact the organization and may raise concerns about the organization's ability to continue to exist. Generally, when the losses in the endowment fund cause the fair value of the assets to fall below the amount reported in permanently restricted net assets, the financial statements should disclose the amount of the deficiency.

**Spending Oversight**

Endowments are created in order to fund programs and ministries. This requires spending a portion of the endowment's assets or income (depending upon the spending rule established). The endowment policy should establish the purpose of the endowment which in turn dictates the nature of the programs and ministries to be funded.

It is the responsibility of the endowment committee to ensure that the endowment is funding programs that fall under its mandate. The board should review these programs annually to ensure that they continue to comply with any requirements established in the endowment policy.

## Section 2: Endowment Policy Workbook

### Article I: Name and Purpose

**What is the name of your policy?**

**Example:** *“The Endowment Policy of First Church, United Church of Christ”*

**What is the mission/vision statement for your church?**

**Example:** *“Our Church’s Purpose: Acknowledging Jesus Christ to be our Savior and Lord, and accepting the Holy Scriptures as our rule of faith and practice, we covenant with the Lord and with one another, and do bind ourselves in the presence of God to walk together in his holy ways. We will strive to be doers of the Word and not hearers only, to be firm in faith, quickened in hope, and constant in charity. And we will consecrate our time, talent, substance, and influence as heirs of God and joint heirs with Christ. Amen.”*

**Do you want to include a stewardship statement?**

**Example:** *“Stewardship Statement: We believe that Christian Stewardship involves the faithful management of all the gifts with which God has blessed us: time, talents, the created world, and money, including earned, accumulated, inherited, and appreciated resources. As faithful Stewards we support the church and its mission with regular gifts and pledges, and special offerings, even as we commit a portion of our time and energy. We also understand that faithful stewardship includes giving to the work of the church through bequests in wills, charitable trusts, gift annuities, life insurance, and the transfer of property, cash, stocks and bonds, real estate, collectibles, etc. It is the desire of our congregation to encourage, receive, and administer these gifts in a manner consistent with the loyalty and devotion of our Savior, consistent with the wishes expressed by the donors, and in accord with the By-Laws of this congregation.”*

**What is the purpose of the endowment policy, and what purposes and objectives does it serve?**

**Example A:** *“PREAMBLE: This endowment policy is established in order to further the mission of South Congregational Church, a portion of which mission is “to be good stewards of our time, talent and treasure.” This church wishes to encourage the Christian stewardship of accumulated, inherited and appreciated resources. It is understood that special gifts and bequests should not take the place of faithful stewardship of current income, but should be made to enable the church to continue and extend its mission in the future, both here and abroad.*

*PURPOSE: The purpose of this policy is to provide a regular procedure for the receipt, management and disposition of funds or other properties that are received by this congregation.”*

**Example B:** *“Endowment Funds Purpose: In order to accomplish the mission of the Church and be faithful stewards of our financial resources, The Endowment Funds of Trinity Church of Northborough (hereafter called The Funds) have been established to encourage, receive and administer gifts received. The purpose of The Funds is to enhance both the unrestricted funds available for general church programs and the restricted funds available for the specific named programs of Trinity Church of Northborough (hereafter called Trinity), such as scholarship and mission. See the below table for specific endowment fund definitions.”*

**Example C:** *“Endowment Fund Purpose: In order to accomplish the mission of the Church and be faithful stewards of our financial resources, The Endowment Fund of the Evangelical Congregational of Dunstable (hereafter called The Fund) is established to encourage, receive and administer gifts received and to be received. It is the purpose of The Fund to enhance the ministry and mission of the Church above and beyond the general operation of the annual program and administrative budget. No portion of the income generated by The Fund shall be used for the annual operating budget, except where “extraordinary” circumstances arise. In this event, where the integrity of gift restrictions permits, the congregation must take special action in order to authorize the use of a portion of the income for its own support services. Except where authorized otherwise in the terms of the gift, all principal amounts will be retained, and only the income or a portion of it, will be expended. The current status of The Fund will be reported at the Annual Meeting.”*

**Example D:** *“STATEMENT OF PURPOSE: The guidelines in this policy are to be followed in the receipt, investment and distribution of financial gifts, bequests and contributions to The First Church of Christ in Longmeadow. The primary objective for the management of these gifts is to provide resources to further the mission of the Church, now and in the future. It is the intention of this policy that these gifts will be handled with care and prudence.*

*As used in this statement of policy, endowment funds are funds whose principal is intended to be preserved indefinitely or until the occurrence of a specific event. The guidelines and instructions herein are intended to give flexibility to donors and to the custodian in establishing spending policies and in defining intended uses. By establishing a multiple fund strategy the custodian and donors may establish funds with clear restrictions on spending and other funds with more*

*flexible spending policies. They may establish funds that will have no spending for a period of years, and funds that may be spent to exhaustion upon the occurrence of a specific event. Within the confines of this policy, there is flexibility for establishing a variety of uses for particular endowment funds.”*

## Article II: Definitions

What do you mean by the terms you use in the policy, such as:

Restricted Funds  
Unrestricted Funds  
Designated Funds  
Memorial Funds  
Endowment  
Income  
Total Return  
Value of the Fund

**Example A:**                    *“TERMINOLOGY:*

*Working Funds:* Funds which are available for current use in the form of cash, checking accounts, 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.

*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.

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

*Designated Funds:* Funds which the donor has specified to be applied for a particular purpose. Such funds may be either restricted or unrestricted.

*Value of the Fund:* The total net assets of the fund as periodically reported by the Trustees. The year-end value will appear in the Church Annual Report.

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

*Income:* The portion of the Total Return which shall be available for current use. This shall be defined to be the three year average Total Return (%) minus the inflation rate (%), times the Value of the Fund, but not more than 10% of the Value of the Fund. Until the fund has a three year history, Income shall be defined to be returns from interest and dividends only.”

**Example B:**

***“DEFINITION OF TERMS***

1. Unrestricted Gift: *Moneys or other property given to the Church which may be used for any Church purpose or expenditure.*
2. Restricted Gift: *Moneys or other property given to the Church which may be used only for a particular purpose as specified by the donor.*
3. Income: *The earnings received from a direct gift, to include the interest, dividends, and net appreciation, realized and unrealized, in the market value of the assets of a gift fund over the “historic dollar value” of the fund (as defined in Massachusetts General Laws, (MGL), Chapter 180 A). A net loss, realized or unrealized, will result in a reduction of income.”*

## Article III: Fund Descriptions

**What Funds do you want to create?**

**What is the purpose of each fund?**

**Who makes the spending decisions for each fund?**

**Do the funds include both funds where principal cannot be spent (permanent endowment) as well as unrestricted funds where principal may be spent?**

### Example A: "ENDOWMENT ACCOUNTS"

*A number of accounts shall be established within the endowment as defined below.*

*GENERAL ACCOUNT: Funds in this account (restricted or unrestricted) are assignable to the general operating budget of the church.*

*CAPITAL ACCOUNT: Funds in this account (restricted or unrestricted) shall be reserved for major items of upkeep of church properties or purchase of new major equipment.*

*MISSIONS ACCOUNT: Funds in this account may be applied to any special missions projects which may be recommended by the Board of Missions and authorized by the Church Council. It may not be applied to the annual Missions budget.*

*MISCELLANEOUS ACCOUNTS: This shall be, a collection of miscellaneous amounts donated for specific purposes of a long term nature. The Deacon's Fund would be an example of a miscellaneous account. (Such funds which are expected to be disbursed within one year shall be excluded.)*

*Within each endowment account, a portion of the funds may be restricted so that only the income may be expended in the current year, if so designated by the donor. Distribution of the annual income from both restricted and unrestricted funds shall be made by the Finance 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 Finance Committee and approval by the Board of Trustees.*

### ACCOUNT SHARES

*Existing restricted and unrestricted reserve funds in the church treasury at the*

*time of initiation of this Endowment Fund shall be assigned to the General Account and shall be apportioned numbers of shares based on an arbitrary initial per share value of \$10.00. Per share value will be adjusted every six months based on appreciation over that time period. The number of shares will remain fixed until new money in the form of income or gifts comes into the Fund. Numbers of shares purchased by new money shall be determined by the per share value at the time of the new investment. All endowment funds may be commingled for investment purposes, but records shall be maintained of the number of shares in each account, for both restricted and unrestricted funds, and this number of shares multiplied by the current per share value shall determine the value of the account.”*

**Example B: “THE ENDOWMENT FUNDS OF TRINITY CHURCH OF NORTHBOROUGH**

<b><i>Fund</i></b>	<b><i>Purpose</i></b>	<b><i>Spending Authority</i></b>
<i>The General Endowment Fund</i>	<i>Distributions are to be used primarily for operating expenses of Trinity. They can be used to supplement the regular operating expenses or for non-recurring needs, operating or otherwise.</i>	<i>The Finance Committee is responsible for designating an annual amount that can be distributed to the Operations Fund by April of each year.  The approval of the expenditure of the funds can be included in the annual operating budget approved by the congregation, or by a specific congregation vote.</i>
<i>The Deacons Fund (a/k/a The Communion Fund)</i>	<i>Distributions are made to provide Christian benevolence to individuals in need.</i>	<i>The Finance Committee is responsible for designating an annual amount to be distributed to the unrestricted Communion Fund account by April of each year.  Disbursement decisions will be made by the chairperson of the Board of Deacons and/or the Senior Pastor.</i>
<i>The Scholarship Fund</i>	<i>Annual monetary awards are to be distributed to students to support educational expenses.</i>	<i>The Finance Committee is responsible for designating an annual amount that can be distributed by the Scholarship Committee; the amount should be determined by April of each year.  The distribution of the annual awards is the responsibility of the Scholarship Committee.</i>
<i>The Wider</i>	<i>Annual distributions are to support</i>	<i>The Finance Committee is responsible</i>

<i>Relations Fund</i>	<i>programs beyond Trinity. The objective of this fund is to augment funds pledged to the Wider Relations Fund by the church members.</i>	<i>for designating an annual amount to be distributed by the Wider Relations Committee; the amount should be decided by April of each year.  The distribution of the annual gifts is the responsibility of the Wider Relations Committee.</i>
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*Other Funds*

*Other funds that do not fall within the above four endowment fund categories shall be subject to oversight by the Executive Committee as stipulated in Article VIII of the Bylaws of Trinity (Gifts and Bequests)."*

**Example C:** *"The church, in its endeavors to carry out its purposes in the spirit of its Faith and Covenant, shall seek to establish and maintain certain Special Funds, namely:*

*1). GENERAL ENDOWMENT*

*This fund consists of all existing funds prior to 1981 and are under the general domain of the trustees for the general purposes of the church.*

*2). BUILDING AND MAINTENANCE FUND*

*It is the primary purpose of this fund to provide funds for expenditures which do not recur annually, or to meet emergencies having to do with the church buildings, their improvement, preservation, and maintenance in ways not provided for otherwise.*

*Payments from the income of this fund may be made upon the vote in favor of two-thirds of the members of the Board of Trustees present at a meeting duly held, or upon the vote in favor of a majority of the members of the church, present and voting, at a meeting duly held.*

*Payments from principal may be made the vote in favor of two-thirds of the members of the church, present and voting, at a meeting duly held.*

*3). MISSION FUND*

*The purpose of this fund include not only Home and Foreign Missions as understood historically, but also endeavors to meet human needs where ever such needs be found.*

*The Board of Mission and Social Concern shall make recommendations to the Church, from time to time, concerning the use of this fund, through the church calendar or the Church on the Green.*

*Payments from the income of this fund may be made upon the vote in favor of two-thirds of the members of the Board of Mission and Social Concern at a meeting duly held, or upon the vote in favor of a majority of the members of the church, present and voting, at a meeting duly held. Payments from principal may be made upon the vote in favor of two-thirds of the members of the church present and voting, at a meeting duly held.*

4). **PEOPLE AND PROGRAMS FUND**

*It is the purpose of this fund to promote the programs of the church in service to its members and the community. The Board of Deacons shall make recommendations from time to time concerning the use of this Fund, either through the Church calendar or the Church on the Green.*

*Payments from the income of this fund may be made upon the vote in favor of two-thirds of the members of the Board of Deacons present at a meeting duly held, or upon vote in favor of a majority of the members of the church, present and voting, at a meeting duly held. Payments from principal may be made upon the vote in favor of two-thirds of the members of the church, present and voting, at a meeting duly held.”*

## Article IV: Other Funds

**What other funds does your church hold?**

**To what extent do these policies apply to those funds?**

**Do you want to provide for separate memorial funds?**

**Example:** *“Other Funds: Other funds that do not fall within the above four endowment fund categories shall be subject to oversight by the Executive Committee as stipulated in Article VIII of the Bylaws of Trinity (Gifts and Bequests).*

*Memorial Funds: Families who wish to have gifts given in the memory of loved ones as an endowment to support specific programs of Trinity into perpetuity will be encouraged to request that the gifts be given to one of the above four endowment funds (e.g. The Scholarship Fund of Trinity Church of Northborough).*

*Those families who wish to consider establishing a “named” memorial fund in memory of a loved one, to be part of one of the above four 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 Executive 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 stipulated minimum amount required at inception is subject to periodic review and adjustment by the Executive Committee.*

*Those named funds already in existence at the time of the approval of this policy will be grand fathered into this policy, regardless of the balance in those particular funds.”*

## Article V: Gift Acceptance

**Who decides on whether or not to accept a particular gift (some gifts may not be appropriate due to practical issues of management or come with restrictions that do not meet the mission of the church.)?**

**Example:** *"Acceptance of Gifts: The Board of Trustees shall have the responsibility for the acceptance or rejection of all gifts. Gifts which are unwieldy to manage or not in keeping with the Christian mission of the Church will be carefully reviewed and may be declined by the Board of Trustees."*

**Do you want to provide for the prompt sale of property given to the church?**

**Example:** *"Properties transferred to the church will generally be sold promptly and the proceeds placed with our investment managers."*

**Do you want to specify the types of gifts that are acceptable? (in this way you also can help expand people's ideas of what they can give).**

**Example:** *"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"*

**To what funds and what uses will undesignated and unrestricted gifts be applied? Does the amount of the gift factor into this?**

**Example A:** *"Unrestricted gift proceeds will be allocated equally in the four Permanent Endowment Funds of the Church as described in the By-laws, Article VIII and B1, 2 & 3."*

**Example B:** *"In the event of no designation, gifts equal to or less than \$5000 shall be assigned to the General Account. Gifts greater than \$5000 shall be apportioned:*

<i>General Account</i>	<i>40%</i>
<i>Capital Account</i>	<i>40%</i>
<i>Missions Account</i>	<i>20%</i>

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

**Do you want to provide for "named funds" for gifts of over certain amounts, and if so, who determines the minimum amount?**

**Example:** *“Those families who wish to consider establishing a “named” memorial fund in memory of a loved one, to be part of one of the above four 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 Executive 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 stipulated minimum amount required at inception is subject to periodic review and adjustment by the Executive Committee.”*

**What provision do you want to make for the situation where it is no longer possible or practical to meet the conditions of a designated gift?**

**Example:** *“In the event any restriction upon a gift becomes obsolete, inappropriate, or impractical, the Trustees may seek the release of the restriction by conforming to the procedures set forth in Massachusetts General Laws Chapter 180A, Section 9, as amended.”*

## Article VI: Fund Management

### Who manages your funds?

**Example A:** *“FUND MANAGEMENT: The Finance Committee shall provide overall management of the Endowment Fund.”*

**Example B:** *“In accordance with the By-laws of the Church, the Board of Trustees is responsible for all of our assets, real and personal.”*

*All investable funds are delegated to the Investment Committee which oversees and is in regular communication with the professional money managers on at least a quarterly basis.”*

**Example C:** *“The Trustees are 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”*

### What are their duties and responsibilities?

**Example A:** *“The Finance 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 to the Board of Trustees acceptance or rejection. If the Board of Trustees approves acceptance of new gifts, the Finance Committee shall categorize them to Endowment Accounts in accordance with the donor’s designation.*

*Establish investment policies, with the approval of the Board of Trustees, and implement these policies.*

*As part of the annual budgeting process, identify what Endowment Fund income will be available to be applied to operating and capital expenses in the following year and recommend to the Board of Trustees whether any unrestricted principal should be applied for such purposes.”*

**Example B:** *The members of the Finance Committee shall have a background in and be knowledgeable about finance and investments. 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.”*

### **Who do they report to, and how often?**

**Example A:** *“At the end of each calendar year, the Finance 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 accounting principles. The report will be presented to the Executive Committee no later than the May Executive Committee meeting. A written report will also be included in the next Annual Report.”*

**Example B:** *“Reporting Guidelines: The status of all gift funds will be reported at the Annual Meeting.”*

### **Do you want to provide for on-going supervision?**

**Example:** *“Meetings about the status of and decisions concerning The Funds shall be held at least semi-annually or more often as deemed to be in the best interest of The Funds. These meetings shall be held with an agenda and meeting minutes separate from the standard Finance Committee meetings.”*

### **Do you want to indemnify them (except for malfeasance)?**

**Example A:** *“The Finance Committee shall not be liable for any losses that may be incurred upon the investments of the assets of The Funds except to the extent such losses shall have been caused by willful misconduct. Each member shall be liable only for her/his own willful misconduct, and shall not be liable for the acts of any other members. “*

**Example B:** *“Having made a “good faith” effort to comply with the terms of this policy, the Trustees, the Investment Committee or other delegated persons or parties, shall be released from liabilities incurred in such a good faith effort. Individual Trustees shall not be liable for the acts or omissions of any other trustee. 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.”*

**Example C:** *“The Trustees shall not be liable for any losses that may be incurred upon the investments of the assets of The Fund except to the extent such losses shall have been caused by bad faith or gross negligence. No member shall be personally liable as long as he/she acts in good faith and with ordinary prudence. Each member shall, be liable only for her/his own willful misconduct or omissions, and shall not be liable for the acts or omissions of any other members.”*

**Do you want to insert a conflict of interest provision?**

**Example A:** *“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.”*

**Example B:** *“No member shall engage in any self dealing or transaction with The Fund in which the member has direct or indirect financial interest, and shall at all times refrain from any conduct in which his/her own personal interests would conflict with the interest of The Fund.”*

**Example C:** *“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.”*

**What are your provisions for auditing?**

**Example:** *“The Auditor shall review the records of the Endowment Fund at least once a year and shall provide a written report of his findings.”*

**Who pays for the auditing?**

**Example:** *“All costs of any independent audit of the Funds shall be charged to the Funds proportionate each Fund’s share of the total invested funds of the Church.”*

## Article VII: Investment Policies

### What are your investment goals?

**Example A:** *“Statement of Investment Policy for Endowment and Other Funds: The following statements and policies shall govern the investment of existing and any new funds received or solicited by the congregation that are designated as part of The Funds. The restrictions that apply to the types of investments permitted shall also apply to investments of other funds of Trinity, such as Operating Fund reserves or Capital Funds used for major facility improvements or repairs. The Funds and other funds of Trinity may be pooled for investment purposes. However, assets accepted by Trinity and which are required by a donor’s written instructions to be invested in specific investments will be invested accordingly by the Finance Committee.*

#### Investment Goals and Objectives

*The Investment Goals and Objectives for The Funds shall be:*

*To invest the corpus of each fund so that the investment returns may be used to maximize the goals and purposes of each fund as specified by the donor.*

*To provide a satisfactory return on investment for the support of Trinity. Specifically, the investment target of The Funds is to attain an average annual real total return (net of investment management fees) of at least 4.0% over the long term. Real total return is the nominal rate of return less the rate of inflation as measured by the Consumer Price index (CPI). The nominal rate of return is the sum of capital appreciation (or loss) and current income (dividends and interest).*

*To provide a consistent level of support for Trinity programs as determined by the spending policy summarized below.*

*To invest so that the corpus of each fund is maintained in real dollars (the original gift plus an allowance for inflation).”*

**Example B:** *“INVESTMENT GOALS AND OBJECTIVES FOR THE ENDOWMENT FUNDS The Endowment Funds shall be pooled for investment purposes. However, assets of other funds accepted by the Board of Trustees and which are required by a donor’s written instructions to be invested in separate investments will be invested accordingly by the Board of Investment. The investments of these other*

*funds may be included in the Endowment Funds but separately identified with the donor names and their designated purposes.*

*The Investment Goals and Objectives for the Endowment Funds shall be:*

*To invest the corpus of each fund within the Endowment Funds so that investment return may be used to maximize the goals and purposes of each fund as specified by the donor.*

*To invest the pool so that the corpus of each fund is maintained in real dollars (the original gift plus an allowance for inflation). The overall financial objective of the Endowment Funds is to provide a level of support for Church programs as determined by the spending policy summarized below and to be consistent with maintaining or modestly increasing the purchasing power of the fund.*

*The primary objective of investment is to provide a satisfactory return on investment for the support of the Church. Specifically, the investment target of the Endowment Funds is to attain an average annual real total return (net of investment management fees) of at least 8% over the long term. Nominal rate of return is the sum of capital appreciation) or loss) and current income (dividends and interest). Real total return is the nominal rate of return less the rate of inflation as measured by the Consumer Price Index (CPI).”*

### **Spending Rules:**

**Do you want to use a total return method to calculate income?**

**Do you want to provide growth to offset inflation?**

**Do you want to provide for any real growth beyond inflation?**

**How will you calculate your return?**

**If you have no history, what will you use?**

**How do you calculate inflation? CPI? Historical averages?**

**Example A:** *“Spending Policy: The investment policies shall be based on the assumption that annual spending from The Funds over the long term will average 3.5% of the average market value of The Funds for the previous 12 trailing calendar quarters. This spending policy will allow for retention of at least .5% of the endowment capital in excess of inflation to be reinvested annually, thereby allowing for modest real growth of The Funds. Specifically, a budget target for spending will be calculated by increasing the previous year’s budget by the annual growth of*

*the Consumer Price Index at December 31. However, the budget target should fall within the long term parameters of spending only 3.5% of the market value of The Funds for the previous 12 trailing calendar quarters. In any one year the spending should not exceed 5% nor be less than 3% of the 12 trailing quarter average market value of The Funds. When increasing the previous year's budget by the annual growth in the Consumer Price Index, should the resulting spending rate be below 3% of the trailing calendar quarter average, the spending rate may be reset between 3% and 3.5% of the 12 trailing calendar quarter average. In this way, The Funds spending is expected to keep up with inflation, or even to increase beyond inflation over the long term."*

**Example B:** *"SPENDING POLICY: The investment policy should be based on the assumption that annual spending over the long term will average 5% of the market value of the Endowment Funds for the previous 20 trailing calendar quarters.*

*Annually: Spending from the endowments shall be on the Total Return basis. Each year, as part of the budget preparation process, the market value of the total portfolio (including the annual yield) for the preceding five (5) years (20 quarters) shall be averaged. The five (5) year average is then multiplied by 5% to determine the total maximum distribution from the endowments for the coming year."*

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

*Income: The portion of the Total Return which shall be available for current use. This shall be defined to be the three year average Total Return (%) minus the inflation rate (%), times the Value of the Fund, but not more than 10% of the Value of the Fund. Until the fund has a three year history, Income shall be defined to be returns from interest and dividends only."*

### **Investment Rules:**

**What range of balance between equity, cash and fixed income investments?**

**Example A:** *"To achieve its investment objectives, The Funds will be managed in a balanced manner. The goal for the portfolio mixture in a normal investment environment will be a 50/50 ratio of equity to fixed income investments. Approximately 40% to 60% of The Funds may be allocated to equities and 40% to 60% to fixed income investments. It is recognized that the equity portion of The Funds entails the assumption of greater market variability and risk. Additions to*

*principal may be allocated by the Finance Committee to re-balance in the direction of a 50/50 equity to fixed income ratio.”*

**Example B:** *“To achieve its investment objective, the Endowment Funds will be managed in a manner consistent with prudent investing for endowment funds. The goal for portfolio mixture in a normal investment environment will be about a 70/30 ratio of equity of fixed income investments. Further, the Endowment Funds shall be managed on the Total Return Basis and in accordance with the Annotated Laws of Massachusetts, Title XXII, Chapter 180A, Uniform Management of Institutional Funds.”*

*Approximately 50 to 70% of the Endowment Funds may be allocated to equities and 50 to 30% to fixed income investments. It is recognized that the equity portion of the pool entails the assumption of greater market variability and risk.”*

### **What other diversification do you want to provide for?**

**Example:** *“The investments will be diversified both by asset class (equities, bonds, cash equivalents) and within asset classes (within equities by economic sector, industry, quality and size) to have reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio. Investments in any one security will be limited at the time of purchase to 10% of the total market value of the portfolio when the security is purchased.”*

### **Do you want to provide for Socially Responsible Investing?**

**Example:** *“All investments will be made in a socially responsible manner. The investment policy will follow as close as practically possible the socially responsible investment policy of the United Church Foundation.”*

### **What indexes do you use to measure fund performance?**

**Example A:** *“The investment performance of The Funds will be measured and compared to various market indices and the results of the annual review will be reported to the congregation. This annual report will be prepared by the Finance Committee comparing the total return of The Funds to major indices, such as the Lehman Brothers Government/Corporate Bond Index, the Standard and Poor’s 500 stock index, and in the case of international equity funds the EAFE stock index, the Consumer Price Index, and Trinity’s investment goal of the Consumer Price Index plus 400 basis points (4.0%).”*

**Example B:** *“The investment performance of the Endowment Funds will be measured and compared to various market indices and the results of the annual review will be reported to the Trustees. This annual report will be prepared by the Board of Investment comparing the total return of the Endowment Funds to major indices such as, the Lehman Brothers Government/Corporate Bond Index, the*

*Standard and Poor's 500 stock index and, in the case of international equity funds, the EAFE stock index and the Consumer Price Index."*

**Do you want to provide for outside investment advisors or funds, such as the United Church Foundation?**

**Example:** *"The Trustees may engage in active investment actions, or they may choose to have The Fund managed by a professional investment firm, the Massachusetts congregational Fund, or the United Church Foundation, provided that whoever manages shall do so consistent with the investment policy of The Fund."*

**Do you want to restrict the types and quality of investments?**

**Example:** *"In meeting its objectives, investing of The Funds shall be conducted in accordance with the following guidelines. The Finance Committee shall have full discretionary authority in the selection and retention of investments, subject to law and the statement of investment policy as it may be amended from time to time and subject to the following restrictions:*

- a. Securities may not be purchased on margin.*
- b. Securities may not be sold short.*
- c. Options (e.g. puts, calls) may not be purchased.*
- d. No investments are to be made in commodity contracts.*
- e. Securities restricted as to public resale under the Securities Act of 1933 may not be purchased.*
- f. The average quality of the fixed income securities (including mutual funds) shall be at least 'AA' and the minimum quality of any issue shall be 'BBB'.*
- g. Equities shall be purchased primarily through denominational common investment trusts (United Church Foundation, Massachusetts Baptist Investment Trust), governed by the guidelines and policies of the trusts.*
- h. Equities (including mutual funds) purchased outside of denominational common investment trusts shall be made in a manner generally consistent with the guidelines and policies of those trusts (e.g. equities traded on major exchanges, socially responsible industries, etc.)."*

**Any restriction on the pledging of funds to secure loans?**

**Example A:** *"The Funds may not be pledged as collateral or security for loans made to Trinity or any other entity."*

**Example B:** *“The Endowment Funds of the Church may not be pledged as collateral or security for loans made by the Church without the approval of two-thirds of those in attendance at a duly called meeting of the church which shall be at least two weeks following a hearing on the matter. “*

## **Article VIII:    Modification**

**Who may modify the policy?**

**What is the procedure for modification?**

**Will it require more than a simple majority vote?**

**Example A:** *“The policy shall be reviewed by the Board of Trustees 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 Board of Trustees.*

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

*Amendments shall be voted at two successive meetings of the church, at least one of which shall be an Annual Meeting, and must receive at least a 2/3 majority favorable vote for adoption at both meetings.”*

**Example B:** *“Amending the Endowment Policy:*

*Any amendment to this policy that will change, alter or amend the purpose for which The Funds are established must be adopted by a two-thirds (2/3) vote of the Trinity members present at a church business meeting. Any other amendments to this policy can be approved by the Executive Committee, unless it deems it appropriate to hold a vote of the Trinity members.”*

## Article IX: Merger or Dissolution

**What happens to the funds in the event of a merger with another church?**

**What happens to the funds if the church closes?**

**Example A:** "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 of the dissolution of the congregation, assets of the Endowment Fund shall become the property of the Massachusetts Conference, UCC or its legal successor in a fund in the name of South Congregational Church of Pittsfield, Massachusetts, the income from which shall be applied 50% to local Christian needs in Pittsfield, Massachusetts and 50% to the wider church ministry."*

**Example B:** "Disposition or Transfer of the Funds"

*In the event Trinity Church of Northborough 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: Equally divided and transferred to the United Church of Christ and American Baptist Churches USA.*

*The Deacons Fund: Distributed in its entirety by the Board of Deacons.*

*The Scholarship Fund: Transferred to Northborough High School Association's scholarship fund or the Town of Northborough's scholarship fund.*

*The Wider Relations Fund: Distributed in its entirety by the Wider Relations Committee."*

**Example C:** "Disposition or Transfer of Fund"

*"In the event The Evangelical Congregational Church of Dunstable ceases to exist either through merger or dissolution, disposition or transfer of The Fund shall be at the discretion of the members of the church in conformity with the By-Laws of the Church and in consultation with the denominational staff. Consultation with the denomination may be desirable for continuation of The Fund's obligations."*

# Section 3: Chapter 180A

## Chapter 29 of the Acts of 2009

### AN ACT PROVIDING FOR THE UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS.

*Whereas*, The deferred operation of this act would tend to defeat its purpose, which is to forthwith provide for uniform prudent management of institutional funds, therefore it is hereby declared to be an emergency law, necessary for the immediate preservation of the public convenience.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same as follows:*

**SECTION 1.** The General Laws are hereby amended by striking out chapter 180A and inserting in place thereof the following chapter:-

#### CHAPTER 180A. UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS

Section 1. As used in this chapter, the following words shall unless the context clearly requires otherwise, have the following meanings:-

“Charitable purpose”, the relief of poverty, the advancement of education or religion, the promotion of health, the promotion of a governmental purpose or the promotion of any other purpose the achievement of which is beneficial to the community.

“Endowment fund”, an institutional fund or part thereof that, under the terms of a gift instrument, is not wholly expendable by the institution on a current basis; provided, however, that “endowment fund” shall not include assets that an institution designates as an endowment fund for its own use.

“Gift instrument”, a record, including an institutional solicitation, under which property is granted to, transferred to or held by an institution as an institutional fund.

“Institution”, (i) a person, other than an individual, organized and operated exclusively for charitable purposes; (ii) a government or governmental subdivision, agency or instrumentality to the extent that it holds funds exclusively for a charitable purpose; or (iii) a trust that had both charitable and noncharitable interests, after all noncharitable interests have terminated.

“Institutional fund”, a fund held by an institution exclusively for charitable purposes or a fund held by trustee for a charitable community trust, but not including: (i) program-related assets; (ii) a fund held for an institution by a trustee that is not an institution, other than a fund which is held for a charitable community trust; or (iii) a fund in which a beneficiary that is not an institution has an interest, other than an interest that could arise upon violation or failure of the purposes of the fund.

“Person”, an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, public corporation, government or governmental subdivision, agency or instrumentality or any other legal or commercial entity.

“Program-related asset”, an asset held by an institution primarily to accomplish a charitable purpose of the institution and not primarily for investment.

“Record”, information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

Section 2. (a) Subject to the intent of a donor expressed in a gift instrument, an institution, in managing and investing an institutional fund, shall consider the charitable purposes of the institution and the purposes of the institutional fund.

(b) In addition to complying with the duty of loyalty imposed by law other than this chapter, each person responsible for managing and investing an institutional fund shall manage and invest the fund in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.

(c) In managing and investing an institutional fund, an institution:

(1) may incur only costs that are appropriate and reasonable in relation to the assets, the purposes of the institution and the skills available to the institution;

(2) except as otherwise provided by a gift instrument, shall allocate those costs on a reasonable basis to each institutional fund prior to any appropriation; and

(3) shall make a reasonable effort to verify facts relevant to the management and investment of the fund.

(d) An institution may pool 2 or more institutional funds for purposes of management and investment.

(e)(1) Except as otherwise provided by a gift instrument, the rules set forth in this subsection shall apply.

(2) In managing and investing an institutional fund, the following factors, if relevant, shall be considered:

- (i) general economic conditions;
- (ii) the possible effect of inflation or deflation;
- (iii) the expected tax consequences, if any, of investment decisions or strategies;
- (iv) the role that each investment or course of action plays within the overall investment portfolio of the fund;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the institution;
- (vii) the needs of the institution and the fund to make distributions and to preserve capital; and
- (viii) an asset's special relationship or special value, if any, to the charitable purposes of the institution.

(3) Management and investment decisions about an individual asset shall not be made in isolation but shall be made in the context of the institutional fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.

(4) Except as provided by any other general or special law, an institution may invest in any kind of property or type of investment consistent with this section.

(5) An institution shall diversify the investments of an institutional fund unless the institution reasonably determines that, because of special circumstances, the purposes of the fund will be better served without diversification.

(6) Within a reasonable time after receiving property, an institution shall make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio in order to bring the institutional fund into compliance with the purposes, terms and distribution requirements of the institution as necessary to meet other circumstances of the institution and the requirements of this chapter.

(7) A person who has special skills or expertise or who is selected in reliance upon the person's representation that the person possesses special skills or expertise shall have a duty to use those skills or that expertise in managing and investing institutional funds.

Section 3. (a) Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the institution. In making a determination to appropriate or accumulate, the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the institution and the endowment fund;

- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the institution; and
- (vii) the investment policy of the institution.

(b) To limit the authority to appropriate for expenditure or accumulate under subsection (a), a gift instrument shall specifically state the limitation.

(c) Terms in a gift instrument designating a gift as an endowment, or a direction or authorization in the gift instrument to use only “income”, “interest”, “dividends” or “rents, issues or profits”, or “to preserve the principal intact” or words of similar import shall:

- (i) create an endowment fund of permanent duration unless other language in the gift instrument limits the duration of the fund; and
- (ii) not, standing alone, limit the authority to appropriate for expenditure or accumulate under subsection (a).

Section 4. (a) Subject to any specific limitation set forth in a gift instrument or in other general or special law, an institution may delegate to an external agent the management and investment of an institutional fund to the extent that an institution could prudently delegate under the circumstances. An institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, in:

- (i) selecting an agent;
- (ii) establishing the scope and terms of the delegation, consistent with the purposes of the institution and the institutional fund; and
- (iii) periodically reviewing the agent’s actions in order to monitor the agent’s performance and compliance with the scope and terms of the delegation.

(b) In performing a delegated function, an agent shall owe a duty to the institution to exercise reasonable care to comply with the scope and terms of the delegation.

(c) An institution that complies with subsection (a) shall not be liable for the decisions or actions of an agent to which the function was delegated.

(d) By accepting delegation of a management or investment function from an institution that is subject to the laws of the commonwealth, an agent submits to the jurisdiction of the courts of the commonwealth in all proceedings arising from or related to the delegation or the performance of the delegated function.

(e) An institution may delegate management and investment functions to its committees, officers or employees as authorized by any other general or special law.

Section 5. (a) If the donor consents in a record, an institution may release or modify, in whole or in part, a restriction contained in a gift instrument on the management, investment, duration or purpose of an institutional fund. A release or modification shall not allow a fund to be used for a

purpose other than a charitable purpose of the institution.

(b) The court, upon application of an institution, may modify a restriction contained in a gift instrument regarding the management, investment or duration of an institutional fund if the restriction has become impracticable or wasteful, if it impairs the management or investment of the fund or if, because of circumstances not anticipated by the donor, a modification of a restriction will further the purposes of the fund. The attorney general shall be made a party to any such application and resulting proceeding. To the extent practicable, a modification shall be made in accordance with the donor's probable intention.

(c) If a particular charitable purpose or a restriction contained in a gift instrument on the use of an institutional fund becomes unlawful, impracticable, impossible to achieve or wasteful, the court, upon application of an institution, may modify the purpose of the fund or the restriction on the use of the fund in a manner consistent with the charitable purposes expressed in the gift instrument. The attorney general shall be made a party to any such application and resulting proceeding.

(d) The supreme judicial court may by rule or order provide that an application otherwise subject to court approval pursuant to subsections (b) and (c), may be approved by the attorney general if the value of the fund is not greater than such amount as the court may provide or in such other situations as the court may so provide.

Section 6. Compliance with this chapter shall be determined in light of the facts and circumstances existing at the time a decision is made or an action is taken and not by hindsight.

Section 7. This chapter shall apply to institutional funds existing on or established after June 30, 2009. As applied to institutional funds existing on June 30, 2009, this chapter shall govern only decisions made or actions taken on or after that date.

Section 8. This chapter modifies, limits and supersedes the electronic signatures in the Global and National Commerce Act, 15 U.S.C. Section 7001 et seq., but does not modify, limit or supersede Section 101(c) of said act, 15 U.S.C. Section 7001(c) or authorize electronic delivery of any of the notices described in Section 103 of said act, 15 U.S.C. Section 7003(b).

Section 9. In applying and construing this chapter, consideration shall be given to the need to promote uniformity of the law with respect to its subject matter among states that enact the Uniform Prudent Management of Institutional Funds Act. To the extent that any provision of the law, rule or regulation is in conflict with this chapter, specifically to the extent that any such conflict would operate to defeat or otherwise interfere with the purposes of this chapter, this chapter shall supersede and take precedence over any such law, rule or regulation. This act shall be construed to the maximum extent possible so as to not constitute an impairment of contract.

*Approved July 2, 2009*

## Section 4: Sample Endowment Policies:

South Congregational Church, UCC, *Pittsfield, MA*

First Church of Christ, U.C.C., *Longmeadow, MA*

Trinity Church, *Northborough, MA*

Evangelical Congregational Church, *Dunstable, MA*

Pilgrim Church, *Sherborn, MA*

First Congregational Church, *Burlington, VT*

ENDOWMENT POLICY  
OF SOUTH CONGREGATIONAL CHURCH, UCC  
IN PITTSFIELD, MASSACHUSETTS

PREAMBLE

This endowment policy is established in order to further the mission of South Congregational Church, a portion of which mission is "to be good stewards of our time, talent and treasure." This church wishes to encourage the Christian stewardship of accumulated, inherited and appreciated resources. It is understood that special gifts and bequests should not take the place of faithful stewardship of current income, but should be made to enable the church to continue and extend its mission in the future, both here and abroad.

PURPOSE

The purpose of this policy is to provide a regular procedure for the receipt, management and disposition of funds or other properties that are received by this congregation.

GENERAL POLICY

Effective November 14, 1993, South Congregational Church shall assign and manage its endowment funds, both those presently held and those to be received in the future, in accordance with the guidelines established in this policy document.

TERMINOLOGY

Working Funds: Funds which are available for current use in the form of cash, checking accounts, 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.

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.

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

Designated Funds: Funds which the donor has specified to

be applied for a particular purpose. Such funds may be either restricted or unrestricted.

Value of the Fund: The total net assets of the fund as periodically reported by the Trustees. The year-end value will appear in the Church Annual Report.

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

Income: The portion of the Total Return which shall be available for current use. This shall be defined to be the three year average Total Return (%) minus the inflation rate (%), times the Value of the Fund, but not more than 10% of the Value of the Fund. Until the fund has a three year history, Income shall be defined to be returns from interest and dividends only.

#### ENDOWMENT ACCOUNTS

A number of accounts shall be established within the endowment as defined below.

GENERAL ACCOUNT: Funds in this account (restricted or unrestricted) are assignable to the general operating budget of the church.

CAPITAL ACCOUNT: Funds in this account (restricted or unrestricted) shall be reserved for major items of upkeep of church properties or purchase of new major equipment.

MISSIONS ACCOUNT: Funds in this account may be applied to any special missions projects which may be recommended by the Board of Missions and authorized by the Church Council. It may not be applied to the annual Missions budget.

MISCELLANEOUS ACCOUNTS: This shall be, a collection of miscellaneous amounts donated for specific purposes of a long term nature. The Deacon's Fund would be an example of a miscellaneous account. (Such funds which are expected to be disbursed within one year shall be excluded.)

Within each endowment account, a portion of the funds may be restricted so that only the income may be expended in the current year, if so designated by the donor. Distribution of the annual income from both restricted and unrestricted funds shall be made

by the Finance 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 Finance Committee and approval by the Board of Trustees.

#### ACCOUNT SHARES

Existing restricted and unrestricted reserve funds in the church treasury at the time of initiation of this Endowment Fund shall be assigned to the General Account and shall be apportioned numbers of shares based on an arbitrary initial per share value of \$10.00. Per share value will be adjusted every six months based on appreciation over that time period. The number of shares will remain fixed until new money in the form of income or gifts comes into the Fund. Numbers of shares purchased by new money shall be determined by the per share value at the time of the new investment. All endowment funds may be commingled for investment purposes, but records shall be maintained of the number of shares in each account, for both restricted and unrestricted funds, and this number of shares multiplied by the current per share value shall determine the value of the account.

#### FUND MANAGEMENT

The Finance 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 to the Board of Trustees acceptance or rejection. If the Board of Trustees approves acceptance of new gifts, the Finance Committee shall categorize them to Endowment Accounts in accordance with the donor's designation. In the event of no designation, gifts equal to or less than \$5000 shall be assigned to the General Account. Gifts greater than \$5000 shall be apportioned:

General Account	40%
Capital Account	40%
Missions Account	20%

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

Establish investment policies, with the approval of the

Board of Trustees, and implement these policies.

As part of the annual budgeting process, identify what Endowment Fund income will be available to be applied to operating and capital expenses in the following year and recommend to the Board of Trustees whether any unrestricted principal should be applied for such purposes.

#### RESPONSIBILITIES OF OTHER BOARDS, COMMITTEES AND OFFICERS

The Board of Trustees shall have oversight of the Finance Committee's management of endowment funds and shall act on recommendations of the Finance Committee with respect to:

- Acceptance or rejection of new gifts.
- Determination of investment policies.
- Use of unrestricted principal for operating or capital expenses.

The Board of Missions shall recommend to the Church Council any special missions project which merits expenditure of funds from the Missions Account and the Church Council shall act upon such recommendations.

To the extent that funds assigned to the Miscellaneous Account fall within the province of other boards or committees, they shall advise the Finance Committee on the distribution of unrestricted principal and income from such funds.

The Treasurer shall maintain all appropriate records, including:

- Allocation of restricted and unrestricted funds.
- Principal and income by account.
- Disbursement records by account.

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

#### CONFLICT OF INTEREST

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.

In order to adopt this policy it must receive at least a 2/3 majority favorable vote at a meeting of the church.

The policy shall be reviewed by the Board of Trustees 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 Board of Trustees.

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

Amendments shall be voted at two successive meetings of the church, at least one of which shall be an Annual Meeting, and must receive at least a 2/3 majority favorable vote for adoption at both meetings.

#### 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 of the dissolution of the congregation, assets of the Endowment Fund shall become the property of the Massachusetts Conference, UCC or its legal successor in a fund in the name of South Congregational Church of Pittsfield, Massachusetts, the income from which shall be applied 50% to local Christian needs in Pittsfield, Massachusetts and 50% to the wider church ministry.

Endowment Funds  
First Church of Christ in Longmeadow, MA

The church, in its endeavors to carry out its purposes in the spirit of its Faith and Covenant, shall seek to establish and maintain certain Special Funds, namely:

**1). GENERAL ENDOWMENT**

This fund consists of all existing funds prior to 1981 and are under the general domain of the trustees for the general purposes of the church.

**2). BUILDING AND MAINTENANCE FUND**

It is the primary purpose of this fund to provide funds for expenditures which do not recur annually, or to meet emergencies having to do with the church buildings, their improvement, preservation, and maintenance in ways not provided for otherwise.

Payments from the income of this fund may be made upon the vote in favor of two-thirds of the members of the Board of Trustees present at a meeting duly held, or upon the vote in favor of a majority of the members of the church, present and voting, at a meeting duly held.

Payments from principal may be made the vote in favor of two-thirds of the members of the church, present and voting, at a meeting duly held.

**3). MISSION FUND**

The purpose of this fund include not only Home and Foreign Missions as understood historically, but also endeavors to meet human needs where ever such needs be found.

The Board of Mission and Social Concern shall make recommendations to the Church, from time to time, concerning the use of this fund, through the church calendar or the Church on the Green.

Payments from the income of this fund may be made upon the vote in favor of two-thirds of the members of the Board of Mission and Social Concern at a meeting duly held, or upon the vote in favor of a majority of the members of the church, present and voting, at a meeting duly held. Payments from principal may be made upon the vote in favor of two-thirds of the members of the church present and voting, at a meeting duly held.

**4). PEOPLE AND PROGRAMS FUND**

It is the purpose of this fund to promote the programs of the church in service to its members and the community. The Board of Deacons shall make recommendations from time to time concerning the use of this Fund, either through the Church calendar or the Church on the Green.

Payments from the income of this fund may be made upon the vote in favor of two-thirds of the members of the Board of Deacons present at a meeting duly

held, or upon vote in favor of a majority of the members of the church, present and voting, at a meeting duly held. Payments from principal may be made upon the vote in favor of two-thirds of the members of the church, present and voting, at a meeting duly held.

### DEFINITIONS:

#### TRADITIONAL DEFINATIONS:

**Income:** Interest and dividends paid from investments of principal in savings, bonds and stocks.

**Principal:** Amount of money to be invested which then generates income.

**Appreciation:** Increase in the value of principal realized through investing in capital assets such as stock in a company whose management is able to increase the worth of the company for the investor stockholders.

**Budget Line – “Endowments:”** The addition to Church revenue income earned to investments.

#### MODERN DEFINITIONS:

**Earnings:** Traditional income plus capital appreciation, which taken together, is also known as “Total Return on Investments.” Earnings include interest, dividends and appreciation. Since 1991, interest and dividends have remained fairly level while the appreciation or stock values has increased at an incredible pace.

**Spending Rule:** A discipline whereby a reasonable conservative percentage of the market value of the principal of the endowment is withdrawn annually

**FIRST CHURCH OF CHRIST  
IN LONGMEADOW  
October 18, 1998  
Longmeadow, Massachusetts**

**STATEMENT OF  
ENDOWMENT AND INVESTMENT POLICY**

**STATEMENT OF PURPOSE**

The guidelines in this policy are to be followed in the receipt, investment and distribution of financial gifts, bequests and contributions to The First Church of Christ in Longmeadow. The primary objective for the management of these gifts is to provide resources to further the mission of the Church, now and in the future. It is the intention of this policy that these gifts will be handled with care and prudence.

As used in this statement of policy, endowment funds are funds whose principal is intended to be preserved indefinitely or until the occurrence of a specific event. The guidelines and instructions herein are intended to give flexibility to donors and to the custodian in establishing spending policies and in defining intended uses. By establishing a multiple fund strategy the custodian and donors may establish funds with clear restrictions on spending and other funds with more flexible spending policies. They may establish funds that will have no spending for a period of years, and funds that may be spent to exhaustion upon the occurrence of a specific event. Within the confines of this policy, there is flexibility for establishing a variety of uses for particular endowment funds.

**WHEREAS**, it is the desire and intention of this congregation to provide resources for future generations.

**WHEREAS**, the purpose of **Endowment Funds** is to enhance the unrestricted funds available for the programs, building maintenance, and mission of the Church, etc.

**BE IT RESOLVED**, the following statements and policies shall govern the investment of existing funds and any new funds received or solicited by the Board of Trustees.

**INVESTMENT GOALS AND OBJECTIVES FOR THE ENDOWMENT FUNDS**

- I. **The Endowment Funds shall be pooled for investment purposes. However, assets of other funds accepted by the Board of Trustees and which are required by a donor's written instructions to be invested in separate**

**investments will be invested accordingly by the Board of Investment. The investments of these other funds may be included in the Endowment Funds but separately identified with the donor names and their designated purposes.**

The **Investment Goals** and **Objectives** for the **Endowment Funds** shall be:

- ◆ To invest the corpus of each fund within the **Endowment Funds** so that investment return may be used to maximize the goals and purposes of each fund as specified by the donor.
- ◆ To invest the pool so that the corpus of each fund is maintained in real dollars (the original gift plus an allowance for inflation). The overall financial objective of the **Endowment Funds** is to provide a level of support for Church programs as determined by the spending policy summarized below and to be consistent with maintaining or modestly increasing the purchasing power of the fund.
- ◆ The primary objective of investment is to provide a satisfactory return on investment for the support of the Church. Specifically, the investment target of the **Endowment Funds** is to attain an average annual real total return (net of investment management fees) of at least 8% over the long term. Nominal rate of return is the sum of capital appreciation) or loss) and current income (dividends and interest). Real total return is the nominal rate of return less the rate of inflation as measured by the Consumer Price Index (CPI).

#### SPENDING POLICY

- II. **The investment policy should be based on the assumption that annual spending over the long term will average 5% of the market value of the Endowment Funds for the previous 20 trailing calendar quarters.**

#### PORTFOLIO GUIDELINES

- III. Guidelines:

- ◆ To achieve its investment objective, the **Endowment Funds** will be managed in a manner consistent with prudent investing for endowment funds. The goal for portfolio mixture in a normal investment environment will be about a 70/30 ratio of equity of fixed income investments. Further, the **Endowment Funds** shall be managed on the Total Return Basis and in accordance with the Annotated Laws of Massachusetts, Title XXII, Chapter 180A, Uniform Management of Institutional Funds.”

- ◆ Approximately 50 to 70% of the **Endowment Funds** may be allocated to equities and 50 to 30% to fixed income investments. It is recognized that the equity portion of the pool entails the assumption of greater market variability and risk.

The **Endowment Funds** will be diversified both by asset class (equities, bonds, cash equivalents) and within asset classes (within equities by economic sector, industry, quality, and size) to have reasonable assurance that no single security of class of securities will have a disproportionate impact on the total **Endowment Funds**. Investments in any one security will be limited at the time of purchase to 10% of the market value of the equities of the **Endowment Funds** when the security is purchased. No single major industry shall represent more than 10% of the market value of the Funds.

The investment performance of the **Endowment Funds** will be measured and compared to various market indices and the results of the annual review will be reported to the Trustees. This annual report will be prepared by the Board of Investment comparing the total return of the **Endowment Funds** to major indices such as, the Lehman Brothers Government/Corporate Bond Index, the Standard and Poors 500 stock index and, in the case of international equity funds, the EAFE stock index and the Consumer Price Index. In meeting its objectives the **Endowment Funds** shall be conducted in accordance with the following guidelines.

- ◆ The investment managers shall have full discretionary authority in the selection and retention of investments, subject to law and the statement of investment policy as it may be amended from time to time and subject to the following restrictions.
  - (a) Securities may not be purchased on margin.
  - (b) Securities may not be sold short.
  - (c) Options (e.g. puts, calls) may not be sold short. Options use is limited to covered call writing, a conservative strategy.
  - (d) No investments are to be made in commodity contracts.
  - (e) Securities restricted as to public resales under the Securities Act of 1933 may not be purchased. The average quality of the fixed income securities (including mutual funds) in endowment shall be at least 'A' or better and minimum quality for any issue held shall be "BBB."
- ◆ The **Endowment Funds** of the Church may not be pledged as collateral or security for loans made by the Church without the approval of two-thirds of those in attendance at a duly called meeting of the church which shall be at least two weeks following a hearing on the matter.

#### IV **POLICY ON ENDOWMENTS, BEQUESTS AND OTHER ENDURING GIFTS**

##### **DEFINATION OF TERMS**

1. Unrestricted Gift: Moneys or other property given to the Church which may be used for any Church purpose or expenditure.
2. Restricted Gift: Moneys or other property given to the Church which may be used only for a particular purpose as specified by the donor.
3. Income: The earnings received from a direct gift, to include the interest, dividends, and net appreciation, realized and unrealized, in the market value of the assets of a gift fund over the "historic dollar value" of the fund (as defined in Massachusetts General Laws, (MGL), Chapter 180 A). A net loss, realized or unrealized, will result in a reduction of income.

### **RECEIPT OF GIFTS:**

1. 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.
2. Acceptance of Gifts: The Board of Trustees shall have the responsibility for the acceptance or rejection of all gifts. Gifts which are unwieldy to manage or not in keeping with the Christian mission of the Church will be carefully reviewed and may be declined by the Board of Trustees.

Properties transferred to the church will generally be sold promptly and the proceeds placed with our investment managers.

Unrestricted gift proceeds will be allocated equally in the four Permanent Endowment Funds of the Church as described in the By-laws, Article VIII and B1, 2 & 3.

### **ADMINISTRATION**

- A). In accordance with the By-laws of the Church, the Board of Trustees is responsible for all of our assets, real and personal.
- B). All investable funds are delegated to the Investment Committee which oversees and is in regular communication with the professional money managers on at least a quarterly basis.
- C). Having made a "good faith" effort to comply with the terms of this policy, the Trustees, the Investment Committee or other delegated persons or parties, shall be released from liabilities incurred in such a good faith effort. Individual Trustees shall not be liable for the acts or omissions of any other trustee. 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.

### **REPORTING**

- 1. Reporting Guidelines: The status of all gift funds will be reported at the Annual Meeting.**

### **SPENDING FROM THE ENDOWMENT**

1. Annually: Spending from the endowments shall be on the Total Return basis. Each year, as part of the budget preparation process, the market value of the total portfolio (including the annual yield) for the preceding five (5) years (20 quarters) shall be averaged. The five (5) year average is then multiplied by 5% to determine the total maximum distribution from the endowments for the coming year.
2. Long-term: Capital expenditures requiring financing from the **Endowment Funds** will require a two-thirds vote from a regular or specially called meeting of the congregation.
3. Emergency: The Board of Trustees is granted the authority to spend up to 7% of the total value of the General or the Building and Maintenance **Endowment Funds** for emergencies of the Church that require immediate response. Such extra expenditures shall be reported to the Church Council at their regular meeting.

ADOPTED OCTOBER 18, 1998

**Endowment Policy**  
**of**  
**Trinity Church of Northborough**

Adopted January 25, 2005

**Our Church's Purpose**

Acknowledging Jesus Christ to be our Savior and Lord, and accepting the Holy Scriptures as our rule of faith and practice, we covenant with the Lord and with one another, and do bind ourselves in the presence of God to walk together in his holy ways. We will strive to be doers of the Word and not hearers only, to be firm in faith, quickened in hope, and constant in charity. And we will consecrate our time, talent, substance, and influence as heirs of God and joint heirs with Christ. Amen.

**Stewardship Statement**

We believe that Christian Stewardship involves the faithful management of all the gifts with which God has blessed us: time, talents, the created world, and money, including earned, accumulated, inherited, and appreciated resources.

As faithful Stewards we support the church and its mission with regular gifts and pledges, and special offerings, even as we commit a portion of our time and energy. We also understand that faithful stewardship includes giving to the work of the church through bequests in wills, charitable trusts, gift annuities, life insurance, and the transfer of property, cash, stocks and bonds, real estate, collectibles, etc.

It is the desire of our congregation to encourage, receive, and administer these gifts in a manner consistent with the loyalty and devotion of our Savior, consistent with the wishes expressed by the donors, and in accord with the By-Laws of this congregation.

**Endowment Funds Purpose**

In order to accomplish the mission of the Church and be faithful stewards of our financial resources, The Endowment Funds of Trinity Church of Northborough (hereafter called *The Funds*) have been established to encourage, receive and administer gifts received.

The purpose of *The Funds* is to enhance both the unrestricted funds available for general church programs and the restricted funds available for the specific named programs of

Trinity Church of Northborough (hereafter called *Trinity*), such as scholarship and mission. See the below table for specific endowment fund definitions.

### THE ENDOWMENT FUNDS OF TRINITY CHURCH OF NORTHBOROUGH

<b>Fund</b>	<b>Purpose</b>	<b>Spending Authority</b>
The General Endowment Fund	Distributions are to be used primarily for operating expenses of <i>Trinity</i> . They can be used to supplement the regular operating expenses or for non-recurring needs, operating or otherwise.	<p>The Finance Committee is responsible for designating an annual amount that can be distributed to the Operations Fund by April of each year.</p> <p>The approval of the expenditure of the funds can be included in the annual operating budget approved by the congregation, or by a specific congregation vote.</p>
The Deacons Fund (a/k/a The Communion Fund)	Distributions are made to provide Christian benevolence to individuals in need.	<p>The Finance Committee is responsible for designating an annual amount to be distributed to the unrestricted Communion Fund account by April of each year.</p> <p>Disbursement decisions will be made by the chairperson of the Board of Deacons and/or the Senior Pastor.</p>
The Scholarship Fund	Annual monetary awards are to be distributed to students to support educational expenses.	<p>The Finance Committee is responsible for designating an annual amount that can be distributed by the Scholarship Committee; the amount should be determined by April of each year.</p> <p>The distribution of the annual awards is the responsibility of the Scholarship Committee.</p>
The Wider Relations Fund	Annual distributions are to support programs beyond <i>Trinity</i> . The objective of this fund is to augment funds pledged to the Wider Relations Fund by the church members.	<p>The Finance Committee is responsible for designating an annual amount to be distributed by the Wider Relations Committee; the amount should be decided by April of each year.</p> <p>The distribution of the annual gifts is the</p>

		responsibility of the Wider Relations Committee.
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## **Other Funds**

Other funds that do not fall within the above four endowment fund categories shall be subject to oversight by the Executive Committee as stipulated in Article VIII of the Bylaws of *Trinity* (Gifts and Bequests).

## **Acceptance of Gifts**

Acceptance of gifts shall be conducted in accordance with Article VIII of the Bylaws of *Trinity* (Gifts and Bequests).

## **Administration of the Funds**

*The Funds* shall be administered by the Finance Committee of *Trinity*. A majority vote shall carry any motion or resolution.

## **Management Policy**

The Finance Committee shall invest the assets of *The Funds* in accordance with the below investment policy. The Finance Committee may also hire a professional investment counselor to provide assistance in management of the assets of *The Funds*.

### **Statement of Investment Policy for Endowment and Other Funds**

The following statements and policies shall govern the investment of existing and any new funds received or solicited by the congregation that are designated as part of *The Funds*. The restrictions that apply to the types of investments permitted shall also apply to investments of other funds of *Trinity*, such as Operating Fund reserves or Capital Funds used for major facility improvements or repairs.

*The Funds* and other funds of *Trinity* may be pooled for investment purposes. However, assets accepted by *Trinity* and which are required by a donor's written instructions to be invested in specific investments will be invested accordingly by the Finance Committee.

### **Investment Goals and Objectives**

The Investment Goals and Objectives for *The Funds* shall be:

- To invest the corpus of each fund so that the investment returns may be used to maximize the goals and purposes of each fund as specified by the donor.

- To provide a satisfactory return on investment for the support of *Trinity*. Specifically, the investment target of *The Funds* is to attain an average annual real total return (net of investment management fees) of at least 4.0% over the long term. Real total return is the nominal rate of return less the rate of inflation as measured by the Consumer Price index (CPI). The nominal rate of return is the sum of capital appreciation (or loss) and current income (dividends and interest).
- To provide a consistent level of support for *Trinity* programs as determined by the spending policy summarized below.
- To invest so that the corpus of each fund is maintained in real dollars (the original gift plus an allowance for inflation).

### **Spending Policy**

The investment policies shall be based on the assumption that annual spending from *The Funds* over the long term will average 3.5% of the average market value of *The Funds* for the previous 12 trailing calendar quarters. This spending policy will allow for retention of at least .5% of the endowment capital in excess of inflation to be reinvested annually, thereby allowing for modest real growth of *The Funds*.

Specifically, a budget target for spending will be calculated by increasing the previous year's budget by the annual growth of the Consumer Price Index at December 31. However, the budget target should fall within the long term parameters of spending only 3.5% of the market value of *The Funds* for the previous 12 trailing calendar quarters. In any one year the spending should not exceed 5% nor be less than 3% of the 12 trailing quarter average market value of *The Funds*. When increasing the previous year's budget by the annual growth in the Consumer Price Index, should the resulting spending rate be below 3% of the trailing calendar quarter average, the spending rate may be reset between 3% and 3.5% of the 12 trailing calendar quarter average. In this way, *The Funds* spending is expected to keep up with inflation, or even to increase beyond inflation over the long term.

### **Portfolio Guidelines**

To achieve its investment objectives, *The Funds* will be managed in a balanced manner. The goal for the portfolio mixture in a normal investment environment will be a 50/50 ratio of equity to fixed income investments.

Approximately 40% to 60% of *The Funds* may be allocated to equities and 40% to 60% to fixed income investments. It is recognized that the equity portion of *The Funds* entails the assumption of greater market variability and risk. Additions to principal may be allocated by the Finance Committee to re-balance in the direction of a 50/50 equity to fixed income ratio. The investments will be diversified both by asset class (equities, bonds, cash equivalents) and within asset classes (within equities by economic sector, industry, quality and size) to have reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio. Investments in any one security will be

limited at the time of purchase to 10% of the total market value of the portfolio when the security is purchased.

The investment performance of *The Funds* will be measured and compared to various market indices and the results of the annual review will be reported to the congregation. This annual report will be prepared by the Finance Committee comparing the total return of *The Funds* to major indices, such as the Lehman Brothers Government/Corporate Bond Index, the Standard and Poors 500 stock index, and in the case of international equity funds the EAFE stock index, the Consumer Price Index, and Trinity's investment goal of the Consumer Price Index plus 400 basis points (4.0%).

In meeting its objectives, investing of *The Funds* shall be conducted in accordance with the following guidelines.

The Finance Committee shall have full discretionary authority in the selection and retention of investments, subject to law and the statement of investment policy as it may be amended from time to time and subject to the following restrictions:

- i. Securities may not be purchased on margin.
- j. Securities may not be sold short.
- k. Options (e.g. puts, calls) may not be purchased.
- l. No investments are to be made in commodity contracts.
- m. Securities restricted as to public resale under the Securities Act of 1933 may not be purchased.
- n. The average quality of the fixed income securities (including mutual funds) shall be at least 'AA' and the minimum quality of any issue shall be 'BBB'.
- o. Equities shall be purchased primarily through denominational common investment trusts (United Church Foundation, Massachusetts Baptist Investment Trust), governed by the guidelines and policies of the trusts.
- p. Equities (including mutual funds) purchased outside of denominational common investment trusts shall be made in a manner generally consistent with the guidelines and policies of those trusts (e.g. equities traded on major exchanges, socially responsible industries, etc.).
- q. *The Funds* may not be pledged as collateral or security for loans made to *Trinity* or any other entity.

### **The Finance Committee**

The members of the Finance Committee shall have a background in and be knowledgeable about finance and investments. 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 Finance 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 accounting principles. The report will be presented to the Executive Committee no later than the May Executive Committee meeting. A written report will also be included in the next Annual Report.

The Finance Committee shall not be liable for any losses that may be incurred upon the investments of the assets of *The Funds* except to the extent such losses shall have been caused by willful misconduct. Each member shall be liable only for her/his own willful misconduct, and shall not be liable for the acts of any other members.

Meetings about the status of and decisions concerning *The Funds* shall be held at least semi-annually or more often as deemed to be in the best interest of *The Funds*. These meetings shall be held with an agenda and meeting minutes separate from the standard Finance Committee meetings.

#### **Auditing of Records**

The records of *The Funds* shall be audited at least annually by the Auditors of *Trinity*.

## **Memorial Funds**

Families who wish to have gifts given in the memory of loved ones as an endowment to support specific programs of *Trinity* into perpetuity will be encouraged to request that the gifts be given to one of the above four endowment funds (e.g. The Scholarship Fund of Trinity Church of Northborough).

Those families who wish to consider establishing a “named” memorial fund in memory of a loved one, to be part of one of the above four 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 Executive 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 stipulated minimum amount required at inception is subject to periodic review and adjustment by the Executive Committee.

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

## **Growing the Endowment Funds**

It is the responsibility of the Finance Committee, in consultation with and in coordination with the Stewardship Committee, to publicize the existence, benefits and purposes of *The Funds*. Programs to promote planned giving should be conducted every few years to aid in this communication.

## **Amending the Endowment Policy**

Any amendment to this policy that will change, alter or amend the purpose for which *The Funds* are established must be adopted by a two-thirds (2/3) vote of the *Trinity* members present at a church business meeting. Any other amendments to this policy can be approved by the Executive Committee, unless it deems it appropriate to hold a vote of the *Trinity* members.

## **Disposition or Transfer of the Funds**

In the event Trinity Church of Northborough 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:** Equally divided and transferred to the United Church of Christ and American Baptist Churches USA.
- **The Deacons Fund:** Distributed in its entirety by the Board of Deacons.
- **The Scholarship Fund:** Transferred to Northborough High School Association's scholarship fund or the Town of Northborough's scholarship fund.
- **The Wider Relations Fund:** Distributed in its entirety by the Wider Relations Committee.

# **Endowment Policy**

of

*The Evangelical Congregational Church of Dunstable  
United Church of Christ*

## **Our Church's Purpose**

The avowed purpose of this Church shall be to promote the advancement of the Redeemer's kingdom in the world. It shall therefore seek to worship God, celebrate the Sacraments, preach the gospel of Jesus Christ, mutually encourage its members in consistent Christian living, provide Christian Education, and obey its missionary mandate. This Church welcomes into its fellowship all persons who know the love of God, and who live or desire to live by the spirit and teachings of Jesus. We respect the honest faith of all, and seek Only to embrace within our love and fellowship all who would live to the glory of God.

## **Stewardship Statement**

We believe that Christian Stewardship involves the faithful management of all the gifts with which God has blessed us: time, talents, the created world, and money; including earned, accumulated, inherited, and appreciated resources.

As faithful Stewards we support the church and its mission with regular gifts and pledges, and special offerings, even as we commit a portion of our time and energy. We also understand that faithful stewardship includes giving to the work of the church through bequests in wills, charitable trusts, gift annuities, life insurance, and the transfer of property, cash, stocks and bonds, real estate, collectibles, etc.

It is the desire of our congregation to encourage, receive, and administer these gifts in a manner Consistent with the loyalty and devotion of our Savior, consistent with the wishes expressed by the donors, and in accord with the By-Laws of this congregation.

## **Endowment Fund Purpose**

In order to accomplish the mission of the Church and be faithful stewards of our financial resources, The Endowment Fund of the Evangelical Congregational of Dunstable (hereafter called *The Fund*) is established to encourage, receive and administer gifts received and to be received. It is the purpose of *The Fund* to enhance the ministry and mission of the Church above and beyond the general operation of the annual program and administrative budget. No portion of the income generated by *The Fund* shall be used for the annual operating budget, except where “extraordinary” circumstances arise. In this event, where the integrity of gift restrictions permits, the congregation must take special action in order to authorize the use of a portion of the income for its own support services. Except where authorized otherwise in the terms of the gift, all principal amounts will be retained, and only the income or a portion of it, will be expended. The current status of *The Fund* will be reported at the Annual Meeting.

## **Trustees of the Fund**

*The Fund* shall be administered by the Board of Trustees, who are nominated by the Church Council and elected annually by the congregation at the Annual Meeting, for a term of one year. In the event of a vacancy, the Church Council shall appoint a member to fill the vacancy until the next Annual Meeting. The Pastor and Moderator shall function as advisors to the Trustees.

Three Trustees shall fill the positions of Chairperson, Financial Secretary, and Recording Secretary. The Trustees shall meet at least semi-annually or more often as deemed to be in the best interest of *The Fund*.

- (1) The Chairperson shall call and preside at all meetings of the Trustees. A majority vote shall carry any motion or resolution.
- (2) The Recording Secretary shall maintain complete and accurate minutes of all meetings of the Trustees, supplying copies of the minutes to each Trustee, Church Clerk, Pastor, Moderator, and Executive Board Chair.
- (3) The Financial Secretary shall, with assistance from the church office, maintain complete books of accounts for *The Fund*, and shall sign all checks and other necessary documents on behalf of the congregation in furtherance of the purposes of *The Fund*. These books shall be audited annually by a suitably qualified accountant who is not one of the Trustees.

## **Management Policy**

The Trustees are 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 Trustees may ask other members of the congregation to serve as advisory members, and may use the income of *The Fund* to obtain professional counseling on investments or legal matters as they deem to be in the best interest of the Fund.

The Trustees may engage in active investment actions, or they may choose to have *The Fund* managed by a professional investment firm, the Massachusetts congregational Fund, or the United Church Foundation, provided that whoever manages shall do so consistent with the investment policy of *The Fund*.

The Trustees shall not be liable for any losses that may be incurred upon the investments of the assets of *The Fund* except to the extent such losses shall have been caused by bad faith or gross negligence. No member shall be personally liable as long as he/she acts in good faith and with ordinary prudence. Each member shall, be liable only for her/his own willful misconduct or omissions, and shall not be liable for the acts or omissions of any other members. No member shall engage in any self dealing or transaction with *The Fund* in which the member has direct or indirect. financial interest, and shall at all times refrain from any conduct in which his/her own personal interests would conflict with the interest of *The Fund*.

All assets of *The Fund* are to be held in the name of *The Endowment Fund of the*

*Evangelical Congregational Church of Dunstable*

## **Utilization Of Income**

At the end of each calendar year the Trustees will report to the Church council and the Executive Board the total income (i.e. “total return”) available from *The Fund* for that year. That report will make clear what is principal and income, according to accepted accounting procedures. The Trustees may also suggest projects for

utilizing the total income to achieve *The Fund's* purpose.

The Church Council and Executive Board shall review, add to, delete from, and prioritize the listing of projects and present their recommendation(s) for using income from *The Fund for approval* by a majority of the membership at the Annual Meeting.

In order that *The Fund* continue to grow in value, the Trustees will act on three important assumptions: (1) the Stewardship and Planned Giving Committee will include in its work a strong initiative to encourage gifts and bequests to The Fund; (2) gifts and bequests to *The Fund* will accumulate until the principal amount of

- \$50,000 is achieved, after which the income generated from the investment may be expended; and (3) when income from *The Fund* is distributed, it will be no less than and no more than 5% in any one year.

Understanding that no portion of the income generated by *The Fund* will be used for the annual operating budget, the distribution will accomplish the following purposes~

(1) For capital improvements, debt reduction, or building program of the Evangelical Congregational Church of Dunstable. This is to be in addition to, and not in place of, any funds raised by a capital campaign.

(2) For outreach into the community, including, but not limited to scholarships or grants to members of the Church for the purpose of attending college, seminary, nursing or medical school; for church-related camping or leadership conferences; or such other training which enables members of the congregation to grow in Christian faith and service to God's people.

(3) For the wider mission of the Church at home and overseas, including, but not limited to, grants for new church development, professional leadership, educational ministries, world mission, and capital financing, as well as ecumenical ministries. This is to be in addition to, and not in place of, funds raised by the congregation for the annual OCWM Basic Support budget.

The Trustees will consider all proposals for distribution of income under this policy, and make its recommendation to the Church Council and Executive Board for their review and recommendation to the members of the Church at the Annual Meeting.

## **Amending The Endowment Policy**

Any amendment to this policy, which will change, alter or amend the purpose for which *The Fund* is established shall be adopted by a two-thirds (2/3) vote of the members present at a special meeting called specifically for the purpose of amending this policy.

## **Disposition or Transfer of Fund**

In the event The Evangelical Congregational Church of Dunstable ceases to exist either through merger or dissolution, disposition or transfer of *The Fund* shall be at the discretion of the members of the church in conformity with the *By-Laws* of the Church and in consultation with the denominational staff. Consultation with the denomination may be desirable for continuation of *The Fund's* obligations.

**MEMORIAL-ENDOWMENT FUND POLICY  
PILGRIM CHURCH  
SHERBORN, MASSACHUSETTS**

**A. RESOLUTION FOR AMENDMENT TO THE CONSTITUTION OF PILGRIM CHURCH**

"The Memorial-Endowment Fund Policy shall be amended. The purpose, governance, and operational procedures are hereinafter defined by special resolution adopted by the congregation."

**B. RESOLUTION TO ENHANCE THE MEMORIAL-ENDOWMENT FUND POLICY**

Whereas, the Pilgrim Church of Sherborn, Massachusetts, is a Christian fellowship united in the worship of God and the nurturing of persons both within and beyond our membership. Our sharing of God's love through prayer and caring reflects God's spirit alive in us. Our faith finds expression as we grow as Christians, reach out to others in service, and speak for justice and reconciliation in a troubled world.

Whereas, Christian stewardship involves the faithful management of all the gifts God has given to us - time, talents, and money (including accumulated, inherited, and appreciated resources) -; and

Whereas, Christians can give to the work of the Church through bequests in wills, charitable remainder trusts, charitable gift annuities, assignment of life insurance, and transfer of property (cash, stocks, bonds, real estate, etc) -; and

Whereas, it is the desire of this congregation to encourage, receive, and administer these gifts in a manner consistent with the loyalty and devotion to our Lord expressed by the grantors and in accord with the desires of the congregation:

THEREFORE BE IT RESOLVED, at the meeting assembled on \_\_\_\_\_ 1993, that this congregation approve the POLICY of the MEMORIAL-ENDOWMENT FUND of PILGRIM CHURCH [hereinafter called the FUND].

BE IT RESOLVED, that the purpose of this MEMORIAL-ENDOWMENT FUND POLICY of the PILGRIM CHURCH, Sherborn, Massachusetts is to enhance the life of Pilgrim Church apart from the general operation of this church, and

BE IT FURTHER RESOLVED, that, the purpose is to establish a basis and procedure for the disposition and administration of funds or other property received by the congregation.

## **C. PLAN OF OPERATION**

### **1. COMMITTEE**

The general purpose of the Memorial and Endowment Committee [hereinafter called the COMMITTEE) is to educate the congregation regarding the use of Memorials and Endowments as methods to be used to extend their Christian Stewardship; to conceive and implement programs to secure assets through the use of such vehicles for the varied ministries of the church; to develop and monitor programs that represent historical significance to the church; to oversee and administer the MEMORIAL ENDOWMENT FUND ["FUND"] and MEMORIAL-ENDOWMENT FUND POLICY as set forth.

The COMMITTEE shall consist of six members, two of whom shall be elected annually for a period of three years. The congregation shall elect new members to the COMMITTEE at the end of the prescribed tenure with recommendations from the Leadership Committee. In the event of a vacancy on the COMMITTEE, the Leadership Committee shall, subject to the approval of the Parish Board, appoint a member to fill the vacancy until the end of the term.

The COMMITTEE shall meet at least quarterly, or more frequently as deemed necessary in the best interest of the FUND. A quorum shall be four (4) members. A majority of the full COMMITTEE shall carry any motion or resolution.

The COMMITTEE shall elect from its membership a chairperson, a Fund treasurer, and a recording secretary. The chairperson, or a designated member, shall preside at all COMMITTEE meetings. The Fund treasurer shall maintain complete and accurate books of accounts for the FUND and shall be empowered to co-sign checks with the Church treasurer and all other necessary documents on behalf of the congregation in furtherance of the purposes of the FUND. The recording secretary shall maintain complete and accurate minutes of all meetings of the COMMITTEE and supply a copy thereof to each member of the COMMITTEE and to the Parish Board. Each member of the COMMITTEE shall keep these complete minutes to be delivered to his/her successor.

The COMMITTEE shall have its books audited annually by a qualified person (who is not a member of the COMMITTEE) for presentation with its annual report to the congregational meeting. When the FUND reaches two million dollars (\$2,000,000), a paid audit by an outside CPA will be conducted annually.

The COMMITTEE shall be empowered to hold, sell exchange, rent, lease, convert, invest, reinvest, and in all other respects to manage and control the assets of the FUND, including stocks, bonds, debentures, mortgages, notes, or other securities or real property as in their judgement meets the criteria set forth by this document.

The COMMITTEE may appoint a corporate fiduciary as its agent. Such an agent may be nominated by a donor. If an agent is appointed, the agent shall have custody of the property for which it is acting as agent and shall make all investment decisions pursuant to such policies as may be prescribed by the donor or otherwise determined, from time to time, by the COMMITTEE. The COMMITTEE may at any time, with or without cause, remove its agent and appoint a successor or act without an agent.

The COMMITTEE shall report to the Parish Board quarterly.

Members of the COMMITTEE shall not be held liable for any losses which may be incurred upon the investments of the assets of the FUND except to the extent such losses shall have been caused by bad faith or gross negligence. Members shall not be liable for the acts or omissions of any other member. No member shall engage in any self dealing or transactions with the FUND in which the member has direct or indirect financial interest and shall at all times refrain from any conduct in which his/her personal interests would conflict with the interest of the FUND.

## **2. FUND MANAGEMENT**

All assets are to be held in the name of the MEMORIAL-ENDOWMENT FUND of PILGRIM CHURCH.

Property of any type transferred to Pilgrim Church by assignment, conveyance, devise, beneficiary designation, testamentary or inter vivos appointment or otherwise, for purposes other than meeting the Church's budgeted operating expense, shall be segregated from the Pilgrim Church operating funds and shall be held in the MEMORIAL-ENDOWMENT FUND of PILGRIM CHURCH.

If property so transferred is designated for a specific purpose or is given subject to conditions, it shall be accepted by the COMMITTEE only after review by the Acquisition Committee.

The FUND shall be managed by the COMMITTEE pursuant to recommendations from the "Investment Advisory Council," but always subject to any conditions by a donor which are herein permitted to be made.

The FUND shall be managed in such a manner as to protect the principal from both financial and inflationary loss. In addition, the investment vehicles need to take into consideration "socially responsible investing."

### **3. FUND DISBURSEMENT:**

The purpose of the Memorial-Endowment Fund Policy is to provide a cohesive framework for donors as they give to the life of Pilgrim Church. To enable donors to consider alternatives they consider attractive and meaningful, the COMMITTEE shall develop a Fund Disbursement Policy and a Wish List. All funds received, whether Memorial or Endowment, will fall into one or both of the following categories:

A. SPECIFIED: These funds will be distributed under the specific provisions set forth by the donor under one or more of the following:

1. Donor proposal
2. Wish List
3. Additions to existing Named Funds
4. Creation of a new Fund

B. UNSPECIFIED: Principal, whose use is not specified by the donor, shall be held inviolate in the FUND. Income (interest, dividends, capital gains) generated by the FUND may be expended annually and at such other times as deemed necessary and/or feasible to accomplish the purposes of the Church. The COMMITTEE shall distribute income earned by the UNSPECIFIED FUNDS according to the FUND DISBURSEMENT POLICY. The FUND DISBURSEMENT POLICY "percentages" shall be established by a congregational meeting vote at a minimum of every four years.

If the COMMITTEE at any time determines that the use of any portion of the FUND pursuant to a donor's designation is or has become illegal, incapable of fulfillment, or contrary to the donor's implied intent, the COMMITTEE may, by a two-thirds (2/3) vote, make such variances as will, in its judgment, achieve the donor's presumed intent, so long as it is within the purposes of the Church.

#### ***MEMORIAL-ENDOWMENT FUND DISBURSEMENT POLICY***

A. \_\_\_\_\_ % to be designated for Maintenance/Plant/Capital, including but not limited to:

1. Bricks and mortar
2. Equipment
3. Landscaping

B. \_\_\_\_\_% to be designated for support of People and Programs, including but not limited to:

1. Scholarship

2. Christian Education
3. Youth Ministry
4. Music Ministry
5. Camping and Retreats

C. \_\_\_\_\_% to be designated for Missions and Benevolence, including but not limited to:

Community outreach: Social service agencies; Institutions to which this congregation relates; Special programs for those in spiritual and/or economic need.

The wider mission of the United: Church of Christ: UCC colleges and seminaries; UCC new church development; professional leadership; educational ministries; world mission; capital financing.

D. \_\_\_\_\_% to be reinvested in the Memorial-Endowment Fund to assure growth.

#### 4. AMENDING THE RESOLUTION

BE IT FURTHER RESOLVED, that any amendment to this document which will change, alter, or amend the purpose for which the FUND is established requires for adoption a two-thirds (2/3) vote of the members present at a duly-called congregational meeting for the specific purpose of amending this document.

#### 5. DISPOSITION OR TRANSFER OF FUND

BE IT FURTHER RESOLVED, that in the event Pilgrim Church of Sherborn, Massachusetts, ceases to exist either through merger or dissolution, transfer of the FUND shall be at the discretion of the COMMITTEE in conformity with the approved congregational constitution and in consultation with the denominational staff to which, this congregation belongs at such time. Consultation with the denomination may be desirable for continuation of Memorial-Endowment Fund obligations.

FIRST CONGREGATIONAL CHURCH.  
Burlington, VT

STATEMENT OF INVESTMENT POLICY  
FOR INVESTMENT AND TRUST FUNDS

WHEREAS, it is the desire and intention of this congregation to provide resources for future generations and members of the First Congregational Church of Burlington, Vermont and:

WHEREAS, the Board of Trustees, in the meeting assembled on October 4, 1994 approved and established on the records of the church the renaming of a separate find (presently called the Endowment Fund) as the THIRD MILLENNIUM FUND of The First Congregational Church of Burlington and:

WHEREAS, the purpose of this THIRD MILLENNIUM POND is to enhance both the unrestricted finds available for general church programs And the restricted funds available for the specific named programs of the Church, such as music, mission and scholarship, etc.,

BE IT RESOLVED, the following statements and policies shall govern the investment of existing funds and any new funds received or solicited by the Board of Trustees.

INVESTMENT GOALS AND OBJECTIVES. FOR THE THIRD  
MILLENNIUM FUND

The THIRD MILLENNIUM FUND shall be pooled for investment purposes. These Investments shall represent the INVESTMENT POOL of the THIRD MILLENNIUM FUND. However. Assets of Other Funds accepted by the Board of Trustees and which are required by a donors written instructions to be invested in specific investments will be invested accordingly by the Investment and Trust Committee. The investments of these Other Funds will not be included in the THIRD MILLENNIUM FUND INVESTMENT POOL.

The Investment Goals and Objectives for the INVESTMENT POOL shall be:

To invest the corpus of each fund within the INVESTMENT POOL so that investment return may be used to maximize the goals and purposes of each find as specified by the donor.

To invest the pool so that the corpus of each fund is maintained in real dollars (the original gift plus an allowance for inflation). The overall financial objective of the INVESTMENT POOL is to provide a level of support for CHURCH programs as

determined by the spending policy summarized below and to be consistent with maintaining or modestly increasing the purchasing power of the fund.

The primary objective of investment is to provide a satisfactory return on investment for the support of the CHURCH. Specifically, the investment target of the Fund is to attain an average annual real total return (net of investment management fees) of at least 50% over the long term. Nominal rate of return is the sum of capital appreciation (or loss) and current income (dividends and interest), Real total return is the nominal rate of return less the rate of inflation as measured by the Consumer Price Index (CPI).

### SPENDING POLICY

The investment policies should be based on the assumption that annual spending over the long term will average 4~5% of the market value of the INVESTMENT POOL for the previous 12 trailing calendar quarters. This spending policy will allow a retention of at least 0.5% of endowment capital in excess of inflation be reinvested annually, thereby allowing a modest growth of the INVESTMENT POOL.

A budget target for spending will be calculated by incrementing the previous year's budget by the annual growth of the Consumer Price Index at December 31. However, the budget target should fall within the long term parameters of spending only 4 - 6% the market value of the INVESTMENT POOL for the previous 12 trailing calendar quarters. In any one year the spending rate should not exceed 6% nor be less than 4% of the 12 trailing quarter average market value of the Fund. When incrementing the previous year's budget by the annual growth in the Consumer Price Index, should the resulting spending rate be below 4% of the trailing calendar quarter average, the spending rate may be reset between 4% and 4.5% of the 12 trailing calendar quarter average. In this way, the INVESTMENT POOLS spending is expected to keep up with inflation, or even to increase beyond inflation over the long term.

### PORTFOLIO GUIDELINES

To achieve its investment objective, the INVESTMENT POOL will be managed in a balanced manner. The goal for portfolio mixture in a normal investment environment will be a 70/30 ratio of equity to fixed income investments.

The Investment Pool shall be managed on the Total Return Basis and in accordance with State of Vermont Law, Chapter 119 Uniform Management of Institutional Funds Act.

Approximately 50 to 70% of the pool may be allocated to equities and 50 to 30% to fixed income investments. It is recognized that the equity portion of the pool entails the assumption of greater market variability and risk. Additions to principal may be allocated by the Investment and Trust Committee to re-balance the total pool in the direction of a 70/30 equity to fixed income ratio.

The INVESTMENT POOL will be diversified both by asset class (equities, bonds, cash equivalents) and within asset classes (within equities by economic Sector, industry, quality, and size) to have reasonable assurance that no single security or class of securities will have a disproportionate impact on the total INVESTMENT POOL. Investments in any one security will be limited at the time of purchase to 10% of the market value of the equities of the Fund when the security is purchased.

No single major industry shall represent more than 15% of the market value of the Fund.

Loans to other CHURCH Funds may be made only from unrestricted finds which are Pooled for Investment purposes. In the event such internal loans are made, interest will be assessed those other finds at the prime rate plus 100 basis points (1%) at the time the loan is made. Interest will be credited to the earnings of the INVESTMENT POOL.

The investment performance of the INVESTMENT POOL will be measured and compared to various market indices and the results of the annual review will be reported to the Trustees. This annual report will be prepared by the Committee of Investment and Trusts comparing the total return of the INVESTMENT POOL to major indices such as, the Lehman Brothers Government/Corporate Bond Index, the Standard and Poors 500 stock index and in the case of international equity funds the EAFE stock index, the Consumer Price Index and the Church's investment goal of the Consumer Price Index plus 500 basis points (50%).

In meeting its objectives the INVESTMENT POOL shall be conducted in accordance with the following guidelines.

The investment managers shall have full discretionary authority in the selection and retention of investments, subject to law and the statement of investment policy as it may be amended from time to time and subject to the following restrictions:

- a. Securities may not be purchased on margin.
- b. Securities may not be sold short.
- c. Options (e.g. puts, calls) may not be sold short. Options use is limited to covered call writing, a conservative strategy.
- d. No investments are to be made in commodity contracts.
- e. Securities restricted as to public resales under the Securities Act of 1933 may not be purchased.
- f. The average quality of the fixed income securities (including mutual finds) in the endowment shall be at least AA and minimum quality for any issue held shall be BBB.

The INVESTMENT POOL of the CHURCH may not be pledged as collateral or security for loans made by the CHURCH.

THE COMMITTEE

The members of the Investment and Trust Committee shall have a background in and be knowledgeable about finance and investments, The Committee shall conduct itself following the principles of the Prudent Man Rule, 'Prudent Person Rule. Under the Prudent Man Rule the endowment 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.

## **Section 5: Developing a Planned Giving Ministry**

by Stella A. Schoen

Originally published in *Connections Magazine* by the Stewardship Council of the United Church of Christ.

More than 1,500 congregations of the United Church of Christ report holding close to 7 million dollars in endowment funds. These assets promise to be an important source of funding for continuing mission and ministry in the United Church of Christ.

A look at the stories behind these statistics provides insight into the many roles that congregational leaders can play to encourage the stewardship of accumulated assets. Developing a Planned Giving Ministry is a good way to utilize many different kinds of talents among the leaders and members of the congregation.

Here are the key roles for leadership in developing a planned giving ministry:

### ***Motivators***

It takes only one or two key leaders in a church to encourage a congregation to consider this important aspect of stewardship. Encouragement can take many forms. In the Congregational Church of Wolverine, Michigan (UCC) one church member suggested to key leaders that he had a contribution to make to the endowment fund. The only problem was that there was no endowment fund! In response to his commitment, the congregation adopted an endowment policy and established a fund, which has now received many gifts. Just one person's interest in the stewardship of accumulated assets moved an entire congregation to action.

At Avon Lake UCC in Ohio, one member, a financial planner by profession, wanted her congregation to do the necessary planning and preparation to receive gifts of assets. She encouraged key leaders to develop an endowment policy and provide opportunities for the congregation to learn more about their personal financial stewardship. These efforts have resulted in a continuing emphasis on planned giving at Avon Lake.

### ***Invitors***

The Reverend Robert Schieler learned how important it is to invite gifts while he was pastor of First Congregational Church of Downer's Grove (UCC) in Illinois. A faithful member had made significant annual contributions to special ministries of the congregation. Upon her death, Reverend Schieler was surprised to learn that the bulk of her sizable estate had been given to charity--but not to the church. Bob invited the woman's sister, also a member of the congregation, to continue these contributions to

special ministries through an endowment gift. The sister not only continued the important work of her late sister during her life, but, upon Bob's invitation, also left the majority of her estate to the congregation when she died. From this experience, Bob learned the importance of simply inviting people to participate in the continuing ministry of the congregation through gifts to endowment.

### ***Witnesses***

A crucial role that any member of the congregation can play in encouraging the stewardship of assets is to witness to their own experience.

This witness can take many forms:

- . At board meetings or annual meetings donors to the endowment fund can share why they made a gift.
- . Pastors can talk about the importance of having an up-to-date will in the church newsletter.
- . The witness of those who have given in previous generations can be preserved through a collection of stories, such as the "Angels of the Past" brochure produced by the First Congregational Church in Muskegon, Michigan.
- . Members who have made gifts to the endowment fund can invite others into their homes for an afternoon of fellowship and a cup of tea. This is done by the First Parish Congregation in Brunswick, Maine. During the visit, members of the endowment committee talk about the importance of the endowment and explain the various opportunities to give.

### ***Thanks-Givers***

A role that many members of the congregation can play is that of expressing gratitude and thanks to donors for their contributions to the continuing ministry of the church (once authorization for release of information has been given by the donor). Here are some ways of expressing thanks:

- . Editors can include a thank-you in the monthly church newsletter.
- . The pastor and worship committee can plan special recognition of gifts during worship. Here is a prayer to consider using:

Dear God, we give thanks for those who have gone before us who have been faithful stewards of their assets, who have furthered the ministry and mission of the church through their gifts. Help us become witnesses to the world of the many gifts through the faithful use of all we have been given.

. Endowment Committee members can establish a special means of recognizing gifts. One church in Windemere, Florida, presented a framed print of the church to everyone who indicated that they had remembered the church in their will.

. Congregational leadership can express thanks with a personal note, in addition to a formal letter of thanks from the congregation.

The roles of **Motivator**, **Invitor**, **Witness**, and **Thanks-Giver** are critical leadership roles that need to be filled when a congregation wishes to encourage the stewardship of accumulated assets. In addition, **Talent Scouts** are needed to identify members who can serve on endowment committees and communicate the vision. **Cultivators** are needed to keep in touch with the life circumstances of congregational members and know who might appreciate an invitation to make a gift to endowment.

Planned Giving is a ministry that can involve many members of the congregation in important roles. It is also a ministry that can touch every member of the congregation, as each considers his or her own thoughts and decisions about being stewards of the assets accumulated throughout life.

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