

Checklist for a Church Endowment

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

- ☐ 1. A Mission Statement for the Church Endowment. This would be a brief – one paragraph- sentence(s) stating the purpose of the Endowment. This is often the result of a long-range plan for the church. It is important that it be voted on at a Charge Conference.
- ☐ 2. The name of the Endowment(s) and its sub accounts.
- ☐ 3. A preamble outlining generally the purposes or objectives of the Endowment program.
- ☐ 4. How to:
 - (a) amend
 - (b) modify
 - (c) invade
 - (d) etc.
- ☐ 5. Statements about distribution in case church merges or becomes defunct should reflect the current *Book of Discipline*.
- ☐ 6. Identification of committee and/or officers who have general responsibility for the church's Endowment(s).
- ☐ 7. Definition of terms, i.e., "What does this church mean by Endowment?"

Other words to define:

- (a) Memorial Funds
- (b) Contingent Funds
- (c) Emergency Funds
- (d) Discretionary Funds
- (e) Special Funds

Does the sacredness of the original gift mean:

- (a) A static figure
- (b) An amount adjusted for inflation annually
- (c) The original amount plus all appreciation

(d) Etc.

- ☐ 8. Provision for accepting or rejecting gifts.
- ☐ 9. Provision for disposition of property when given to Church. Generally should be sold as soon as possible except in a unique situation.
- ☐ 10. Direction and/or placement of undesignated gifts dependent on size, etc.
- ☐ 11. Relief from liability of Trustees except for obvious.
- ☐ 12. A paragraph regarding conflict of interest.

Investing Issues

- ☐ 1. Delineate responsibilities of the committee or people responsible for endowments.
- ☐ 2. Who will direct investments (asset allocation)? Investment management deals with three major elements – Income, Growth, and Security. Each church needs to work through its philosophy and degree of emphasis on these characteristics and who is to provide on-going supervision.
 - (a) One person
 - (b) Investment Committee
 - (c) Trustee Committee
- ☐ 3. Selecting the California-Nevada United Methodist Foundation (the Foundation) as our investment manager offers you:
 - (a) An excellent rate of return
 - (b) Socially responsible investing (excludes tobacco and alcohol products, gambling, armaments, pornography, human rights issues)
 - (c) Broad options – a family of four United Methodist funds
- ☐ 4. A review of investment products offered by the Foundation:
 - (a) Money Market
 - (b) Track-the Market Equity Fund
 - (c) Short Horizon Bond Fund
 - (d) Intermediate Horizon Bond Fund
 - (e) Domini Social Equity Fund

A discussion of the risks involved in each needs to take place periodically.
- ☐ 5. Percentage diversification of investments – Stock, Bond, and Cash (regarding liquidity).
- ☐ 6. Watch for standard of measurement of Foundation funds – Standards and Poors and LB Intern GV/CP

Reporting Process

- ☐ 1. Policy should be voted on by the Congregation at an annual or special meeting.
- ☐ 2. Endowment Funds should be audited periodically. Shall expense be borne by church budget or the Endowment Funds?
- ☐ 3. Separate report (from annual budget, etc.) to the Congregation at least annually as to principal, income, and spending as well as number of bequests and other gifts received. Acknowledgment of donors (if permitted).
- ☐ 4. Means of recognition of donors including membership in the Foundation's John Wesley Society.
- ☐ 5. How do we publicize results of our spending?
- ☐ 6. How do we attract more Endowments?
 - (a) Planned Giving
 - (b) Capital Funds Campaigns
 - (c) Bequests from WillsCan Church spend some of our Endowment income on such educational or promotional programs?

Spending From Endowments

Christians like to give and they are more likely to give if they have a sense that their "dollars" will be spent in areas of church life that interest them.

The policy should deal with the ever-present tension between short-term needs vs. long-term goals.

- ☐ 1. Will spending be based on:
 - (a) Annual Yield (dividends and interest)
 - (b) Total Return of Portfolio (yield plus capital appreciation)
 - (c) Net Income after
 - (1) Percentage being reinvested
 - (2) Fixed amount being reinvested
 - (d) Net Income after purchasing power of principal being maintained (inflation factor at _____ %)
 - (e) An average percentage pay-out based on a 3-5 year rolling average of the total return

- ☐ 2. Will spending be made to:
 - (a) Church's total annual budget
 - (b) Percentage only to annual budget
 - (c) Fixed amount to annual budget
 - (d) Specific
 - (1) Programs
 - (2) Missions
 - (3) Buildings and Maintenance
- ☐ 3. What is provision if the intended goal of a restricted gift no longer exists or is needed?
- ☐ 4. Unrestricted gifts:
 - (a) Can capital ever be spent?
 - (b) Is there a minimum size to go to permanent Endowment Funds?

Existing Endowments

- ☐ 1. Recommend that records be checked regarding all existing Special Funds from church records or Probate Court concerning restriction and directions. Trustees should maintain and review periodically to assure wishes and/or intent are being honored.
- ☐ 2. Usually no guidelines exist for funds that may have been around for 50 or more ed years. Will new policy be applicable to those existing funds? If not, what?

In General

- ☐ 1. It is recommended that outside professional investment management like the Foundation be utilized. Money and its uses can create conflicts in many ways in the life of a church. Investment professionals who are members of the local church could have a conflict of interest when serving as advisor for the Endowment.
- ☐ 2. All money handlers should be bonded (by By-Law direction)
- ☐ 3. Church By-Laws should be examined regarding length of terms of service of those handling or managing money.
- ☐ 4. Churches that spend time and effort creating an Endowment Policy are freed up to be "the Church," saving energy of individuals, avoiding conflict in the church, and creating goodwill in the community.
- ☐ 5. Churches that have been "accumulating" their Endowments with no specific limit on dollars or amounts need to address the issue or they will die.