

# **FIRST UNITED METHODIST CHURCH**

## **Endowment Fund Charter**

First United Methodist Church of New Castle, (hereafter referred to as “First UMC,”) hereby creates a permanent Endowment Fund to be known as the “First United Methodist Church Endowment Fund.” (hereafter referred to as “Endowment Fund” or “Fund”) This document, upon execution, is intended to amend and replace any and all previous documents establishing an endowment fund for The Church.

### **A. PURPOSE**

The primary purpose of this Endowment Fund is to provide a means for members and friends of The Church to make gifts and bequests to provide a permanent endowment of financial support and living memorials. Gifts to the Endowment Fund will be held in perpetuity, if not otherwise designated by the donor, with income to be used to further Christian ministry and mission. Income from the Endowment Fund shall be used to assist The Church in fulfilling its purposes in Christian ministry and mission. This includes support of ministries of First United Methodist Church, ministries of the Indiana Conference of the United Methodist Church, ministries of the United Methodist Church nationally or internationally and any other Christian ministry or mission deemed appropriate by the Endowment Committee.

The Fund may accept both cash and non-cash gifts and bequests. Non-cash gifts may include corporate stock, mutual funds, bonds, bank deposits, real estate, precious gems and metals, and other items deemed acceptable by the Endowment Committee.

### **B. ACCOUNTS**

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

#### **General Accounts**

1. *Undesignated:* This account will receive gifts to the Fund, which are not designated for a particular purpose or restricted in any way by the donor. Income from this account will be used to fund the ministries or missions selected by the Endowment Committee.

Other General Accounts may be established by action of the Endowment Committee or a Charge Conference. Such accounts may be established for specific projects, ministries or missions to enhance the total ministry of the Church.

There will be no minimum contribution required for gifts to accounts established by action of this Committee or a Charge Conference.

#### **Donor Designated Accounts:**

Other designated accounts may be established by individual donors who place specific designations or restrictions on their gift. However, such new designated accounts may only be established if the following criteria are met:

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1. The Endowment Committee agrees to accept the gift with the designations or restrictions proposed by the donor, and
2. The Endowment Committee agrees to establish a new designated account to hold this designated or restricted gift, and
3. The initial gift to the new designated account will be no less than \$1,000.00
4. There will be no minimum contribution required for additional gifts to accounts previously established by a donor.

Donors wishing to establish designated accounts of less than \$5,000.00 will be encouraged to make their gift to one or more of the other existing accounts. Alternatively, it may be recommended that such gifts be placed in the Memorials Fund of the Church rather than in the Endowment Fund.

Principal and income of accounts created by action of individual donors will be used in accordance with the written directives provided by the donor at the time of making the gift. Such directives may not be changed at a later date by the donors or their family members.

All provisions of the Endowment Fund as to investment of funds, administration of funds, and limitation on use of distributions shall be applicable to both the General Account and Donor Designated Accounts. All gifts made to the Fund shall be accepted subject to the terms and limitations set forth in this document.

## C. MANAGEMENT OF THE FUND

Responsibility for the management of the Endowment Fund shall be vested in the Endowment Committee, subject to the direction of the Charge Conference as prescribed in the *Book of Discipline* of the United Methodist Church.

## D. ENDOWMENT FUND COMMITTEE

The Endowment Committee shall be composed of nine (9) members: seven at-large and two ex-officio members.

**At-Large Members:** The at-large members will be nominated by the Church Nominations Committee and elected by the Charge Conference. The Nominations Committee shall seek at-large members among those members of the Church who have a strong interest in endowments, or expertise in legal, financial, public relations, or other services valuable to the committee. Ideally, members serving on the committee are strong financial supporters of the Church. Committee members should also have an understanding of the Church Vision and Mission.

Persons who have, or may appear to have, a conflict of interest shall not serve on the committee. Committee members shall not use their position on the Endowment Committee as a means to promote a product or service that is normally sold in the course of their livelihood (or of their spouse or other family member). If members of the congregation observe or perceive such conflict of interest, they will likely avoid contacting the committee or making a gift.

Each at-large member will be elected for three year term. There will be nine members selected

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for each three-year term. Initially, members will be elected to 1, 2, and 3-year terms to establish the three-year rotation. At-large members may succeed themselves to a maximum of two consecutive full three-year terms. Filling a vacancy for a partial term is not included in this limit.

The Chairperson and the Secretary of the Endowment Committee are to be elected annually at the first meeting of the calendar year by the Endowment Committee members. The Chairperson should preferably be chosen from the at-large members. The Chairperson should have a strong interest in helping the Endowment fund grow and succeed.

Nominations to fill vacancies will be made by the Nominations Committee for Election by the Administrative Board or Charge Conference.

**Ex-officio Members:** There will be two ex officio members with voting privileges.

Membership of the committee may be adjusted from time to time to maintain consistency with the rules of the *Book of Discipline* of the United Methodist Church. Such changes may be made as an action of the Charge Conference.

**Voting:** Unless otherwise indicated in this document, any action taken by the Endowment Committee must be approved by a majority of the members attending a committee meeting so long as a quorum is present. A quorum shall be defined as more than 50% of the members eligible to vote.

**Subcommittees:** The Endowment Committee shall appoint subcommittees, as it deems appropriate or necessary.

## E. POWERS AND DUTIES OF THE ENDOWMENT COMMITTEE

The Endowment Committee shall have the following powers and duties pertaining to the Endowment Fund, and such other powers and duties as may necessarily be required to carry out the terms and conditions of the Endowment Fund.

1. To educate church members and other potential donors on planned giving and promote giving to the Fund.
2. To accept or reject any gift, bequest or devise.

Any gift of \$1,000.00 or more received by the Church from an inheritance, trust or estate that does not designate the Endowment Fund as the recipient will be presumed to have been intended for the Endowment Fund.

If a gift is received by the Endowment Fund without designation or restriction, it will be placed in the Undesignated Account.

3. To determine the distribution of income from all General Accounts.
4. To determine the proper distribution of income from all Donor Designated Accounts in accordance with the written instructions of the donor and otherwise follow directions of the donor in the use of income or principal.
5. To manage and administer the Fund, which shall include:

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- a. proper acknowledgment of gifts;
  - b. keeping a record of donors and gifts;
  - c. distributing income;
  - d. incurring and paying ordinary and necessary expenses of managing the Fund;
  - e. paying of local state and federal taxes and fees, where applicable;
  - f. recording receipts and expenditures from the Fund;
  - g. maintaining a record of assets of the Fund.
6. To invest all monies of the Fund. (See Section F)
  7. To present an annual written report to the Charge Conference and Administrative Council. The congregation of the Church should also be informed of Endowment Fund activities through use of the newsletter or other mailing and presentation to the congregation.
  8. To select the definition of “income” to be used by the Fund (trust law or corporate law definition.)
  9. To determine an appropriate means of offsetting the effects of inflation on Fund assets.
  10. To define “Spending Policies” to use in making distributions of income.
  11. To develop other policies or by-laws to guide the day-to-day management of the Fund.

### **F. INVESTMENT OF FUNDS**

The Endowment Committee shall make a conscious effort to invest in institutions, corporations, companies, or funds whose operations are not detrimental to, or that make a positive contribution toward the realization of the goals of the Social Principles of the United Methodist Church, in accordance with the *Book of Discipline* as revised from time to time.

As a matter of good Christian and corporate stewardship, the principal of gifts, devises, and bequests received by the Endowment Fund shall be invested through the United Methodist Foundation of Indiana, Inc., or other financial institution, to be held in trust for management and investment purposes. The assets of the Endowment Fund shall only be invested through entities that allow continued ownership of the assets by the Endowment Fund.

Investment objectives of the Endowment Fund shall include:

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1. Conservation of principal for the effective maintenance of purchasing power.
2. Growth of principal and income to offset cost of living increases.
3. Investment of assets in institutions, companies, corporations or funds, which make a positive contribution toward the realization of the goals, outlined in the Social Principles of the United Methodist Church.

Any transfer of the Endowment Fund assets for investment with another institution, other than United Methodist Foundation of Indiana, Inc., must be approved by a majority vote of the Charge Conference, at which a quorum is present, upon recommendation of the Committee and the Administrative Board of said church.

## G. DISTRIBUTION OF INCOME

It is the intent to preserve principal amounts over the years while using the income generated over the years to provide funds for distribution. It is anticipated that over the years the total rate of return will exceed the expected long-term inflation rate and thus allow for the availability of income for distribution. In a separate policy document, the Endowment Committee will adopt a definition of income and spending policies to accomplish the above stated intentions.

Income earned by the Fund shall be distributed as approved by the Endowment Committee. The following matters, terms and conditions, will apply or will serve as a guide for distribution of income.

1. If a gift is received without designation or restriction, it will be placed in the Undesignated Account. Income from the Undesignated Account will be distributed by action of the Endowment Committee.
2. Income from all other General Accounts (established by this Charter, the Endowment Committee or a Charge Conference) will be distributed by action of the Endowment Committee in accordance with the guidelines for those accounts.
3. If a gift is used to establish a Donor Designated Account, the income and/or principal will be distributed according to the written directions provided by the donor at the time of the gift.

## H. LIMITATION ON USE OF PRINCIPAL

The objectives of the Endowment Fund are to conserve principal and make use of only the distributions determined by the Committee.

Undesignated Account principal may be withdrawn only in extreme circumstances. Any withdrawal of principal must be approved by a majority vote of the Endowment Committee and a three-fourths (3/4) vote of the Charge Conference of First United Methodist Church at which a quorum is present. Principal shall not be withdrawn from any other account.

## I. BORROWING FROM THE FUND

Endowment Funds may not be borrowed by the Church except in unusual circumstances for major Church projects. However, such borrowing shall not to exceed 50% of the total

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Undesignated Account principal. In such an event, borrowing must be approved by a  $\frac{3}{4}$  vote of all members of the Endowment Committee and by a  $\frac{3}{4}$  vote of the Charge Conference members voting, subject to the rules of the *Book of Discipline* of the United Methodist Church. The terms and conditions of any such loan would be those as set by the Endowment Committee and would be generally comparable to terms and conditions available through commercial lending institutions.

### **J. PLEDGING FUND ASSETS**

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

### **K. TOTAL ENCUMBRANCE**

If there is borrowing by the Church from the Fund, as authorized in Section I. hereof, the combined total of borrowing and pledging shall not exceed 50% of the Undesignated Account principal.

### **L. MERGER OR CONSOLIDATION OF THE CHURCH**

If at any time, The Church is lawfully merged or consolidated with any other church; all the provisions hereof in respect to the Endowment Fund shall be deemed to have been made in behalf of the merged or consolidated Church. Said Church shall be entitled to receive all the benefits of said Endowment Fund, and shall be obligated to administer the same in all respects and in accordance with the terms thereof.

### **M. EVENT OF DISSOLUTION OF THE CHURCH**

In the event of the dissolution of The Church, all principal and accumulated earnings of the Endowment Fund shall be distributed as follows:

1. *All undesignated* principal and accumulated earnings thereon shall be distributed as directed by a  $\frac{2}{3}$  vote of all members of the Endowment Committee and a  $\frac{2}{3}$  vote of the Charge Conference members voting; provided, however, that in any event, any such distribution must be made for Christian purposes and shall not be made for the direct or indirect benefit of any individual member of the Church. If the required  $\frac{2}{3}$  vote of the Committee and the Charge Conference cannot be attained after five votes, then the *undesignated* funds will be distributed to the United Methodist Foundation of Indiana, Inc., Indianapolis, IN.
2. *All designated* principal and accumulated earnings thereon shall be distributed to the United Methodist Foundation of Indiana, Inc., Indianapolis, IN, which shall receive the benefits of the Endowment Fund and shall be obligated to administer the same in all respects in accordance with the terms of the donor designations, to the best of its ability.

### **N. ADMINISTRATION OF DESIGNATED GIFTS**

The Church recognizes that many times the intent of a gift used to establish a Donor Designated Account is for a benefit to be derived for an indefinite period of time. However, the Church

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further recognizes that the passage of time, or other circumstances, may make the conditions of the designation impossible or impractical. Therefore, by unanimous vote of the Endowment Committee, any such gift that has become impossible or impractical to administer may be transferred without condition or reservation to another existing account, which has similar purposes. If an account with similar purposes does not exist, the funds shall be placed in the Undesignated Account. It is presumed that any individual or entity making a gift, bequest, or devise to the Endowment Fund is aware of the conditions of this section of the Charter. Therefore, no such gift shall fail or revert because of changed circumstances, which make the continued administration of any particular Donor Designated Account impossible or impractical.

### **O. AMENDMENTS**

This resolution may be amended by a 2/3 vote of the Endowment Committee and two succeeding Charge Conferences duly called in accordance with the *Book of Discipline* of the United Methodist Church. If the Endowment Committee is the initiator of the proposed amendment, at least six months shall elapse between the vote of the Endowment Committee and First Charge Conference called to vote upon such amendment. At least 30 days shall elapse between the First and Second Charge Conferences called to vote upon such amendment. The proposed amendments as adopted by the Endowment Committee shall be generally circulated through the congregation prior to the First Charge Conference called to vote upon such amendment.

If the proposed amendment is initiated by a Charge Conference, said proposed amendment shall be generally circulated throughout the congregation, and no vote shall be taken in the Endowment Committee until six months have elapsed from the time said amendment has been adopted by the First Charge Conference. If the Endowment Committee approves the amendment initiated by the Charge Conference, a second Charge Conference shall be duly called and the amendment approved or rejected at that time.

No amendment shall become effective until passage by a 2/3 vote of the Endowment Committee and by a 2/3 vote of those voting at two consecutive Charge Conferences; provided, however, that the lack of said 2/3 vote at either of the Charge Conferences or at a vote taken by the Endowment Committee shall defeat any proposed amendment. Any defeated amendment may again be considered only after one year following the last vote taken on said proposed amendment and only after again being initiated by either the Endowment Committee or a Charge Conference.

### **P. FREEDOM TO EMPLOY COUNSEL**

The Endowment Committee, at its discretion, is free to employ counsel in the management of the Fund, which may include but not be limited to legal advice, help of a certified public accountant or guidance from an investment counselor. Any such professional services secured shall be provided by neutral, independent professional sources not affiliated with a member of the Endowment Committee or their immediate family. Further, any professional services provider shall not have any other conflict of interest related to The Church or any donor to The Church.

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## Q. EXPENSES FOR MAINTAINING THE FUND

Any expenses incurred in managing and maintaining the Fund as a whole shall be borne proportionately by all accounts of the Fund, and shall come out of the income of the Accounts before distribution. Any expenses incurred in managing or maintaining a specific Account or Accounts shall be paid from that Account or Accounts.

## R. BEQUESTS TO First United Methodist Church

It is recognized that some persons may have previously executed, or may hereafter execute, wills, trusts, or other planned giving instruments naming The Church as beneficiary rather than naming the Endowment Fund as beneficiary. *The Book Of Discipline* provides that a Charge Conference may designate the Endowment Fund to provide services, which are normally provided by the Trustees of The Church. Therefore, any such gift, devise or bequest received by The Church after the date of adoption of this Resolution which is \$1,000.00 or larger, shall be transferred to, and placed in the Endowment Fund for management. The Endowment Fund shall receive and administer all such bequests, devises and gifts made to The Church; shall receive and administer all trusts; and shall invest all trust funds of the church in conformity with laws of the country and state in which the church is located. The board of trustees is hereby notified that this Charge Conference is delegating such power, duty and authority to the Endowment Fund.

(NOTE: See paragraph 2533.1 of the *Book of Discipline* - 2008 that provides that a Charge Conference may designate the Endowment Fund to provide certain services normally assigned to the Trustees in paragraph 2532.5 of the *Book of Discipline*.)

Any such gift, devise or bequest received by The Church after the date of adoption of this Resolution which is less than \$1,000.00, shall be held by the Board of Trustees of The Church for use in capital improvement projects.

## S. LIABILITY OF TRUSTEES AND MEMBERS OF THE COMMITTEE

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

## T. SEVERABILITY

If any provision, or any application of any provision, of the Endowment Fund is determined to be illegal, inoperative or unenforceable, said provision shall not affect any other provisions or any applications of any provisions herein contained or render the same invalid, inoperative, or unenforceable.

## U. ADOPTION

This Endowment Fund Charter was adopted by the duly authorized Charge Conference of the First United Methodist Church at a session held at New Castle, Indiana on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

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Attest:

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

Printed Name: \_\_\_\_\_  
Presiding officer of the  
Charge Conference

Printed Name: \_\_\_\_\_  
Recording Secretary of the  
Charge Conference