

# Castleton United Methodist Church

## Endowment Fund Charter

Castleton United Methodist Church, 7101 Shadeland Avenue, Indianapolis, IN 46256, (hereafter referred to as “Castleton UMC,” “The Church” or “Church”) hereby creates a permanent Endowment Fund to be known as the “Castleton UMC 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. In general, gifts to the Endowment Fund will be held in perpetuity, if not otherwise designated by the donor, with income (as defined by the Spending Policy) 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 Castleton 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.

This Endowment Fund and resulting income is intended for purposes that are not a part of the local Churches’ established programs, which are funded, or should be funded, through the annual operating budget of the church and the regular giving of those attending. It is not intended that Endowment Fund income provide for local Church general operating expenses. It is intended that the Church annual budgetary process, together with annual giving, shall support normal and customary Church activities. Endowment Fund income should only be used to support ministries beyond normal local Church activities or to provide temporary assistance in starting new ministries in the local church.

The Fund may accept both cash and non-cash gifts and bequests. Non-cash gifts may include corporate stock, mutual funds, bonds, real estate, personal property, and other items deemed acceptable by the Endowment Committee. (See Endowment Fund General Policies)

### 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

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account will be used to fund the ministries or missions selected by the Endowment Committee.

2. *Children and Youth:* Income from this account will provide funds to increase participation by youth in worship, education, fellowship; expand services provided by the church for youth; and support development of Christian youth in other ways.
3. *CUMNS Kids:* Fund established in honor of Chris Landon, who created and was the Director of CUMNS Kids until her retirement. This fund was established in her honor and is to be utilized to provide funding for on-going training and education of the teachers of CUMNS.
4. *Bells Fund:* Income from this account will be used to provide funds for handbell instrument replacement or major repair as well as sheet music for the bells music program.
5. *Building:* Income from this account will provide for capital improvements, major repairs, equipment, furnishings or decorations for any properties owned by the church.

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. (See Endowment Fund General Policies) However, such new designated accounts may only be established if the following criteria are met:

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 \$10,000.00. 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 \$10,000.00 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.

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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 General Accounts and Donor Designated Accounts. All gifts made to the Fund shall be accepted subject to the terms and limitations set forth in this document.

## **Sub-Accounts:**

Funds cannot be designated to establish a sub-account within a previously established account, regardless of the amount of the proposed gift.

## **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**

Following the Single Board Structure, the Leadership Team of Castleton UMC shall operate as the Endowment Committee. The Endowment Chairperson is nominated and elected in the same manner as the other members of the Leadership Team. This should be a person who has a strong interest in helping the Endowment fund grow and succeed.

In addition, an Endowment Sub-committee shall be established to facilitate certain actions to be undertaken as enumerated below related to the Endowment Fund development and administration. The senior pastor (or the associate pastor if so designated by the senior pastor) shall be an ex-officio member without voting privileges.

Certain activities required related to the Endowment Fund shall be the responsibility of other positions on the Leadership Team or subcommittees of the Leadership Team, as enumerated in Section E.

The Chair and sub-committee members shall be selected from those members of the Church who have a strong interest in endowments, or expertise in fund development, 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 or subcommittee. Committee members shall not use their position on the Endowment sub-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.

## **E. POWERS AND DUTIES OF THE ENDOWMENT COMMITTEE**

The Endowment Committee (Leadership Team with Endowment Chair leading the

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meeting) 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 approve, based on requests and recommendations received, the distributions from all General Accounts. Upon approval by the Endowment Committee, the distribution form may be signed by either the Endowment Chair, Treasurer or Senior Pastor.
2. To approve, based on recommendations received, the proper distributions 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. Upon approval by the Endowment Committee, the distribution form may be signed by either the Endowment Chair, Treasurer or Senior Pastor.
3. To accept or reject any gift, bequest or devise.

Any gift of \$10,000.00 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.

4. To approve all policies to manage and administer the Fund.
5. To oversee and direct the Endowment sub-committee.

The Endowment sub-committee shall have the following powers and duties pertaining to the Endowment Fund and such other powers and duties as may be delegated by the Endowment Committee:

1. To educate church members and other potential donors on planned giving and promote giving to the Fund.
2. To recommend to the Endowment Committee the distribution of income from the Endowment Unrestricted Account and the distributions from all other Endowment accounts without others identified as responsible for the distribution recommendation.
3. To recommend to the Endowment Committee the proper distribution 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.
4. To manage and administer the Fund, which shall include:
  - a. proper acknowledgment of gifts;
  - b. keeping a record of donors and gifts;
  - c. keeping a record of donor planned giving.
5. To present an annual written report to the Charge Conference and Leadership

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Team.

6. To inform the congregation of the Church of Endowment Fund activities through use of the newsletter or other mailing and presentation to the congregation.
7. To recommend to the Endowment Committee for approval the Endowment Spending Policy to use in making distributions from the Endowment Fund.
8. To develop other policies for approval by the Endowment Committee to guide the day-to-day management of the Fund.

## **F. OTHER RESPONSIBILITIES RELATED TO THE ENDOWMENT FUND**

1. Finance Chair/Committee shall be responsible:
  - a. To invest all monies of the Fund in line with the Investment Policy, Objectives, and Guidelines. (See Section G)
  - b. To determine an appropriate means of offsetting the effects of inflation on Fund assets.
  - c. To have the Fund audited/reviewed annually by the Church auditor as part of the audit/review of the Church, and/or any other entity as determined necessary by the Endowment Committee and/or Finance Committee.
  - d. To select the definition of “income” to be used by the Fund (trust law or corporate law definition as documented in the Endowment Spending Policy)
2. Trustee Chair/Committee shall recommend how distributions from the Building Account shall be utilized.
3. Youth Director in conjunction with the Children’s Director shall recommend how distributions from the Youth Account shall be utilized.
4. Music Director shall recommend how distributions from the Bells Fund shall be utilized.
5. CUMNS Kids Director shall recommend how distributions from the CUMNS Kids Fund shall be utilized.
6. Director of Operations or other staff as designated shall have the following powers and duties pertaining to the Endowment Fund and such other powers and duties as may be delegated by the Endowment Committee to manage and administer the Fund, which shall include:
  - a. incurring and paying ordinary and necessary expenses of managing the Fund;
  - b. paying of local state and federal taxes and fees, where applicable;
  - c. recording receipts and expenditures from the Fund;
  - d. maintaining a record of assets of the Fund.

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## G. INVESTMENT OF FUNDS

The Finance 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, 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 Church.

Investment objectives of the Endowment Fund shall include:

1. Conservation of principal for the effective maintenance of purchasing power.
2. Growth of principal and income to offset cost of living increases.

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 Endowment Committee, at which a quorum is present, upon recommendation of the Endowment sub-committee and Finance Chair.

## H. DISTRIBUTION OF INCOME

In general, 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. (See Endowment Spending Policy)

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. 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. Based on the purpose of the funds when initially established, the Bells Fund and the CUMNS Kids fund will enable distribution of income and principal as recommended by the Music Director and CUMNS Kids Director, respectively, and approved by the Endowment Committee, without limitation.
4. If a gift is used to establish a Donor Designated Account, the income and/or

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principal will be distributed according to the written directions provided by the donor at the time of the gift.

5. If income in a particular account remains unused at the end of the calendar year, such income may be held in that account for use in a subsequent year. However, it is not within the purposes of the Endowment Fund to accumulate income as a means of enhancing the size of the Fund other than to offset the effects of inflation on assets of the Fund. The Endowment Committee, at its discretion, may reclassify unspent income as additions to principal. Thereafter, such accumulated income is no longer available for distribution.
6. It is not intended that Endowment Fund income provide for local Church general operating expenses. It is intended that the Church annual budgetary process, together with annual giving, shall support normal and customary Church activities. Endowment Fund income should only be used to support ministries beyond normal local Church activities or to provide temporary assistance in starting new ministries in the local church.
7. Income shall not be used to subsidize the cost of a new program, ministry or staff position for more than three years. However, upon annual review, support may be extended to a fourth or fifth year.

### I. 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. In keeping with the Uniform Prudent Management of Institutional Funds act, annual distributions may be made within the spending policy, even though the corpus of the account has dropped below the original donations due to market fluctuations.

Notwithstanding any other provision herein, the Undesignated Account principal in excess of the spending rate may be withdrawn only in extreme and overwhelming circumstances, bordering on the survival of The Church. Any additional withdrawal of principal of the Undesignated Account must be approved by a majority vote of the Endowment Committee and a three-fourths (3/4) vote of the Charge Conference members voting, subject to the rules of the *Book of Discipline* of the United Methodist Church. Principal may be withdrawn from the Bells Fund and CUMNS Kids fund, based on the purpose of the funds when established and any donor designated fund if so stipulated by the desires of the donor. Principal shall not be withdrawn in excess of the spending rate from any other account.

### J. 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 exceed 50% of the total 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

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Endowment Committee and would be generally comparable to terms and conditions available through commercial lending institutions.

### **K. PLEDGING FUND ASSETS**

Endowment Fund assets may not be pledged as collateral to secure Church obligation except in unusual circumstances for major church projects. However, by a  $\frac{3}{4}$  vote of all the members of the Endowment Committee and by a  $\frac{3}{4}$  vote of the Charge Conference members voting, Undesignated Account Principal may be pledged as collateral to secure Church obligations to finance said major projects under unusual circumstances. The terms and conditions of any such pledging of security would be those as set by the Endowment Committee and would be generally comparable to terms and conditions available through commercial lending institutions. In no event may the Endowment Committee or the Charge Conference, pledge more than 50% of the Undesignated Account assets as collateral for such Church obligations.

### **L. TOTAL ENCUMBERANCE**

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

### **M. 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.

### **N. 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:

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1. *All undesignated* principal and accumulated earnings thereon shall be distributed as directed by a 2/3 vote of all members of the Endowment Committee and a 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 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., Fishers, IN.
2. *All designated* principal and accumulated earnings thereon shall be distributed to the United Methodist Foundation of Indiana, Inc., Fishers, 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.

### O. 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 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.

### P. 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 three 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.

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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 three 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.

### **Q. 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, any sub-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.

### **R. 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.

### **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.

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## U. ADOPTION

This Endowment Fund Charter was adopted by the duly authorized Charge Conference of the Castleton United Methodist Church at a session held in Indianapolis Indiana on the \_\_\_\_\_ day of \_\_\_\_\_, 2018.

Castleton United Methodist Church

Attest:

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

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

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

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

Revised /2018

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## **Addendum**

The Endowment Fund of Castleton United Methodist Church encompasses various Accounts as established by this Charter or the Endowment Committee. In general, the Endowment Fund is intended to exist into perpetuity. However, certain accounts may not have this goal and are intended to be fully utilized based on the stated purpose. This Addendum is provided to clarify which accounts fall into which category.

### **Endowment Accounts**

The following accounts have been created to exist into perpetuity. Distributions from the accounts shall be limited to the definition of income as defined in the Endowment Spending Policy.

1. Unrestricted Account
2. Building Account
3. Youth Account

### **Non-Endowment Accounts**

The following accounts have been created with the intent to utilize the funds in a prudent manner but are not intended to exist into perpetuity. Principal and income may be spent from these accounts in accordance with the stated purposes of the respective accounts as stipulated in Section B. of this Endowment Fund Charter.

1. CUMNS Kids Account
2. Bells Fund