

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

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from this 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

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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 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.

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E. POWERS AND DUTIES OF THE ENDOWMENT COMMITTEE

The Endowment Committee (Leadership Team with Endowment Chair leading the 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;

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- c. keeping a record of donor planned giving.
5. To present an annual written report to the Charge Conference and Leadership 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;

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- c. recording receipts and expenditures from the Fund;
- d. maintaining a record of assets of the Fund.

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

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- 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 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

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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 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

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Endowment Spending Policy

A. General Information:

The Castleton United Methodist Church Endowment Fund, Indianapolis, Indiana, (hereafter "Endowment Fund" or "Fund") hereby adopts this Statement of Spending Policy. The Fund operates as part of the single board structure of Castleton United Methodist Church, Indianapolis, Indiana (hereafter "The Church"). The Endowment Fund provides grants to The Church projects, initiatives and outreaches which support the special needs or mission of The Church and the larger United Methodist community.

B. Purpose:

To put into place a consistent plan that will enable the Endowment Fund to approve and disburse funds that fulfill the ministry and designation of the Endowments received while working to further strengthen the financial base of the Endowment Fund.

C. UPMIFA Standard of Prudence

The Endowment Fund recognizes the UPMIFA standard of prudence. In making a determination to disburse or accumulate, the Endowment Fund Committee will act in good faith with the care that an ordinary prudent person would exercise. We will consider several factors in our decisions including, but not limited to:

- the purpose of the endowment and the intent of the donor
- duration and preservation of the endowment fund
- general economic conditions
- the possible effect of inflation or deflation
- the expected total return from income and the appreciation of investments
- the overall investment policies of the Endowment Committee.

D. Policies Adopted

The Endowment Committee hereby adopts the following policies as the components of its Spending Policy:

1. **Income Definition:** The Fund shall use the "Corporate Law" definition of income, which generally defines income as earnings from all sources including interest, dividends, net rentals and capital appreciation.
2. **Inflation Retention:** The Fund shall retain sufficient "income" to offset the long-term effects of inflation. Total income shall be reduced by an average rate of inflation in determining amounts available for grants and other distributions.

3. Spending Rate: The Fund shall use a spending rate based on assumed future rates of return and assumed future rates of inflation. Based on the asset mix selected in our Investment Policy, we make the following assumptions:

| | |
|---|----|
| Assumed long-term future net investment returns | 6% |
| Minus Assumed long-term rate of inflation | 2% |

| | |
|-----------------------------------|----|
| Equals the Net available to spend | 4% |
|-----------------------------------|----|

Based on these assumptions, we hereby establish our annual spending rate at 4%

4. Application of Spending Rate: The "Spending Rate" as determined above shall be applied to the average account balance of the Endowment account at the end of the previous three years. After review by the Endowment Committee for circumstances impacting the spending rate, the resulting amount shall be available for distribution as gifts or grants.

5. Limitation on Spending: Application of the Spending Rate as determined above shall not be limited by original principal of the Fund.

6. Unspent Income: Income available for making grants or other distributions, as determined under the above policies, definitions and formula, but which is not disbursed for any reason, shall be available for disbursement in future years. However, by action of the Endowment Committee, undistributed income may be added to principal on a case by case basis.

Adopted by Castleton United Methodist Church Endowment Committee on _____.

Statement of Investment Policy, Objectives & Guidelines

FOR CASTLETON UNITED METHODIST CHURCH ENDOWMENT FUNDS

A. GENERAL INFORMATION

The **Castleton United Methodist Church (CUMC)** Endowment Fund, Indianapolis, IN, (hereafter “Endowment Fund” or “Fund”) hereby adopts this Statement of Investment Policy, Objectives and Guidelines. The Fund operates as part of the single board structure of Castleton United Methodist Church, Indianapolis, IN (hereafter “The Church”). The Endowment Fund provides grants to The Church projects, initiatives and outreaches which support the special needs of CUMC and the larger United Methodist community. Contributions to the Endowment Fund are in the form of gifts from individuals, families and corporations

B. PURPOSE OF THIS POLICY STATEMENT

This statement of investment policy, objectives and guidelines has been adopted by the Endowment Committee in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of Endowment Fund assets.
3. Establish the relevant investment time horizon(s) for which the Endowment Fund assets will be managed.
4. Manage Endowment Fund assets according to prudent standards.
5. Establish a basis for evaluating investment results.

In general, the purpose of this statement is to outline a philosophy and attitude, which will guide the investment of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

C. DELEGATION OF AUTHORITY

The Finance Committee is responsible for directing and monitoring the investment management of Fund assets. The Finance Committee is authorized to delegate certain responsibilities to professional experts in various fields or to a sub-committee. These include, but are not limited to:

1. *Investment Consultant.* The consultant may assist in establishing investment policy, objectives and guidelines; selecting investment funds; measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. *Investment Manager.* The investment manager has discretion to purchase, sell or hold the specific securities that will be used to meet investment objectives.
3. *Custodian.* The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales.
4. *Investment Committee.* A sub-committee of the Finance Committee charged with

responsibility to select investment funds or oversee the management of Endowment Fund assets.

The Finance Committee is responsible for implementation of the investment policy, procedures and guidelines, and selection of investment funds or professionals.

D. DEFINITIONS

1. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Endowment Fund assets.
2. "Investment Time Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for Endowment Fund assets is normally ten (10) years, or longer.
3. "Finance Committee" shall hereafter refer to the Investment Committee, the sub-group elected by the Endowment Committee, which has been delegated full authority to administer this investment policy.

E. GOAL OF ENDOWMENT FUND

The Endowment Fund believes that grants and income distributions to be made in the future are as important as distributions made today. This is consistent with the philosophy that this Endowment Fund is to exist in perpetuity, and therefore, shall provide for grant making in perpetuity. To attain this goal, the overriding objective of this Endowment Fund is to maintain purchasing power of endowment accounts. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the Endowment Fund's investment time horizon. Specific investment objectives will be established later in this document.

F. ATTITUDE TOWARD GIFTS

Future donor giving to the Endowment Fund is expected to be inconsistent, and therefore, unpredictable. As a result, the Endowment Fund has an investment objective of maintaining purchasing power of Endowment Fund assets before consideration of new gifts. Future donor giving will serve to increase purchasing power.

G. SPENDING POLICY

In order to achieve a relatively stable spending pattern while allowing for investing in securities providing relatively high total earnings, [the Endowment Fund will base amounts available for spending on the total value of investment accounts](#) (see Endowment Spending Policy). The Endowment Committee will determine annually amounts to be spent or granted from Endowment Fund assets. [Spending is anticipated to be approximately 4.0% of portfolio value of various endowment accounts.](#) The Endowment Committee anticipates this level of spending will allow retained income to equal or exceed inflation and thereby maintain purchasing power.

H. RESPONSIBILITY OF THE FINANCE COMMITTEE

- I. [The Finance Committee](#) is charged with the responsibility for the management of the assets of the Endowment Fund. The Committee shall discharge its duties solely in the interest of the Endowment Fund, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent investor, acting in a like capacity and familiar with such matters

would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Committee relating to the investment management of Endowment Fund assets include:

1. Determining the Endowment Fund's risk tolerance and investment horizon.
2. Establishing reasonable and consistent investment objectives, policies and guidelines, which will direct the investment of the Endowment Fund's assets.

I. GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the Endowment Fund.
2. The assets shall be invested with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. Investments of the Endowment Fund shall be diversified to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. **The Finance Committee** may invest in one or more investment funds, or, employ one or more investment managers of varying styles and philosophies to attain the Endowment Fund's objectives.
5. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

J. INVESTMENT MANAGEMENT POLICY

1. Preservation of Capital - Investment funds or managers shall be selected to make reasonable efforts to preserve capital, understanding that losses may occur.
2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Endowment Fund recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Endowment Fund's objectives. However, the investment funds or managers are expected to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

K. INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the Endowment Fund is to emphasize total return; that is, the aggregate return from capital appreciation, dividend and interest income.

Specifically, the primary objective in investment management for Endowment Fund assets shall be:

- Preservation of Purchasing Power** - To achieve returns in excess of the rate of inflation over the investment horizon in order to preserve purchasing power of Endowment Fund assets.

The secondary objective on the investment management of Endowment Fund assets shall be:

- Income and Growth** - To achieve a reasonable total return of current income and growth. Returns from "high risk" portfolios are not predictable and will likely be

unnecessarily volatile. Alternatively, returns from “very conservative” portfolios will likely result in low earnings. Therefore, the Endowment Fund shall tend toward a more “moderate” investment strategy balancing the need for income (total income) with the need to preserve principal.

The endowment Committee understands that in order to achieve its objectives for Fund assets, the Fund may experience volatility of returns and fluctuations of market value.

Recognizing that the Endowment Fund may manage various accounts, which may have different investment needs, it is anticipated the Endowment Fund may utilize different investment funds to achieve the needs of the various accounts.

L. SOCIAL RESPONSIBILITY

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.

M. MARKETABILITY OF ASSETS

All Endowment Fund assets are to be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Endowment Fund, with minimal impact on market price.

N. INVESTMENT GUIDELINES

If Endowment Fund assets are invested through funds, funds are to be chosen which, in general, adhere to the guidelines listed below. If Endowment Fund assets are invested directly by the Finance Committee, Fund investments shall adhere to the guidelines listed below.

Allowable Assets

1. Cash Equivalents

- Treasury Bills
- Money Market Funds
- STIF Funds
- Commercial Paper
- Banker's Acceptances
- Repurchase Agreements

- Certificates of Deposit
- 2. Fixed Income Securities
 - Government and Agency Securities
 - Corporate Notes and Bonds
 - Mortgage Backed Bonds
 - Preferred Stock
 - Fixed Income Securities of Foreign Governments and Corporations
 - Collateralized Mortgage Obligations
 - Collateralized Bond Obligations
- 3. Equity Securities
 - Common Stocks
 - Convertible Notes and Bonds
 - Convertible Preferred Stocks
 - American Depository Receipts (ADRs) of Non-U.S. Companies
 - Stocks of Non-U.S. Companies (Ordinary Shares)
- 4. Mutual Funds
 - Mutual Funds that invest in securities as allowed in this statement.
- 5. Other Assets
 - GIC's
 - Real Estate Investment Trusts (REITS)
 - Options - Covered Puts and Covered Calls

Prohibited Assets

Prohibited investments include, but are not limited to the following:

- Commodities and Futures Contracts
- Private Placements
- Limited Partnerships
- Venture Capital Investments
- Private Equity Funds
- Hedge Funds

Prohibited Transactions

Prohibited transactions include, but are not limited to the following:

- Short Selling
- Margin Transactions
-

Diversification

The Endowment Committee does not believe it is necessary or desirable that securities held represent a cross section of the economy. However, in order to achieve a prudent level of total portfolio diversification, the securities of any one company or government agency should not exceed 10% of Endowment Fund investments, and no more than 25% should be invested in any one industry.

O. INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports shall be reviewed regularly. The performance will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines as set forth in this statement. **The Finance Committee** intends to evaluate the portfolio(s) over at least a three year period, or longer.

P. ASSET ALLOCATION

The following long-term asset allocation ranges are to be guidelines for management of all the accounts within the Endowment Fund. The Finance Committee will take into consideration the purpose of each account within the Endowment Fund to determine the appropriate asset allocation for each account.

| CAPITAL GROWTH OBJECTIVE | RANGE |
|------------------------------------|--------------|
| EQUITIES/HIGH VOLATILITY | 50-85% |
| Large Cap | 30-60% |
| Mid Cap | 5-20% |
| Small Cap | 5-20% |
| International | 10-30% |
| FIXED INCOME/LOW VOLATILITY | 15-50% |
| Fixed Income | 15-50% |
| Cash & Cash Equivalents | 0-20% |

R. INVESTMENT POLICY, OBJECTIVES & GUIDELINES REVIEW

To assure continued relevance of the policies, objectives, guidelines, as established in this **Statement of Investment Policy, Objectives and Guidelines**, the Endowment Committee plans to review this investment statement at least **every Three (3) years**.

This **Statement of Investment Policy, Objectives and Guidelines** was approved on _____, _____ by the Endowment Committee of Castleton United Methodist Church of Indianapolis, Indiana.



Castleton United Methodist Church

Endowment Fund General Policies

A. General Information

The following general policies are established to enable the Endowment Committee (EC) to effectively proceed with the management and administration of the Endowment Fund. It is the intent of this listing of general policies to work in conjunction with the previously adopted Endowment Fund Charter. The following policies are addressed either in the Endowment Charter or within additional, freestanding policy statements:

- Investment Policy
- Spending Policy
- Definition of Income
- The composition of the EC and Endowment Subcommittee
- Powers and duties of the EC
- Borrowing from the Endowment Fund
- Changing the designation of a previously received gift
- Request Process for Grants

B. Additional policies and clarifications are included in the following content:

1. Receipt of Gifts

- a. The **EC and Endowment Subcommittee** welcome and encourage gifts and bequests to be designated to the Endowment Fund. Gifts shall include, but not be limited to, cash, stocks, bonds, certificates of deposit, **real estate, and personal property**. The donor may transfer such property to the Endowment Fund by outright gift, life estate gift, or any one of several deferred giving arrangements (planned gifts).
- b. *The **Endowment Committee** must approve any gift offered to the Endowment Fund before being officially accepted. The **EC** reserves the right to decline or otherwise refuse any gift offered to the Endowment Fund, with or without cause. Reasons that a gift may be declined include, but are not limited to, the following:*
 - i. *The **EC** does not believe it is in the best interest of the Church or Endowment Fund to abide by the restrictions placed on the gift by the donor.*
 - ii. *The costs to maintain the gift, or to meet the restrictions placed on the gift by the donor, are considered to be excessive for the Endowment Fund.*
 - iii. *The gift is considered to be inappropriate or unrelated to the tax-exempt purposes of the Endowment Fund or the Church.*
 - iv. *The gift may result in inappropriate or undesirable publicity.*
 - v. *The **EC** cannot accept a gift that is designated to benefit or be channeled to an individual staff member of the Church (or to any other individual).*

- c. *The EC and Endowment Subcommittee will develop programs to encourage gifts to the Endowment Fund.*
 - d. *The EC will maintain complete and accurate records on all gifts and abide by all related federal, state and local rules and regulations.*
2. Priority of Donor's Interest
 - a. The EC shall exercise care and caution in accepting and abiding by the interest of the donor for the endowed use of their gift. A written letter of designation, in the absence of a Will or other legally drafted document, from the Donor must exist to assure the Donor's interest is being honored.
 - b. No member or representative of the EC shall use any form of pressure on a prospective donor. However, education and the provision of informational materials is encouraged and shall be provided to the prospective donor to aid in making an informed decision concerning their Endowment gift.
 3. Confidential Information
 - a. All information concerning donors and prospective donors, including their names, names of beneficiaries, the amount and type of the gift, aspects relating to their estate, etc., shall be kept confidential.
 - b. The use of any of this confidential information can only be done with prior, written permission of the donor.
 4. Use of Legal Counsel
 - a. The EC shall seek legal counsel, where appropriate, in matters pertaining to its deferred giving program and shall execute no deferred giving agreements without the advice of the Church's legal counsel.
 - b. All prospective donors shall be urged to seek their own legal counsel and/or tax counsel in matters relating to their deferred gifts, tax and estate planning.
 5. Serving as Trustee
 - a. The EC and Endowment Subcommittee or any member of the EC or Endowment Subcommittee shall not serve as trustee of any trust created by any donor for the benefit of the Endowment Fund.
 - b. Prospective donors may be referred to the [United Methodist Foundation of Indiana, Inc.](#) or other appropriate consultants for services relating to planned giving.

Adopted by _____ United Methodist

Endowment Committee on _____, _____.

Endowment Fund Grant Request Process

A. General Information

Disbursements from the Endowment Fund, administered by the [Endowment Committee \(EC\)](#), for either Designated or Undesignated funds will first be determined by availability of funds for such disbursements. The availability of funds will be determined by other existing EC policies, which assist in the administration of the Endowment Fund.

B. Request Process

To make a formal request for funds, the potential recipient of Endowment Funds must complete the following steps:

1. A written request must be submitted to the EC for initial review. This request should include:
 - a. The name of the entity and contact person submitting the request
 - b. The specifics relating to the project needing funds
 - Scope and goals of the project
 - History of the project
 - Annual budget of the project
 - Planned use for the requested funds
 - c. Any timing restraints foreseen for the receipt and use of the requested funds

2. The EC will review the request at its [next regularly scheduled meeting](#).
 - a. The request will be reviewed in conjunction with:
 - the availability of funds
 - the EC spending policy
 - the specifics of the project and how they relate to either Designated or Undesignated funds
 - the timing of receipt of other requests for the same funds that may have been received
 - the appropriateness of funding by EC
 - b. If any questions arise during this review, the submitting individual will be contacted for further information

3. Following the review of the request for funds, or after receiving any additional requested information, the EC will vote on the disbursement of the funds to the project.
 - a. If the vote passes and the funds are approved for disbursement, the EC will direct that a check be written to the requesting source at a point-in-time deemed appropriate by the EC.
 - b. If the vote is against disbursement, a written communication will be generated by the EC to the requesting party identifying, as clearly as possible, the reasons for the denial and any recommendation for future funding request.

Adopted by _____ United Methodist

Endowment Committee on _____, _____ .

SAMPLE

_____ ***UMC Endowment Fund Grant Application***

Prepared By: United Methodist Foundation of Indiana, Inc.

Entity Name: _____

Street Address: _____

City: _____ State: _____ Zip: _____

Phone: () _____ Fax: () _____

Contact Person: _____ Title: _____

Address: _____

City: _____ State: _____ Zip: _____

Phone: () _____

Organization Federal I.D. Number: _____ Not-for-profit status? Yes No

Please describe the mission and major goals of your entity this year:

PROJECT INFORMATION:

Project Name: _____ Date Project Begins: _____

Total Cost of Project: \$_____ Amount Requested: \$_____

What areas of ministry will be impacted by this project? _____

How many people do you anticipate will benefit from this project? _____

How will this project bring unchurched people into a saving relationship with Christ and/or begin a discipling process? _____

(over)

How will this new ministry follow up and disciple those it reaches? _____

On separate paper, please describe in detail how these funds will be used and how this project enhances the mission of Christ and the ministry of the Church. Explain the project's goals and objectives and how they enhance the mission of Christ and the Church (Attach additional pages).

GRANT APPLICATION DOCUMENTATION:

To evaluate your application properly, the following documentation must be attached:

1. A copy of your entity's current budget and the project budget, showing all project revenues and expenses.
2. The names, addresses and phone numbers of the entity's leaders and/or project leaders.
3. Any other supplementary materials that would describe the need for the project.

Grant application deadline is _____. (Any exceptions to this are by approval of the Endowment Fund Committee). You will receive notification of grant action by _____.

Applicant Name (Please print)

Date of Application

Applicant Signature

(For Endowment Fund Committee use only)

Comments:

Grant Comm. Recommendation: *Decline* *Approve* - Amount \$ _____

Date: _____ *Signature:* _____

Action by Endowment Fund Committee:

Decline *Approve* - Amount \$ _____

Date: _____ *Signature:* _____