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***Wesley United Methodist Church***

***Cityville, Kansas***

**The Charter of the**

**Permanent Endowment Program**

**(Single Board Version)**

The *Wesley United Methodist Church of Cityville, Kansas*, a Kansas not-for-profit corporation, (“The Church”) hereby establishes the Permanent Endowment Program (the “Program”). 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 Permanent Endowment Program is to provide a means for members and constituents of The Church to make gifts and bequests to provide a permanent endowment that will become a source for long-term financial support and living memorials to their faith. Gifts to the Permanent Endowment Program 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 funds shall be used to assist the Church in fulfilling its purposes in Christian ministry and mission. This includes support of ministries of *Wesley United Methodist Church of Cityville, Kansas*, of the Great Plains Annual 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 Administrative Board.

These permanent endowment funds and resulting income are intended for purposes that are not a part of the Church’s 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 income provides for the Church general operating expenses. It IS intended that the Church annual budgetary process, together with annual giving, shall support normal and customary Church activities. Income from the permanent endowment funds should only be used to support ministries beyond standard local Church activities or to provide temporary assistance in starting new ministries in the Church.

The Program may accept both cash and non-cash gifts and bequests. Non-cash gifts may include corporate stock, mutual funds, bonds, bank deposits, real estate interest, precious gems and metals, and other items deemed acceptable by the Administrative Board. See the Receipt of Gift portion of this charter below. Coordination with the Kansas Methodist Foundation will simplify the receiving and liquidating of non-cash gifts.

**B. FUNDS**

Within this Permanent Endowment Program, the following Funds are hereby established to enable the Church to have an effective ministry:

*(****NOTE:*** *The below funds are shown as examples only. A smaller number of pooled funds will help in the process of communication and invitation. All churches should have an Undesignated Ministry Fund – Legacy Fund.)*

**General Funds**

1. *Undesignated Ministry (Legacy Fund):* This fund will receive gifts and bequests, which are not designated for a particular purpose or restricted in any way. Monies from this fund will be used to fund the ministries or missions selected by the Administrative Board in conjunction with the overall mission of the Church
2. *Missions:* Income from this fund shall fund missionary support, work camps, advance specials, and missionary projects locally, nationally, or globally.
3. *Outreach:* Income from this fund shall fund local and community-based relief efforts and ministries.
4. *Youth:* Income from this fund shall provide funds to increase participation by youth in worship, education, fellowship; expand services provided by the Church for youth; and support the Christian development of youth.
5. *Education:* Income from this fund shall be used for special educational or evangelism programs, camperships, scholarships, leadership training of workers, and special workshops or seminars.
6. *Scholarships:* Income from this fund shall be used to provide scholarship grants to students seeking post-secondary education. First preference will be given to students who have been an active part of the life of the Church. Scholarship grants may be made to persons who have recently graduated from high school or to persons deciding to seek further education later in life.
7. *Christian Life Development Fund*: Income from this fund shall be used to further spiritual development of individuals and corporate Christian life. Ministries may include, but are not limited to: Evangelism, Youth, Education, Discipleship and Fellowship.
8. *Music, Worship and Arts:* Income from this fund shall be used to enhance the worship experience and may provide funds for musical instrument replacement or major repair, other instruments, music leadership, choirs, special programs and drama.
9. *Building:* Income from this fund shall provide for capital improvements, major repairs, equipment, furnishings or decorations for any properties owned by the Church.

Other funds may be established by action of the Administrative Board or Charge Conference. Such funds 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 pooled funds established by action of the Administrative Board or Charge Conference.

**Donor Restricted Funds:**

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

1. The Administrative Board agrees to accept the gift with the restrictions proposed by the donor, and
2. The Administrative Board agrees to establish a new restricted fund to hold this restricted gift, and
3. The initial gift to the new donor restricted fund shall not be less than $\_\_\_\_\_\_\_ (Suggested minimum of $100,000).

No minimum contribution shall be required for additional gifts to funds previously established by a donor.

Donors wishing to establish restricted funds of less than $\_\_\_\_\_\_\_\_\_\_\_\_\_ *(Suggested $100,000)* will be encouraged to make their gift to one or more of the other existing funds.

Principal and income of funds created by action of individual donors will be used in accordance with the Uniform Prudent Management of Institutional Funds Act.

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

The Administrative Board shall exercise care and caution in accepting and abiding by the interest of the donor for the endowed use of the donor’s gift. A written letter of restriction, 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.

No member or representative of the Administrative Board 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.

**Sub Funds:**

Funds cannot be restricted to establish a sub-fund within a previously established fund, 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 Administrative Board, subject to the direction of the Charge Conference as prescribed in *The Book of Discipline of The United Methodist Church*.

**D. Administrative Board**

The Administrative Board shall serve as the administrative body responsible for the Permanent Endowment Program of the Church in a one-board leadership structure.

Individual members of the Administrative Board may be assigned or appointed by Charge Conference to serve as lead representatives of this ministry to ensure that sufficient attention is given to this important and enduring work of the Church.

**E. POWERS AND DUTIES OF THE ADMINISTRATIVE BOARD**

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

1. To educate church members and other potential donors on planned giving and to promote giving to the Permanent Endowment Program in accordance Paragraph 2534 of *The Book of Discipline of the United Methodist Church*:
	1. Emphasize the need for adults of all ages to have a will and an estate plan and provide information on the preparation of these to the members of the congregation.
	2. Stress the opportunities for church members and constituents to make provisions for giving through United Methodist churches, institutions, agencies, and causes by means of wills, annuities, trusts, life insurance, memorials, and various types of property.
	3. Arrange for the dissemination of information that will be helpful in preretirement planning, including such considerations as establishing a living will, a living trust, and the need for each person to designate someone to serve as a responsible advocate should independent decision-making ability be lost.
2. To accept or reject any designated or restricted gift, bequest or devise. Any unrestricted gift of \_\_\_\_\_\_\_\_\_ (*Suggest $5,000*) or more received by the Church from an inheritance, trust or estate that does not designate the Endowment Program as the receipt will be presumed to have been intended for the Endowment Program.

*(****NOTE:*** *Coordinate amount in this paragraph with amount in section T.)*

If a gift is received by the Permanent Endowment Program without designation or restriction, it shall be placed in the Unrestricted Legacy Fund.

1. To determine the distribution of income from all General Funds and Donor Restricted Funds.
2. To manage and administer the Permanent Endowment Program, which shall include:
	1. proper acknowledgment of gifts;
	2. keeping a record of donors and gifts;
	3. distributing income;
	4. incurring and paying ordinary and necessary expenses of managing the Fund;
	5. paying of local state and federal taxes and fees, where applicable;
	6. recording receipts and expenditures from the Fund;
	7. maintaining a record of assets of the Fund.
3. To invest all monies of the Permanent Endowment Program.
4. To have the Permanent Endowment Program audited annually by the Church auditor, and/or any other entity as determined necessary by the Administrative Board and/or the Charge Conference.
5. To present an annual written report to the Charge Conference. The congregation of the Church should also be informed of Permanent Endowment Program activities through use of the newsletter or other mailing and presentation to the congregation.
6. To select the definition of “income” in accordance with the Uniform Prudent Management of Institutional Funds Act.
7. To determine an appropriate means of offsetting the effects of inflation on Permanent Endowment Program assets.
8. To define “Spending Policies” to use in making distributions of income.
9. To develop other policies or by-laws to guide the day-to-day management of the Permanent Endowment Program.

**F. RECEIPT OF GIFTS**

1. The Administrative Board 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.
2. The Administrative Board welcomes and encourages gifts and bequests to be designated to the Permanent Endowment Program. 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 Permanent Endowment Program by outright gift, life estate gift, or any one of several deferred giving arrangements (planned gifts).
3. The Administrative Board must approve any gift offered to the Permanent Endowment Program before being officially accepted. The Administrative Board reserves the right to decline or otherwise refuse any gift offered to the Permanent Endowment Program, with or without cause. Reasons that a gift may be declined include, but are not limited to, the following:
4. The Administrative Board 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.
5. 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.
6. The gift is considered to be inappropriate or unrelated to the tax-exempt purposes of the Endowment Fund or the Church.
7. The gift may result in inappropriate or undesirable publicity.

**G. INVESTMENT OF FUNDS**

The Administrative Board 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 Paragraph 717 of *The* *Book of Discipline of The United Methodist Church*.

Investment objectives of the Permanent Endowment Program shall include:

1. Conservation of principal for the effective maintenance of purchasing power.
2. Growth of principal and income to meet or exceed annual inflation.
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.

**H. 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.

The following matters, terms and conditions, shall apply or shall serve as a guide for distribution of income:

1. If a gift is received by the Permanent Endowment Program without designation or restriction, it shall be placed in the Memorial Endowment Fund. Income from the Memorial Endowment Fund shall be distributed by action of the Administrative Board in accordance with the spending policies set forth herein.
2. Income from all other General Funds (established by this Charter, the Administrative Board, or a Charge Conference) shall be distributed by action of the Administrative Board in accordance with the guidelines for those funds.
3. If income in a particular fund remains unused at the end of the calendar year, such income may be held in that fund for use in a subsequent year. However, it is not within the purposes of the Permanent Endowment Program 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 Administrative Board, at its discretion, may reclassify unspent income as additions to principal. Thereafter, such accumulated income is no longer available for distribution.
4. It is not intended that Permanent Endowment Program 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. Permanent Endowment Program income should only be used to support ministries beyond normal Church activities or to provide temporary assistance in starting new ministries in the Church.
5. Distributions in accordance with the spending policies set forth shall not be used to subsidize the cost of a new program, ministry or staff position for more than three years.

**I. LIMITATION ON USE OF PRINCIPAL**

The objectives of the Permanent Endowment Program are to conserve principal and make use of only the distributions in accordance with the spending policies set forth herein.

In the event of insolvency or acute financial distress of the Church, the Legacy Fund principal may be withdrawn, but only in extreme and overwhelming circumstances, bordering on the survival of The Church. The withdrawal shall not exceed 50% of the Legacy Fund principle. Any withdrawal of principal must be approved by a 3/4 vote of all the members of the Administrative Board and a 3/4 vote of the Charge Conference duly called in accordance with *The Book of Discipline of The United Methodist Church*.

Principal shall not be withdrawn from any other endowed or donor restricted funds.

**J. SPENDING POLICY**

This Spending Policy is adopted in order to minimize the problems that may occur without such policy, including, but not limited to:

1. Erratic spending that may place the future of the Fund in jeopardy.
2. Disregard for the effect of inflation, thus decreasing the financial power of the Fund.
3. Lack of disbursements from the Fund resulting in a disinterest in future contributions and bequests to the Fund.
4. Investing too conservatively causing low growth of the Fund, or investing too aggressively placing the Fund at high risk.

The Administrative Board hereby adopts the following policies as the components of its Spending Policy:

1. Income Definition: The Fund shall use the definition of income as defined by Corporate Law, 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.
3. Spending Rate:A set spending rate is an industry standard for charitable endowment balanced funds and is consistent with the Uniform Prudent Management of Institutional Funds Act. Thus, the Fund shall **use a spending rate of 4% annually**.
4. Application of Spending Rate: On or about January 1st of each year, the spending rate as determined above shall be applied to the average fund balance of the Fund at the end of **the previous 3 years**. The resulting amount shall be available for distribution as gifts or grants.
5. 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 Administrative Board, undistributed income may be added to principal on a case-by-case basis.

**K. BORROWING FROM THE FUND**

Borrowing from the permanent endowment funds is not permitted for any reason.

**L. 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 3/4 vote of all the members of the Administrative Board and by a 3/4 vote of the Charge Conference members voting, Memorial Endowment Fund 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 Administrative Board and would be generally comparable to terms and conditions available through commercial lending institutions. In no event may the Administrative Board or the Charge Conference, pledge more than 50% of the Legacy Fund assets as collateral for such Church obligations.

**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 Permanent Endowment Funds shall be deemed to have been made on behalf of the merged or consolidated Church. The Church shall be entitled to receive all the benefits of said Permanent Endowment Funds, 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 Permanent Endowment Funds shall be distributed in accordance with the *Book of Discipline of The United Methodist Church*.

**O. ADMINISTRATION OF DESIGNATED GIFTS & VARIANCE POWER**

The Church recognizes that many times the intent of a gift used to establish a Donor Restricted Fund 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 Administrative Board, any such gift that has become impossible or impractical to administer may be transferred without condition or reservation to another existing fund, which has similar purposes. If a fund with similar purposes does not exist, the funds will be placed in the Legacy Fund. It is presumed that any individual or entity making a gift, bequest, or devise to the Permanent Endowment Program 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 Restricted Fund impossible or impractical.

**P. AMENDMENTS**

This Charter may be amended by a 2/3 vote of the Administrative Board and a 2/3 vote of the Charge Conference duly called in accordance with *The Book of Discipline of The United Methodist Church*.

**Q. FREEDOM TO EMPLOY COUNSEL**

The Administrative Board, at its discretion, is free to employ counsel in the management of the Fund which may include but not be limited to legal, funding and investment advice.

**R. EXPENSES FOR MAINTAINING THE FUND**

Any expenses incurred in managing and maintaining the Funds as a whole shall be borne proportionately by all funds of the Permanent Endowment Program, and shall come out of the income of the Funds before distribution. Any expenses incurred in managing or maintaining a specific Fund or Funds shall be paid from that Fund or Funds.

**S. BEQUESTS TO *WESLEY 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 of The United Methodist Church* provides that a Charge Conference may designate the Permanent Endowment Program 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 Charter which is $\_\_\_\_\_\_\_\_\_\_ *(Suggest $5,000)* or larger, shall be transferred to, and placed in the Permanent Endowment Program for management. The Administrative Board 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 Administrative Board.

*(****NOTE:*** *An amount should be inserted in the blank above. This needs to be coordinated with an earlier amount in E.2.)*

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

*(****NOTE:*** *Coordinate amount with paragraph above.)*

**T. LIABILITY OF TRUSTEES AND MEMBERS OF THE BOARD**

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

**U. 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.

**V. ADOPTION**

This Permanent Endowment Fund Charter was adopted by the duly authorized Charge Conference of the *Name of Church* at a session held at (city, state) on the \_\_\_\_\_\_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_

*Name of the Church*

Attest By:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature Signature

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Printed Name Printed Name

Presiding Officer of the Recording Secretary of the

Charge Conference Charge Conference

**Note:** This sample document was prepared by the Kansas Methodist Foundation and is to be used only as a guide for local churches in developing their own statement of policy.

**WESLEY UNITED METHODIST CHURCH OF ANYTOWN, KANSAS**

**CHURCH/CHARGE CONFERENCE RESOLUTION**

BE IT RESOLVED THAT the Church/Charge Conference of the Wesley United Methodist Church of Cityville, Kansas, Inc., in session on this \_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_\_\_:

1. Acknowledges that the Administrative Board (the “Board”) shall administer the Permanent Endowment Program of the Church as outlined in Paragraphs 2533.5 and 2534 of *The Book of Discipline of the United Methodist Church*.
2. Adopts the Charter of the Permanent Endowment Program of the Wesley United Methodist Church of Cityville, Kansas, (the “Charter”) attached hereto.
3. Directs that the Board shall have the powers and duties authorized by *The Book of Discipline of the United Methodist Church, Paragraphs 2533.5 and 2534* and the Charter, subject to the directives of this session and future sessions of a Church/Charge Conference. As such, the Board shall: a) Provide the services described in Paragraph 2533.5 of *The Book of Discipline of the United Methodist Church*; b) Emphasize the need for adults of all ages to develop an estate plan, which may include a will, a living trust, and durable powers of attorney for health care and financial decisions; c) Arrange for dissemination of information that will promote effective Christian stewardship; d) Stress the opportunities for church members and friends to make provisions for giving to United Methodist ministries, institutions, agencies and the Indian Heights United Methodist Church of Overland Park, Kansas, by means of wills, annuities, trusts, life insurance, memorials and various types of property; and, e) Comply with the directives of the Church/Charge Conference and carry out such other responsibilities as determined by the Church/Charge Conference.

**THIS RESOLUTION WAS APPROVED BY A VOTE OF:**

**\_\_\_\_\_\_\_\_\_\_FOR \_\_\_\_\_\_\_\_\_\_AGAINST \_\_\_\_\_\_\_\_\_\_ABSTAINED**

Church/Charge Conference of the Wesley United Methodist Church of Cityville, Kansas, Inc.

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Recording Secretary Senior Pastor

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District Superintendent