

North United Methodist Church, Inc. Endowment Policy

This policy statement sets guidelines for the administration of endowment funds of North United Methodist Church. All provisions contained herein are intended to comply with the operational policies and procedures of the Church and with donor gift restrictions.

The endowment funds of North Church include two primary endowments:

The Building Capital Endowment Fund: The purpose of the Building Capital Endowment Fund shall be to provide funding for capital improvements, including the cost of renovation and major repairs considered capital expenditures under generally accepted accounting principles.

Program and Mission Endowment Fund: The purpose of the Program and Mission Endowment Fund shall be to provide funding for ministry and mission programming of the Church via request by the Ministries Council and/or the Senior Pastor, and approved by the PME Committee.

Several named endowment funds exist within these two primary endowment funds. Others may be created to fulfill specific restrictions directed by donors; provided, however, a minimum of One Hundred Thousand Dollars (\$100,000.00) shall be required to establish a separate named endowment fund. Terms, provisions, and conditions directed by the donor shall be respected, unless, in the opinion of the Board of Directors, the directions of the donor are impracticable, unreasonable, unnecessarily difficult to perform, or otherwise unacceptable, in which event the Board of Directors may decline to accept the gift.

Governance:

As provided in ¶ 2534 of The 2012 Book of Discipline of the United Methodist Church, an Endowment Committee was established by the Charge Conference. Members of the Endowment Committee are appointed by the Board of Directors to oversee certain operations of the Endowment Fund as outlined below. The Committee shall consist of five to seven members, including, but not limited to, the senior pastor, the chairperson of the Board of Directors, the Church Business Administrator and up to four members of the congregation who are financial professionals. Members of the Endowment Committee report directly to the Board of Directors.

The Endowment Committee shall be responsible for:

- (i) Determining the asset allocation of the endowment funds;
- (ii) Selecting the endowment fund managers; the process of selecting fund managers shall be consistent with the social principles of the United Methodist Church; each member of the Endowment Committee will annually submit an affidavit, attached as Exhibit A, that attests to the fact that the member is not remunerated, in any way, resulting from recommendations made for investing the endowment funds; and

- (iii) Monitoring the performance of the endowment fund managers, and reporting at least every year to the Board of Directors on the financial performance of endowment funds.

Funding:

Funds from many sources should be encouraged and solicited to meet the long-term needs of North Church through its endowment funds. The Stewardship Committee shall educate the congregation on the use and importance of endowment funds, and develop and implement programs to increase the size of North's endowment funds.

Unrestricted Bequests:

Major unrestricted gifts made to North Church through bequests will be placed in the Building Capital Endowment Fund; provided, however, the Board of Directors may, at their discretion, stipulate other uses of unrestricted bequests should the Board deem such action necessary or prudent.

Endowment Earnings:

All net income from the investment of the endowment funds shall be added pro-rata to the earnings accounts for each separate endowment fund. Only endowment principal amounts (historical values) shall be used in determining the pro-rata allocation of earnings.

Endowment Distributions:

The Endowment Committee shall review the historical investment performance of the Endowment Funds, current market conditions and anticipated future market conditions, and shall recommend to the Board an annual distribution from the Endowment Funds. Annual distributions from each of the Endowment Funds shall be no more than four and one half percent (4.5%) of the three (3) year rolling average of the fair market value of the fund, calculated on a quarterly basis; provided, however, that only endowment principal amounts (historical values) shall be used in determining pro-rata distributions; provided, further, any single gift or bequest to an Endowment Fund of One Hundred Thousand Dollars (\$100,000) or greater shall be deemed to have been made three (3) years prior to the actual date of such gift or bequest for the purpose of computing the three (3) year rolling average. The Board of Directors, at the recommendation of the Endowment Committee, shall determine the annual distribution percentage.

Distributions and Disbursements of Endowment Funds:

The Church Business Administrator shall maintain records of all amounts authorized for distribution, and of disbursements from the distributions, and provide timely reports of the same to the Board of Directors, the Board of Trustees and the Program and Mission Endowment Committee.

Disbursements from the Endowment Funds shall not be used for general operations that are typically included in the annual budget and funded by pledges of the congregation, except where donors have stipulated that their gifts shall be used to fund the general annual budget of the church.

Endowment Funds may be used, however, with express approval of the Board of Directors, for expenses relating to administration of the Endowment Funds and fund-raising activities regarding the Endowment Funds, including, but not limited to, hiring consultants and investment managers.

Building Capital Endowment Funds:

The Board of Trustees shall be responsible for administering disbursements from the Building Capital Endowment Fund.

- (i) For distributions related to the first \$4,000,000 in principal in the Building Capital Endowment Fund, the following donor restrictions apply and may not be changed in any way, by anyone, including but not limited to, the Board of Directors or the Board of Trustees:

Distributions may only be used for capital items and capital repairs to the existing facility and may not be used for the following:

- Church operating expenses;
- Interior maintenance items, such as painting, wall coverings, floor coverings, furniture, and HVAC repair;
- Exterior maintenance such as lawn care, signage or maintenance;
- Organ rebuilding/replacement/or maintenance;
- Building or land acquisition.

- (ii) For distributions related to the excess in the Building Capital Endowment Fund over the first \$4,000,000 in principal, the Board of Trustees shall use the funds to provide funding for capital improvements, including the cost of renovation, and major repairs considered capital expenditures under generally accepted accounting principles.

Program and Mission Endowment Funds:

A Program and Mission Endowment Committee, consisting of three to seven members, shall be appointed by the Board of Directors. It shall be responsible to administer disbursements from the Program and Mission Endowment Funds to provide funding for ministry and mission programming of the Church via request by the Ministries Council and/or by the Senior Pastor, and approved by the Program and Mission Endowment Committee.

Amended and Restated November 20, 2013

Further Amended December 18, 2013

Further Amended September 24, 2014