

Church Endowment or Long-Term Asset Policy Checklist

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An Endowment or Long Term Asset Management Policy Statement (commonly referred to as an “EPS”) is a critically important document to local churches. The following checklist can assist churches in building a new EPS or examining and revising an existing document.

There are 4 key areas of an effective Endowment Policy Statement:

1. **Governance** – Outlines what governing body within the church is responsible for managing the EPS and maintaining fiduciary responsibilities with regard to assets.
2. **Gift Acceptance Policy** – Stipulates what types of gifts will be accepted by the church, and the process for accepting the gift.
3. **Investment Policy** – Determines the risk/reward tolerance, targeted allocation, and re-balancing strategy of the portfolio, in addition to the selection and monitoring process for outside managers.
4. **Spending Policy** – Describes how distributions may be taken from the portfolio, in what amounts, and for what purpose.

General Points

- ✓ It is generally recommended that the governing body of the endowment utilize an outside investment manager with specific experience in managing the investment needs of churches and/or non-profit organizations. Not only does this limit the potential conflicts of interest for members of the governing body, it also assists in meeting the “prudent person” rule commonly used in UPMIFA regulations on a state-by-state basis. Most importantly, it frees the governing body from focusing on daily investment management to focus on the overall management of the endowment for the use in mission, ministry, and programs for the betterment of the church and broader community.
- ✓ The creation of an Endowment Policy Statement, and the subsequent management of assets adhering to the guidelines set forth by the document, may limit the fiduciary liability of members of the governing body or the church itself.
- ✓ An Endowment Policy Statement can be an effective tool to educate church members on the importance of the endowment to the long-term viability of the church and its ministries. An EPS, when properly marketed, has historically assisted many congregations in soliciting new gifts to the endowment programs from members, thus expanding the impact of the church’s role as the local embodiment of Christ in the community.
- ✓ Churches that focus only on accumulating endowment assets with no process or plan for the spending of proceeds for the good works of mission, ministry, and program, have historically faced daunting fiscal and theological challenges.

Governance

___ Mission and / or Vision Statement of the Church – Should be included as a reminder of what the church stands for and how the endowment shall be used to support the core ministries and missions of the congregation.

___ Name the endowment(s), and include language that describes the objectives of the Fund. Include both existing endowments and new endowments.

___ Name the Committee and/or officers within the church that are tasked with governing the EPS. Also, specifically name the officers of the church that may request distributions or other transactions with the investment manager or other outside service providers.

___ Outline the procedures by which the EPS can be modified, ended, or otherwise amended.

___ Describe the process by which the Fund(s) will be distributed in the case of a church merger or closure.

___ Include language that limits any conflicts of interest by members of governing committee and/or church officers either directly or indirectly involved in the management of the endowment.

___ Describe the process for reporting to the broader congregation or church council on the performance of the endowment, spending from the endowment funds, any changes made to the EPS, number of new gifts/bequests, and acknowledgement of new donors (if applicable).

___ If an audit or other annual accounting reporting process is utilized, describe whether the cost of this process is borne by the church or the endowment.

Gift Acceptance Guidelines

___ Include general provisions for accepting or rejecting potential gifts to the endowment. These provisions should include parameters with regard to size of gift, the type of gift (gift of marketable securities, real estate, life insurance policy proceeds, etc.).

___ In the case of real estate or other hard (illiquid) assets, describe the process by which the church will take possession and subsequently sell the asset to meet the investment guidelines set forth in the EPS.

___ In the case of the gift of securities (either in book or certificate form), describe the process by which the church will sell those positions to meet the investment guidelines set forth in the EPS and subsequently include the proceeds of the sale into the Fund.

___ In the case of the gift of life insurance proceeds, describe how the church (or endowment fund, if a separate legal entity) wishes to be named as the beneficiary of the policy.

___ In the case of the gift of cash or equivalents, describe how the church (or endowment fund, if a separate legal entity) will accept the gift and timeframe for investment.

___ If desired, outline the parameters (generally, by size of the gift or use of funds) that a new Fund may be established or otherwise segregated.

___ Describe the provisions (generally by the size of gift) by which a restricted gift will be accepted. All other gifts accepted not included in these provisions will be accepted on an unrestricted basis.

Investment Policy Guidelines

___ Describe the general investment objectives of the Fund (long-term sustainability of assets, preserving the real purchasing power of the assets, etc.)

___ Outline the process for selecting an outside manager(s) to be responsible for the daily management of the investments within the Fund, including parameters of the investment manager's experience with church endowment management.

___ Describe the process for monitoring the selected investment manager(s) based on their performance versus a specific and recognized benchmark and/or other peer-based performance metrics, their adherence to the risk profile of the fund (see 'allocation target'), and their commitment to socially responsible investment practices.

___ Describe the reporting desired by the governing committee from the investment manager (quarterly statements, annual meetings, etc.) to review the investment performance and allocation.

___ Outline the parameters for socially responsible investing (SRI) practices, and any reporting required by the investment manager with regard to their SRI profile and activities.

___ Describe the risk tolerance and risk profile for the endowment (or separate parameters for multiple funds) and the desired process used for re-balancing the portfolio on an on-going basis.

___ Describe the asset allocation targets desired based on risk tolerance and market conditions, and describe in detail any asset classes that are prohibited in the portfolio.

___ Describe the asset diversification desired within the portfolio, including any prohibitions on excessive investment concentration in a specific investment instrument, security, asset class, or outside investment manager.

___ Discuss the endowment's process for measuring the overall management fees, and reporting required by the investment manager on all fees charged for services.

Spending Policy Guidelines

___ Outline the process by which proceeds can be distributed from the endowment, either on a total return basis (typically a percentage of the historic 5-year end-of-year or quarter-by-quarter value of the portfolio) or an income/capital gains basis.

___ Detail the budgeted uses of the distributions, which could include distributions directly to specific missions and ministries of the congregation (often dictated by a donor's restriction – See Gift Acceptance Policy), specific programs, and/or the church's annual budget.