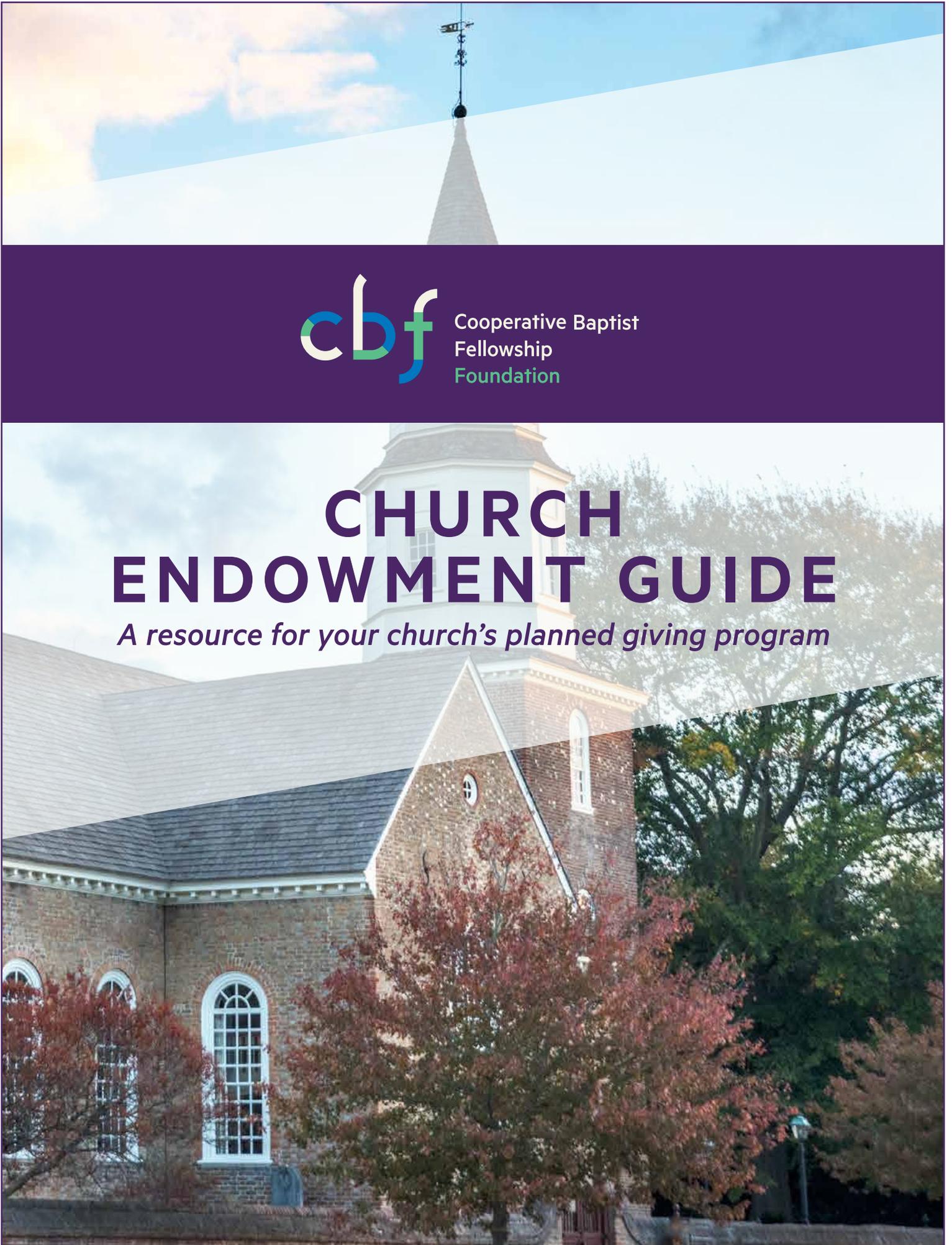




CHURCH ENDOWMENT GUIDE

A resource for your church's planned giving program



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Endowment funds and planned/legacy giving programs are ways for a church to make commitments and plans for its future. They are to be understood in the context of a church's overall stewardship for the financial support of its mission. This overall plan has several components, including:

- Annual budget campaign
- Periodic capital campaign
- Designated giving
- Endowment and ongoing planned/legacy giving program

A church's understanding of its mission is essential to the creation and ongoing support of an endowment fund. This clear understanding of mission is owned by clergy and lay leadership alike, as well as the members of the church. Church endowments, when planned and nurtured, can help expand ministries and outreach.

CBF Foundation is pleased to offer this guide to your church. It is our intent to provide information that will bring value to your church as you consider how an endowment fund and a planned/legacy giving program will support your mission. Whether your church is considering establishing an endowment fund, or seeking to re-energize an existing one, this guide can help. It can be used by clergy, lay leadership, endowment committee members, or anyone who has responsibility for the financial health of the church.

For further information or assistance regarding an endowment and planned/legacy giving, contact the CBF Foundation. Our organization is here to serve you and your church.



Five Steps to Creating and Growing an Endowment

Endowment funds are an excellent way for churches to act as good stewards, because they help ensure that the gifts received will continue to benefit the church for years to come. Just as being a good steward requires careful planning and attention to detail, so does creating and growing an endowment fund.

The following five steps provide a broad overview of the endowment process. These steps will help your church understand the big picture of what is involved in setting up an endowment. More detailed information on creating and growing endowment funds can be obtained from legal and financial professionals, including CBF Foundation representatives.

Step 1: Identify the need for an endowment

Many churches rely on annual pledge drives to fund their programs, without giving much thought to longer-term financial needs. An endowment fund can help ensure that your church's mission is carried into the future. Another advantage of having an endowment is it can help your church accomplish financial goals that cannot be

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accomplished through the budget alone. To determine whether an endowment is right for your church, start by introducing the concept at an appropriate gathering of church leadership. At the same meeting, the leadership should:

- Review the mission statement of the church.
- Identify ways the mission is being accomplished.
- Review the financial strategies in place that will allow your church to continue accomplishing its mission.
- Review facility and property needs and strategies.

If church leadership finds its current financial strategies are inadequate, an endowment should be considered.

Step 2: Learn what an endowment is and what it can do

An endowment is a fund set up by a church to receive gifts and bequests from multiple donors and is intended to be maintained on a **long-term basis**, providing support for the church's mission into the future. Most of the time, the principle of an endowment is preserved and only the income is used.

While there are several options for a church to set up an endowment, such as investing and managing its own fund or establishing its own public foundation separate from the church, most churches choose to partner with a trusted foundation or financial institution that already has established processes, expertise and infrastructure to manage endowment funds.

It is also important to know that there are different types of endowments. The type of endowment would determine the parameters of how the endowment can be used. Generally, there are three types of endowments:

1 True Endowment

When a donor provides funds to the endowment, it is specified that they are to be kept perpetually. True endowments generally include a written agreement stating it. The principal of a true endowment can never be touched.

2 Quasi-Endowment

The proper governance of a church may elect to use reserve funds, unrestricted gifts or financial windfalls to create an endowment fund. Such endowment funds are classified as quasi-endowments, and they are created at the discretion of the church governance. The principal is preserved, and distributions are made to support a specific purpose. Unlike with true and term endowments, the board can end its restriction for any reason and remove any or all funds from the quasi-endowment at any time it chooses (typically through a simple majority vote).

3 Term Endowment

A term endowment, unlike most other endowments, is not perpetual. It is set up for a limited period of time, such as a fixed number of years or until a specific event such as the death of a donor takes place. After the term of the endowment expires, the contributed principal amount may be used to fund operations.

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Step 3: Identify the needs and causes that will be supported by the endowment

Distributions from an endowment fund should be used in ways that are consistent with the church's mission and vision. In addition, churches should consciously and proactively identify separate goals for annual pledge drives, capital campaigns and the endowment fund.

- Mission and outreach
- Maintenance of physical building and/or for facility improvements
- Support local, regional, national and international mission programs (example: supporting CBF's Global Missions program)
- Support students in their education through scholarships

In general, endowment funds should not be used to meet budget needs or short-term ministry needs.

Step 4: Establish the endowment fund

Before the fund is established, the church will want to select an endowment committee to oversee the fund. It is good practice for a church to have a separate endowment committee that is distinct from the finance and/or stewardship committee so that the focus can be geared toward tending to the endowment fund/s. To do this, the church should take action to:

- Approve the establishment of an endowment
- Authorize the election of an endowment committee
- Approve a transfer of start-up funds to the endowment
- State the guidelines for distributions from the endowment
- Authorize the church to execute the endowment fund agreement
- Authorize the endowment committee to approve future fund transfers
- Authorize the appropriate leadership to adopt the bylaws for governance of the endowment committee

Also, the most successful endowment committees recognize that an endowment fund can be grown more effectively and quickly through additional contributions than through investment return. So, having individuals on the committee who are willing and able to promote the mission of the endowment fund and ways to give to the church should be a priority.

Next, bylaws for the endowment committee can be prepared and adopted. These bylaws usually include at least the following:

- Mission/purpose of the endowment committee
- Establishment and operation of the endowment committee (number of members, terms, number of meetings, filling vacancies, majority vote for decision-making)
- Duties of the Endowment Committee

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- **Distributions from the Endowment Fund (percentage of value of fund or based on income). Often the endowment committee will separately adopt an investment policy and a gift-acceptance policy**

After the endowment fund is created, start-up funds, as stated in the amended bylaws, can be transferred to the endowment. The endowment funds should be invested in ways that are consistent with the investment policy.

Step 5: Create a plan that includes both marketing and communication components

Most likely, church members will have to be educated about what an endowment fund is and how they and the church will benefit from it. Start by identifying and categorizing potential donors. People have different reasons for giving to their church. Some are motivated by their sense of stewardship. Some want their support to continue after their death. Some believe giving is an obligation. Appealing to all types of donors is important. While you may communicate differently to different audiences, always create clear and consistent messages about the needs and goals of the endowment fund.

A marketing plan will help you reach all audiences. You will want to tell potential donors about the ways they can give to the endowment fund and explain the advantages of each giving method. Examples of marketing tools to do this are:

- **Financial planning workshops that include a charitable giving component**
- **Use existing gatherings where it would be appropriate to introduce a program on endowments or legacy giving**
- **Charitable giving brochures**
- **Articles in church bulletins**
- **Articles in newsletters**
- **Mailings**
- **Meetings with potential donors**

CBF Foundation provides resources and tools to help your church promote, educate and simplify giving for your donors.

Sample Mission Statement for a Church Endowment Fund

Most churches have a mission statement—words that capture the essence of what the church is trying to achieve and what it is all about. Simply put, a mission statement should convey a church's reasons for being.

Since an endowment fund is a means by which a church helps to ensure its ability to carry out its mission, your endowment should have its own mission statement. The statement should be completely consistent with your church's overall mission, while clearly spelling out the endowment's reasons for being.

The following is an example of a typical mission statement for a church endowment fund. You can use this as a model as you craft a mission statement that fits your church's specific needs and overall mission.

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Mission Statement: Provide vehicles and structure for members who have the ability and desire to benefit (Church Name) through charitable giving that is consistent with its mission of spreading the hope of Christ on both a local and global level. The purpose of the endowment committee is to enable (Church Name) to promote funding of specific needs that support its mission and ensure its financial stability. The committee will seek to provide a perpetual source of income to benefit five current categories:

Missions: Local, regional and world projects

Education: Programs for youth and adults

Youth: Support for youth of all ages

Worship and Music: Support for the worship life of (Church Name)

Capital Projects: Major renovations, maintenance and building of new facilities

Sample Amendment to Bylaws for a Church Endowment Fund

When a church creates an endowment fund, it typically amends its bylaws to ensure a structure is in place for establishing, managing and using the fund. The exact wording will vary from church to church, but the amended bylaws should at least provide for the following:

- Approve the establishment of an endowment
- Authorize election of an endowment committee
- Approve transfer of start-up funds to the endowment
- Establish guidelines for distributions from the endowment
- Authorize officers to execute the endowment fund agreement
- Authorize the endowment committee to approve future fund transfers
- Authorize the council to adopt bylaws for governance of the endowment committee

The following is a sample of what a typical church's bylaws might look like after they have been amended to establish an endowment fund. Your church may wish to customize this language to suit your specific needs.

Section (X): Endowment Committee

A. The endowment committee shall consist of seven voting members, one of whom shall be elected by the church council from its own membership, and six of whom shall be elected from the church on a staggered basis for three-year terms by the church at annual meetings. There will also be two ex-officio members to include _____ and _____. Actions of the committee must be agreed to by at least four of the voting members. The committee shall meet at least two times per year. The church council shall have the authority to appoint members to the committee to fill vacancies that occur on the committee. The term of the appointment shall be until the next annual meeting. This includes the authority upon establishment of the committee to appoint the initial seven members to the committee.

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B. The duties of the committee are:

- To utilize the “*NAME OF FOUNDATION OR FINANCIAL INSTITUTION*” for the creation of the Endowment Funds with the two initial funds being the “General Endowment Fund” and the “Outreach Endowment Fund,” and to create additional funds as may be needed to fulfill specific requirements of donors.
- To determine and fulfill procedures and policies for the soliciting, processing, and dispositions of grant requests in accordance with the requirements and limitations of the various funds.
- To educate the church about the funds, promote the funds, and solicit donations in an appropriate manner.
- To report at least annually to the church new gifts received, investment returns earned by the fund, the size of the funds, details of specific grants given, a list of all grant requests and disposition on requests.
- To assist donors in the process of making gifts to the funds.
- To establish policies and procedures for accepting or rejecting proposed gifts by donors.
- To act as the designated advisor to the “*NAME OF FOUNDATION OR FINANCIAL INSTITUTION*” with respect to all operational matters, including requests for distribution from the funds.

C. The “*CHURCH NAME* General Endowment Fund” shall be established to strengthen and extend God’s mission through our Church, reaching out in response to human need, by making grants for (state purpose of the fund). In any given year, minimum grants of 15% of that year’s total grants must be designated to each of the three purposes for which the “*CHURCH NAME* General Endowment Fund” is established: (*STATE PURPOSE OF THE FUND*). The remaining 55% of the year’s total grants may be allocated to these purposes in any manner as the committee shall determine. Grants can only be given to legally qualified recipients as defined by the “*NAME OF FOUNDATION/FINANCIAL INSTITUTION*”. No grants made from the “*CHURCH NAME* General Endowment Fund” can be used for *CHURCH NAME*’s normal operating expenses. The church may request, and the committee may choose to make grants for, special projects of the church, capital improvements and other purposes.

D. The “*CHURCH NAME* Outreach Endowment Fund” shall be established for the same purposes for which the “*CHURCH NAME* General Endowment Fund” is being established. In any given year, grants are to be awarded in the same manner, and the same minimum grants are to be made for each of the three purposes stated above. The only difference in the two funds is that grants from the “*CHURCH NAME* Outreach Endowment Fund” cannot be made to the church for any purpose.

E. In the event the incorporated body known as “*CHURCH NAME* Church,” or its successor(s), cease to exist, then the “*CHURCH NAME* General Endowment Fund” and the “*CHURCH NAME* Outreach Endowment Fund” and all other funds which have been created over time that are held by the “*NAME OF FOUNDATION/FINANCIAL INSTITUTION*” shall be allocated for the support of projects, programs and activities of the “*CHURCH BODY OR OTHER CHARITY NAME*” or its successor, promoting (*STATE PURPOSE OF THE FUND*). If there is no successor to the “*CHURCH BODY OR OTHER CHARITY NAME*,” then the funds held at the “*NAME OF FOUNDATION*” shall continue as a permanent fund for the unrestricted charitable purposes of the “*NAME OF FOUNDATION*”.

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