

Sample Endowment Investment and Distribution Policy

Excerpted from *Beyond Fundraising: A Complete Guide to Congregational Stewardship*
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A. General

1. The Endowment Fund Committee shall invest the assets of the endowment with the objective of earning an average annual total return of 8 to 12 percent consistent with moderate risk. The Committee shall endeavor to invest the assets of the endowment in a socially responsible manner. It is intended that reasonable restrictions placed on any gift by the donor will be faithfully followed, subject to the Committee's determination of the integrity and best interests of the endowment.
2. In order to protect and preserve the corpus of the endowment over the long term, the Committee shall distribute no more than 4 percent per year of the total market value of the assets, as determined by the average total market value on the last business day of each of the four immediately preceding calendar quarters. If less than 4 percent is distributed in one year, the Committee may distribute more than 4 percent in a subsequent year, as long as the distributions do not exceed 4 percent on a cumulative basis.
3. The Committee may provide for such professional counsel on investments or legal matters as it deems best and may incur reasonable expenses in the execution of its duties. The expenses shall be paid from the endowment.
4. All members of the congregation are encouraged to consider leaving a bequest of at least five times their annual pledge to the endowment in their wills.
5. This Endowment Investment and Distribution Policy may be amended only by a two-thirds majority vote of the congregation.

B. Three Funds

1. The endowment shall be composed of three funds, which may be commingled for ease of investment management. The Committee shall separately account for each of these funds, attributing to each its proportionate share of changes in investment values, as well as recording gifts to and distributions from each of the funds. The distribution limit outlined above shall be applied on a fund-by-fund basis. The use to be made of the allowed distribution from each of the three funds is determined by the congregation as part of its customary budgeting process. Gifts and bequests to the endowment may be designated for any of the three funds. Undesignated gifts shall be deposited to the Unrestricted Reserve Fund. The three funds are established as follows:
 - 50 percent of the initial assets of the endowment shall be allocated to the Unrestricted Reserve Fund.
 - 30 percent of the initial assets of the endowment shall be allocated to the Building Reserve Fund.
 - 20 percent of the initial assets of the endowment shall be allocated to the Social Outreach and Service Fund.

C. Unrestricted Fund

1. Distributions from the Unrestricted Reserve Fund may be used for any purpose to further the work of the church, but shall not be used for the ordinary and customary operating expenses of the church, except as provided below.
2. Distributions from the Unrestricted Reserve Fund may be used for the ordinary and customary operating expenses of the church only as follows:
 - \$10,000 maximum distribution in the first year of this policy
 - \$8,000 maximum distribution in the second year of this policy
 - \$6,000 maximum distribution in the third year of this policy
 - \$4,000 maximum distribution on the fourth year of this policy
 - \$2,000 maximum distribution on the fifth year of this policy

In subsequent years, any distribution from the Unrestricted Reserve Fund for the ordinary and customary operating expenses of the Church will require a two-thirds majority vote of the congregation.

3. In addition to the distributions provided above, and upon the request of the Treasurer, the Committee may from time to time loan money from the Unrestricted Reserve Fund to the Church to help manage temporary cash-flow needs caused by month-to-month variations in the collection of pledges and other gifts. This should be done on such terms and at such rates of interest and in such amounts as the Committee deems appropriate.

D. Building Reserve Fund

1. Distributions from the Building Reserve Fund shall be used only to help pay for major capital expenditures and significant improvement projects related to the buildings and real property of the Church, including grounds and landscaping, over and above regular maintenance.
2. In addition to the permitted distribution, the Committee may from time to time loan money from the Building Reserve Fund to the Church to help advance a particular improvement project on such terms and at such rates of interest and in such amounts as the Committee deems appropriate.

E. The Social Outreach and Service Fund

1. Distribution from the Social Outreach and Service Fund shall be used only to further the Church's mission of supporting individual and collective service to the larger community. The fund is not intended to support activities for the Church community itself, but is intended for social-responsibility efforts in the broader community at large.
2. In addition to the permitted distribution and with the approval of the congregation, the Committee may make direct investment of not more than 20 percent of the assets in the Social Outreach and Service Fund in housing, social service, or community or economic development activities in furtherance of the mission of the Church and purpose of this fund.