We encourage churches to consider accepting designated gifts to fund projects or to quasi-endowments, however, donor intent and an endowment agreement may necessitate the creation of an endowment fund. If a new endowment is indicated based on donor instructions and church requirements for endowment purpose and gift size are met, the following Endowment Agreement template and Church Endowment Policy templates can be used to help establish and operate the endowment.

Endowment Policy

In the USA The Uniform Prudent Management Of Institutional Funds Act (UPMIFA*) defines an endowment as follows:

“Endowment fund” means an institutional fund or part thereof that, under the terms of a gift instrument, is not wholly expendable by the institution on a current basis. The term does not include assets that an institution designates as an endowment fund for its own use. (UPMIFA)

In other words: A permanent endowment fund whose principal is invested to generate ongoing income. The income may be used for specific, designated purposes (e.g., missions, youth ministry, pastoral support, or facility maintenance) or general fund as outlined in the endowment’s charter. The principal shall remain intact and not be used for day-to-day operations.

Note that only a donor can create a donor-restricted endowment through his/her gift agreement/instrument or will. However, if the donor does not establish an endowment fund (or any type of restricted gift for that matter), the board or church council has no power to step in to re-characterize the gift to make it into one. The board may, however, create a quasi-endowment but these funds would be classified as unrestricted for the purpose of reporting.

To compare endowment types, please see Appendix 1: “Comparison of Endowment Types”.

Christian Reformed Church N.A.
Heritage Fund
Phone: 877-272-6204
Email: Advancement@crcna.org

300 East Beltline NE
Grand Rapids, MI 49506

www.crcna.org/heritagefund

Endowment management

Your church may decide to implement a named endowment. For example “The John and Sally Smith Endowment”

When accepting a term endowment you should work with a financial professional or lawyer familiar with term endowments to create a governing document that both parties (donor and church) agree to. The terms of this agreement should align with the church donation policy as well as the church endowment policy.

Endowment Types

An Endowment fund may mean 2 different types of true endowment and one additional type of quasi-endowment that does not require the same oversight and regulation. (Please see Appendix 1 for endowment type comparison)

A. True (Donor-Restricted) Endowment

Gifts in which the donor specifies the principal is to be maintained permanently.

B. Term Endowment

A donor creates a Term Endowment through written instructions that restrict the funds for a specific period of time or until a stated event occurs.

C. Quasi Endowment

A third type of endowment called a “quasi-endowment” (Committee-Designated): Funds that the church Council and Gift Acceptance Committee designate as an endowment, which may be expended or modified by Church Council action.

According to UPMIFA Board-designated funds (quasi endowments) are institutional funds but not endowment funds and are not covered by UPMIFA rules:

“The rules on expenditures and modification of restrictions in this Act do not apply to restrictions that an institution places on an otherwise unrestricted fund that the institution holds for its own benefit. The institution may be able to change these restrictions itself, subject to internal rules and to the fiduciary duties that apply to those that manage the institution."

Donor Intent with Respect to Endowments.

UPMIFA improves the protection of donor intent with respect to expenditures from endowments. When a donor expresses intent clearly in a written gift instrument, the Act requires that the charity follow the donor's instructions. When a donor's intent is not so expressed, UPMIFA directs the charity to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors, and the donor's intent that the fund continue in perpetuity. This approach allows the charity to give effect to donor intent, protect its endowment, assure generational equity, and use the endowment to support the purposes for which the endowment was created.

<u>*To understand the nuances of specific state versions of The Uniform Prudent Management Of Institutional Funds Act (UPMIFA), an organization should consult its legal advisor to understand how a given state's version of UPMIFA may apply.</u>

Church Endowment Policy Template

Disclaimer: *This is a sample policy template. The information here should be reviewed by legal and financial professionals to ensure compliance with all applicable laws and regulations in your area or region.*

[Church Name] Endowment Policy

Section 1: Purpose

The purpose of this policy is to set forth guidelines under which an endowment for [CHURCH] shall be created, managed, invested and used. Any endowment that is established, is intended to provide a perpetual source of financial stability and support for [CHURCH] mission, programs, and long-term sustainability.

Generally the objectives of the endowment should be to:

A. Preserve the principal value of funds
B. Earn a reasonable return
C. Invest the funds in a manner which is consistent with the values and ministries of [CHURCH]

Section 2: Definition of the Endowment Fund

The Endowment Fund consists of funds that are the result of gifts and bequests given with the intent that the principal gift amount be maintained in perpetuity. Only the income to the fund from appreciation of the principal should be used in accordance with this policy.

A permanent endowment fund whose principal is invested to generate ongoing income. The income may be used for specific, designated purposes (e.g., missions, youth ministry, pastoral support, or facility maintenance) as outlined in the endowment's charter. The principal shall remain intact and not be used for day-to-day operations.

Section 3: Governance and Oversight

The [CHURCH] shall manage church endowments through the Gift Acceptance Committee
The committee shall include (suggested):

- One Representative from the Finance Committee
- Two members of church leadership
- One lay member of the congregation

The church may also consider appointing two or three lay members from the congregation to provide additional perspective and accountability.
This committee is responsible for reviewing all proposed estate gifts to ensure they align with this policy and the church's mission. which shall:

- Monitor investment performance.
- Ensure compliance with donor restrictions.
- Report regularly to the [CHURCH] Council.

Investment Advisor
The Committee may engage (and is encouraged to engage) professional investment advisors to manage and invest the fund in accordance with this policy.

The church council has ultimate fiduciary responsibility for the Endowment Fund and shall oversee compliance with this policy.

Section 4: Investment Policy

The long-term success of endowment investments will be enhanced by the input and monitoring of this activity by business professionals.
Since the investment of funds is a specialized field, it is expected that outside investment advisers and/or funds will be utilized to hold endowment funds.
The Endowment Advisory Committee will select advisers to manage endowment funds or an external partner (e.g.: The Barnabas Foundation, Christian Stewardship Services)

A. The major portion of the overall portfolio shall be readily marketable and traded on major exchanges. The investments shall consider liquidity and not be speculative.

B. Because the funds are held in trust until utilized for ministry, investments shall be made in alignment with biblical principles. This is often referred to as Biblically Responsible Investing (BRI)* . These investments prioritise biblical values and stewardship- investing in companies that embrace biblical beliefs and practices. Investments should be in companies that make ethical, responsible, and impactful decisions. Investments should avoid companies that are opposed to [church[values.
**This is a product that is offered by several Christian investment organizations*

C. No investments shall be made which could place in jeopardy the tax-exempt status of [CHURCH]. In keeping with this policy, no investments shall be made for the purpose of exercising control over corporate management.

Section 5: Spending Policy

A. Annual Distribution

The annual distribution from the Endowment Fund shall be up to [X%] of the Fund's average market value over the previous [three/five] years, calculated as of [date] each year.

B. Purpose of Distributions

Annual distributions shall support the church's general operations or specific purposes designated by donors or the Gift Acceptance Committee.
Preservation of Principal

The Gift acceptance committee shall ensure that distributions do not erode the Fund's real value over time, except in extraordinary circumstances which must be approved through legal proceedings.

Section 6: Gifts to the Endowment

A. Acceptance of Gifts

Gifts intended for the Endowment Fund shall be subject to the church's Gift Acceptance Policy.
Donors may designate specific purposes, subject to Council approval to ensure alignment with church priorities.

B. Named endowments

[CHURCH] will name an endowment in the honor of the donor or in memoriam, eg: "The John and Sally Smith Endowment" however, these endowments must be funded by the donor for no less than [$25,000] to ensure a meaningful investment in long-term program funding.

C. Smaller endowment gifts (under 25,000)

Endowment gifts under [$25,000] should be donor designated for the church general fund or to an existing endowment fund.

Section 7: Reporting and Accountability

The Council of [CHURCH] shall be responsible for seeing to it that this policy is implemented. The Treasurer is responsible for providing the leadership to implement and maintain this policy.

The church shall provide donors with periodic updates on the Endowment Fund's performance and impact.

The Fund shall be included in the church's annual independent audit.

Compliance to Donor intent and endowment restrictions should be reviewed regularly

Section 8: Dissolution of Endowment

A. **Circumstances for Dissolution**

There are rare cases where a congregation has disbanded or closed, or where another condition occurs that necessitates the dissolution of the endowment. These cases can include:

- The original purpose of the endowment becoming illegal, impracticable,or impossible to achieve.
- The congregation has disbanded
- The subject area or purpose of the endowment no longer aligns with the mission of the congregation.
- Funding level is lower than required for the endowment to be self-sustaining.

B. **Treatment of Funds For True Endowments (where the donor has restricted the principal)**

In these cases, the donor's intent is most important. There may be options that allow for the dissolution of the endowment including court order or acquiring donor consent. It is important in these cases that the congregation employ an external subject matter expert council or lawyer to carry out this process.

- Donor Consent: If the original donor (or their designated successor) is still alive, they may be asked to sign a document lifting the restrictions and authorizing the transfer of the funds to a new organization or purpose.
- Court or Regulatory Approval: If the donor is unavailable or the circumstances meet the legal standard under the Uniform Prudent Management of Institutional Funds Act - UPMIFA, the church may need to seek approval from the state Attorney General or a court to legally modify the terms and designate a new purpose for the funds to be used with an intent as near as possible to the original gift intent.

Section 9: Policy Review

This policy shall be reviewed by the Investment Committee and church council at least every [three] years, or more frequently as needed, to ensure its continued relevance and effectiveness.

Adopted by the Church Council of Directors of [church Name]
Date: _______________________
Treasurer Signature: _______________________
Finance committee chair member Signature: _______________________

Additional Resources

Uniform Prudent Management of Institutional Funds Act
https://www.uniformlaws.org/HigherLogic/System/DownloadDocumentFile.ashx?DocumentFileKey=d88fe964-fa49-9b1e-e197-2389fcc49990&forceDialog=0

What Every Nonprofit Should Know About UPMIFA
https://blog.carnegieinvest.com/nonprofit-investment-services-blog/what-every-nonprofit-should-know-about-the-uniform-prudent-management-of-institutional-funds-act#:~:text=UPMIFA%20focuses%20on%20providing%20guidance,the%20modification%20of%20donor%20restrictions

Biblically Responsible Investing
https://www.inspireinvesting.com/faq

5 Missteps to Endowment Management Under UPMIFA
https://rsmus.com/insights/industries/nonprofit/top-5-missteps-to-endowment-management-under-upmifa.html

Appendix 1: Comparison of Endowment Types

	Endowment Type		
	True Endowment (Donor-Restricted Endowment)	**Term Endowment**	**Quasi-Endowment (Board-Designated Endowment)**
Who creates it?	The donor creates it through a gift agreement, will, trust, or other written instructions.	The donor creates a Term Endowment through written instructions that restrict the funds for a specific period of time or until a stated event occurs.	The church board or council creates a quasi-endowment by designating unrestricted funds for long-term use.
Can the principal be spent?	Generally no, except under prudent spending rules or legal modification of the endowment.	Not until the donor's stated term or condition is satisfied. Eg: 20 years have passed	Yes. The board may choose to authorize spending or removal of the quasi-endowment designation.
Definition under UPMIFA	Considered an "endowment fund" because the donor requires that the fund not be fully spent currently.	Generally treated as a donor-restricted endowment fund until the time or event restriction expires.	Specifically excluded from the UPMIFA definition of an endowment fund because the organization created the restriction itself.
Source of restrictions	Donor-imposed restrictions.	Donor-imposed restrictions.	The board or finance committee create and implement restrictions
How long must principal remain intact?	Permanently, unless a modification is made to the endowment through legal proceedings.	Until a stated date, time period, or triggering event identified by the donor.	As long as the board or council chooses to preserve the principal.
Who can change the restrictions?	Usually only the donor, a court, or the state attorney general through legal Procedures.	Restrictions expire automatically when the donor's condition or term ends.	The church board or council may change or remove the designation at any time.
Accounting	Reported as net	Reported as net assets	Reported as net assets

classification under GAAP	assets with donor restrictions.	with donor restrictions until the time/event restriction expires.	without donor restrictions because the restriction is internal only.
Investment income treatment	Depends on donor instructions. Income may also be restricted.	Depends on donor instructions during the restricted term.	Determined by board policy.
Applicability of spending policies	Subject to prudent spending standards under UPMIFA	Subject to prudent spending standards under UPMIFA while the restriction remains in effect.	Governed primarily by board policy and fiduciary duties.
Can the organization dissolve the fund?	Only through donor consent or legal procedures when permitted by law.	Usually only after the term expires or legal modification occurs	Yes, through board or council action.
Financial statement presentation	Shown separately within donor-restricted net assets.	Shown within donor-restricted net assets until the restriction lapses.	Typically disclosed as board-designated net assets within unrestricted/net assets without donor restrictions.
Liquidity/Flexibility	Lowest flexibility.	Moderate flexibility after the term restriction ends.	Highest flexibility.
Legal obligation level	High legal obligation to honor donor intent.	High legal obligation until the restriction period or event ends.	Internal governance obligation rather than donor legal restriction.
Typical church use	Permanent support for scholarships, missions, pastoral care, or facilities.	Funds intended to support a future project or ministry after a waiting period.	Long-term reserves, future building projects, ministry stability funds.
Examples	For example: "This $1 million gift must remain invested permanently, and annual earnings shall support missions."	For Example: "This $1 million gift must remain invested for 20 years before principal may be spent."	For Example: "The church council designates $1 million of reserves as a long-term ministry fund."

Appendix 2: Partner Organizations

USA- The Barnabas Foundation
888.448.3040
3801 Eagle Nest Drive
Suite B
Crete, Illinois 60417
https://barnabasfoundation.org/

Canada- Christian Stewardship Services
800.267.8890 x217
133 Church Street N,
Cambridge ON, N3H 1V8
https://csservices.ca/

Appendix 3: Sample Endowment Agreement

This document is for information purposes only and is not intended as legal advice. Other types of fund agreements are also available and may be more suitable, depending upon the intent of the donor.

(NAME) Endowment Fund Agreement

This Agreement, made and entered into this ___ day of _______________, 20( ), by and between CHURCH , a not for profit (STATE) corporation whose principal office is located in (COUNTY) (the CHURCH), and DONOR NAME (the "Donor").

Recitals

WHEREAS, the CHURCH operates as a religious institution in (COUNTY, STATE), and is empowered to receive, hold, handle, administer, invest and reinvest money and property of all kinds received by gift, devise, bequest or appointment for charitable, educational religious and similar purposes more particularly described in the Church's Charter or other founding documents;

WHEREAS, the CHURCH is a tax-exempt public CHURCH under Section 501 (c)(3) of the United States Internal Revenue Code; and

WHEREAS, the Donor is interested in furthering the philanthropic program of the (CHURCH) by making a gift to the(CHURCH) for the purpose of creating a restricted (unrestricted) endowment fund (the "Fund");

NOW THEREFORE, the parties agree as follows:

1. Name of the Fund

The name of the Fund shall be the DONOR PROVIDED. So far as practicable, the CHURCH shall conduct investment activities of the Fund in that name.

2. Receipt of the Fund

The Fund shall be a Component Fund of the CHURCH. It shall be considered established upon the acceptance of this Agreement by the CHURCH COUNCIL OR FINANCE COMMITTEE of the CHURCH and the receipt of a contribution(s) as set forth on the attached Exhibit "A" ("Initial Donation"), which are deemed acceptable in accordance with the Gift Acceptance Policy. All contributions to The Community CHURCH, which are designated in writing for the Fund, shall constitute the Fund. Each Donor by making a contribution to the CHURCH for inclusion in the Fund acknowledges the Fund shall be managed in accordance with the Articles of Incorporation, charter and governing documents of the CHURCH together with policies and resolutions of the CHURCH, each as from time to time may be amended. The Initial Donation, and any subsequent gifts to the CHURCH which are applied to the Fund, shall be irrevocable and the CHURCH shall have exclusive control over assets contributed.

3. Investment of the Fund

The Initial Donation, together with any additional gifts, shall constitute the Fund principal ("Principal"). The Principal shall be invested and reinvested as provided for under this Agreement and the governing instruments of the CHURCH. The CHURCH may retain the services of an investment advisor, such as a trust department of a bank, a broker, or such other professional, to advise the CHURCH on the investment of the Fund.

4. Continuity (Choose One)

A. Endowed Funds

It is intended that the Fund shall be an endowment fund as defined by the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and subject to the CHURCH's gift policy and Endowment Spending Policy (section 5 of this document). It shall continue so long as money or property is available for its purposes.

B. Quasi-Endowed Funds

It is intended the Fund be a quasi-endowment fund and continue so long as money or property is available for its purposes. Total return and principal may be expended. Portions of the Fund may be distributed in such a manner and at such a time as the Board approves.

C. Non-Endowed Fund

It is intended that the Fund will continue indefinitely as a non-endowed fund so long as money or property is available for its purposes. The Board of Trustees shall have discretion regarding amounts disbursed (unless a disbursement amount is defined within the agreement).

5. Purpose

The purpose of this Fund shall be to provide monies for___________________. Should the above cease to exist, disbursements from the endowment shall benefit: _______________________.

6. Separate Accounting

The Fund shall be considered a separate fund. For accounting purposes, all assets of the Fund shall be separately identified from the general assets of the CHURCH or any other designated funds.

7.Additional Assets to Endowment

Additional assets may be added to the endowment by contribution or by transfer of other funds held by Foundation. Such additional assets shall not contain restrictions, conditions, or designations which are inconsistent or in conflict with this Agreement.

8. Investment and Operating Expenses

The CHURCH shall bear all Ordinary and Necessary Expenses of administering the Fund and pay all taxes, if any, relating to the Fund. The Fund shall bear its share of CHURCH administrative and investment expenses in accordance with the CHURCH's fee schedule. Expenses over and above Ordinary and Necessary Expenses shall be paid directly by the Fund.

9. Additional Authority

The CHURCH is authorized to adopt such regulations, procedures, and other administrative provisions to carry out the purposes of the Fund or as may be required by the Internal Revenue Service so as not to jeopardize the CHURCH's status as a tax-exempt CHURCH. The CHURCH is further authorized to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified charitable organizations, if in their sole judgment (without the approval of any trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the service area.

10. Irrevocability.

The Initial Donation, and any subsequent gifts to the CHURCH which are applied to the Fund, shall be irrevocable and the CHURCH shall have exclusive legal control over the assets contributed.

11. Notices

Any notice hereunder must be in writing and delivered personally; by United States mail, registered or certified, return receipt requested; United States Express Mail, Federal Express, or equivalent courier service; and shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall be as set forth below, or as may be designated in writing, from time to time: (CHURCH) (CHURCH ADDRESS) Donor Address supplied

12. Binding Effect

This Agreement shall be binding and inure to the benefit of the Donor and the CHURCH, or their respective personal representatives, executors, administrators, successors, and assigns, as applicable.

13. Entire Agreement

This Agreement represents the entire agreement between the parties, and supersedes all other understandings or agreements, if any.

14. Non-Waiver

Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall a waiver or relinquishment of any right or power hereunder, at any time, be deemed a waiver or relinquishment of such right or power at any other time or times.

15. Counterparts

This agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which, together, shall be one and the same instrument.

16. Severability

The validity or enforcement of any particular provisions of this Agreement shall not affect the other provisions hereof, and the Agreement shall be construed in all respects as if such invalid or unenforceable were omitted.

17. Capitalized Terms

All capitalized terms that are not herein defined shall have the same meaning as defined in the Church's Glossary of Terms, which may be amended from time to time.

18. Governing Law

This Agreement shall be construed and interpreted in accordance with and governed by the laws of the State of (STATE).

IN WITNESS THEREOF, the parties have hereunto set their hand this _____ day of ______________, 20( ). (CHURCH)

BY:___________________________________ (CHURCH FINANCE DIRECTOR)
DONOR: ______________________________________