



The Permanent Endowment Fund the Federation of Christian Ministries

POLICY

February 2018

ARTICLE I – AUTHORITY AND PURPOSE

1. **Authority.** The Circle of Directors (the “Circle”) of the Federation of Christian Ministries (“FCM”) having voted at the July, 2017 Meeting of the Circle to pass the *Endowment Fund of the Federation of Christian Ministries Resolution* (the “Resolution”) in order to establish an endowment fund for the Federation of Christian Ministries to be known as **The Permanent Endowment Fund of the Federation of Christian Ministries** (the “Fund”), has thereby authorized the creation of this document, *The Permanent Endowment Fund of the Federation of Christian Ministries Policy* (the “Policy”), which shall be consistent with the provisions of the Resolution unless modified by FCM’s *Circle* according to the terms of the Policy.

2. **Nature and Scope of the Fund.** The Fund shall be a perpetual fund that shall be kept separate and distinct from all other FCM accounts. A committee authorized and overseen by the Circle shall administer the Fund completely independent of all other FCM accounts. The Endowment Fund Committee is responsible for administering the Fund under the guidance and authority of the Circle, and the Circle is responsible for determining how Fund distributions are to be spent with both responsibilities being described more fully elsewhere in this Policy. Once the Fund is established, all bequests, gifts, memorials, charitable remainder trusts, and non-cash gifts to the Fund that are accepted by either the Endowment Fund Committee or the Circle, including such gifts made prior to the passage of this Policy, are to be placed into the Fund. The Fund’s fiscal year shall be the same as that of FCM.

3. **Purpose.** The Purpose of the Fund is to enable FCM members, organizations and friends to express their commitment to Christ through gifts that will support in perpetuity the inclusive and ecumenical missions and programs of FCM according to the guidelines appearing later in this document.

ARTICLE II – DEFINITIONS

Fund Asset Value: This value is based on the fair market value of the assets of each separate Fund within the Endowment Fund as of the close of the FCM fiscal year. Fund Asset Value is expressed in dollars (rounded to the nearest whole dollar).

Accumulated Appreciation: The assets in the *Unrestricted Use Fund* and, separately, in each *Restricted Use Fund* within the *Permanent Endowment Fund of the Federation of Christian Ministries* LESS the

sum of all gifts made to the Unrestricted Fund and, separately, to each Restricted Use Fund as of the end of the then-current *Investment Year* (see definition below).

Committee: The Endowment Committee (see Article II – Committee Membership)

Endowment Gifts Record: FCM’s Treasurer and/or designee, shall maintain and record all Endowment Gifts since the Fund’s inception alphabetically by donor name and by date of the gift. A copy of this record may also be maintained by the Chair of the Endowment Committee. Because of the privacy of the gift information in the record, no other persons are to have access to it, except the Endowment Committee members, members of the Executive Committee, and members of the Circle with a need to know.

FCM: Another name for the Federation of Christian Ministries

Endowment Transaction Account: A single, dedicated *Endowment Transaction checking account* which receives all gifts and makes all distributions for the Endowment Fund. All transactions are tracked and accounted for. The use of this account provides the simplest way to manage all gifts and distributions. This checking account is maintained in FCM’s primary bank. The Endowment Transaction Account(s) is/are maintained by FCM’s Treasurer. Several Endowment Transaction Accounts may be utilized as the Endowment Fund Committee and the Circle decide:

If additional accounts are found to be beneficial or are required by the donor, they may include *Restricted Transaction Checking Accounts*--there can be more than one--which are used exclusively for Restricted Funds. A separate *Restricted Transaction Checking Account* may be kept for each such Restricted Account, if needed.

Gifts in the Endowment Transaction Account(s) are to be deposited into the Endowment Fund on a quarterly basis with said quarters ending on the last day of every three months following the beginning of the FCM fiscal year.

Annual distributions of Accumulated Appreciation are moved from the Endowment Fund to the Endowment Transaction checking account and to the Restricted Transaction Accounts as appropriate.

Monies in the Transaction Accounts held for distribution are to be kept there until they are withdrawn from said Accounts at the direction of the Executive Committee of the FCM Circle.

Investment Manager: This is the professional investment firm used by the Endowment Committee that determines which stocks and bonds are to be invested socially responsibly in the funds it manages.

Investment Year: A 12-month period beginning on the first day of FCM’s fiscal year and concluding at midnight of the last day of the same

fiscal year. This is the unit of time used to determine the Accumulated Appreciation of the Unrestricted and all Restricted Accounts within the Endowment Fund.

Named Fund: This Fund can be established within the Endowment Fund to memorialize or honor an individual, couple or an organization with a minimum of \$10,000 in total gifts. There are two types of Named Funds.

1. **Memorial Named Fund:** This fund can be established to memorialize an individual, a couple or an organization. The Fund, which bears the name(s) of the designated individual(s) or organization, can be created with single or multiple gifts over time totaling \$10,000 or more. Memorial Named Funds shall be separately identified by name and the amount contributed to said Funds in all reports indicating the Endowment Fund's assets. The financial assets in these Funds are unrestricted and are an indivisible part of the main FCM Endowment Fund.
2. **Legacy Named Fund:** This Fund can be established to memorialize an individual, a couple or an organization with a minimum of \$25,000 in total gifts. Unlike a Memorial Named Fund, a Legacy Named Fund is a fund that is separate from any accounts holding unrestricted monies within the Endowment Fund. Legacy Named Funds shall be identified by name and the amount of their current assets in all reports indicating the Endowment Fund's current assets.

Permanent Endowment Fund of FCM: This professionally-managed fund (AKA the "FCM Endowment Fund", the "Endowment Fund" or the "Fund") exists to financially support the activities and missions of the Federation of Christian Ministries through annual distributions of Accumulated Appreciation from the Unrestricted Fund and each Restricted Fund that collectively comprise the Endowment Fund. Subject to the terms of this Policy, no distribution will be made of the Fund's principal. All investments in the Fund must be socially responsible.

Restricted Use Fund: A Restricted Use Fund (AKA "Restricted Fund") is one in which the Accumulated Appreciation is unequivocally designated for use towards a specific project, program or purpose. Each Restricted Fund must be kept as a separate fund from Unrestricted Funds and from other Restricted Funds. The investment strategy for all Restricted Funds is to be the same as for the Unrestricted Fund. There are two sources of Restricted Funds: those initiated by one or more donors and those established by the Circle. The Circle can establish a Restricted Fund when it solicits gifts for a clearly stated purpose where the gifts needed for that purpose equal or exceed \$25,000. Donor-initiated Restricted Funds can be established when all the following criteria are met:

1. Total gifts to the Fund equal or exceed \$25,000.

2. The donor or donors stipulate in writing to the Circle that the gifts are made with the understanding that they can only be used for a specific purpose.

3. The Circle approves the Fund's restricted use in writing to the donor(s).

Total Gifts: This is the sum of all gifts in the Endowment Fund as documented in the Endowment Gifts record. The Total Gifts is specific to each Account and Fund within the Endowment Fund and varies depending upon the applicable Account and Fund.

Unrestricted Use Fund: This type of Fund (AKA "Unrestricted Fund"), which is the main portion of the Endowment Fund, is for gifts where donors do not require that their gifts are to be used for any specific purpose. Accumulated Appreciation distributions from an Unrestricted Fund can be used as FCM's Circle deems appropriate, subject to the terms of this Policy.

ARTICLE III- COMMITTEE MEMBERSHIP

1. Committee Size.

The committee to manage the Fund shall be known as the Endowment Fund Committee ("the Committee") which shall be as inclusive as FCM's best effort might provide. The membership of the Committee shall consist of at least five (5) voting members (individually an "Endowment Committee Member", collectively the "Endowment Committee") at least two of whom are current members of the Circle; and members of the Executive Committee are eligible to be voting members. Any member of the Executive Committee may join a meeting of the Endowment Committee as a non-voting participant. Terms of the office for the original Committee shall be as follows:

1. **Initial Committee's Membership Selection.** For the original Committee, one (1) non-Circle member shall have a three (3) year term, one (1) non-Circle member shall have a two (2) year term and one (1) non-Circle member shall have a term of one (1) year. Members of the Circle on the Committee serve in accord with their terms on the Circle. The original Committee will be proposed by the Executive Committee of FCM and appointed by the Circle within forty-five (45) days following the approval of this Policy by the Circle. For this purpose a year begins with the end of the Summer Meeting of the Circle and concludes with the end of the next Summer Meeting of the Circle.

2. **Ongoing Committee Membership Selection.** When it is necessary to fill a vacancy of a Circle member on the Committee, the newly approved member will become a Committee member immediately. Regarding non-Circle committee members, the Executive Committee of the Circle will nominate one (1) candidate for Committee member to be voted upon by the Circle at each winter meeting of the Circle. Members of the Circle are able to nominate additional Endowment

Committee member candidates. The candidates shall be voted upon by the Circle to elect one (1) Endowment Committee member to serve a three (3) year term. Committee membership must always be odd in number.

3. Enlargement of the Committee. The Committee may request of the Circle the appointment of additional Circle or non-Circle Committee members. Their initial and ongoing selection processes will follow those described above in Article III, 1.1 and 1.2.

2. Qualifications for Membership. A Committee member must be a member of FCM. Two members of the Committee must be concurrent voting members of the Circle. The Endowment Committee members' backgrounds should be consistent with the goals, objectives and responsibilities inherent in managing the Endowment Fund. Recommended qualifications for Endowment Committee members, whether nominated by a) the Executive Committee or the Circle or b) appointed by the FCM President (the "President"), include investment, estate planning, sales/marketing experience and/or pastoral management experience.

3. Maximum Consecutive Length of Service. Committee members can serve no more than three (3) consecutive terms irrespective of whether those terms are full terms (three [3] years in length) or partial terms (less than three [3] years but not less than one [1] year) and irrespective of whether the Committee members are elected or appointed. Any appointment of a Committee member to serve for an unexpired term of less than one "year" as hereinafter defined is not considered to count as a "term." After a former Committee member has served in that capacity for three (3) consecutive terms, said Committee member must remain off the Committee for a minimum period of one year with a "year" being defined as the time between the end of one summer meeting of the Circle and the end of the next summer meeting of the Circle, before he/she can be again considered for election or appointment as a Committee member.

4. Officers of the Committee. A chairperson (the "Chair") and a secretary (the "Secretary") for the Committee shall be elected by and from the five voting Committee members. The terms of the Chair and the Secretary shall be one year. Elections for the Chair and Secretary shall take place annually so that their terms shall commence with the end of one summer meeting of the Circle and continue until the end of the following summer meeting of the Circle. The Secretary shall keep full and accurate accounts of the actions of the Committee and conduct necessary communications as requested.

5. Quorum. A majority of the Committee members participating in a scheduled meeting communicated in advance to all members of the Committee, whether that "meeting" be in person, by teleconference or via electronic media, shall constitute a quorum.

6. Mid-term Replacement. In the event that a Committee member is unable or unwilling to complete his/her elected or appointed term, he or

she, where able, shall promptly notify the President and the Committee Chair in writing. Upon receipt of said written notification or other determination that a Committee member is unable to serve on the Committee, the Committee Chair will nominate an appointee to serve as a qualified replacement Committee member within thirty (30) days. Upon review and approval by the Executive Committee, the President will appoint the nominee temporarily, until the next Circle meeting. The nominee must then be approved by a Circle vote in order for the appointment to continue for the duration of the unexpired term of the former Endowment Committee member.

7. Membership Liability Considerations. Members of the Committee must act in good faith “with the care an ordinary prudent person in a like position would exercise under similar circumstances.” Acting under this standard of care, they shall not be liable for any losses that may be incurred upon the investments of the assets of the Fund. Each member shall be liable only for his/her negligence, willful misconduct or omissions.

8. Conflict of Interest. No member shall engage in any self-dealing or transactions with the Fund in which the member has direct or indirect financial interest. A member shall at all times refrain from any conduct in which his/her personal interests would conflict with the interest of the Fund. Members having an apparent conflict of interest with any matter relating to a Committee vote relating to the Fund shall not be witness to the Committee’s discussions on such matter nor shall such member(s) be permitted to vote on same.

ARTICLE IV - COMMITTEE RESPONSIBILITIES

The Committee administers the Fund under the guidance and authority of the Circle. This administration involves, among other things, the safekeeping, management, investment and transfer of all funds and properties comprising the Fund in accordance with the provisions of this Article below. Accordingly, the Committee shall have the following responsibilities:

1. Meetings and Minutes. The Committee shall meet no less than quarterly each year with meetings being conducted via telephone, email or other suitable electronic means. Minutes for each Committee meeting shall be kept by the Committee’s Secretary, distributed by the Secretary promptly to all Committee members irrespective of whether or not they attended and to all members of the Circle. The Minutes will also be filed at FCM’s Central Office for future reference and safekeeping.

If the elected Secretary is not able to participate in a Committee meeting, the Chair shall designate one of the members present to perform the Secretary’s duties. The time and date of all quarterly meetings shall be coordinated at least two weeks in advance with Committee members by the Chair.

2. Investment Manager Selection. The Committee shall select and hire in consultation with the Circle an experienced, reputable Investment

Manager to manage the Fund in accordance with the investment policies specified in Article V of this Policy. The Investment Manager selected is to have a track record of successfully managing endowments. The Committee is to review the investment manager's performance prior to the Circle's winter and summer meetings.

3. Preservation of the Principal. The Committee is responsible for using its best efforts to protect the Fund's principal against inflation and losses by ensuring that the investment policies in Article V of this Policy are enforced. As part of this responsibility, the Committee is to determine with the guidance of the Investment Manager the optimal mix of stocks, bonds and/or, if necessary, U.S. Treasury Notes during each Committee meeting. The Chair will consult with the Executive Committee of FCM and with its authorization is empowered to implement changes in the investment mix based upon these consultations.

4. Encouragement of Gifts. The Committee shall take reasonable steps to encourage gifts and bequests to the Fund in a manner that is unlikely to diminish the annual giving of FCM members, organizations and friends to the Operating Account. These reasonable steps shall include but not be limited to the creation of educational and/or descriptive literature, periodically holding programs featuring planned giving experts, writing articles in *The Newsletter*, creating gift recognition programs, writing gift solicitation letters to prospective Fund donors and, where appropriate, discreetly contacting prospective donors by telephone or in person.

5. Acceptance of Gifts. The Committee shall accept cash and non-cash gifts to the Fund according to the gift acceptance policies described in Article V of this Policy and shall with the Treasurer of FCM ensure the transfer of gifts into the Fund.

6. Financial Records and Reporting. The Committee shall cause reasonable and accurate financial records of the Fund to be maintained by the Fund's professional investment manager. In addition, the Committee shall provide a) a detailed report on the Fund's performance to the Circle at the Circle's scheduled meetings and b) assist the Executive Committee in creating an annual report to the Circle, FCM members, organizations, and friends.

7. Recommendations on Disbursements. The Committee shall inform the Circle prior to the Circle's first meeting following the close of the fiscal year of the estimated Accumulated Appreciation, if any, that will be available for disbursement from the Fund based upon its performance during the immediately preceding Investment Year (defined as a year beginning on the first day of FCM's fiscal year and concluding on the last day before the beginning of the next fiscal year). The Committee will further advise the Circle of any restrictions that need to be considered in the expenditure of the estimated Accumulated Appreciation.

8. **Fund Expenses.** The Committee is responsible for managing all expenses incurred in administering the Fund. Expenses are to include but not be limited to: (a) reasonable professional management fees, (b) transaction fees, (c) informational and educational expenses, (d) reasonable costs related to soliciting gifts and bequests, and (e) expenses incurred in evaluating and administering non-cash gifts. The Committee and the Circle will determine the source of funds to cover these expenses, by disbursement from Accumulated Appreciation and/or from monies budgeted by the Circle. Under no circumstance is a Committee member to be compensated for services rendered, although reimbursements for reasonable expenses incurred in the administration of the Fund are permissible.

9. **Use of Legal Counsel.** The Committee shall have the authority, upon consulting with and obtaining the approval of the FCM Executive Committee, to seek the advice of legal counsel in matters coming before it with such reasonable expenses being paid for out of the Fund's Accumulated Appreciation and/or monies budgeted for this purpose by the Circle.

10. **Assistance to Member Churches and Centers.** The Committee is responsible for providing advice on an as-requested basis about readily available information resources to FCM member churches and centers interested in establishing their own endowment funds.

11. **Changes to the Policy.** From time to time, as appropriate and necessary, the Committee shall recommend to the Circle that changes be made to this Policy. These recommended changes are to be voted upon by the Circle as specified in Article IX of this Policy.

ARTICLE V – GIFT ACCEPTANCE POLICY

1. **Control of Gifts.** *When donors make gifts to FCM, a 501(c)(3) organization, and its Endowment Fund, they give up all control of those gifts. However, the donors can unequivocally specify that their gift(s) be directed by FCM for a restricted purpose as long as the Circle agrees in writing with such restricted use.*

2. **Nature of Gifts.** Gifts to the Fund shall be received in the following forms:

- 2.1. Gifts – liquid (cash and marketable securities)
- 2.2. Gifts -- non-liquid (real estate, art, gems, etc.)
- 2.3. Deferred Gifts -- (life insurance, gifts by will or trust, charitable gift annuities, charitable gift remainder trusts, etc.)

3. **Non-liquid Gifts.** Gifts of cash, securities and insurance are preferred but under proper conditions, non-liquid gifts of real estate, gems, art and collectibles can be accepted. All non-liquid gifts made to the Fund may be converted into cash by the Circle at the recommendation of the Committee. In the event of a gift of real estate, a licensed authority must perform a Phase I environmental impact study at the expense of the donor(s) before the gift can be considered. Gifts of art, gems, collectibles and real estate must be accompanied by an

appraisal conducted by an authority recognized by the U.S. Internal Revenue Service with such appraisal being paid for by the donor(s).

4. Restricted Gifts and Funds Policy Following are stipulations that must be adhered to concerning all Restricted Funds and those Legacy Named Funds if the donor(s) elect to restrict the usage of the assets in a Legacy Named Fund:

4.1 The restricted use must be for a FCM program that was approved by the Circle prior to the gift's being accepted.

4.2 Additionally, the Circle must approve in writing that it accepts a restricted use gift before the gift can be invested in the Endowment Fund with such investments being subject to the provisions of this Endowment Policy.

4.3 Restricted gifts must not be designated for the benefit of a specific individual or individuals by name as that is a violation of IRS regulations.

4.4 The assets in a Restricted Fund must never be co-mingled with assets in (a) other separate Restricted Funds and (b) any Unrestricted Funds.

5. Accumulated Appreciation from restricted use gifts in the Endowment Fund shall only be used for purposes clearly related to the restricted use. It is a violation of federal law to utilize restricted use proceeds for anything other than the gift's stated purpose.

6. The assets in Restricted Funds shall be invested solely by the Endowment Committee members in the same manner as all other assets in the Endowment Fund.

7. Distributions from Restricted Funds shall be subject to the same Accumulated Appreciation distribution policies and procedures that apply to the Fund with the exception that if the distributions are restricted, the Endowment Committee members shall not have access to 10% of those proceeds (refer to Article VIII, § 4).

5. Gift Notification and Recording. All gifts accepted and received by the Circle (usually through the Treasurer of FCM) shall be acknowledged and recorded as follows:

5.1 Gifts to the Fund shall be sent to the FCM Treasurer with notification that the gift is for the Endowment Fund.

5.2 FCM's Treasurer will record the gifts and promptly notify the Endowment Committee Chair who will arrange for the donor to receive a letter of acknowledgement and thanks on behalf of the FCM Circle.

6. Gift Qualification and Acceptance Process. It is understood that donors' gifts are intended to be used on behalf of FCM in perpetuity. Non-liquid gifts may be converted to cash for the purpose of being included in the Fund. The Circle has the option to not convert an accepted non-liquid gift to cash if that gift, for example, is deemed to have considerable historical value to FCM or is likely to appreciate in value. The Circle has the sole authority to decline gifts that have excessive restrictions as well as those that represent a potential financial liability to FCM.

7. Expiration of Gift Restrictions. Should the intended use of a Restricted Account's Accumulated Appreciation no longer be applicable because the organization or program that is the beneficiary of the Restricted Fund (1) ceases to exist, (2) is no longer supported by FCM, or (3) is fully funded and needs no additional funds, then the provisions of the Policy's Attachment 1 entitled *Regulations Affecting the Disposition of Unrestricted and Restricted Funds Where Such Use is No Longer Practical or Possible* apply.

8. Confidentiality. The exact dollar amount of all donor gifts to the Fund will be kept in strict confidentiality by the Endowment Committee and where applicable, by the Circle. In contrast, donor names will be recognized in the *Newsletter and the Assembly's printed program* organized by broad giving groups based on the dollar amount of their gifts unless a donor specifies otherwise.

ARTICLE VI -- INVESTMENT OF THE ENDOWMENT FUND

1. Unrestricted Funds. Donors are encouraged to make gifts to the Fund on an unrestricted basis because this gives FCM flexibility in how to use the Accumulated Appreciation to best meet the needs of FCM.

2. Investment Policy. Investments in stocks and/or bonds shall only be made in socially responsible organizations. The Fund's investments shall be a mixture of low-risk financial instruments (such as bonds) and high yield securities (such as "blue chip" stocks). The Investment Manager is to comply with the Uniform Prudent Management of Institutional Funds Act.

3. Investment Goal. The annual goal of the Investment Manager is to produce earnings equal to or greater than 5% of the principal after reinvesting sufficient earnings to protect the principal from inflation and after expending a portion of the earnings to pay for the Investment Manager's expenses.

ARTICLE VII – PROTECTION OF THE ENDOWMENT FUND'S PRINCIPAL

The principal of endowment gifts is not to be spent. With respect to Unrestricted Funds, in the event of a crisis all or part of the principal can be spent but only after being approved in the following way. The President with the concurrence of the Executive Committee must request in writing a report of current assets and accumulated appreciation from the Chair of the Committee. The Executive Committee will then submit a request in writing (through US mail, or email) to the Circle that they approve a distribution of up to one-half (50%) of the Endowment Fund, based on stated reasons. The Chair's report must accompany this request. The Circle vote to disburse up to one-half (50%) of the Endowment principal must be in favor by two-thirds (2/3) vote.

If the financial crisis continues, this process may be repeated after ninety (90) days have elapsed since the first disbursement of funds in order to disburse up to the remainder of the Endowment. **It is not lawful to tap**

the principal of Restricted Funds during a financial crisis impacting FCM without first obtaining written permission from the donors involved, assuming the donors are still living. See also Attachment 1 to this Policy.

ARTICLE VIII– ACCUMULATED APPRECIATION DISTRIBUTIONS

Accumulated Appreciation Distribution: This is equal to 10% of the Accumulated Appreciation in each of the Restricted Funds and Unrestricted Funds within the Endowment Fund at the end of an Investment Year, which Year has the same dates as FCM’s fiscal year. Distributions of Accumulated Appreciation can only be made from Restricted Funds and Unrestricted Funds under the following applicable conditions:

- When the sum of assets in the Fund’s Unrestricted Funds equals or exceeds \$100,000 at the conclusion of an Investment Year.
- When the assets in a Restricted Fund equal or exceed \$25,000 and
- When the S&P 500 Index has not declined by 10% or more during the Investment Year at the end of which distributions are to be made.

1. **Computation:** Multiply 10% times the Accumulated Appreciation to determine the Accumulated Appreciation Distribution for each Fund within the Endowment Fund. This process of “tithing” the Accumulated Appreciation ensures that the Endowment Fund’s principal will not be distributed. This computation is to be made by the Endowment Committee as soon after the conclusion of an Investment Year as feasible.

2. **Announcements:** The amount of the Accumulated Appreciation Distribution for each Fund within the Endowment Fund is to be communicated in writing by the Committee to the FCM Executive Committee as soon after the computation(s) as possible. In addition, the Committee is to announce the Accumulated Appreciation Distribution figure(s) to the membership by the *Newsletter* and to the attendees of the Assembly.

3. **Disbursement Process:** The Accumulated Appreciation Distribution(s) for a given Investment Year are to be withdrawn from the Endowment Fund by no later than fifteen (15) calendar days following the conclusion of the fiscal year. These distributions are to be held in the Endowment Transaction Checking Account(s) in FCM’s bank.

4. **Endowment Committee Members’ Portion:** To enable the Committee to promote awareness of the Fund, solicit contributions, to recognize major donors or for legal and/or consulting assistance, etc., 10% of the Accumulated Appreciation Distribution for Unrestricted Funds within the Endowment Fund will be reserved for use by the Endowment Committee. Accumulated Appreciation Distributions of Restricted Funds are not eligible for use by the Endowment Committee. If the Endowment Committee fails to use its portion of the Accumulated Appreciation Distribution before the end of the Investment Year in

which said distribution becomes available, the unused portion may be transferred to FCM's Operating Account as of the first business day of the following Investment Year at the direction of the Circle.

5. Utilization of Endowment Fund Disbursements: The Circle has final say in determining how, where and when Endowment Fund disbursements will be used, while complying with conditions required by Restricted Funds.

ARTICLE IX – POLICY AMENDMENTS

Procedure for Modifying the Policy. Any changes to this Policy must be approved according to the following process:

1. Advance Notification of Amendments and Changes. All amendments and proposed changes to this Policy shall be communicated in writing as follows:

1. The Circle must receive proposed amendments and other changes in writing:

1.1. After they first have been approved by a majority of the Endowment Committee and

1.2. At least thirty (30) days before the Circle's meeting during which the changes will be discussed and voted upon and

2. If the Circle of Directors approves the Policy changes with a two-thirds majority vote or greater, a copy of the Policy amendment and/or changes must be published to the membership in the next issue of the Newsletter.

3. Lastly, the Circle's Secretary must affirm that the changes are official by signing a statement at the end of two copies of the Policy document with one original being retained at FCM's Central Office and the second being retained by the then-current Endowment Committee Chair.

2. Documentation of Policy Changes. Changes to the Policy are to take the form of either written Amendments thereto or, if the changes are numerous and occur throughout the Policy, then a Restated and Amended version of the Policy is an acceptable format. The Committee is to promptly distribute the Policy changes to members of the Circle and to the FCM Central Office. Member churches and centers are free to request a copy of the Policy. In the event of either of the following: (a) the number of separate amendments occurring over a period of time reaches three or (b) an extensive set of changes is made to the Policy at one time, then a new Policy incorporating the changes shall be created. Said revised Policy shall bear the date of the last set of changes incorporated into the document.

3. Reporting of Amendment Changes. Any changes to this Policy approved by the Circle must be promptly, clearly, and fully reported to the membership of FCM.

ARTICLE X – MISCELLANEOUS

1. **Circle Review of Fund Records.** The Circle’s Chairperson and the President will receive a copy of the Investment Management Organization’s quarterly statements relating to the FCM Endowment Fund. On an annual basis and in conjunction with the annual financial review of FCM’s finances, a qualified person with accounting experience and/or expertise shall review the records.
2. **Dissolution and Merger Provisions.** If at any time FCM is merged with another organization, all terms and provisions with regard to the Fund are applicable to the new organization. In the event of the dissolution of FCM, the disposition of the assets of the Endowment Fund are to be governed by U.S. Internal Revenue Service regulations and in accordance with the terms of the then-current version of the Uniform Prudent Management of Institutional Funds Act.
3. **Applicable Laws.** Notwithstanding the foregoing, the powers of this Policy shall be limited to and consistent with those powers provided under the laws of the State of New Mexico and any applicable federal statutes.

Certification of Adoption

The undersigned hereby certifies that the Policy set forth above was adopted on February 3, 2018 by the Circle of the Federation of Christian Ministries following a motion by Thomas E. Cusack which was seconded by Daniel Pellegrin.

William Appleton
FCM Secretary

[DATE SIGNED BY FCM SECRETARY]
Date



ATTACHMENT 1 to the Policy for the Permanent Endowment Fund of the Federation of Christian Ministries (FCM)

Regulations Affecting the Disposition of Unrestricted and Restricted Funds Where Such Use is No Longer Practical or Possible

Researched by the International Council of Community Churches Permanent Endowment Fund Trustees and their Chair Bob Harris, November 2016

Governing Documents

IRS Code 501(c)(3) [Exemption from Tax on Corporations, Certain Trusts, etc.]

IRS Code 509(a)(1) and (2) [Private Foundations Defined]

IRS Code 507(b)(1)(B) [Termination of Private Foundation]

Uniform Prudent Management of Institutional Funds Act [UPMIFA] (2006)

Governing Principle Regarding Charitable Gifts

When a donor makes a charitable gift to a 501(c)(3) organization (such as FCM), the donor gives up all control on how that gift is to be used with the exception of restricted use gifts. With respect to restricted use gifts, the donor has the right to specify how a gift is to be used as long as the 501(c)(3) organization receiving the restricted-use gift (FCM) agrees with the donor in writing by the Circle as to the gift's being used expressly for the restricted gift's stated purpose.

Refunds of Charitable Gifts

- *Unrestricted Use Gifts:* These gifts generally cannot be returned to donors. In the following circumstance the Circle may consider refunding such a gift.

- A) The donor requests the refund by notarized letter to the Chairperson of the Circle. The request must include the reasons for the request and must state that the requestor's tax returns will be amended to eliminate any tax deductions previously made pertaining to the gift; and

- B) The gift is equal to or greater than \$10,000.

Then at a regularly scheduled meeting the Circle may vote by simple majority to refund the gift and direct the Committee and the Treasurer to carry out this decision.

- *Restricted Use Gifts:* In event the Circle decides not to undertake a specific use such as a building fund or in the event a specific project is overfunded, the Circle must make reasonable efforts to promptly contact identifiable donors in writing where the exact gift amounts are known and give them one of the following options:

- A) Change the restricted use to one that is likely to be used (must be approved in writing by the FCM Circle);

- B) Change the gift to an unrestricted use gift

- C) Return gifts with the understanding that the donors must amend their tax returns by subtracting any previously declared deductions related to the gifts.

Long-standing Unused Restricted Funds

- If a Restricted Fund has over time become impractical or impossible to administer, then per Section 6 of the UPMIFA the restriction can be modified or eliminated in one of the following ways:
 - A) The donor(s) who made the restriction to the gift(s) can agree to either change the restriction to something more practical or to eliminate the restriction altogether. This needs to be done in writing (UPMIFA paragraph 6a).
 - B) In the event the donor(s) are unable to make changes to the usage restrictions because they are deceased or unable to be located, FCM can provide a notice to the New Mexico Attorney General indicating that it is seeking to change or release the restriction(s) and arrange through a court to either modify the restriction or to authorize that the Restricted Fund be transferred to an organization that has a fund with a similar restriction [UPMIFA paragraphs 6 b) and 6 c)].
- If FCM determines that a restriction in a gift or in a fund is deemed unlawful, impractical, impossible to implement or wasteful, the Circle can modify or release the restriction 60 days after sending a notice of such intent to the New Mexico Attorney General when the following conditions apply:
 - The Restricted Fund has assets of \$50,000 or less
 - The Restricted Fund has been in existence for more than 20 years and
 - FCM uses the assets of the Restricted Fund in accordance with the newly modified restriction(s). [UPMIFA paragraph 6 d)]

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- *Unrestricted Gifts:* These gifts, such as gifts to the Permanent Endowment Fund of FCM, must be given tax-free to an organization having a similar purpose. They cannot be returned to the donors. In the case of the Endowment Fund, it can be transferred to an endowment fund operated by a denomination and/or other non-profit organization that is theologically compatible with FCM.
- *Restricted Gifts:* At a Circle meeting the FCM Circle would review options on what to do with each of the Endowment's various Restricted Funds including any outside of the Endowment Fund. The Circle would then vote on the disposition of each of the Endowment's Restricted Funds with a record of each vote being maintained in the business meeting minutes. Options are:
 - Give an FCM Restricted Fund to a 501(c)(3) organization that has restricted use funds used for a similar purpose.
 - Persuade the donors of the FCM Restricted Fund to convert the fund to an Unrestricted Fund. Then transfer the newly reclassified Unrestricted Fund to an endowment fund in a denomination and/or other non-profit organization that is theologically compatible with FCM.

Referenced Publication Articles

- *"Refunds of Charitable Contributions"* by Richard R. Hammar, April 2009 issue of *Christianity Today*.
- *"Designated Giving: Properly Handling Restricted Funds"* by Rollie Dimos, undated, MyHealthyChurch.com.

- “*The Uniform Prudent Management of Institutional Funds Act*” by Marshall Sanders, pp 25-33 of May/ June 2008 issue of *Taxation of Exempts*.
- “*Termination of Ancient Endowments*” by Matthew D. Getty, posted February 9, 2012 on www.fgmt.com. (Facey, Goss & McPhee, PC attorneys at law website)