

**FIRST UNITED METHODIST CHURCH  
ROUND ROCK, TEXAS  
PERMANENT ENDOWMENT FUND POLICY  
Revision 1.2**

**ESTABLISHMENT**

The Charge Conference of First United Methodist Church in Round Rock, Texas (First Church) established the Permanent Endowment Fund (the Fund) in 2020. The Fund was established under the guidelines of the United Methodist Church Book of Discipline dated 2016, and the Endowment Committee (the Committee) will make any recommendations for changes in Policy or Procedure to comply with these Disciplines as they are amended by the United Methodist Church.

**PURPOSE OF THE FUND**

The Fund was established to provide members and friends of First Church the opportunity to make enduring gifts to the Church either as direct gifts or through estate planning and bequests. The principal of the Fund shall be enduring creating Earnings to be used only as designated in these policies. For the purposes of this Policy, Earnings shall be defined as appreciation on principal less expenses plus all income, unless otherwise clearly delineated.

**ADMINISTRATION OF THE FUND**

The Fund will be administered and invested by the Committee in accordance with these policies, with bookkeeping assistance from the Church Business Office.

**LIMITATIONS ON USE OF PRINCIPAL**

The objective of the Fund is to conserve the principal and utilize only the Earnings from the Fund as designated in these policies. Any part of the principal may be withdrawn only in extreme and overwhelming circumstances, bordering on the survival of First Church and only after approval from charge/church conference upon recommendation of this Committee and 90% vote of the Church Council. Limitations on use of principal do not necessarily apply to any designated fund.

**MEMBERSHIP OF THE COMMITTEE**

The membership of the Committee shall consist of nine voting members, three of whom are ex-officio members, as follows:

Representative from the Board of Trustees  
Representative from the Finance Committee  
The Senior Pastor

The six members-at-large shall be nominated by the First Church nominating committee (LEADFirst) and elected for six-year terms, so that one new member will be nominated each year for a full six-year term. Mid-term vacancies will be filled in the same manner as soon as possible by the nominating committee (LEADFirst). At the Committee's first meeting of the year, the Committee Chairperson and Secretary shall be elected from the at-large members.

All members shall report any potential conflict of interest to the Committee for consideration and disposition. No member or their family shall profit personally or through any associated or family business entity.

## **DUTIES OF THE COMMITTEE**

The duties of the Committee are outlined throughout this document and include the following:

- Work with the Church Business Office to maintain a confidential list of donors, donations and contact information. Said list of confidential information will be available only to the Committee, Church Business Office and Senior Pastor.
- Work through the Church Business Office to both administer the fund and provide a complete accounting of all investments, income, expenses, and distributions.
- Designate two individuals to manage all activity in the investment pursuant to prior written instructions by the Committee for each activity.
- Record and maintain minutes of all Committee meetings.
- Invest in accordance with these policies.
- Determine the funds available for annual distribution.
- Review and approve/deny requests for distribution in accordance with these policies.
- 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.
- Prepare all communication and promote the Permanent Endowment Fund to the congregation/community.
- Educate the congregation about the funds, promote the funds, and solicit donations in an appropriate manner.
- Assist donors in the process of making gifts to the funds.
- Report annually to the charge/church conference.
- Report biannually to the Church Council.

## **GIFTS TO THE FUND**

The Committee has the authority to accept or decline any gift to the Fund. The Committee may decline a gift if it determines: a) the gift is not in the best short or long term interest of First Church, b) the gift risks the charitable tax status, or c) creates any future liability for First Church.

### **Non-Designated Gifts**

Acceptable funds include all non-designated gifts of liquid assets of any amount including cash, stocks and bonds that have a current market and may be converted to cash immediately after receipt of the gift. Non-liquid asset gifts will be rejected until they meet the above criteria. Any cost to make the gift acceptable will either reduce the amount of the gift or be borne by the donor. All non-designated gifts will be placed into the general endowment Fund, invested, and the Earnings may be used as directed by the Committee in accordance with these policies.

### **Designated Gifts**

New designated funds may be established under these policies to be managed by the Committee and must a) be over \$250,000 and b) must be acceptable to the Committee. All designated gifts that do not meet a \$250,000 threshold will be held in the general endowment Fund and all Earnings will be part of the general Fund until the threshold is met by other acceptable gifts with the same designation. At such time, a new designated fund will be established, and the principal of the designated gifts will be transferred to the new fund. A separate policy will be established for each new designated fund by the Committee regarding administration, investment and distribution of principal and Earnings. Separate records shall be kept by the church Business Office on these designated gifts, their Earnings and disbursements.

## **INVESTMENT OF THE FUND**

The objective of the Fund's investments shall be to achieve long-term growth while deriving current income for distribution from the Fund. The committee shall review the investments quarterly. Any changes or rebalancing of the investments shall be at the discretion of the Committee consistent with these policies. The Committee shall make known these investments and returns if requested by church members and report to the Church as previously designated.

The Fund shall be invested in a self-managed brokerage account or managed by an investment manager such as the Texas Methodist Foundation. The Committee has discretion to choose the self-managed brokerage fund and designate authorized individuals to take actions within the Fund. In a self-managed brokerage account, it is expected that between 60% to 80% of the fund will be invested in a low cost S&P 500 ETF (Exchange Traded Fund) and between 40% to 20% will be invested in a combination of a low-cost investment grade Corporate Bond ETF and other short term investment instruments. The Committee shall monitor these investments and fund performance given the risk and expectations of the asset classes selected.

## **DISTRIBUTIONS FROM THE FUND**

The funds available for distribution will come from the Earnings of the Fund. No part of the principal of any donation shall be distributed at any time with exceptions as noted in LIMITATIONS ON USE OF PRINCIPAL above. Following the direction of the Texas Property Code Title 10, Sub-Title B, Chapter 163 Section 163.005(d) and (e), when the aggregate value of the Fund is less than \$1,000,000 the funds available for distribution will be limited to 5% of the Fund's fair market value. When the aggregate value of the Fund is \$1,000,000 or more the funds available for distribution will be limited to 7% of the Fund's fair market value. In no case will the funds available for distribution cause the Fund's aggregate balance to fall below the total sum of all donations made. It is not anticipated that a distribution from the Fund will be made every year. Thus, if no income is distributed in any given year or years, said accumulated income may be added to income earned in a year of distribution to allow for a distribution in a given year which would be greater than the limits stated above.

The Fund's fair market value is calculated on the basis of the market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure is made. When the Fund has been in existence for fewer than three years, the fair market value of the Fund is calculated for the period that the Fund has been in existence.

Distributions from the Fund will include monies used for the marketing and collection of donations to the Fund. The Committee will have sole discretion as to the amount utilized for these purposes. These monies must not be disbursed from the principal.

Requests for financial support from the Fund will generally be accepted twice per year through a request process using the "Application for Use of Funds" document provided by the Committee. In cases of emergencies, requests can be at any time. The Committee will then approve funding based on funds available and prioritizations for requests based on First Church priorities and missions. Designated funds will be approved in accordance with the policies established for such fund.

The Earnings from the undesignated funds will be used for a) the establishment of new ministries of the church, b) scholarships for development of future pastors from the First Church family, c) further education and training for director level positions at First Church, and d) the support of our permanent church facilities including response to emergencies and major upgrades as defined by the Committee. Fund Earnings will not be used for the normal operating expenses of the church.

#### **DONOR SUPPORT, RECOGNITION AND ENCOURAGEMENT**

Donors to the fund will be confidential unless permission to use their name has been granted in writing. Those donors who have given permission will be acknowledged and recognized by the church with an appropriate series of programs that support the donor's wishes and recognize the importance of the gift to First Church. These programs shall include, but are not limited to, the following suggestions:

- Written communication to the donor and their family thanking them and recognizing the gift.
- Donors and families of donors of designated gifts will be sent separate communication on distribution of money from their gift.
- Recognition by communicating to the church through updates on the Fund's gifts and commitments. Donors may participate in these programs or remain anonymous if they desire. The purpose of this recognition is to show the importance of the Fund in the lives of the members of the church and encourage other members of the church to become a part of the Fund. The Committee will approve all programs for recognition.

It shall be the responsibility of the Church Business Office to send letters of thanks to all donors, letters of recognition to those being honored and letters of memorial to the families of those being remembered. This should occur within two weeks of the acceptance of the gift. The Committee chairperson shall be notified as to when and whom the letters were sent.

#### **LIABILITY**

No member of the Committee, in the absence of gross negligence or fraud and providing they are acting within their designated authority, shall be personally liable for any action taken or omission made with respect to the Fund.

#### **AUDIT**

When the aggregate value of the Fund exceeds \$250,000 the Committee shall be responsible for conducting an external audit of the Fund every three years. The cost of said audit shall be paid from the Fund.

#### **MERGER, CONSOLIDATION OR DISSOLUTION OF FIRST UNITED METHODIST CHURCH**

If at any time First Church is lawfully merged or consolidated with any other church, all the provisions hereof in respect to the Fund shall be deemed to have been made in behalf of the merged or consolidated church which shall be obligated to administer the same in all respects and in accordance with the terms hereof.

If First Church should ever be dissolved without any lawful successor thereto, the Fund, including both principal and interest to date shall be transferred to the Central Texas Conference of the United Methodist Church to be used as a permanent endowment fund in its ministry in accordance with The Book of Discipline, 2016 and with particular reference to 2549.5.

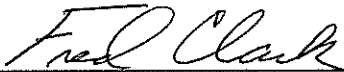
**AMENDMENTS**

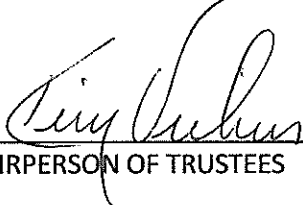
The terms and conditions of the Endowment Fund policy may be amended only by recommendation of the Committee and a majority vote at a duly announced Charge/Church Conference of First United Methodist Church at which a quorum is present.


**SEVERABILITY**

If any provisions or any application of any provisions of this program shall be held or deemed to be or shall be illegal, inoperative, or unenforceable, the same shall not affect any other provisions or any application of any provisions herein contained or render the same invalid, inoperative or unenforceable.

This policy is approved by the Charge/Church Conference and replaces all previous versions of same and on this date 1/23/2021.

  
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CHAIRPERSON OF ENDOWMENT COMMITTEE

  
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CHAIRPERSON OF TRUSTEES

  
\_\_\_\_\_  
SENIOR PASTOR OF FIRST UNITED METHODIST CHURCH

