

SAMPLE BYLAWS FOR ORGANIZATIONAL ENDOWMENTS

In response to requests from organizations for endowment fund bylaws, InFaith Community Foundation has prepared the following Sample Bylaws. These Sample Bylaws are provided as an example only – bylaws for each congregation must be written specific to the organization’s needs and interests, consistent with factors such as synodical guidelines, organizational charter or other organizational documents, and in some cases, state law.

Please review the Sample Bylaws below for some of the fundamental issues involved with operating an effective endowment committee – actual sample language for bylaws is offered in italics. Whether the endowment fund requires a vote by the organizational governing body or of the entire membership is a matter for the organization’s governing body to determine. We encourage you to consult with the organization’s legal advisers to determine the appropriateness of these and other issues, and the procedure for adoption.

Sample Bylaws

I. Establishing the Endowment Committee

Consult your existing bylaws to determine the method for establishing an endowment committee. For example, some bylaws authorize the council to establish committees by a resolution. If the council is not authorized to establish a committee, then a vote of the membership may be needed to establish an endowment committee.

II. Mission/Purpose of the Endowment Committee

The bylaws should state the mission of the endowment fund, which should support the overall mission of your organization. The most effective mission statements are neither too general nor too narrow. Your goal should be to engage as many potential donors as possible. If too narrow, you will alienate potential donors who do not connect with the mission. If too general, potential donors may hesitate to give to a fund where its use is unclear.

Some examples of missions of endowment funds include:

- ✓ *To provide support for mission work at home and around the world, above and beyond the programs supported through regular offerings. Examples include: establishment and maintenance of local community outreach programs, grants to (synod) agencies, and gifts for mission development.*
- ✓ *To strengthen and extend God’s mission through [name] Church, reaching out in response to human need, by making grants to promote Christian religion, Christian charity, and supporting education for Christian life and service.*
- ✓ *To provide vehicles and structure for members who have the desire to benefit [name] Church through charitable giving that is consistent with its mission of witnessing to the message of salvation through Jesus Christ on both a local and global level. The [name] Church Endowment Fund shall provide a perpetual source of income to benefit four current categories:*

1. *Missions: local, regional and world projects.*
2. *Youth: support for youth of all ages*
3. *Worship and Music: support for the worship of [name] Church*
4. *Capital Projects: major renovations and building of new facilities.*

III. Establishment and Operation of the Endowment Committee

The Endowment Committee shall consist of [number] members chosen by the council [or elected in another manner] who shall serve for terms of [number] years. The Endowment Committee shall meet at least [number] times per year. All actions taken by the Endowment Committee must be agreed to by a majority of the members. In the event of a vacancy on the Endowment Committee prior to the expiration of a member's term, the council shall fill the vacancy.

IV. Duties of the Endowment Committee

The Endowment Committee is authorized to take the following actions (following are some examples):

- ✓ *To utilize InFaith Community Foundation to establish the [name] Church Endowment Fund and to create additional funds as may be needed. The Endowment Committee shall have the authority to direct or transfer endowment gifts to InFaith Community Foundation for the Endowment Fund at any time.*
- ✓ *To determine and implement procedures and policies for soliciting, processing and disbursing grant requests in accordance with the requirements and guidelines of the Endowment Fund.*
- ✓ *To educate the congregation about the Fund.*
- ✓ *To adopt and implement strategies which promote giving to the Fund.*
- ✓ *To process gifts directly and in coordination with the InFaith Community Foundation.*
- ✓ *To report to the congregation, at least annually, the balance of the Fund, the year's financial activity in the Fund, the amounts and beneficiaries of grants from the Fund.*
- ✓ *To establish guidelines for acceptance of gifts.*
- ✓ *To act as the advisor to InFaith Community Foundation with respect to all administrative matters and the day to day operation of the Fund.*
- ✓ *To undertake any other related matters delegated to the Endowment Committee by the council or the membership.*

V. Distributions from the Endowment Fund

In recent years, many endowment fund committees have reexamined bylaws that restrict spending to income only. They are amending their bylaws to allow for more flexibility – flexibility that permits distributions when fund investments are not producing "income" and that reflect contemporary investment strategies.

Distribution of a Percentage of Value of the Fund: This distribution method disregards traditional notions of income and principal as they relate to assets held in the endowment fund. The distribution percentage is typically 4-5%, and the amount distributed varies from year to year as the assets fluctuate in value. Because this method looks beyond the income earned by the fund assets, it permits distribution each year regardless of fund performance and sets the priority of distributing funds to meet the endowment fund's mission, rather than of preserving principal. Of course, when the market recovers, the principal will begin to rebuild. A policy that calls for a specified percentage of the value of the fund assets permits annual distributions regardless of the

types of investments held in the endowment fund. Generally, the growth in the fund is expected to be greater than the distribution percentage from the endowment fund. It provides a buffer against less favorable years, as well as inflation, and ensures that a distribution can be made each year. In prosperous years, the fund grows, allowing larger distributions to be made in subsequent years. This policy also allows for continuing distributions to be made in down years when distributions are often needed the most.

Example Distribution Policy #1: *Annually, the Endowment Committee shall recommend to the Council the distributions to be made from the Endowment Fund, taking into consideration the investment growth of the Fund over the previous year, the new gifts added to the Fund, the distributions previously made, the need for distributions and such other factors as the Endowment Committee deems relevant. There is no obligation to make distributions from the Endowment Fund in any given year. The Endowment Fund is not intended for normal operating expenditures [decision should be made whether or not this is desired].*

Example Distribution Policy #2: *Annually, the Endowment Committee shall recommend to the Council the distributions to be made from the Endowment Fund in an amount equal to [number]% of the value of the total Endowment Fund without regard to the character of such funds as income, principal, dividends, realized and unrealized gains. Distributions may be used for major projects of [name] Church (outside of the normal operating budget).*

Example Distribution Policy #3: *Annually, the Endowment Committee shall recommend to the Council the distributions to be made from the Endowment Fund in amount not to exceed [number]% of the value of the total Endowment Fund without regard to the character of such funds as income, principal, dividends, realized and unrealized gains. Distributions may be used for major projects of [name] Church (outside of the normal operating budget). There is no obligation to make distributions from the Endowment Fund in any given year.*

VI. Disposition or Transfer of the Endowment Fund

In the event that the [name] Church or its successor(s) ceases to exist, then the Endowment Fund shall continue for the benefit of _____ [examples might include the synod, a local charity, or a field of interest fund such as disaster relief],

or shall continue as a permanent fund for the unrestricted charitable purposes of InFaith Community Foundation.

VII. Applications for Distributions

You may wish to create a procedure for requesting, reviewing and selecting applications for distributions for projects consistent with your endowment purposes. Some congregations prepare an application form that asks for specific use of the funds, budget, responsible persons, goals and objectives and a timeline.