

The Centennial Endowment Funds
of the
First United Methodist Church of Palo Alto, California
625 Hamilton Avenue, Palo Alto, California 94301

Policy Statement

Revised ~~June 14~~October, 2020

MISSION

We, the First United Methodist Church of Palo Alto, seek to be part of Christ's family bound together in our concern for each other, for our community and for the peoples of the world.

We will remain open to the challenges and opportunities of changing times. With God's guidance and with the power of the Holy Spirit, we actively commit ourselves through worship, prayer, stewardship, service, study, and fellowship, to—

Grow as Christian disciples,
Reach out to meet people and their needs,
Help each other into a relationship with God,
Go forth in mission and ministry.

With this as our mission, we wish to encourage the Christian stewardship of accumulated, inherited, and appreciated resources. It is understood that special gifts and bequests should not take the place of faithful stewardship of current income but should be made to enable the church to accomplish areas of work it might otherwise be unable to undertake. Absent extenuating circumstances, Centennial Endowment funds shall not generally be used for expenditures that are normally borne by the Church's annual operating budget.

All who make gifts to the Centennial Endowment Funds will have made a lasting commitment to the long-term future of this church.

II PURPOSE

The purpose of this policy is to establish a regular procedure for the management and disposition of funds or other properties that are contributed to the church and received by the Board of Trustees, on behalf of the Centennial Endowment Funds, as endowment through:

- A. Bequest by will
- B. Transfer of Property (e.g., cash, stocks, bonds, real estate)
- C. Life Income Gift
 - 1. Charitable remainder unitrusts

- 2. Charitable remainder annuity trusts
- 3. Pooled income fund agreements
- D. Assignment of Life Insurance
- E. Revocable charitable trusts
- F. Charitable Lead Trusts
- G. Gift Annuities, or other recognized gifting methods

All such gifts will be administered in accordance with the instructions of the donor and the conservative investment guidelines set forth in this policy statement.

III CENTENNIAL ENDOWMENT FUNDS STRUCTURE

An endowment fund is a fund maintained to provide fund growth and payout in perpetuity, or for a designated term, for general or restricted use by the church. The principal is invested with the intent of preserving its purchasing power (after inflation) over time. Unless otherwise specified by the terms of the gift, a conservative percentage may be spent. The Centennial Endowment Funds of the First United Methodist Church of Palo Alto comprise of three principal categories described below: A) The Unrestricted Endowment, B) The Property Endowment, and C) The Program and Mission Endowment.

The church encourages undesignated gifts and bequests. However, donors may prefer to designate their gifts for the Property Endowment or the Program and Mission Endowment. Donor designations will, of course, be scrupulously followed. Undesignated gifts to the Centennial Endowment Funds will be placed in the Unrestricted Endowment.

A. The Unrestricted Endowment

Unrestricted endowment is the most flexible kind of endowment. The earnings from the Unrestricted Endowment may be used for any purpose consistent with the mission of the church and consistent with this policy herein.

B. The Property Endowment

Earnings from the Property Endowment will be used consistent with this policy herein for the improvement, rehabilitation, remodeling or addition of physical facilities. This would include projects such as:

- a. Ministerial or staff housing
- b. Organ improvements and rehabilitation
- c. Space and facilities improvements
- d. Major building repair
- e. Property Purchases
- f. Capital improvements
- g. Landscaping improvements

C. The Program and Mission Endowment

Earnings from the Program and Mission Endowment will be used consistent with this policy herein for the creation or expansion of staff or programs within the local church or for the wider mission beyond our local church. This would include projects in areas such as:

- a. Children, Youth or Adult Ministries
- b. Music program
- c. Missions/Outreach

IV CENTENNIAL ENDOWMENT FUND COMMITTEE

A Centennial Endowment Fund Committee (referred to in this Policy Statement as the "Endowment Committee") shall be nominated by the Committee on Lay Leadership and elected by the Church Conference. The committee shall be composed of seven to nine members-at-large divided into three classes by year of appointment and, as ex-officio members, the President of the Board of Trustees, the Church Treasurer, the Endowment Funds treasurer, a Lay Leader, and the Senior Minister. Ex-officio members shall have full voting rights. A meeting of the Endowment Committee shall be official and a quorum constituted if a majority of members currently serving (including both members-at-large and ex-officio members) are in attendance. The Committee on Lay Leadership shall nominate one of the members-at-large as Chairperson. Normally, no member-at-large shall be eligible to serve more than two consecutive terms.

The Endowment Committee shall be responsible for:

- A. A continuing program to educate the congregation regarding bequests, special gifts and endowments, as methods to be used to extend their Christian stewardship.
- B. The appropriate investment and management of all assets of the Centennial Endowment Funds. (See Section VII)
- C. The recommendation to the Church Council on the distribution of the earnings from the Centennial Endowment Funds. (See Section VIII)

V GIFTS OF PROPERTY

Normally, gifts received in forms of property other than cash will be converted to cash at their fair market value as soon as practicable.

However, there may be occasions when the Endowment Committee will decide that it is consistent with the purposes of the Centennial Endowment Funds to retain a gift of property in the form in which it is received and to treat the earnings from such investment as part of the Centennial Endowment Funds earnings.

VI DESIGNATED OR RESTRICTED GIFTS

If a testator's will, or the instructions accompanying other special gifts, designates a particular purpose for which the earnings from the gift are to be used, the earnings must be used in accordance with such designation. Gifts of this type will be considered Specifically Designated Gifts, and will be accounted for separately from Unrestricted, Property and Program/Mission gifts.

If a Specifically Designated Gift has no instructions concerning the timing and amount of distributions, distributions will be made at the same time and with the same formula (4% of a 3-year rolling average of year end market value), as are gifts in the Unrestricted, Property and Program/Mission categories. In each such case, the Centennial Endowment Committee will determine whether or not the grant process (see Section VIII, Par A.) is appropriate and necessary.

If a Specifically Designated Fund comes with instructions by the donor concerning timing, purpose, and amount of distributions, then those instructions will be followed. The Committee will determine whether the annual grant process is appropriate in keeping with the donor's instructions.

If, in the opinion of the Centennial Endowment Committee, a gift is received which is more restrictive than can be properly administered, the Centennial Endowment committee may elect to refer that gift to the Trustees for their management and distribution.

VII INVESTMENT OF ASSETS

In determining the investment of assets of the Centennial Endowment Funds, the Committee may assign this responsibility to the California-Nevada United Methodist Foundation, the United Methodist Development Fund, a bank trust department, or a professional investment management service. The Committee's investment policy shall be to maintain a conservative balance between earnings and growth, with security of invested principal the primary concern. Guidelines recommended by the Church Conference or the Denomination, regarding social responsibility and ethics in investments, will be taken into account. The Endowment Committee is charged with the responsibility to develop specific policy guidelines for the investment and management of the Centennial Endowment Funds' assets, which will be reviewed annually by the Church Conference.

- A. The Committee's investment policy shall focus on the preservation of the purchasing power of principal over time, while providing a conservative payout to support programs. In this regard we look to the total return provided by the portfolio, the sum of interest, dividends and capital gains, net of investment management fees.
- B. To achieve these objectives, The fund's investment manager is instructed to allocate assets as follows: 5 percent cash and short-term fixed-income securities readily convertible into cash with negligible risk; 35 percent

intermediate-term fixed-income securities with modest risk of price fluctuation; and 60 percent common stocks with risk no greater than that of U. S. stocks in general as typified by the Standard & Poor's 500 stock index. Furthermore, the investment manager is instructed to rebalance the portfolio annually to keep asset allocations within approximately 5 percent of the above values.

VIII DISTRIBUTIONS

Distributions from the Centennial Endowment Funds will normally be made on an annual basis, usually by ~~June~~ January 1 of ~~the each~~ year following the grant making process, on the basis of the following procedure.

- A. The percentage of the endowment paid out annually will be based on the rolling average of the endowment's market value at the end of each of the prior 3 years and will usually not exceed 4% of that average. All returns in excess of this payout will be reinvested to preserve the purchasing power of the principal. This should result in a relatively dependable source of funding for church programs approved by the Endowment Committee. In no case will the cumulative amount paid out bring the asset balance below the value of the original gifts except in the instance of specifically designated gifts when donor instructions apply.
- B. By ~~August~~ February 1, each year, the Endowment Committee will prepare grant application forms for the distribution of Centennial Endowment Funds. These grant application forms, together with an indication of the amount available for distribution from each fund, will be distributed to all administrative groups within the church (councils, boards, committees) including the Fijian Fellowship.
- C. Any administrative church group may submit an application for a grant from the Centennial Endowment Funds. Individuals may make recommendations for grant requests to the appropriate council, board, committee or other administrative group. All grant applications must be in the hands of the Endowment Committee by ~~September~~ March 15.
- D. Between ~~March~~ September 15 and ~~April~~ October 15, the Endowment Committee will consider all grant applications. The Committee must make every effort to ensure that grant money is distributed honoring the full intent of this policy document. Grants of restricted funds must comply with all donor instructions. In the event that the Finance Committee, through the Church Treasurer, represents to the Endowment Committee that the church operating budget cannot accommodate expenditures necessary to sustain the church, grants of up to 90% of unrestricted funds may be made for such expenses.

Grants are not intended to consistently fund groups or organizations outside the church, with the exception from time to time of grants falling within the Program and Mission Endowment category. Outside of this exception, grant

requests intended for the same group, inside or outside the church, or for the same purpose will not normally be approved for more than three years

During the time when the Endowment Committee is formulating its recommendations for the distribution of earnings, the following persons shall be invited to attend all such meetings: the Chairperson of the Committee on Finance and the Chairperson of the Church Council. For purposes of preparing recommendations to the Church Council, these persons shall be full voting members of this expanded Endowment Committee.

By ~~April-October~~ 15, the Endowment Committee shall forward to the Church Council for consideration at their ~~April-October~~ meeting the Committee's recommendations for the distribution of the earnings from the Centennial Endowment Funds for the previous year. The majority of the proposals that are funded are likely to be one-year grants. Some of the funded proposals may extend beyond one year, but in no case will a proposal be funded for longer than three years. Multi-year proposals will be reviewed on an annual basis. The Endowment Committee may recommend that funds be disbursed on a scheduled basis, rather than in one lump sum.

- E. After careful consideration of the Endowment Committee's recommendations, the Church Council shall present to the Church Conference, at a meeting ~~during the month of May~~ before the end of December, the Endowment Committee's recommendations for the distributions from each Endowment Fund together with such adjustments as the Church Council deems advisable. Information on the Endowment Committee's recommendations, together with the recommendations of the Church Council, shall be made available to all church members not less than ten days prior to the Church Conference at which action is to be taken.
- F. As soon as practicable after the Church Conference, usually before ~~January~~ June 1, the Endowment Committee shall notify all committees requesting grants of the decision of the Church Conference whether their grant was approved. And, if approved, this notification shall also include instructions as to how the grant may be collected.
- G. From time to time, the Endowment Committee will request and approve a grant from the Funds to cover stationery, postage, printing, donor reception, and other expenses. The amount requested during a year will not exceed 3 percent of the monies granted, nor more than 0.001 (10 basis points or 1/10th of 1 percent) of the market value of the portfolio at the previous year-end.

IX. CENTENNIAL ENDOWMENT COMMITTEE GUIDELINES

The Centennial Endowment Committee shall take all necessary measures to fulfill the intent of this Policy Statement along with that of the companion document, "Centennial Endowment Committee Guidelines." This includes oversight of grant expenditures to ensure use of funds in keeping with the representations of the grant application, and may include requiring regular reporting from a committee charged with administering grant funds. If the Endowment Committee concludes that funds are not being spent in accordance with the grant request, it may suspend further expenditures. If a grant recipient, for good cause, wishes to amend its grant application, the Endowment Committee may, in its discretion, consider and approve amendment.

X. ACCOUNTABILITY AND AUDIT

The Endowment Committee shall make a complete financial report annually in May to the Church Conference, including all funds received by each of the Centennial Endowment Funds during the year, the total amount in each fund at the end of the year, how the investment of the funds is being handled, and the earnings received during the year.

An audit shall be conducted annually, to ensure that standard accounting procedures are being followed, and to protect the interests of the donors, the Endowment Committee, and the church.

XI. EFFECTIVE DATE AND MODIFICATION

This policy shall become effective when adopted by the Church conference of the First United Methodist Church of Palo Alto, California.

Changing times, unusual circumstances, and new thoughts or ideas may dictate desirable changes in this policy statement at some future date. Any change or amendment must be approved by a two-thirds vote of the Church Conference of the First United Methodist church of Palo Alto.

Policy adopted January 26, 1988
Revision #1 adopted May 26, 1996
Revision #2 adopted January 23, 2000
Revision #3 adopted November 9, 2004
Revision #4 adopted January 24, 2017
Revision #5 adopted May 19, 2019
Revision #6 adopted June 14, 2020