

# ENDOWMENT FUND POLICY

Updated March 24, 2024, by vote of congregation

Sec. 1: Establishment of Fund – The First Unitarian Church of San José hereby establishes an Endowment Fund to help assure the long range financial future of the church, to fund capital needs, and to fund special projects that further the mission of the church in the community and the world at large.

Sec. 2: Endowment Management – The Endowment Fund shall be controlled by the Board. The Board may appoint a committee of Board members or other church members to assist in making decisions.

Sec. 3: Committee Process and Purview – A two-thirds vote of the Board is needed to carry any motion or resolution regarding the Endowment Fund. The Board is directed to respect, as much as possible, the restrictions placed on any gift to the Endowment.

Sec. 4: Investments – In order to ensure long-term stability of the fund, prudent investment policies shall be followed, as proposed by the Board and approved by the Congregation. The Board shall also endeavor to invest the assets of the Endowment in a socially responsible manner. Investment with the UUA Common Endowment Fund shall be deemed to comply with these guidelines.

Sec. 5: Reporting – The balances of the Endowment Fund shall be included in periodic financial statements to the Board and OMC, and in at least one financial statement issued to the congregation annually.

Sec. 6: Liability and Conflict of Interest – Board or committee members shall not be liable for any losses incurred by the Endowment Fund except to the extent that such losses arise out of acts or omissions of willful misconduct or gross negligence. All members shall be liable for their own acts and omissions of willful misconduct or gross negligence and not for the acts or omissions of other members. No member shall engage in any self-dealing or transactions with the Endowment in which the member has direct or indirect financial interest. Members shall refrain at all times from conduct in which their personal interests would conflict with the interest of the Endowment, and shall declare all perceived conflicts of interests to the Board.

Sec. 7: Professional Advice – The Board may obtain professional counsel on investments or legal matters, and it may incur reasonable expenses in the execution of its duties. The expenses shall be paid from the Endowment and shall be counted as a distribution under Section 9 below.

Sec. 8: Description of Funds – The Endowment shall consist of a single fund maintained in a separate account; but restrictions from donors shall be recorded and followed as

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much as possible. Gifts and bequests to the Endowment shall be unrestricted, unless the donor or the Board indicates or imposes any restrictions when the gift is received.

a: Money from the Endowment Fund may be used to help pay for major capital expenditures and significant improvement projects related to the church's buildings and real property, including grounds and landscaping, over and above regular maintenance. Disbursements for capital projects may be in the form of direct payments for expenses or payments on loans obtained to fund capital projects. Such expenditures require a two-thirds vote of the Board.

b: Money from the Endowment Fund may be used to further the mission of the church, in the community and in the world at large, but shall not be used for the ordinary and customary operating expenses of the Church, except as provided below. Such an expenditure would normally be for some large special project that cannot be funded within normal operating expenses. Such expenditures require a two-thirds vote of the Board.

c. It is the normal intent for the Endowment Fund that it be allowed to grow to a large enough amount that income could make a significant contribution to the annual budget. As a rough rule-of-thumb, an endowment of \$1 million would meet those levels. Therefore withdrawals, including current income from the fund, should be limited unless absolutely necessary to the success of the church.

Sec. 9: Disbursement Limitations. Disbursements from the endowment fund shall be made in such a manner as to allow the Endowment to grow, in accordance with policies set by the church Board.

Sec. 10: Disbursement of Funds for Programs or Operations. No distributions shall be made for the ordinary and customary operating expenses of the church except with the approval by a three-fourths majority vote of the members at a congregational meeting at which a quorum is present. Such a withdrawal should only be proposed in extreme circumstances, and not simply to balance the budget.

**Deleted:** The Endowment shall be composed of two funds, an Unrestricted Reserve Fund and a Building Reserve Fund, which may be co-mingled for ease of investment management. The Committee shall separately account for each of these funds, attributing to each its proportionate share of changes in investment values, as well as recording gifts to and distributions from each of the funds.

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**Deleted:** In order to begin the long-term process of accumulating an Endowment Fund of significant size, except for reasonable expenses in the execution of the duties of the Planned Giving Committee specified in Section 7 above, no disbursements from the Fund shall be authorized for the first five years or one million dollars, whichever comes first, unless authorized by a three-fourths vote of the congregation, as a response to a church emergency need.

**Deleted:** Distributions from the Unrestricted Reserve Fund shall be authorized by the Congregation in the same manner as the annual church budget, subject to the limitations authorized by the Board to ensure long-term growth of the fund.

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**Deleted:** Sec. 11: Disbursement of Funds for Capital Projects. Distributions from the Building Reserve Fund shall be authorized by the Congregation subject to specific needs and project plans, subject to the same limitations as above with respect to long-term growth of the fund. However, since this fund is established for large capital projects, it is expected that the annual disbursement allowances will usually be combined over several years. Any exceptions to these rules will require a three-fourths vote of the members present at a congregational meeting at which a quorum is present. Sec. 12: Loans to Other Funds – Upon the request of the Treasurer, the Planned Giving Committee may loan money from the Unrestricted Reserve Fund to the church to help manage temporary cash flow need... [1]

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