

**POLICIES FOR THE  
ENDOWMENT FUND OF THE  
UNITARIAN UNIVERSALIST FELLOWSHIP OF THE PENINSULA**  
Established April 19, 2006

**A. INTRODUCTION AND BACKGROUND**

The purpose of The Endowment is to help support the long-term survival and mission of Unitarian Universalism and our congregation. This endowment is a financial resource in perpetuity, extending and enhancing our fellowship's capacity to fulfill its mission and purpose. It will do this by providing money for funding special projects such as promoting social justice, arts, outreach, education and leadership programs etc.—necessities that frequently cannot be funded by the general revenue provided annually by the congregation's members and friends. This policy statement anticipates periodic turnover among Trustees, some of whom may benefit from deliberately including extensive background and accounting details in this document.

Traditionally an Endowment Fund is a financial account whose principal is never spent and like an inheritance is passed on to benefit future generations. Income from investment earnings such as interest, dividends, and capital appreciation may be spent, subject to policies adopted by the Fellowship. It is to be maintained and accounted for separately from all other funds.

The most common form of contribution to an endowment is a charitable bequest, a significant gift from someone's accumulated life estate—often his or her largest single contribution. People support endowments because they want to do something lasting. They expect their contribution to be invested wisely, to grow in value, and to produce a reliable revenue stream in perpetuity. It is their connection with eternity and the future.

Operating funds, capital reserves, and endowment funds are three legs of one stool upon which a healthy and mature congregation balances its work and service. Gifts to endowments are generally meant to be permanent resources and spent only in emergencies. An endowment fund should not be expected to help meet operating expenses. If annual donations from church members and friends do not adequately support day-to-day operations, an endowment fund will not rescue the situation. Experience has shown that reliance upon endowment distributions to meet annual operating expenses erodes rather than strengthens the commitment of individual members. When everyone in a congregation contributes to the annual canvass or capital campaign, everyone is a stakeholder. The trust and satisfaction built in that enterprise will result in greater generosity for all needs, including the Endowment.

If 2/3 of a quorum of the congregation decides that a project is an absolute necessity, and the only way it will be completed is by using undesignated monies from the endowment, they may do so. Sometimes this kind of risk is appropriate. Using endowment principal for a capital project is not illegal, but it can be a measure of disrespect for donors whose intentions were for perpetuity. Is the project important enough to risk breaking faith with generous donors, current and future? If used in this way, the Trustees should find a public and permanent way to honor the memory of those who made the project possible through their gifts to the endowment.

**B. TRUSTEES**

The Endowment is to be administered by three Trustees who act as fiduciaries to hold and take care of the monies for the benefit of the mission of the Fellowship. It is a position of responsibility founded on public trust and confidence. Fiduciary powers include making decisions about investments and routine distributions, and hiring appropriate professional services (CPA, broker, etc.). Fiduciary responsibilities include record-keeping, observing donor restrictions, administering the funds according to the enabling Fellowship bylaws and other guidelines agreed to by the congregation, and reporting to the Fellowship on fund activity in a timely and accurate fashion. In the event of a vacancy among the Trustees the Policy Board shall appoint a member to fill the vacancy until the next annual meeting.

### **C. MEETINGS**

The Trustees shall meet at least yearly in April and more frequently as deemed in the best interest of the fund and the Fellowship. A quorum shall consist of all three Trustees. A majority shall carry any motion or resolution. The Policy Board President or his designee and the Minister shall be non voting advisors at the meetings.

### **D. DUTIES**

The Trustees shall elect a Chairperson, Financial secretary and Recording secretary. The Recording secretary shall maintain complete and accurate minutes of all meetings of the Trustees and supply a copy of minutes to each Trustee, the Finance chairman and the Policy Board. Each Trustee shall maintain a separate and complete copy of minutes and financial records for themselves and deliver these records to their successor.

The Chairperson shall preside at all Endowment Fund meetings and to facilitate financial communication, be an *exofficio* member of the Fellowship's Finance Committee. The Chairperson shall assure the Endowment records are audited annually by the Audit Committee. The Chairperson shall make an annual report and accounting of all funds available at the Annual Meeting of the congregation. The Trustee report shall make note of all gifts, market changes and results of the audit. It will also include the amount of money available for distribution to the Fellowship in the next fiscal year from the undesigned and designated special purpose funds.

The Financial secretary shall maintain and share with other trustees a complete and accurate accounting of total funds accumulated in the undesigned account in sufficient detail to track the fluctuations of value of the total account at the end of each calendar year and its relation to inflation. Sub accounts of monies designated by their donors for a specific purpose will be tracked separately by "units" in sufficient detail to follow their individual investment fluctuations and determine the yearly amount available for distribution. Signatures of two Trustees shall be required to release funds.

### **E. MANAGEMENT OF THE ENDOWMENT FUND**

Endowment Trustees are responsible for reviewing investment performance. The Trustees may seek professional advice as needed. The Trustees responsible for the investment management should use the same judgment and care under the circumstances prevailing that any person of prudence, discretion, and intelligence might exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital. Committee members shall not be liable for any losses incurred by The Endowment except to the extent that such losses arise out of acts or omissions of willful misconduct or gross negligence. Each member shall be liable for his/her own acts and omissions of willful misconduct or gross negligence and not for the acts or omissions of other members. Other than being a contributor to the fund, no Trustee shall engage in any self-dealing or transactions with the Endowment in which they have a direct or indirect financial relationship.

The market value on the last business day of the calendar year will be used to establish the value for that year. At the April meeting the Trustees will determine the amount to be disbursed in the Fellowship's next fiscal year. If less than four percent is distributed in one year, the Trustees may distribute more than four percent in a subsequent year, as long as the distributions do not exceed four percent on a cumulative basis.

Prudent endowment investment strategy usually entails low to moderate risk, often following what money managers call a "balanced" portfolio. Forty to sixty percent of investments should be in bonds or fixed equities; and forty to sixty percent in stocks. A simple way to achieve diversification is to invest in mutual funds with industry leaders such as Fidelity and Vanguard. A fund worth \$10,000 to \$500,000 should be manageable by reasonably knowledgeable people. If our congregation has no one who feels competent to review options for investing, then we may want to find someone outside the congregation who can advise from time to time. The Peninsula Community Foundation, local churches,

charitable organizations, or financial institutions may have a pro bono advisor. Another option is to invest our endowment with those of other congregations managed within the General Investment Funds of the UUA.

## **F. ACCOUNTING FOR DESIGNATED AND UN-DESIGNATED FUNDS**

Unless otherwise specified by the donor(s), money and/or property donated to the fund shall become part of the undesignated account of the Endowment Fund. Income resulting from investments of the undesignated endowment account may be released by the Trustees to financially support projects and ideas that in the sole opinion and by majority vote of the Endowment Fund's Trustees best promote the goals and mission of the Fellowship. The fund's Trustees may retain an amount of income sufficient to offset inflation or insure the integrity and purpose of the Fund.

Gifts received by the fund which are designated by their donors for special purposes shall be held in special accounts for the specified purposes. For instance, a generous gift designated to fund a lecture series in perpetuity would fit this criteria. Income resulting from any Endowment account(s) designated for special purposes shall be released by the Trustees only to meet, in whole or in part, expenses related to the named special purpose(s) of each special account. Distributions from designated funds will be at the discretion of the Trustees unless otherwise directed by the donor.

Trustees are required to track the activity in designated and undesignated funds that are part of the whole endowment. To facilitate tracking the value of sub accounts that will grow or shrink according to market changes, additions and withdrawals, the recommended procedure is to "unitize the fund" and recalculate the value of one unit yearly based on the value of the total fund on December 31.

The accounting procedure for a unitizing a fund should begin at the end of the first calendar year by assigning an arbitrary value to one unit, for example, one unit = \$100. Next, divide the Net Asset Value of the total fund (NAV) at the end of the first calendar year by the unit value you decided to use (the \$100 arbitrary value) to determine the total number of units held by the total fund. Next divide the initial dollar value of each sub account by the value of a single unit( \$100 in the first year) to determine the number of units it represents. The number of units assigned to that gift's sub account will never change unless the donor(s) gives more money or money is withdrawn. The dollar value of one unit, however, will be recalculated at the end of each year and change in alignment with the expected fluctuations of the market value of the whole Fund. As new gifts are received during the second year also convert them from cash to an equivalent number of units using last year's value for one unit. At the end of the second calendar year determine a new value of one unit by dividing the new NAV (on Dec. 31) by the total number of units in the total fund. Then proceed forward year to year, converting the dollar value of each gift received into the equivalent number of units using the unit value from the close of the previous year as the base.

For example, if the initial value of one unit equals \$100, then a gift of \$5,000 would be assigned 50 units. A gift of \$5,500 would be 55 units. And so on. Hence, in a good year the \$5,000 gift may grow in value 8% or more and the value of one unit will increase by the same percentage but the number of units will not change.

Keep track of the number of units added or subtracted to each sub-fund for each year. As new gifts are made, the total number of units in the fund will increase. Recalculating the value of a single unit annually prevents withdrawals or additions to a sub-fund from skewing the interpretation of the overall fund performance. Unitizing insulates each sub account's relative value from changes in value caused by additions or withdrawals in other sub accounts.

To determine the value of the undesignated unitized sub-fund for the purpose of distributing monies, the values of a single unit for the last three years are averaged and multiplied by the current total number of units in the un-designated fund. The undesignated fund must have at least three years of undisturbed accumulation and reach and maintain a value above \$25,000 before the annual four (4) percent distribution is allowed.

By reconciling for market fluctuations annually some accuracy in the market allocations has been sacrificed to promote simplicity of administration by non accountants. Using a trailing three year average to determine distributions should allow the Endowment fund to grow slowly.

#### **G. GIFT ACCEPTANCE GUIDELINES**

Any specific bequests designated for the Endowment Fund or gifts described as "In memory of...", or with similar wording are considered a donation to the Endowment Fund unless otherwise directed. All gifts to The Unitarian Fellowship of the Peninsula immediately become the property of The Unitarian Fellowship of the Peninsula and are given with the understanding that the gifts have been donated with no restrictions on use, sale or disposal. Any one wishing to donate items with restrictions must obtain approval from the Endowment Fund Trustees in advance. With the written consent of the donor, the Trustees may release a restriction imposed by the applicable gift instrument on the use or investment of the donation. If the Trustees cannot honor the donors' wishes and the donor cannot consent to a release, the Trustees may consider legal help in applying to a court of competent jurisdiction for release of the restriction.

Gifts-in-kind are non-cash gifts. Most gifts-in-kind will be converted to cash and acknowledged at that value. Examples include stocks and other securities, real estate, and personal property—such as art, antiques, rare books, and coins. The Trustees have the authority to issue, or not issue, "Gift in Kind" acknowledgements at their sole discretion. The benefit of donating an appreciated non-cash gift is the ability to secure a charitable income-tax deduction for the donor who escapes the capital-gains tax that would otherwise be due if the property were first sold by the donor. Donors shall contact the Trustees to discuss their intention to provide a gift-in-kind. Prior to acceptance, a gift-in-kind is reviewed to see if it fits the mission of the Fellowship and does not require special maintenance or other conditions that the Fellowship may be unable to satisfy.



**UN-DESIGNATED FUND DOCUMENTATION**  
**work sheet organized by date of entry**

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**Date:** \_\_\_/\_\_\_/\_\_\_ Printed name : \_\_\_\_\_  
Signature of person making this entry: \_\_\_\_\_  
If Addition: Donor's name: \_\_\_\_\_  
                    Given to honor: \_\_\_\_\_  
If Withdrawal, give Reason: \_\_\_\_\_  
Notes: \_\_\_\_\_

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Dollar value ÷ Last years' Dollar value of single unit = #units to be changed

\_\_\_\_\_ ÷ \_\_\_\_\_ =

Subtract or add #units in this transaction to the  
#units in the last transaction above to get NEW TOTAL #UNITS =

Acknowledgement/Thank you/Action letter sent? Yes:\_\_\_ No:\_\_\_  
At year end transfer this total to Summary page Yes:\_\_\_ N/A:\_\_\_

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**Date:** \_\_\_/\_\_\_/\_\_\_ Printed name : \_\_\_\_\_  
Signature of person making this entry: \_\_\_\_\_  
If Addition: Donor's name: \_\_\_\_\_  
                    Given to honor: \_\_\_\_\_  
If Withdrawal, give Reason: \_\_\_\_\_  
Notes: \_\_\_\_\_

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Dollar value ÷ Last years' Dollar value of single unit = #units to be changed

\_\_\_\_\_ ÷ \_\_\_\_\_ =

Subtract or add #units in this transaction to the  
#units in the last transaction above to get NEW TOTAL #UNITS =

Acknowledgement/Thank you/Action letter sent? Yes:\_\_\_ No:\_\_\_  
At year end transfer this total to Summary page Yes:\_\_\_ N/A:\_\_\_

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**Date:** \_\_\_/\_\_\_/\_\_\_ Printed name : \_\_\_\_\_  
Signature of person making this entry: \_\_\_\_\_  
If Addition: Donor's name: \_\_\_\_\_  
                    Given to honor: \_\_\_\_\_  
If Withdrawal, give Reason: \_\_\_\_\_  
Notes: \_\_\_\_\_

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Dollar value ÷ Last years' Dollar value of single unit = #units to be changed

\_\_\_\_\_ ÷ \_\_\_\_\_ =

Subtract or add #units in this transaction to the Total  
#units in the last transaction above to get NEW TOTAL #UNITS =

Acknowledgement/Thank you/Action letter sent? Yes:\_\_\_ No:\_\_\_  
At year end transfer this total to Summary page Yes:\_\_\_ N/A:\_\_\_

**DESIGNATED UFPF ENDOWMENT SUB-FUND**  
**INITIAL START UP DOCUMENTATION**

**Name of this fund** \_\_\_\_\_  
**Date:** \_\_\_/\_\_\_/\_\_\_ Printed name : \_\_\_\_\_  
Signature of person making this entry: \_\_\_\_\_

Name of donor: \_\_\_\_\_  
Honoring: \_\_\_\_\_  
For what purpose(s) are the funds tracked on this page to be specifically designated? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

How, when and in what amounts are they to be disbursed? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Notes: \_\_\_\_\_  
\_\_\_\_\_

Initial dollar Value given to this sub-account: \_\_\_\_\_  
Minus conversion expenses if any: \_\_\_\_\_  
Net dollar value credited to this sub-account: \_\_\_\_\_

Dollar value ÷ Last years' Dollar value of single unit = #units to be credited

\_\_\_\_\_ ÷ \_\_\_\_\_ =

Acknowledgement/Thank you letter sent? Yes:\_\_\_ No:\_\_\_  
DESIGNATED sub-account name tab for this notebook done? Yes:\_\_\_ No:\_\_\_  
At year end transfer this total to Summary page Yes:\_\_\_ N/A:\_\_\_

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**Date:** \_\_\_/\_\_\_/\_\_\_ Printed name : \_\_\_\_\_  
Signature of person making this entry: \_\_\_\_\_  
If Addition: Donor's name: \_\_\_\_\_  
Given to honor: \_\_\_\_\_  
If Withdrawal, give Reason: \_\_\_\_\_  
Notes: \_\_\_\_\_  
\_\_\_\_\_

Dollar value ÷ Last years' Dollar value of single unit = #units to be changed

\_\_\_\_\_ ÷ \_\_\_\_\_ =

Subtract or add #units in this transaction to the Total  
#units in the last transaction above to get NEW TOTAL #UNITS =

Acknowledgement/Thank you/Action letter sent? Yes:\_\_\_ No:\_\_\_  
At year end transfer this total to Summary page Yes:\_\_\_ N/A:\_\_\_

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**DESIGNATED UFPF ENDOWMENT SUB-FUND**  
**CONTINUING DOCUMENTATION work sheet**

**Name of this fund** \_\_\_\_\_

**Date:** \_\_\_/\_\_\_/\_\_\_ Printed name : \_\_\_\_\_

Signature of person making this entry: \_\_\_\_\_

Restate purpose(s) for which the funds tracked on this page are specifically designated? \_\_\_\_\_

How, when and in what amounts are they to be disbursed? \_\_\_\_\_

If Addition: Donor's name: \_\_\_\_\_

Given to honor: \_\_\_\_\_

If Withdrawal, give Reason: \_\_\_\_\_

Notes: \_\_\_\_\_

Dollar value ÷ Last years' Dollar value of single unit = #units to be credited

\_\_\_\_\_ ÷ \_\_\_\_\_ =

Subtract or add #units this transaction to the total  
#units in the last transaction to get NEW TOTAL #UNITS =

Acknowledgement/Thank you/Action letter sent? Yes:\_\_\_ No:\_\_\_

At year end transfer this total to Summary page Yes:\_\_\_ N/A:\_\_\_

**Date:** \_\_\_/\_\_\_/\_\_\_ Printed name : \_\_\_\_\_

Signature of person making this entry: \_\_\_\_\_

If Addition: Donor's name: \_\_\_\_\_

Given to honor: \_\_\_\_\_

If Withdrawal, give Reason: \_\_\_\_\_

Notes: \_\_\_\_\_

Dollar value ÷ Last years' Dollar value of single unit = #units to be changed

\_\_\_\_\_ ÷ \_\_\_\_\_ =

Subtract or add #units this transaction to the total  
#units in the last transaction above to get NEW TOTAL #UNITS =

Acknowledgement/Thank you/Action letter sent? Yes:\_\_\_ No:\_\_\_

At year end transfer this total to Summary page Yes:\_\_\_ N/A:\_\_\_

**Date:** \_\_\_/\_\_\_/\_\_\_ Printed name : \_\_\_\_\_

Signature of person making this entry: \_\_\_\_\_

If Addition: Donor's name: \_\_\_\_\_

Given to honor: \_\_\_\_\_

If Withdrawal, give Reason: \_\_\_\_\_

Notes: \_\_\_\_\_

Dollar value ÷ Last years' Dollar value of single unit = #units to be changed

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Subtract or add #units this transaction to the total  
#units in the last transaction above to get NEW TOTAL #UNITS =

Acknowledgement/Thank you/Action letter sent? Yes:\_\_\_ No:\_\_\_

At year end transfer this total to Summary page Yes:\_\_\_ N/A:\_\_\_