



Policy of The Community Church of Sebastopol

Title: Memorial & Endowment Guidelines

Affected body: Finance Committee, Leadership Council

Approved by: Leadership Council

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To Be Reviewed: As needed

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Proposed by, representing: John Henel,
Finance Committee

Note: Included in this policy document are sections that contain background and supplemental information to help guide the processing of Memorial & Endowment funds and grants.

- ALL ACTUAL POLICY items are flagged like this.

Purpose & Background

One of the primary responsibilities of the Finance Committee is to administer all aspects of management of Memorial & Endowment Funds of the Church. This includes receiving gifts to these funds, the selection and monitoring of invested funds, as well as controlling distribution of any funds through administration of a grant program. This policy describes the parameters and processes to be used by the committee to perform these activities.

Introduction

The Memorial and Endowment Program (M&E) provides ways to make gifts to honor or memorialize loved ones, and to strengthen financial stability of the Church. Contributions to the Memorial and Endowment Funds are in addition to annual pledges and other funds given in support of the Church's normal operating expenses. An Endowment Fund might be likened to a retirement fund, and typically supports sustainable income for the church in perpetuity, providing support every year with limited withdrawals.

This program is administered by the Finance Committee (FC). The FC develops the program, manages investments of the funds, and makes disbursements from the funds, in accordance with the wishes of donor(s) as appropriate. In most cases, the FC is authorized to fund grants on its own. For some cases, disbursement requires approval of the Leadership Council.

The Memorial Fund is designed to receive gifts which are generally smaller in value. Donors may specify a particular use for their gift, or the gift may be undesignated. Monies from this



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fund are disbursed in accordance with the donor's wishes or through a grant application process to address current needs and timely projects. Preservation of principal is NOT an objective of the Memorial Fund.

The Endowment Fund is intended to be the recipient of larger bequests and donations. In general, these gifts are given unrestricted as to use, though in some cases a designated use may be accepted. Unrestricted gifts are the most flexible in terms of meeting the changing needs of the Church. Preservation of principal *is* an objective of the Endowment Fund. Money in this fund is invested and as a general practice only the returns from investments are disbursed, also through a grant application process.

Finance Committee (FC) - background

Prior to 2020, a separate Memorial & Endowment Committee administered the Program. Starting in January 2020, the Finance Committee assumed these responsibilities.

- Members of the FC must be experienced and committed members of the Church as evidenced by a history of Church participation.
- Continuity of knowledge and historical practices of the M&E Program are key elements to a program which will faithfully serve both the Church and the donors.
- Committee members should be aware that there might be situations where they may be perceived as having a conflict of interest and should be prepared to act appropriately.
- The Committee is responsible for ensuring that policies set by the congregation and detailed in these Guidelines are followed. The Committee has responsibility for the management of the Endowment and Memorial Funds and is responsible for providing oversight of expenditures to assure compliance with the specific instructions of donors and the intent of these Guidelines.
- The Committee serves at the behest of the Leadership Council and is accountable to it.

Policy – Finance Committee:

- The FC should have at least five members. Financial background on the Committee as a whole is necessary, preferably for a majority of its members. It is not required for all members.
- No set duration of terms exists for members.
- The Treasurer of the Church serves as an ex-officio member.
- Each year the Committee shall select a chair, a recorder, and other chairpersons of sub-committees as appropriate.
- As deemed necessary, the FC may establish a new Endowment Fund or Memorial Fund designated for a specific objective.



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- The Committee should, at appropriate intervals, encourage gifts and bequests to the M&E Funds through publicity, education programs, and other activities. The Committee may call on others for consultation and advice and may fund expenses for such activities in any year with up to 10% of the annual permitted “draw” from the Endowment Fund. Activities may include but not be limited to financial planners, legal and tax counsel, help from the Planned Giving Office of the UCC and/or other outside professional counsel.
- **Recognition** - The Committee is responsible for recognizing the receipt of all gifts and bequests. This will include maintenance of the “Book of Remembrance.” The Committee may develop other forms of recognition as may be appropriate and in keeping with the request of donors.

Policy – Gifts & Bequests:

- Unrestricted gifts are encouraged, as they allow the church to use the funds far into the future for needs that cannot be foreseen upon receipt.
- Designated gifts and bequests will be used for the purpose specified by the donor insofar as possible and practical.
- Conversion of non-cash gifts (e.g. stocks) to cash shall be executed as soon as practical.
- A “Memorial” is considered by most to be a permanent remembrance of a person. Therefore, careful review should be made before accepting a designated memorial gift particularly if the gift is other than cash. Physical memorials such as a new building, stained glass window(s), monuments, sculptures, trees, etc. should be accepted only after a careful review and approval by Leadership Council to ensure it would be compatible with the Church’s long range plans, be suitable for a Christian religious institution, and be in compliance with local codes and ordinances.
- The FC will maintain a permanent record of all physical memorials. This record will identify the memorial and the person(s) memorialized, its location within the Church or its grounds, its cost when installed or planted, and the name(s) of the donor(s) and their representative.
- If it is necessary to remove, move, or significantly alter any physical memorial, approval by Leadership Council is required *before* proceeding with the work. It is the responsibility of those administering such work to bring this to the Council.

Gifts and Bequests – additional guidance

Donors may designate use of memorial gifts or bequests from a will or trusts. Undesignated bequests are especially useful for the Church and are encouraged. Pastoral guidance, with advice from the FC and Leadership Council, may help a prospective donor in deciding on the form of gift which would be most appropriate for the donor and best for the Church. Gifts of



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cash, stocks, bonds or similar liquid assets are preferred. It may be appropriate to decline a gift offer.

Careful consideration and evaluation should be undertaken for any gift which would require the Church to sell the item/items in order to realize the income. This includes, for example, items such as antiques, motor vehicles, paintings, furniture, real estate. Similarly, a gift having a provision requiring the Church to make cash payments back to the donor or to a third party needs a very careful review. In all these cases, it is acceptable to decline the gift if it is deemed inappropriate or too cumbersome to address.

It is not the intent of the Church to become involved in the long-term management of real estate. Gifts of a home or undeveloped property should not be accepted without first having professional inspections of the property, obtaining an estimate of the cost to prepare the property for sale, and appropriate tax, legal, and real estate counsel. If a gift of real estate is accepted it should be sold as soon as prudent.

Policy – Financial – Bequests:

- **All Bequests:** If the current pledge(s) of the donor(s) has an outstanding balance, that balance will be paid first.
- **Designated Bequests:** any remainder shall be applied towards the donor(s) requested purpose.
- **Undesignated Bequests:**
 - **If the remaining balance is less than \$50,000** that balance will be placed 65% in the Endowment Fund (Account 8701) and 35% in the Memorial Undesignated Receipts Fund (Account 8775).
 - **If the remaining balance is \$50,000 or higher**, the bequest shall pass to the Leadership Council for discussion and disposition. Possible actions could include following the above 65/35 split, suggesting some other split ratio, holding the bequest intact for a particular project, allocating the bequest to multiple purposes, or whatever Leadership decides. **The decision of the Leadership Council shall be specific.**

Policy – Financial – Memorials:

- Memorial donations and other gifts will be placed in one of the Memorial Funds. Monies in these Funds may be spent for current needs of the Church, in alignment with the purpose of the specific Memorial Fund, and in consultation with the donor or donor's representative as appropriate. Expenditures are tracked on the **M & E Grant Application** form.



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- **Undesignated Memorials** (held in account 8775) are preferred for most flexibility and should be encouraged from donors.
- In general, Memorial Funds shall maintain their balances until funds are disbursed for an intended purpose. If the combined amounts in Undesignated Funds (8775) and Memorial Interest (8780) accumulate in excess of \$30,000, the FC may move the excess to the Endowment Fund (8701), to other designated Memorial Funds, or in any combination thereof. There is no requirement to move excess funds, but it is permitted.
- The Leadership Council has superseding authority over all Memorial funds.

Policy – Financial – Endowment Funds:

- On an annual basis, no later than September 30, the FC shall meet and establish the amount to be made available for grants from the Endowment Fund for next calendar year. This determination is performed at this time of year in order to provide input into the operating budget for the upcoming calendar year. **Note that although the determination may occur in September, the funds made available are for use in the upcoming calendar year.**
- To determine this amount the FC shall examine the previous 12 months (August to August) earnings (dividends/interest) as well as market value gains or losses. For good previous years, more may be made available; for poor ones, less may be allowed. When conditions are particularly unfavorable, allowing no funds to be made available is permissible.
- Any leftover amount from the previous year does not roll over to the next year; those funds remain in the Endowment.
- A goal of allocating 4% is established. As stated above this is not automatic, depending on financial performance and conditions.
- Two categories of allotment are established, with a goal of allocating approximately half to each. Thus in the case of a 4% allocation, this would provide 2% for each purpose. This is subject to FC deliberation, which may choose to adjust the proportion as appropriate.
 - General grants – to be used for special non-budgeted items, applied for through the Grant Application (below).
 - Facility Needs – to be credited to Property Upkeep Reserves (8321.3). The total amount for this allocation will be credited during the upcoming calendar year.
- **In any event, the amount made available shall not exceed 5% of the August 31 market value of investments in the Endowment Fund.**
- Donor-designated endowments may be exempt from these distribution rules if the gift has specific donor distribution instructions. An example of this case is the Anita Martin Endowment Fund (8704), set up in 2002, with the provision that all income



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(interest/dividends) shall be deposited into the Operating Fund for ongoing operations. The initial investment is to remain in perpetuity.

- The Leadership Council has superseding authority over all Endowment funds.
 - With this authority, the Leadership Council can liquidate Endowment (8701) assets, subject to the restriction noted below. The expectation is that this would only be done in extraordinary or critical circumstances. For example, Leadership chose to liquidate \$100,000 to help pay for Pilgrim Center, completed in 2013.
 - A legal vote by the congregation is required for Leadership to liquidate any amount that exceeds 25% of the market value of the Endowment Fund (8701). If more than one liquidation is desired in a rolling 12-month period, the 25% threshold is applied to the total amount of all liquidations over the previous 12 months as a portion of the current value of the Endowment.
 - Note that although a congregational vote is REQUIRED when exceeding 25%, it may be advisory for lesser amounts to enlist buy-in from the overall community. Back to our example for Pilgrim Center. At the time the \$100,000 was below a 25% threshold, but it was still voted on by the overall congregation as part of approval to go ahead with the project.
- Loans – at times, it may be necessary or helpful to borrow funds from the Endowment with the expectation they will be re-deposited. Since any funds loaned out are no longer invested, the expectation is that such a loan is relatively short-term and that the amounts are relatively small. No interest is charged for these loans. Any such loan shall be made through collaboration between Leadership and FC.

Policy – Applying for Grants:

- Proceeds from the Memorial and Endowment Funds are intended to be used for projects which will enhance the ministries and needs of the Church. All requests to use M&E Funds must be submitted to the FC by completing a **Memorial & Endowment Grant Application**, available as a separate document. Completed applications should be deposited in the FC mail slot in the church office or may be sent via email to FCChair@uccseb.org.
- Any church individual or group applying for a grant shall apply in consultation with at least one member of the Leadership Council, or with a Minister, most closely aligned with the request. The endorsement (or lack thereof) of this individual shall be clearly noted on the application.

Policy – Grant Processing:

- Properly completed Grant Request Forms will be processed by the FC on an ongoing basis, typically at the next scheduled meeting. It should be a goal of the FC to act on a



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request in 30 days or less, with intention for less. Urgent requests may be handled with a special meeting or via email voting. Refer to the church policy “Email Voting” for rules regarding votes by email.

- A quorum is always required for any action on a request.
- Grants from M&E Funds are generally meant to be used for otherwise unfunded, but worthwhile projects. Proceeds should not be used for normal operating expenses (the Facilities allotment excepted), but rather to enhance ongoing operations, provide for new ideas consistent with the mission of the Church, or to meet extraordinary expenses. It would be appropriate, for example, to use M&E funds as seed money to launch a new program, but not to continue the operation of that program once it is established.
- The FC shall first look to Memorial Funds to provide funding for a grant, looking first for a Memorial Fund with purpose that matches the request, and then to Undesignated Memorials or Memorial Interest. If Memorial Funds cannot satisfy the request, then Endowment Funds shall be considered, subject to the maximum made available for that calendar year as noted previously.
- In the case of Endowment Funds, since there is a set maximum for the year, consideration should be given to holding back some funds for later in the year rather than allocating all funds available early in the year.
- Completed M&E Applications, noting actions by FC and Leadership, shall be maintained in an M&E logbook containing all such requests.
- A copy of the completed application shall be provided to the Bookkeeper.

Policy – Grant Approvals:

- The FC can take one of several possible actions:
 - Approve a request as submitted
 - Approve a request with modifications, and clearly note those changes
 - Reject a request due to incomplete information, without addressing merit
 - Reject a request outright, stating reasons for rejection
- In most cases, the FC is authorized to fund grants directly.
- For grant requests of \$2,500 and above, FC shall forward the request with its recommendations for final approval by the Leadership Council.
- Any member of the FC, including the ex-officio Treasurer, can require that a specific grant request be forwarded to Leadership Council for final approval, regardless of dollar amount.
- Leadership can select from the same possible actions as noted above, for forwarded requests. Approved requests may be funded immediately.

Grants – thoughts on evaluating a request



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Here are some questions for consideration when evaluating a request. Of course, not all apply on a given request, but these questions may help clarify the decision-making process.

- What is the proposed project? What is the justification for the project?
- Is the stated cost firm or an estimate?
- Is the project described in enough detail indicating the applicant has given it sufficient thought?
- Will there be additional costs for ancillary equipment, required modifications to existing facilities or equipment, additional utility capacity, building permits and inspections, building upgrades, adding full or part-time staff, etc.?
- Is the cost of the project already included in the budget or a restricted fund?
- What other partial or full funding is available? Could all or part of the money for the project be obtained by fund raising or other sources?
- What priority does the project have, as noted on the application?
- Has the appropriate Leadership Council member or Minister evaluated and endorsed the proposal?
- Are there higher priority uses for the money at this time or for projects in planning stages?
- Will the congregation react favorably to spending Church funds for this purpose at this time?

Procedural Steps:

As noted in more detail in the Policy sections above, the basic steps for awarding grants are summarized here:

1. Those wishing to request funds fill out a **Memorial & Endowment Grant Application**, in concert with a member of Leadership Council or a Minister.
2. The **Finance Committee** reviews the request, using these Guidelines for evaluation.
3. The **Finance Committee** either approves, approves with modification or rejects the request. Most requests are completed by the FC, with funding of approved requests.
4. Some requests move on to the **Leadership Council**, for final approval or rejection.
5. All paperwork is filed in M&E logbooks by the **Finance Committee**.
6. A complete copy of all approved grants shall be provided to the Bookkeeper or whomever processes the actual disbursement of funds.