

Northern Illinois Synod
Constitution Review Committee
Guideline for Endowments C5.05.

Suggestions based on the State of Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA). Website for enacted law:

<http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=3093&ChapterID=61>

The committee strongly encourages congregations to seek legal assistance in creating endowment funds and their governing documents.

The following are some items congregations need to think about when constructing language for C5.05. of their constitutions:

Unrestricted Funds are those funds given by a donor with no particular purpose for their use within the organization.

Temporarily Restricted Funds are those funds which are used for a particular purpose and sometimes have time-limited restrictions

Endowment Funds are permanently restricted funds-the use of the funds is meant to be used in perpetuity.

A congregation's *memorial fund* is an excellent example and vehicle for unrestricted and temporarily restricted funds.

When developing constitutional language for an *endowment fund*, we suggest including the following information:

1. What is the specific intention of the endowment?
2. Who is responsible for managing the endowment? Who is eligible to serve? How do they get elected/appointed, for how long? Are the terms staggered?
3. Among the managers, who will be the officers and how do they get elected and how long will they serve as an officer?
4. How often will the endowment fund managers meet in the fiscal year?
5. What type of reporting to the Congregation Council and Congregation will be required by the managers?
6. Does it provide for a restriction on managers receiving direct or indirect financial benefit of the funds either through investment or spending decisions?
7. Who will have the final decision as to how the funds are invested and how the funds will be spent?

8. Is there a separation of duties between the person accepting and recording donations to the fund and the person who is transacting the investments or issuing checks?
9. Have you provided for a yearly audit? Who will be responsible for doing the audit?
10. Will your congregation provide in their insurance coverage crime and dishonesty bonding for those managing the endowment fund?
11. Have you provided for the management of the fund in the event of the dissolution of the congregation?
12. Will you provide for a standardized Gift Instrument (letter of agreement between the donor and the congregation as to the use of the funds and the distribution of the funds)?
13. Does the gift instrument provide for release or modification to the donor's restriction and if so under what conditions?
14. How often will you review your standardized gift instrument?
15. Have you provided for an Expenditure Policy and does it include provisions for the following:
 - a. The duration and preservation of the endowment fund in perpetuity
 - b. The purpose of the endowment
 - c. The possible or specific beneficiaries of the fund
 - d. Provides for the general economic conditions
 - e. Provides for the effects of inflation or deflation
 - f. Provides for the expected total return from investments
 - g. When and with what frequency disbursements will occur in the fiscal year
 - h. Provides for periodic review of your expenditure policy
16. Have you provided for an Investment Policy and does it include provisions for the following:
 - a. The general economic conditions
 - b. Possible effects of inflation or deflation
 - c. The role of each investment within the portfolio as a whole
 - d. The expected total return from income and appreciation of the investments
 - e. Provided for the diversification of the investments
 - f. Provides for the perpetuity of the fund
 - g. Provides for the possible delegation of management and investments of the fund and subsequent periodic review of the managing agent's actions.
 - h. Provides for the intention to invest in good faith and consistent with the care of prudent person
 - i. Provides for periodic review of your investment policy.