

The Presbyterian Church in Canada
L'Église presbytérienne au Canada



Setting up Legacy Funds and Endowments

A Workbook to Help Your Congregation Develop Policies & Procedures

For use in congregations and ministries within The Presbyterian Church in Canada

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Introduction

I still remember the conversation I overheard between two elders in the congregation my wife and I were serving. It was during the after-worship coffee hour. One confided to the other, “I had been planning on leaving something to our congregation in our will, but I have decided not to.” I was crestfallen.

The congregation had received a \$10,000 bequest for the church eighteen months earlier, and we had been arguing about what to do with the money ever since. It was the first bequest the congregation had ever received in its fifty year history, and while it was a wonderfully generous and unexpected gift, we weren’t ready to receive it or use it appropriately.

At the time, the congregation was running a \$10,000 deficit, and many on session and in the congregation thought we should use the windfall to get the church back into the black. Others, remembering the mission mindedness of the donor, strongly believed that the gift should be used on some mission project beyond our church walls. Still others maintained it should be kept for future capital needs in the congregation. Back and forth the discussion went, with one particularly contentious discussion ending with two elders walking out of the session meeting in disgust.

That experience convinced me and the session that we needed to develop clear policies for how to handle such gifts so that future gifts would be a blessing, rather than a source of conflict. We struck a team to develop a policy, but none of us had any experience or knowledge of such things; and, as minister and teaching elder, I felt woefully inadequate to provide competent leadership in this vital area of stewardship. It took us several years before we finally adopted our endowment policy; and even after we did, most of us didn’t understand that in establishing the endowment, we were voting to preserve the principal of future gifts. The next legacy gift we received (a gift of appreciated securities), we immediately wanted to use it in its entirety as seed money to launch a major capital campaign, only to discover that our policy prevented its use! Fortunately, the donor was still living, and he clarified that that was exactly the way he wanted his gift to be used, but you can imagine the discussions we would have had if we had received his gift after he had passed away!

My experience in that congregation is hardly unique. In my years in planned giving, I have discovered that many, if not most, congregations often find themselves in the same predicament. Clergy are ill-prepared to provide the needed leadership and rumours circulate around congregations that should have died years ago, living on “life support” through their endowments and trust funds.

At the 131st General Assembly of The Presbyterian Church in Canada (2006), the following recommendation was adopted:

That congregations be encouraged to establish clear policies and procedures for how planned gifts will be received, invested and used to enhance the life and mission of the Church.

Legacy and planned gifts can provide a whole new stream of income to give your congregation a whole new sense of future. One of the challenges is to ensure that bequests and other planned and legacy gifts are a blessing in the life of the congregation. Properly designed, policies can provide clear guidance to ensure that your congregation is ready to receive, invest and use such gifts to ensure that they sustain and expand your congregation's long-term ministry. Such policies help prevent the misuse of such extraordinary gifts while also providing guidance for decision-making.

Legacy giving policies also serve to guide potential donors and give them the assurance that their gifts will be well used for the church's current and long-term ministry and mission. One reason that many donors make the language in their gifts too restrictive is that there are no policies in their congregation about how to channel legacy and other planned gifts. Prospective donors want their gift to be a blessing for the congregation they love; they do not want to give the church one more thing to fight over.

If your congregation does not have such policies in place, now is a good time to begin thinking about how you will handle them. As a gift planner and stewardship consultant, I often hear people say, "But we haven't received any bequests or large planned gifts, why should we waste our time developing such policies?" My answer is that it is much better to work through such policies before your congregation receives such a gift. This helps the discussion focus on the congregation's vision of ministry, rather than personalities. They also provide the foundation for promoting legacy gifts, assuring potential donors that their gifts will be stewarded wisely and helping them to see how their gifts will be received, invested and used.

Your policies should fit the ethos and specific needs of your congregation.

A well thought out policy provides guidance for how undesignated planned gifts will be channeled while still retaining the flexibility to respond to changing circumstances.

Many congregations state that planned gifts will not be used in the annual operating budget. This can help avoid providing an excuse for current members to reduce their annual gifts "because we have so much money in the bank." It also assures potential donors that their life savings are being invested into the future vision of the church, not being spent to pay this year's hydro bills.

Some congregations with older facilities, choose to channel a significant portion of undesignated planned gifts into their building fund. This can help relieve some of the added pressure that buildings can place on the annual budget, while honouring the legacy of past generations who built the building. One congregation in a large, historic building has adopted the policy of channeling all undesignated gifts into their building fund. Their goal is to cover all their expenses for the upkeep and maintenance of their building from their trust funds. Then they can let their members know that the money placed in the offering plate or given through other fundraisers or special offerings is used to support and expand their ministry and mission outreach.

Some congregations state that all undesignated gifts will be fully endowed (i.e. the principal remains permanently invested and only the annual income or a specified percentage of the fund's value is available for ministry.) This provides a dependable stream of income for the congregation's long term ministry objectives. Others state that no portion of undesignated gifts will be endowed, but that both principal and income will be used as needs and opportunities arise. Many congregations opt for a blended approach whereby a portion of all undesignated gifts are placed in the congregation's endowment fund and a portion allows for both income and principal to be used as needs and opportunities arise.

St. Columba Church in Parksville, BC, decided that no portion of undesignated planned gifts will be endowed. They adopted the policy of tithing all the undesignated planned gifts they receive, so one-tenth is used for outreach with the remaining 90% retained for special projects beyond the operating budget approved by the congregation. Each year the congregation has the happy task of figuring out how to give a percentage of their wealth away on special projects and mission beyond their walls.

Another congregation whose general endowment fund had become sufficient to meet their ongoing maintenance costs adopted the policy of channeling all undesignated bequests and other planned gifts into a newly organized "Growth Fund." Money in this fund is not endowed but can be used in its entirety for new ministry initiatives both within and beyond the congregation. Reflecting on the fund's impact, the minister remarked that knowing the money was there, waiting to be used to grow the congregation's ministry and outreach, brought a new spirit of possibility thinking in the congregation. "It set us free to dream and provided the resources to turn those dreams into reality. We became less focused on our own survival and more open to where God's Spirit was leading us, knowing that God had already provided the resources we needed to move forward."

The purpose of legacy giving policies and endowment funds is not to tie us up in red tape, but to set us free to share the gospel for generations to come.

How to use this workbook

This document is designed to help congregations develop legacy giving policies that fit the ethos and mission of their congregation. Congregations are free to "cut-and-paste" sections to use in drafting their policies.

The workbook is divided into the typical sections that should be included in your policy. Each section begins with some **introductory words** about the content of the section and rationale for the material included.

This is followed by **sample wording** that can serve as a template for congregations to use as a basis to develop their own policies. The sample is intended to be a helpful guide or tool in creating your own policy – it should be adapted for your particular context and ministry needs.

Some sections have a few **examples from congregations** included to show how different congregations have approached their policies. You might find alternative wording that will be

helpful in preparing your own policy. Remember, you don't have to re-invent the wheel. If you find something you like, feel free to incorporate or adapt it.

Finally, each section includes a **checklist** which can be used both as a guide for assembling your policy and to double check that you have included the necessary items as you near completion.

More and more congregations are establishing legacy funds as an integral way to help their members grow as generous and faithful Christian stewards. Endowment funds are not just one more way to raise more money for the church; they are a way to channel the generosity of God's people into the service of Christ's mission in the world. They are a way that donors can pass on a legacy of faith and hope to future generations. It is therefore imperative that your planned giving focus be biblically and theologically grounded. As the Anglican Church of Canada declared in its planned giving manual:

“All such efforts need to be approached on a sound biblical and theological basis that are in keeping with the nature and mission of the Church and are viewed as a pastoral ministry.”

May God guide you and your congregation as together you seek to grow in this vital area of ministry to the end that God's abundant grace may abound in the church and world, both now and for generations to come.

Note: It is recommended that the policies be reviewed by appropriate legal and tax specialists to ensure that they are in keeping with the federal and provincial laws and regulations.

For further information on this or other aspects of Planned Giving, please contact:

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Phone: 1-800-619-7301 or 414-441-1111
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Developing Legacy Fund Policies and Procedures

1. Definitions

You may want to start with definitions to clarify the terms and phrases used in your policy. What are the differences between endowment, legacy and restricted funds?

Some congregations have approved the establishment of an endowment fund, only to discover that some in the congregation are shocked when a bequest is received and that the policy they have just adopted only allows for the earned income, not a portion of the principal itself, to be used for a needed project. An endowment fund only uses the interest. A legacy or restricted fund may use capital and interest over an extended period of time.

When you talk about using the “annual income” for ministry and/or capital projects, do you mean only the interest earned from interest-bearing bonds or GICs, the interest plus dividend earnings from stocks, or the overall return of your investment portfolio (interest, dividends and capital gains)?

Even familiar terms such as “mission” can be interpreted different ways. Does “mission” refer to only outreach beyond the congregation, or does it include all ministries and programs in service of your congregation’s mission and purpose? People in the congregation may interpret these and other terms in a variety of ways, resulting in potential confusion and conflict down the road. The greater clarity you can provide the better.

Sample Definitions

Endowment – a fund in which the principal remains permanently invested and only the annual income is available for congregational use or ministry.

Externally restricted endowment – an endowment established by the donor through bequest or gift agreement. If the gift is accepted, the congregation is legally bound not to not encroach on the capital.

Internally restricted endowment – an internally restricted endowment is established by the congregation, not from donor intent; as such, the congregation has the authority to change the terms of the fund and use a portion or all of the principal if they so decide. They are sometimes called quasi-endowments. Internally and externally restricted endowments can be commingled for investment purposes, but should be reported separately.

Annual yield – the dividends and interest earned each year from the invested capital.

Total return – the yield plus capital appreciation.

Disbursement Quota – CRA specifies that if a registered charity has any property (e.g. real estate or investments) that is not used directly for charitable purposes and the value of that property exceeds \$100,000 in value, then 3.5% of the average value of that property over the previous 24 month period must be used for charitable purposes in any given year.

Because the disbursement quota calculation includes all the revenue and expenditures for a congregation, and congregations are usually spending or giving away most of the money they take in, this is not usually a concern.

Rolling average – the average value calculated over a series of numbers at specific intervals (e.g. monthly, quarterly, etc.), whereby the earliest value is replaced with the most current

value moving forward. The rolling average is used to smooth out short-term fluctuations and highlight longer-term trends. Also referred to as the “moving average.”

Right to vary clause – a clause used in bequest language or gift agreements to allow the beneficiary to change the use of an externally restricted gift if the purpose of the gift should become obsolete or no longer serves the mission of the charity.

Gift-in-kind – property given to a charity rather than cash, such as securities, artwork, equipment, real estate, etc. CRA states that “a contribution of service, that is, of time, skills or efforts, is not property and, therefore, does not qualify as a gift or gift in kind for purposes of issuing official donation receipts.”

Planned gift – a gift given to the church or other charities, usually from assets (savings, real estate, stocks) rather than current income. They are called planned gifts, because there is usually planning involved to maximize tax benefits while not jeopardizing the financial security of the donor. Planned gifts can be either deferred until after death (e.g. a gift in a will) or given while donors are still living (e.g. gifts of securities). They are often given to leave a legacy for the future ministry of the congregation.

Legacy gift – is a monetary gift or asset given by a person or through an estate as a lasting legacy. Often used interchangeably with planned gift, but talks about impact the gift will have (leaving a legacy) rather than the way the gift was given.

Checklist for Definitions

- Have you identified any terms used in your policy that could be confusing or be understood in different ways? (A helpful process would be to invite different readers with different levels of expertise to read through your document and highlight confusing terms or terms with which they are unfamiliar.)

2. Create a Preamble

A preamble gives the background, rationale, and biblical and theological basis for your fund. The preamble helps the members and supporters of your congregation understand the difference between the legacy fund (which is there for the long-term ministry of the church) and the money offered Sunday after Sunday (which is used for the annual operating budget). The Preamble should clearly indicate that the fund has been established to serve the long-term mission objectives of your congregation and as an aid in growing generous and faithful stewards.

By including the theological and biblical underpinnings for the fund, the preamble helps the congregation understand that the legacy giving program is rooted in fundamental Christian stewardship principles and is not simply another way to raise money for the church. It includes information that will be used in ongoing teaching and preaching about the ministry of legacy giving in your congregation.

The Preamble is also an appropriate place to include historical background information about the establishment of the fund (e.g. “The endowment fund was established in 1983 after the congregation received a generous, undesignated bequest from the estate of _____. Her

extraordinary gift offered our congregation a unique opportunity, so the session and congregation developed this fund and policies to ensure that her gift was stewarded wisely in the ministry of the congregation and to encourage others to consider making similar kinds of gifts.”)

If your congregation has a mission and/or vision statement that directs your congregation’s ministry and mission, it should be stated explicitly that the fund is intended to serve that vision of ministry and mission. If short enough, the actual Mission Statement could be included in this section; alternatively, the Vision Statement and/or Mission Statement could be included in an appendix or simply appended in full before the Preamble.

Sample Preamble

There is strong scriptural call (Matthew 25:14-30, Luke 12:13-21, 1st Timothy 6: 7-10 & 17-19) to consider ourselves as stewards, not owners, of what God has entrusted to us. God calls us to be generous and faithful stewards of all the gifts God bestows upon us – time, talent and treasure as well as the created order. Whereas the gifts we give through our weekly offering are usually used for the congregation’s current expenses, the Legacy Fund is designed to support the long-term ministry of the church. Often gifts come from accumulated assets, and may include cash, bequests, publicly traded securities, life insurance, charitable gift annuities and real estate. Such gifts are also known as “legacy gifts” because of the legacy that they help create. The session of _____ Church encourages prospective donors to seek appropriate professional advice before making such gifts, to ensure that they are taking advantage of the full tax benefits and not jeopardizing their own financial security.

Examples of Preambles

The Anglican Church of Canada

From the Foreword to their Endowment policy guidelines in their Planned Giving Manual, Feb 1990

An Endowment Fund, properly described and structured, can truly be a blessing as it creates the opportunity for new service and ministries both within the congregation and elsewhere.

Christian Stewardship involves the faithful management of all the gifts God has given to humankind – time, talents, the created world, money. For many people, the stewardship of money means only current income and its use. Stewardship is concerned equally, however, with accumulated, inherited, and appreciated resources.

Christians can give from their accumulated assets to the work of the Church in a variety of ways [e.g. Bequests in Wills, Assignment of Life Insurance, transfers of real and personal property (cash, stocks, bonds, real estate) and gift annuities]. While such gifts are to be encouraged, they must also be guided with sensitivity and care. Sessions and Boards are advised to seek proper counsel in order to avoid placing self-defeating or restrictive conditions on gifts by well-intentioned donors.

Special gifts and funds are to be received and administered in such a way that they do not diminish the responsible current support and involvement of Church members.

Endowment Funds are less likely to interfere with the stewardship of the congregation when they provide for expanding the mission and ministry of the congregation into community programs or institutional and other works of the Church at home and abroad.

Trinity Church of Northborough, MA, United Church of Christ

This preamble is written almost as an Affirmation of Faith, beginning with the words, “We believe...” If you decide that your Preamble will follow a similar pattern, the Preamble itself could be used as an Affirmation of Faith for those times when you focus on legacy giving in a service of worship or on other occasions when you remember and celebrate the generosity of those whose planned gifts have left an enduring legacy in your congregation.

We believe that Christian Stewardship involves the faithful management of all the gifts with which God has blessed us: time, talents, the created world, and money, including earned, accumulated, inherited, and appreciated resources.

As faithful Stewards we support the church and its mission with regular gifts and pledges, and special offerings, even as we commit a portion of our time and energy. We also understand that faithful stewardship includes giving to the work of the church through bequests in wills, charitable trusts, gift annuities, life insurance, and the transfer of property, cash, stocks and bonds, real estate, collectibles, etc.

It is the desire of our congregation to encourage, receive, and administer these gifts in a manner consistent with the loyalty and devotion of our Saviour, consistent with the wishes expressed by the donors, and in accord with the By-Laws of this congregation.

Chippawa Presbyterian Church, Niagara Falls, ON

Chippawa Church has a long history of receiving legacy gifts that have contributed to a growing endowment that they have wisely used to sustain and grow the ministry and mission of their church beyond what would have been possible if they had relied solely on their weekly offerings. Their Preamble compares their endowment to their church facility, which they describe as both a gift and a tool to enable ministry. The Preamble also highlights the fact that their endowment provides a tool for Christian Stewards to continue contributing to the ministry and mission of the congregation “far beyond their lifetime.”

There is a strong Scriptural precedent (Luke 12:13-21, Luke 16 and Matthew 25:14-30) to consider ourselves stewards of all that God has given us. We are most alive when we are serving God. The Endowment, like the church’s facility, is a tool, a resource, a gift, enabling ministry. We believe that God is the source of all good gifts. Whether financial support for a congregation’s ministry comes in the form of weekly offering, a bequest, or interest, dividends or capital gains, it is all God’s money, to be used for ministry. The Endowment provides Christ’s servants with an opportunity to continue contributing to God’s ministry far beyond their lifetime. As well as being God’s stewards, we are called to honour the desire of contributors to be able to continue giving. We have an opportunity to care for this tool, so that it can continue to assist us in our service of God within and beyond our walls and beyond our days.

Central Presbyterian Church, Hamilton, ON

With a long history of receiving bequests and other planned gifts and a sizable endowment fund, Central Church decided the time had come to do a major review of the ministry of planned giving, consolidating their funds and becoming more intentional about inviting the members and friends of Central Church to consider a legacy gift for the church.

Central Presbyterian Church has been the recipient of a number of special gifts over the years, some intended for permanent endowment purposes and others directed for use either immediately or over time. These funds have been entrusted to the Board of Trustees for investment, distribution and accountability purposes.

Most of these gifts have been received by way of bequest through a member's will, a traditional way of leaving a charitable legacy. However, today, there are many other options to consider in contemplating one's legacy, some that enable the donor to see the benefit of a gift during one's lifetime and others that provide a measure of financial security to the donor while also providing benefit to Central.

In the interests of providing information, guidance and encouragement to those who could be interested in considering or making arrangements for a planned gift, the Session has approved the establishment of a Planned Giving Program, "**Now and Forever**", to be managed by the Board of Trustees, and appointed a Planned Giving Committee to carry out this mission. The following sets out the Objectives and related Policies and Procedures.

Gloucester Presbyterian Church, Ottawa, ON

Gloucester Church is an ethnically diverse congregation in Ottawa, ON. Recognizing the need for additional funds as they transitioned from an aid-receiving to a self-sustaining congregation, they decided to establish an endowment fund which they launched with an enduring gifts campaign.

There is strong scriptural warrant (e.g. Matthew 25:14-30, Luke 12:13-21, 1st Timothy 6: 7-10 & 17-19, etc.) to consider ourselves as stewards, not owners, of what God has entrusted to us. God calls us to be generous and faithful stewards of all the gifts God bestows upon us – time, talent and treasure as well as the created order. Whereas the gifts we give through our weekly offering usually come as a percentage of our current income to be used for the congregation's current expenses, the Legacy Fund is designed to channel gifts made to Gloucester Church from the accumulated assets of the members, adherents and friends of Gloucester Church. Such gifts may be given in a variety of ways, including cash, bequests, publicly traded securities, life insurance, charitable gift annuities and real estate. Such gifts are known as "planned gifts" because of the planning involved in ensuring that the donations are made in the most tax-efficient method possible. The session of Gloucester Church therefore encourages prospective donors to seek appropriate professional advice before making such gifts, to ensure that they are not failing to take advantage of the full tax benefits, nor jeopardizing their own financial security.

Checklist for Preamble

- Have you included the theological and biblical bases for your fund and ministry?
- Have you provided pertinent background information for the establishment of the fund?
- Have you tied your fund to your mission statement so that it is clear that the fund is intended to serve and expand the mission and ministry of the church?
- Have you indicated that the fund has been established to encourage the stewardship of assets to support the long-term ministry of the church?

3. Outline the Purpose and Objectives of the Fund

This section normally follows the preamble (though some congregations have had it take the place of the preamble). It states, as succinctly and clearly as possible, the nature and purpose of the fund. If your fund is a permanent endowment, it should be stated here. If your fund has a general or more focused purpose, it should be stated here. If bequests and other planned gifts contributed to the church will be placed in this fund unless otherwise designated, it should be stated here. If the fund is not intended to be used for annual operating expenses, it should be stated here. Information in this section will likely be included in the ongoing promotion of the fund (brochures, newsletters, website, announcements in worship, etc.), so it is important that the wording be as succinct as possible so as to avoid confusion, misunderstandings and misuse of the fund in the future.

The information included in this section not only guides the session and congregation in how to receive, invest and use such gifts, it will also serve as a guide for prospective donors considering a planned gift to the church. Note: a legacy fund does not have to be an endowment fund. It may be partial endowed, or available for use as needed. For this reason here are two sample wordings:

Sample I: Purpose and Objectives for a Legacy Fund

The Fund is set up as a legacy fund to sustain and enhance the long-term ministry and mission of _____ Church and/or The Presbyterian Church in Canada beyond what would normally be possible through its annual operating budget. The long-term nature of the Fund provides the members and friends of _____ Church with an opportunity to contribute to the life and ministry of _____ Church beyond their lifetime and to leave an enduring legacy for generations to come.

The fund will be invested and utilized as follows for ministries and programs within the congregation, mission and outreach beyond our walls, as well as repairs or improvements to our facilities.

(Describe the fund as you have decided in the fund structure and composition.)

Sample II: Purpose and Objectives for an Endowment Fund

The Fund is set up as a general endowment fund to sustain and enhance the long-term ministry and mission of _____ Church and/or The Presbyterian Church in Canada beyond what would normally be possible through its annual operating budget. The permanent nature of the Fund provides the members and friends of _____ Church with an opportunity to contribute to the life and ministry of _____ Church far beyond their lifetime and to leave an enduring legacy for generations to come.

The annual income generated by the invested capital (or a specific percentage of the total value of the Fund) can be used for ministries and programs within the congregation, mission and outreach beyond our walls, as well as repairs or improvements to our facilities.

Checklist for Purpose and Objectives

- Have you clearly stated whether this is an endowment fund or simply a fund to channel legacy gifts for the long-term ministry of the church?
- Have you indicated that the fund will be separately invested from the annual operating budget funds?
- Have you indicated whether the endowment or legacy fund will be available for items normally included in the operating budget or only for items that would normally not be possible through the operating budget?

4. Fund Structure and Composition

The structure and composition of legacy funds can differ significantly from congregation to congregation, depending on the purpose of your legacy giving program and the kind of funds your congregation already has in place. Some congregations decide to simply have a general endowment fund, which supports the long-term ministry of the church. In this simple structure, all bequests and other legacy gifts are placed in the endowment while current gifts, given through the offering plate or PAR, are placed in the Annual Operating Budget Account. It is crucial to differentiate the legacy fund from the operating budget account, both for investment and ministry purposes and also for communication purposes. People need to understand that the money they give to the church through the offering plate is intended to be spent in the year their gifts are made; whereas, the money contributed through bequests and other legacy gifts will be invested in a separate fund for the long-term life and ministry of the church. On the personal financial level, the general operating account of the church is like a chequing account for current expenses; whereas legacy funds are like an RRSP or RRIF for long-term financial support and security. People are usually able to understand that distinction.

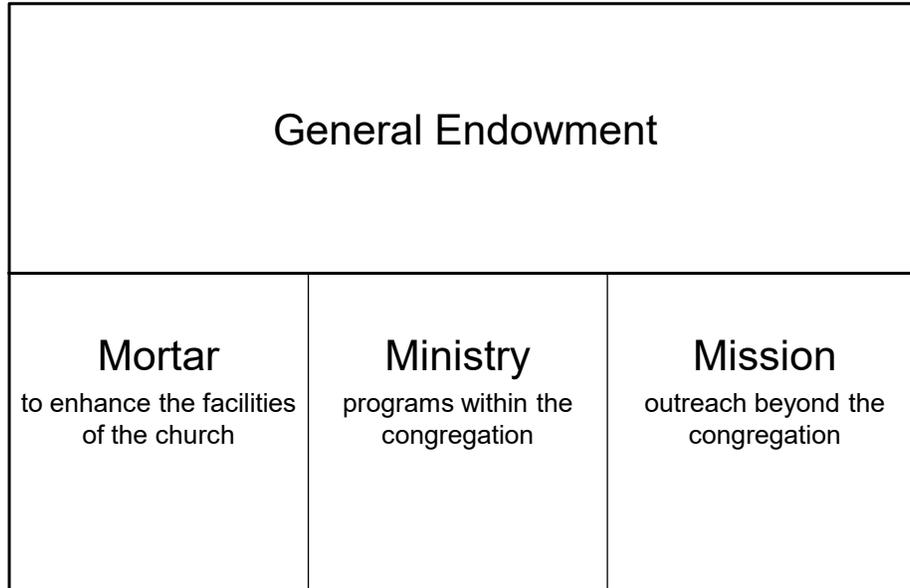
Many congregations choose to establish broad guidelines or percentages for how legacy funds will be apportioned and used. For example, you could state that undesignated legacy gifts will be apportioned into three main areas: Mortar (facilities), Ministry (programs within the congregation) and Mission (outreach beyond the congregation). Such broad categories help both the congregation and donor know how the legacy funds will be used to serve the long-term vision of ministry. Donors can leave an undesignated gift, knowing that it will be apportioned to the identified categories. Alternatively, they can designate their gift for one or more of the broad purposes identified in your fund, which helps prevent donors from making gifts that are overly restrictive or impractical. If, over time, one category becomes fully funded, the session and congregation has the option of changing the percentages or altering the categories for future gifts.

Sample 1: Threefold Fund Structure

<p>Mortar to enhance the facilities of the church</p>	<p>Ministry programs within the congregation</p>	<p>Mission outreach beyond the congregation</p>
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It is important to decide whether any undesignated legacy gift given to the church will be fully endowed or whether some or all of the principal will be available as needed. Many congregations opt to allocate a percentage (e.g. 50%) of any undesignated planned gift into their general endowment, while the remainder is apportioned to broad categories in which both the principal and the annual income are available as needed (e.g. a fund for maintaining facilities and a fund for ministry and mission). Donors then know that if they leave an undesignated legacy gift to the church a portion of it will be permanently endowed and the remainder will be available in its entirety for special projects approved by the session and congregation.

Sample II: Four-fold Fund Structure



Some congregations already have a number of special funds and trust funds in place, in addition to their annual operating budget account (e.g. a memorial fund, named funds for special purposes, etc.), and it is important to indicate how your legacy fund/s relate to these funds (see Section 8). Some congregations with a history of receiving bequests and other legacy gifts discover over time that they have some funds that are going unused or are no longer serving their long-term ministry objectives. Some of those funds may be able to become sub-funds or sub-accounts in the larger categories you establish for your legacy fund, which will help ensure that future gifts will serve the long-term ministry objectives of your congregation.

Example: Fund Structure and Composition

All bequests and other legacy and planned gifts given to _____ Presbyterian Church, will be placed in the General Endowment Fund unless otherwise designated. The income from undesignated legacy and planned gifts may be used for any purpose consistent with the mission of the Church, including, but not limited to, such projects as the following:

- Outreach beyond the local church, such as community services, mission projects or financial support for the Church’s partners in ministry (e.g. options offered in the PCC’s *Gifts of Change* catalogue)
- Major enhancements to church facilities and/or unbudgeted maintenance of buildings and grounds
- Program initiatives for children, youth or adult ministries within the congregation
- Resources and equipment to enhance the music program and worship experiences of the Church

- Scholarships and lay training events for members and adherents of the congregation
- Mission trips (preference being given to mission projects and partners supported by The Presbyterian Church in Canada)

Examples of Fund Structure and Composition

St. Andrew's Presbyterian Church, Orillia, ON

Orillia Church had a history of receiving many bequests, many of which were named funds designated for specific purposes. There was a lack of clarity, however, about whether some or all of the trusts were to be treated as endowments or whether both principal and income could be used. As a result the leadership of the church developed clear guidelines and established a clearer fund structure.

Fund Structure

The Fund will consist of three components as follows:

a) Endowment funds

These funds will include all endowment funds existing at the adoption of this document and any new funds received, specifically designated by the donor, as endowment funds.

b) Designated funds

These funds will include all funds existing at the adoption of this document that are designated for a specific purpose. These funds are:

- i) The McEachern Fund
- ii) The Mackay Fund
- iii) The McKinnon office Fund
- iv) The Dr. J.A. MacInnis Memorial Bursary Fund

These funds will include specifically designated funds in the future that are accepted as designated funds by Session.

c) Non Designated funds

These funds will include all Living Trust Funds received by the church that are not Endowment funds or Designated funds.

Designating funds

The Committee will meet with a donor or his/her representative, if necessary and/or possible, to ensure that the donation is directed and recorded in accordance with the wishes of the donor. The Committee may recommend to Session that a gift not be accepted because of the restricted nature of the gift. The decision of the Session will be final. Funds received by the church Treasurer in excess of \$1,000 will be referred to the Committee unless they are specifically designated.

Use of funds

a) Endowment funds

Only the interest and earnings generated by the fund may be used by the church for such purposes as may be approved by the Session in accordance with the Spending Policies contained herein.

b) Designated funds

Only the interest generated by the fund may be used and only for the purpose of the designation unless the donor specifically directs that the capital may be used and specifies the terms of such use.

c) Non-designated funds

The funds may be used as required and approved by Session in accordance with the Spending Policies contained herein.

Transfer policy

If it is determined by Session that a donation has been included in the Endowment fund and has not been so designated by the donor, the funds may be transferred to the Non-Designated fund on the approval of 66% of the Professing Members attending a meeting called for the purpose.

PCUSA Permanent Funds Ministry Template

Operational Structure: The Program will set up four (4) separate funds:

- A. The General Endowment Fund
- B. The Designated Endowment Fund(s)
- C. The Capital Facilities Fund
- D. The Programs, Mission and Benevolence Fund

It is intended that the amount of money represented by the annual spending rate from the *General Endowment Fund* and the *Designated Endowment Fund(s)*, and the principal and income accruing to the Church from the *Capital Facilities Fund* and the *Programs, Mission and Benevolence Fund* will be used for needs beyond either the normal operating budget of the Church or other special programs for which temporary special funds or other budgets have been established. In all cases, the donor may provide reasonable written directions for use of his, her or their gifts. Every attempt will be made to comply with the donors' wishes, subject to the church's existing policies and its commitment to further the work of Jesus Christ.

Checklist for Fund Structure and Composition

- Have you indicated in your policy how undesignated bequests and other legacy gifts given to your church will be allocated?
- Have you decided whether you will simply establish one general endowment/legacy fund or whether you will establish several broad categories that serve your long-term ministry objectives?

- Have you indicated whether the entire amount of legacy gifts given to the church will be endowed or only a portion?
- Have you indicated how the special funds and trust funds your congregation has already established will relate to your endowment/legacy fund? Will they be folded into your endowment/legacy fund and if so how?

5. Administration and Management

The day-to-day management of such funds is normally placed in the hands of a committee appointed and/or elected for that role. Care should be taken that the committee does not usurp the proper authority of the session or congregation. The number of people serving on the committee can vary, depending on the size of the congregation and the size of the fund itself, but usually 5-7 members are sufficient. There should be some system of rotation on the committee so that membership does not become entrenched or static.

Many congregations often assume that such funds should be placed in the hands of the congregational trustees, but PCC polity does not so specify; indeed, congregational trustees have been described as simply “the pen in hand of the congregation.” Certainly, the session and congregation can decide to place the management of such funds in the hands of the congregational trustees, but that is not required and it is not advised, particularly if, as in most congregations, the office of congregational trustee is an honorary role in which office holders are re-elected year after year. Such an arrangement would not be helpful in managing the church’s endowments.

While it is beneficial for members of the committee to have some financial expertise, it is even more essential that the members are well respected and trusted members of the congregation with an understanding of, and heart for, the church’s mission and ministry.

In many congregations the church treasurer also serves as treasurer of the fund/s. Other congregations choose to appoint someone other than the church treasurer to serve as the fund treasurer so that the legacy gifts are clearly separated from the funds in the operating budget.

Sample Administration & Management

The fund will be managed by a fund committee, who, like all committees and ministry groups in the church, will serve under the authority and care of the session, reporting quarterly to the session and annually to the congregation.

The committee will consist of five members: one appointed annually by the session, one appointed annually by the Board of Managers (or Finance Committee) and three members at large elected by the congregation at the Annual Meeting. The at-large members will serve a three-year term on a rotating basis, one rotating off each year.

The at-large members may serve two consecutive terms and then must rotate off the committee for at least one year before being eligible for re-election. The minister and church treasurer will be ex-officio, non-voting members of the committee.

Should a vacancy occur on the Committee for any reason during the year, the committee will recommend a replacement for approval by session and subsequent approval by the congregation at the next Annual Meeting.

The committee will appoint its own convener and secretary, and the church treasurer will serve as treasurer for the fund (*alternatively, the committee could appoint its own treasurer*). The signing officers for the fund shall be any two of the convener, secretary or treasurer.

The convener will call meetings of the committee, moderate meetings and report as needed or required to the session and congregation. The secretary will be responsible for recording the minutes of all committee meetings, keeping a record of all the actions and transactions of the committee and securing the records of all pertinent extracts of wills and other documents pertaining to gift agreements or living trust fund gifts to the church. The treasurer will maintain all pertinent financial records for the fund, which will be submitted along with committee minutes for audit once each year.

Checklist for Administration and Management

- Have you identified the process for appointing and/or electing committee members?
- Have you clarified the key roles members of the committee will have (e.g. convener, secretary, treasurer, etc.) and their responsibilities?
- Do you want your church treasurer to serve as the treasurer for your legacy fund or someone other than your church treasurer? Many congregations choose to have different people serving in those two positions so that there will be no confusion between the two funds.
- Have you identified the signing officers for the fund?
- Have you provided a system of rotation among committee members?
- Have you clearly indicated that the committee is subject to the oversight and authority of session and accountable to the congregation?

6. Name of the Fund

Whereas most congregations simply name their fund, the _____ Presbyterian Church Endowment Fund or Trust Fund, it would be worth your while to spend some time thinking through a more creative name for your fund. If your fund is not strictly an endowment, it is advisable to avoid such terminology in its name, since calling your fund an

endowment will only add to the confusion about the nature of the fund. Think of a name that clarifies the purpose of the fund while also capturing the imagination of your members.

Many legacy funds give the impression that they are primarily about remembering members of the congregation who have died (“The Memorial and Bequest Fund”) or preserving an historic building or past heritage (“The Heritage Fund”). Such names give the impression that the fund is about the past, rather than the future, and limit the scope of the fund.

Choose a name that reminds people that your fund is a way for the friends and members to invest in the long-term future of your congregation’s life and mission. After all, do you only want people to give to the fund after they die? What about those who want to make a legacy gift while they are still living? While bequests are the most familiar way people contribute, they are far from the only way. One of the major trends in charitable giving in Canada today is that more and more Canadians are giving major gifts from their assets while they are living rather than waiting until after they pass away. This trend is based on two main motivations: 1. Donors want to see the impact of their generosity while they are still living and 2. Donors want to take full advantage of all the tax benefits.

Some creative names that congregations have chosen include:

- “The Seeds of Hope Fund”
- “The Advancing the Vision Fund”
- “The Enduring Gifts Fund” (Kennon Callahan’s language)
- “The Enduring Legacy Fund”
- “The Living Waters Enduring Gifts Fund”
- “The Legacy for Growth Fund”
- “The Hope in Action Fund”

Even if your congregation eventually decides to use more traditional language (“The _____ Church Endowment Fund”), simply going through the process of thinking about a creative name can help both the leadership and the congregation better understand the purpose of your legacy fund and policy.



Here’s an idea: If your congregation is in the initial stages of establishing your legacy giving policy (or if you have decided to change the name of a fund), hold a congregational dinner or event to talk about the fund and to decide on a name. Explain the purpose of the fund and why you are establishing it or revamping it. Use a fun, energizing process to engage those gathered in choosing the name. It will give the congregation a greater sense of ownership and whet their curiosity when you eventually roll out the fund in the congregation.

Sample Name of the Fund

The name of the fund will be called The Living Waters Enduring Gifts Fund, reflective of the fact that we believe that the generosity that flows from the hearts of donors contributing to this fund has its source in the same life-giving Spirit Jesus was referring to when he said: “Out of the believer’s heart shall flow rivers of living water” (John

7:38). In that same Spirit, we establish this fund to be a conduit for the generosity of members and friends of _____ Presbyterian Church and to be a source of healing and new life that will continue to flow for generations to come.

Examples of Name of Fund

Unionville Presbyterian Church, Unionville, ON

The *Hope in Action Fund* name and the framework for disbursements are drawn from Rev. Dr. Douglas John Hall's (Professor Emeritus of Christian Theology, McGill University) speech at the 161st Convocation of Knox College, May 2005, in which he discusses the question, "*What is the mission of the church in the 21st Century?*" and to which the response is summarized as, "*The mission of the Christian Movement in the 21st Century is to confess **hope in action.***" This is further described by the following: "*In the church, **tell the story; in the world live the story.***"

Under *Tell the Story*, funds available for disbursement from the Hope in Action Fund may cover, for example, the funding of conferences, training, resources, mission partnerships, guest speakers, or speaking of our own involvement and experiences.

Under *Live the Story*, it may cover, for example, community services, sponsorship (e.g. English as a Second Language (ESL) classes, refugees), projects (e.g. local, youth in mission, work, nursing), nursing homes, special needs adults and children, food banks, Evangel Hall, Aboriginal aid, free rentals, building maintenance, supporting education (e.g. health, economic development).

The opportunities to *Tell the Story* and *Live the Story* may occur at various levels e.g. local, regional, national and/or international.

Checklist for Name of the Fund

- Does your fund's name clearly indicate that its purpose is to provide a legacy of faith and hope for future generations, not just preserve a past heritage?
- Is there a biblical or theological basis for the name of your fund? If so, have you pointed out that connection?
- Did you get congregational input into the naming of your fund?

7. Gift Acceptance and Decline

While it is likely that the vast majority of legacy gifts given to your congregation will be gratefully accepted, it is important for people in your congregation to know that there may be exceptions. Some gifts may come with liabilities that could jeopardize the financial security or the reputation of your congregation (e.g. a gift of real estate with environmental hazards). Similarly, an overly restrictive gift could force your congregation to move in a direction that does not serve the mission objectives of your congregation (e.g. a gift that is designated for an

area of ministry that your congregation is not equipped or interested in supporting). It is also important to remember that if you accept a gift with certain restrictions, you are legally and ethically bound to use the gift in a way that complies with those restrictions. It should be recognized that declining gifts often carry pastoral concerns and should be handled carefully, stating in writing the reasons for declining the gift, and if possible, having members of the fund committee and/or session speak in person with the donor or donor's representatives. In many cases a discussion with the donor to glean his/her intentions behind the gift and can result in finding an appropriate way to structure the gift that will ensure flexibility and satisfy both the donor/member and the congregation's future mission and ministry.

Sample Gift Acceptance and Decline

As stated in the Preamble, the Fund is designed to channel gifts of accumulated assets for the long-term life and ministry of the Church, including such gifts as those listed below:

- Bequests by will/living trust
- Charitable gift annuity
- Charitable remainder trust
- Transfer of property (e.g. cash, stocks, bonds, mutual funds, real estate, etc.)
- Assignment of life insurance
- Life beneficiary gifts (e.g. RRSPs, RRIFs, TFSAs, etc.)

Gifts may be given in two forms:

1. **Unrestricted** – the donor leaves no restrictions on their gift, either in terms of its designated use or whether or not the principal can be used.
2. **Restricted** – a donor may designate a specific fund or purpose for their gift and/or specified term of use (e.g. permanently endowed, to be used over seven years, etc.). In all cases, every attempt will be made to honour the wishes of the donor (c.f. Section 9 for further details).

Normally, gifts received in the forms of real or personal property other than cash will be converted to cash at their market value as expeditiously as possible. There may be occasions, however, when the Fund Committee will decide that it is consistent with the purpose of the Fund and mission of the Church to retain a gift of property in the form in which it is received and treat the income from the investment as part of the Fund's income. Such decisions of the committee will be submitted as recommendations to session for final approval before action is taken.

Furthermore there may be occasions when gifts of property, or interest in property, may carry a liability which may include, but not necessarily limited to, environmental issues, lien issues, property tax issues or other matters that could create liability for the Church. Gifts may also come with restrictions that are inconsistent with the Church's stated mission. For these reasons, and possibly others, the session reserves the right to decline any such gift which might present liability or other detrimental issues for the Church.

Examples of Gift Acceptance and Decline

Dayspring Presbyterian Church, Edmonton, AB

Gifts: As used herein, the term “gift” shall extend to and include inter-vivos transfers (gift of a living person), and testamentary dispositions (gift created in a will).

Review of Gifts by Session: Session reserves the right to review all gifts and to decline any gift which might or could present a liability or other detrimental issue for Dayspring. If a gift is offered to the Program that Session deems not to be within the existing mission of Dayspring and Session is unable to assist the donor in bringing the gift within that mission, Session may decline the gift and return same, without interest or accruals. During the review period, the gift will be maintained as a separate and distinct amount in the General Endowment Fund.

PCUSA’s Permanent Funds Ministry Template

If a gift is offered to the Program that Session deems it not within the existing policies of the Church and its commitment to further the work of Jesus Christ, and the Session is unable to convince the donor to bring the purpose of the gift within said policies and commitment of the church, the Session may decline the gift and return same, without interest or accruals.

If, in the opinion of the Session, the purpose for which a gift was made has over the years become inconsistent with the policies of the Church and its commitment to further the work of Jesus Christ, the Session may recommend that the gift be turned over to another charitable organization that would seek to comply with the donors’ request.

Checklist for Gift Acceptance and Decline

- Have you noted the kinds of gifts you will accept?
- Have you indicated whether the church’s policy is to sell all gifts of property (e.g. gifts of real estate, gifts of stock, etc.) as expeditiously as possible or whether exceptions can be made to retain the property when determined appropriate?
- Have you indicated the decision-making process your congregation will follow when gifts are declined?

8. Education, Promotion and Donor Recognition

Normally, it is the responsibility of the Fund Committee to promote the fund and ensure that the congregation is educated about how to support the congregation’s long-term life and ministry through their legacy gifts, but this responsibility could also be placed in the hands of another appropriate committee or group within the church (e.g. the committee responsible for the overall financial stewardship of the congregation).

Will you adopt a more passive approach (announcing that you are ready to receive legacy gifts and delineating how such gifts will be used, reports in the Annual Report, etc.), or

will you adopt a more active approach (having occasional educational events, having an annual Legacy Sunday worship service, approaching those whom you have identified as good candidates to leave a legacy gift to the church, etc.)?

It is important to note that ongoing promotion of the fund is the area where most congregations fall down and is one reason why legacy funds stagnate and don't grow. The sample below specifies a more active approach.

Sample Education, Promotion and Donor Recognition

The Fund Committee will be responsible for the ongoing promotion of the Fund, for educating the congregation regarding the legacy program and the various ways to make a planned gift (e.g. through workshops and seminars, presentations by trained professionals, bulletin announcements, the congregational website, etc.), and for ensuring donors are appropriately recognized and thanked.

The adoption of this policy will assist in the promotion of the Fund. The committee's report in the Annual Report, which will include a financial report as well as the names of those who have made legacy gifts to the church during the past year (unless anonymity is requested), will also help promote the Fund and the enduring impact of legacy giving.

Upon approval of the policies contained herein, the committee will ensure that a pamphlet highlighting the Fund, the enduring impact of legacy gifts and options for giving will be prepared for distribution and/or display and updated from time to time.

The Fund Committee will ensure that the congregation is made aware when legacy funds are used to support church projects and ministries as well as celebrate appropriately when legacy gifts are received, always honouring the anonymity and confidentiality of donors when requested.

The Committee, under the guidance of the minister and session, will ensure that the biblical and theological basis for the stewardship of accumulated resources is taught and preached at least annually during the Legacy Sunday worship service designated by The Presbyterian Church in Canada (currently the Sunday after November 15th, National Philanthropy Day) or some other Sunday chosen by the congregation.

Copies of this policy along with pertinent financial reports will be made available upon request to members of the congregation and other prospective donors, transparency and accountability being key working principles of the planned giving ministry.

Annual proceeds from the Fund may be used in paying the costs associated with promoting the Fund and educating the congregation about estate planning, legacy giving and the stewardship of accumulated assets.

Examples of Education, Promotion and Donor Recognition

Chippawa Presbyterian Church, Niagara, ON

Chippawa Church has actively promoted legacy giving as an important dimension of Christian stewardship, preparing attractive brochures, holding workshops and focusing on the theological foundation for planned giving in worship services. The result has been that their Endowment Fund continues to grow as the members and friends of Chippawa Church contribute to the church through bequests and other planned giving vehicles.

2.3 Promotion and Education

The Endowment Committee will maintain and encourage Endowment awareness and provide guidance to individuals and the congregation. The Committee shall provide an educational opportunity annually wherein members and friends of the congregation may consider the opportunities the Endowment provides for current gifts, special gifts, deferred gifts and bequests. Ideally, this would be done in a wider context of stewardship, giving and estate planning.

Central Presbyterian Church, Hamilton, ON

PLANNING FOR SUCCESSFUL GIVING

A certain amount of planning is often involved in such gifts to optimize the donor's financial security, maximize the tax benefits and ensure that the gift meets both the philanthropic goals of the donor and the ministry objectives of the church. Generally, these gifts are intended to strengthen the ministries of the church (worship, outreach, missions, music, family, youth, etc.) or to respond to critical needs as they occur (e.g., facility improvements). To ensure that such giving benefits both donor and church appropriately, it is recommended that the donor seek advice from a professional estate or financial planner (e.g., lawyer, chartered accountant, certified financial advisor) and discuss the intent of the gift with a member of Central's Planned Giving Committee before finalizing the arrangements.

INFORMATION AND SUPPORT

A package of informational materials has been assembled to assist Central members and friends in considering both legacy and immediate impact giving. Members of Central's Planned Giving Committee would welcome the opportunity to discuss ideas and strategies and to engage the Presbyterian Church of Canada in furthering these discussions, if appropriate. The PCC's Stewardship and Planned Giving Department provides professional assistance to congregations and individual members in the structure of gifts as well as management in some of the more complex gift options. In all cases, the charitable benefit accrues to Central unless the donor wishes to also include provision for the PCC.

Checklist for Education, Promotion and Donor Recognition

- Have you ensured that the promotion of planned giving in your congregation is rooted in pertinent biblical and theological principles?
- Have you stated clearly how legacy donors will be appropriately recognized and how legacy gifts will be celebrated?
- Have you indicated who will be responsible for promoting the legacy fund and educating the congregation about planned giving?
- Have you provided guidance and direction for some of the ways the Committee or some other group in the church will promote legacy giving?
- Have you indicated how the costs for promoting the fund and educating the congregation will be paid for?

9. Relationship to Other Funds of the Church

Many congregations already have a number of trust and other special funds in place, and it is important for the leadership and the congregation to understand the relationship between the Endowment/Legacy Fund and the other funds in the church. Many congregations, with a long history of receiving legacy gifts, have never developed a comprehensive plan or policies for receiving, investing and using such gifts. As a result, monies may be allocated into various areas that serve neither the current nor the long-term ministry priorities for the congregation, and prospective donors don't have any guidance in their decision-making when they are arranging their legacy and planned gifts for the congregation. For example, one small, rural congregation had received a number of bequests and memorial gifts designated for its cemetery that far exceeded the cemetery's current and future needs, but lacked the funds needed to meet the ongoing costs of supporting the congregation's overall ministry. Without a policy in place, and with no education program, prospective donors continued to direct their legacy gifts to the maintenance of the cemetery, thereby jeopardizing the life and ministry of the congregation itself.

A policy to handle legacy gifts is the perfect opportunity to provide an overview of all your congregation's funds, showing how they all fit together in support of your congregation's current and future ministry objectives. Your policy should clearly state how the endowment fund is related to the other funds in your congregation.

Since this section of your policy will be so specific to each individual congregation, only two funds (the Memorial Fund and Operating Budget Fund) will be included in the sample of this section, but as stated above you should investigate all of the funds in your congregation while you are preparing your legacy fund policies to ensure that they are still serving the long-term ministry objectives of your congregation and to determine where there may be gaps in funding going forward.

Sample Relationship to Other Funds in the Church

As stated in Section 2, the Legacy Fund is established to invest gifts of assets to financially support the long-term life and mission of the congregation, whereas the annual operating budget funds current expenses. The two funds are therefore to be kept entirely separate, except for money transferred from the Legacy Fund or Legacy Reserve Fund (see Section 9) to pay for projects and ministries approved by the session and congregation. Donors of undesignated one-time gifts of \$5,000 or more will be contacted by a member of the Fund Committee to confirm whether the donor intended their gift for the general operating budget, the endowment/legacy fund or some other designated fund of the church.

The Memorial and Honour Fund*, established to receive smaller tribute gifts in memory or in honour of someone or to celebrate a special occasion (e.g., an anniversary, baptism, graduation, etc.), will continue to exist under the direct oversight of the Memorial and Honour Fund Committee. Donors of gifts of \$1,000 or more contributed to the church in memory or in honour of someone, will be jointly contacted by a member of the Legacy Fund Committee and a member of the Memorial and Honour Fund Committee to determine whether the donor/s intended their gift to be directed to the Memorial and Honour Fund or to the Legacy Fund and whether their gift was intended for a specific purpose.

Gifts of *\$10,000 (or specify another amount)* or more given in memory or in honour of someone may become named sub-funds within the Legacy Fund and will be celebrated, invested and utilized appropriately. Such named funds can be designated for specific purposes (e.g. for the music ministry of the church) with the approval of session. Prospective donors considering such gifts are encouraged to contact the Fund Committee regarding their intentions and to work out mutually agreed parameters for their fund. The written parameters for all such designated funds will include a *variation clause*, in which the donor authorizes the session to vary the purpose for the fund if the original purpose should become obsolete or is no longer practical or desirable, keeping in mind the spirit and general intent of the original gift.

*Special Note: Some congregations choose to channel all memorial and honour gifts into their legacy/endowment fund unless otherwise designated by the donors. While such a strategy provides a means for all such gifts to provide a permanent and enduring legacy for those named, such procedures can have a tendency to confuse the difference between smaller tribute gifts given from current income and larger legacy gifts contributed from accumulated assets.



A Helpful Exercise before Final Approval

A helpful exercise before the fund is finally approved is to have the congregation imagine it has received a sizable, undesignated bequest (e.g. \$250,000). Have the members of session (or those voting on the draft policy) articulate their understanding of what happens to the money received. Some congregations have adopted policies and then discovered that

people were operating on different assumptions and understanding. These came out when they actually discussed how they thought a specific gift would be handled. Remember, the purpose of the policy is to prevent potential areas of confusion and conflict, not add to it, so clarify these procedures beforehand!

Some congregations have also developed simple flow charts to demonstrate the decision-making process and lines of authority in handling planned gifts.

Examples of Relationship to Other Funds in the Church

Gloucester Presbyterian Church, Ottawa, ON

Section 5: The Memorial and Honour Fund's Relationship to the Legacy Fund

Until the minimum amount for investment in the Consolidated Fund is reached, it is the intention of the session to channel gifts given to Gloucester's Memorial and Honour Fund into the Legacy Fund unless otherwise designated by the donors. After the \$150,000 goal is reached, the session will re-evaluate how to use the gifts made to the Memorial and Honour Fund and has the option to divert such gifts to other projects or giving opportunities within the congregation. It is important not to confuse the Legacy Fund with the Memorial and Honour Fund. It is anticipated that the majority of gifts donated to the Memorial and Honour Fund will be smaller, tribute gifts given from people's current income in memory or in honour of loved ones or to remember or celebrate special occasions; whereas, the Legacy Fund is designed to receive larger, legacy gifts given to Gloucester Church from people's accumulated assets.

Checklist for Relationship to Other Funds in the Church

- Have you clearly distinguished the legacy/endowment fund from other established funds in the church?
- Have you provided guidelines and procedures to follow when a donor's intent is not clear or it is not clear which fund they are contributing to?
- Have you indicated in your policy which, if any, of your established trust funds will become a part of your endowment/legacy fund?

10. Spending Policy

Endowment funds and legacy funds are not intended to simply be investment accounts to "save for a rainy day" or to provide extra money to cover annual deficits. They are intended to be a means to ensure an additional source of dependable annual revenue to sustain and grow your church's mission for future generations. It is therefore vitally important to establish clear guidelines for how you intend to spend the earned income in your endowment or legacy fund. Will the amount available for spending each year be based on the *annual yield* of the portfolio (dividends and interest) or on the *total return* of the portfolio (the yield plus capital appreciation)? Or will the amount available for spending be based on a *percentage of the total*

value of the fund? Many congregations choose a 5-6% figure often based on a 3-5 year rolling average of the total amount in the portfolio. (Special Note: Using a percentage basis provides a more consistent and predictable cash flow, whereas the annual yield or total return can fluctuate considerably from year to year depending on market conditions.) Will you re-invest a certain amount or percentage back into the Fund in order to ensure that the overall value of the Fund keeps pace with inflation? These are all questions you need to address in your spending policy in order to avoid confusion and prevent possible conflicts.

You will also need to specify whether you will be apportioning a certain percentage of the annual proceeds to different pre-determined areas of ministry (e.g. mortar, ministry and mission) or whether the types of projects supported and the amounts will be determined each year. As stated in Section 6, such percentage allocations provide guidance in deciding how to allocate funds in keeping with your congregation's ministry objectives while also providing guidance to prospective donors considering a legacy gift for the church.

A key question is whether any or all of the proceeds will be available for congregation's operating budget items or only for projects that would not normally be covered through your annual operating budget. Generally, it is preferable to completely separate the legacy funds from the operating budget, otherwise, there is a danger that your legacy fund could undermine the generosity of your current congregation.

About the Disbursement Quota

The CRA (Canada Revenue Agency) recognizes that, while many charities have endowments and other investments, such funds are not simply savings accounts to accumulate cash; rather, they are there to serve the long-term ministry objectives of the charity. Consequently, the CRA has established what is called the Disbursement Quota. CRA specifies that if a registered charity has any property (e.g. real estate or investments) that is not used directly for charitable purposes and the value of that property exceeds \$100,000 in value, then 3.5% of the average value of that property over the previous 24 month period must be used for charitable purposes in any given year. It is important to note that the distribution can be calculated from any funds in the congregation's possession and is based on line 5900 on the charity's T3010 filing. Because congregations usually use their buildings for their services and programs and annually raise and spend significant funds on its own charitable activities, or on gifts to qualified donees, meeting the disbursement quota on their legacy and endowment funds is not usually a concern. [Go to <http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/spndng/clclb-eng.html>](http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/spndng/clclb-eng.html) for further details on how to calculate and report the disbursement quota.

Sample Spending Policy

The annual spending rate will be 5% of the total average value of the assets in the Fund in the first full year of the Fund's existence progressing to a *two-three-five (choose one)* rolling average.

Monies available for use each year will be placed in an interest bearing reserve account from which the cost of approved projects and ministries will be paid. Unused funds may accumulate for up to three years after which time they will be re-invested in the Endowment Fund, always keeping in mind adherence to the CRA disbursement quota guidelines.

It is intended that monies generated by the Fund will not be used for the normal annual operating expenses of the congregation, but will instead either be directed to the areas specified by established restricted funds or directed to the following broad categories and in the following general proportions (recognizing some flexibility in apportioning funds as needs and opportunities arise):

- 1/3 for Mortar in support of capital projects, renovations and major maintenance of the church facilities;
- 1/3 for Ministry in support of programs and ministries within the congregation;
- 1/3 for Mission in support of projects and outreach initiatives beyond the congregation, keeping in mind a balance of local, national and international projects.

When appropriate, the Fund Committee, with the approval of Session, is authorized to adopt some sort of matching formula (e.g. 1 to 1, 2 to 1, etc.), inviting contributions from the current congregation for approved projects and programs to be matched by disbursements from the Fund.

In cases of extreme emergency or extraordinary opportunity, up to ___% of the principal in the Fund (provided that the principal has not been externally restricted) may be used in any given year with a $\frac{3}{4}$ majority approval of the congregation at a duly called congregational meeting upon the recommendation of the session and Fund Committee.

Examples of Spending Policies

St. Andrew's Presbyterian Church, Orillia, ON

When it revamped its planned giving policies, Orillia Church chose to give clearer guidelines reflective of their ministry priorities for the use of legacy gifts contributed to the church in the future. Notice that the disbursement percentages are referred to as "approximate guidelines"; thereby providing clear directions for future expenditures while still retaining a measure of

flexibility. Notice, too, that the two largest allocations provide for maintaining their large, historic facility and for funding new initiatives in ministry.

16. Spending policies

The approximate guidelines for spending the Funds in the future will be as follows:

- a) Building maintenance and capital improvements - 35%
- b) Worship and music - 10%
- c) Seed money for new ministries - 30%
- d) Mission and outreach 10%
- e) Children and youth - 10%
- f) Other - 5%

PCUSA Permanent Funds Ministry Template

The following template was prepared by the PCUSA for congregational use. Several PCC congregations have adopted a similar strategy (i.e. partially endowed) for the structure and use of their legacy funds.

1. Permanent Funds: The four (4) funds provided for under the program are as follows:
 - A. The General Endowment Fund: The principal of the *General Endowment Fund* will be invested in perpetuity. The annual spending rate shall be five percent (5%) of the total value of the fund (preferably based on a rolling three year average of the amount in the fund.) The Session will cause the distributions from this fund to be distributed one-half into the *Capital Facilities Fund*, and one-half into the *Program, Mission and Benevolence Fund*. The Session has the authority to adjust/modify the spending rate.
 - B. The Designated Endowment Funds: The principal in each of the *Designated Endowment Funds* will be invested in perpetuity. The annual spending rate shall be five percent (5%) of the total value of each individual *Designated Endowment Fund*, and the Session will cause distributions from each individual Designated Endowment Fund to be used only for the specific purpose for which the gift was intended. The Session may request written instructions, which may include utilization of principal, as concerns the specific purpose for which gifts are made into a *Designated Endowment Fund*. The Session has the authority to adjust or modify the spending rate in order to meet the desired goals of the donors.
 - C. The Capital Facilities Fund: The principal and income from this fund are available to be used for special projects and capital projects that enhance the physical facilities and overall esthetics and safety of the church building(s) and improvements extending beyond the annual operational budget or other budget programs.
 - D. The Programs, Mission and Benevolence Fund: The principal and income from this fund are available to be applied to special programs, extended missions and extraordinary benevolence.
2. Allocation of Funds: It is anticipated that two types of gifts will be received into the program, that being restricted and unrestricted.
 - A. Restricted Gifts: A donor may designate the specific fund (identified above) into which his, her or their gift will be placed. The donor may indicate a preference as to the

specific uses to which the gift will be applied. In all cases, every attempt will be made to honor the wishes of the donor.

- B. Unrestricted Gifts: Each gift which has not been designated to a specific fund (identified above) will be allocated as follows:
 - 1. One-fourth (1/4) to the Capital Facilities Fund:
 - 2. One-fourth (1/4) to the Programs, Mission and Benevolence Fund; and,
 - 3. One-half (1/2) to the General Endowment Fund
- C. In the event that an unrestricted bequest is greater than the average of the previous three-year's church operating budget then that bequest will be divided 50% into the General Endowment and 50% into a new Quasi Endowment Fund. The purpose of the Quasi Endowment Fund is to provide a period of up to three years during which time the congregation and Session can plan, pray and make the best long-term decisions regarding an unusual blessing. Ultimately, the Session has the authority to determine the distribution of the Quasi Endowment Fund.

Gloucester Presbyterian Church, Ottawa, ON

Section 6: Special Considerations and Exceptions

While the Legacy Fund is intended to be a permanent endowment for Gloucester's long-term sustainability, the session realizes that it may become necessary to draw down a portion of capital from the Legacy Fund as Gloucester transitions from aid-receiving to self-supporting status. The session further recognizes that emergency situations or emerging opportunities may arise in the future which may also require the congregation to have access to a portion of the capital in the Fund. Therefore, in such exceptional cases the congregation may have access to up to fifteen percent of the capital in the Fund in any given year upon recommendation of the session and with the approval of a 2/3 majority of the congregation at a duly called congregational meeting (Special Note: this access only applies to that portion of the capital in the Fund that was not externally restricted by the donors as endowed gifts).

Checklist for Spending Policy

- Have you included guidelines for disbursement of funds into various areas of ministry (e.g. 1/3 for mortar, 1/3 for ministry, 1/3 for mission)?
- Have you provided provisions for what happens if your congregation faces an emergency or some extraordinary opportunity for ministry? (Be sure to ensure that such an action is done with the full understanding and has the broad support of the congregation as a whole.)
- Have you indicated what the amount available for spending will be (e.g. will it be a set percentage of the fund value or the annual yield or total return of the portfolio)?

11. Investment Policy

It is important to provide guidelines in your policy regarding how the money in your legacy fund will be invested. Since your fund is intended for the long-term support of your congregation, it is important that you indicate that the Fund have both a growth and income component; consequently, most congregations opt to invest a portion of their funds in securities that allow for capital growth (e.g. blue chip equities) and not just annual income (e.g. GICs). Your policy therefore needs to indicate your risk tolerance as you seek an appropriate balance between capital preservation and return and regular income.

You should also indicate whether your investments will have a socially responsible, ethical component. Socially Responsible Investments (SRIs) seek to integrate social values that reflect the values and mission priorities of an individual or charity into their investment strategy. There are a growing number of SRI funds in Canada, and it is generally agreed that SRIs do not violate the Prudent Investor Rule and are sound financial investments. For example, as of March 31, 2017, the Jantzi Social Index (an index of 50 Canadian companies with SRI screens), has exceeded the returns for the S&P/TSX Composite Index for every annual period since its inception in January 2000. Any SRI guidelines in your policy can either be negative screens (e.g. no tobacco stocks or gambling stocks) or positive (i.e. investing in companies with a record of fair business practices or investing a portion of your funds in clean energy or in an organization like *Oikocredit*).

Most congregations opt to hire a professional money manager to handle their investments, but even with a professional money manager you will need to provide guidelines for them to follow. You may also want to establish benchmarks to help you track the performance of your investment portfolio. You will also want to decide whether your portfolio will be actively managed (with the fund manager choosing specific investments) or passively managed (with the fund manager using pre-selected index funds that track the market or market sectors).

Sample Investment Policy

The congregation recognizes there is a fundamental conflict between maximizing long-term investment returns and maximizing safety. Since these funds are long-term holdings, it is recommended that they be conservatively invested for both growth and income so that the real value of fund holdings will keep pace with inflation while achieving rates of return consistent with taking on normal market risks.

The recommended asset mix, based on longer term risk and reward considerations and subject to annual re-evaluations, is 55% in holdings of blue chip, dividend paying equities, and 45% in holdings of fixed income investments (this weighting can shift by plus or minus 10% depending on market conditions) in a combination of Canadian, US and international investments.

As faithful stewards of the financial assets of _____ Presbyterian Church, the Fund Committee is directed to seek a reasonable rate of return on investment in accord with these guidelines while keeping in mind the ethical implications of such investments and consistent with the commonly held values of the Church.

The Fund Committee will recommend to session for their approval the name of one or more Canadian financial institutions to be charged with administering the resources of the Fund, which may be actively or passively managed as deemed appropriate. Reasonable fees for these services shall be paid directly from the fund.

Individual Fund Committee members will not be held personally liable for losses incurred within the Fund, provided that investments are made legally and in accordance with these guidelines.

Checklist for Investment Policy

- Have you indicated that the Fund is a long-term holding and therefore should reflect an appropriate balance of growth and income?
- Have you provided guidelines for asset mix and regional and sector diversification?
- Have you indicated whether investments will take into consideration SRI considerations?

12. Applications for Funding

It is helpful to have clear procedures in place regarding how decisions will be made for the use of funds in support of the ministry objectives of the Fund. Many congregations require an application form to be filled out by the group or individual applying for funds, as well as a method of reporting and/or evaluating the outcomes and/or benefits of the funded projects. Some congregations specify that only groups or committees within the church can apply for funds; and that if individuals apply, those applications must be channeled through an established group in the church.

Sample Applications for Funding

The Fund Committee will provide an estimate of the funds available for disbursement in the upcoming year as a compliment to the annual budget planning process.

Congregational groups or committees who wish to apply for funds will submit their requests in writing to the Fund Committee as soon as feasible, stating the amount of money they are requesting, the purpose for the funding and expected benefits and outcomes of the projects. The Fund Committee will review the applications and submit them to the session for their review and approval. After the review and approval of session, the Fund Committee will pass on requests to the Annual Meeting for final congregational approval by a simple majority vote.

If any legacy/endowment funds are still available after the Annual Meeting, groups and committees may continue to submit requests to the Fund Committee, which will then review the application and make their recommendation to session for its approval. In such cases, session has the authority to approve all requests up to \$ _____ without congregational approval.

An individual within the congregation or a group from outside the church may apply for funds, however, such requests must be made via one of the groups within the church and with their approval.

The Fund Committee will notify the congregation when and how endowment/legacy funds are used.

Checklist for Applications for Funding

- Have you provided clear guidelines and procedures outlining the decision-making process for the use of endowment/legacy funds?
- Have you indicated who can apply for the funds and procedures and deadlines (if any) for applying?

13. Changes and Amendments

It is important for everyone in the congregation to understand that policies for handling planned gifts are not written in stone; rather, they are subject to modifications and adjustments as the needs and circumstances of the congregation change. Endowment policies are living documents that are meant to serve the mission of your congregation. As Jesus said to the Pharisees when they accused him and his disciples of working on the sabbath, “The sabbath was made for humankind, and not humankind for the sabbath” (Mark 2:27). Similarly, your legacy giving policies are intended to serve the real needs of your congregation, not the other way around.

Your policy should be formally reviewed (e.g. annually or every three years or more frequently as needs arise) to ensure that the policies and procedures your congregation has put in place are still serving your current and long-term ministry objectives and are in keeping with CRA guidelines. Most congregations adopt a process whereby the Endowment Fund Committee recommends modifications to session for review and approval with session in turn recommending any changes or amendments to the congregation for final approval. The percentage required in a congregational vote can vary from a simple majority to 66% to 75% of those present at a duly called congregational meeting.

Sample Changes and Amendments

While many of the guiding principles for the purpose and the use of the _____ Fund are contained in this document, the session fully expects that modifications and additions will need to be made from time to time as needs and circumstances change. Session shall review the policies and procedures annually/biannually and consider changes recommended by the fund committee, such changes to take effect with the (simple – 2/3 – ¾) majority approval of the congregation at a duly called congregational meeting upon the recommendation of the session and fund committee.

Checklist for Changes and Amendments

- Have you indicated that you anticipate that changes will be made from time to time?
- Have you stated that the policies and procedures will be reviewed on a regular basis and noted who does the review and how frequently it will take place?
- Have you clearly indicated the decision-making process for making changes to the fund?
- Have you indicated whether changes will require a simple majority or some other percentage?

14. Amalgamation or Dissolution

Many prospective donors are concerned about what will happen to their legacy gifts if the congregation amalgamates or dissolves. It is therefore important to include a section in your policy that deals with such eventualities. Donors should be assured that clear procedures and guidelines are in place to ensure that federal and provincial legal requirements are met and appropriate church practices and guidelines are followed.

Sample Amalgamation or Dissolution

If at any time the _____ Presbyterian Church amalgamates with another congregation or congregations, all of the provisions spelled out in this policy in respect to the funds shall be deemed to have been made for and in behalf of the amalgamated congregation, which shall be entitled to receive all the benefits of said funds and shall be obligated to administer the same in all respects in accordance with the terms contained in this policy.

In the event of dissolution, the session will ensure that the assets held by the Fund Committee will be disbursed in accordance with the rules, practices and guidelines of The Presbyterian Church in Canada. If the session has questions about how the fund will be handled, they can contact the Presbytery Clerk.

Checklist for Amalgamation or Dissolution

- Have you differentiated between amalgamation and dissolution in your policy?
- Have you specified that civil and church laws and guidelines will be adhered to?

Some Helpful Quotes on Endowments

“Endowments fuel the future, supporting our Church’s nurture and proclamation. Endowments identify and energize opportunities for mission which might have seemed impossible otherwise.”

Endowments, PCUSA Foundation

“The purpose of an endowment is to grow the church of tomorrow, not embalm the church of today.” Loren Mead, Founder, Alban Institute

“Ideally, an endowment will receive gifts that would not have otherwise come to a church as part of its annual campaign. For this reason, it is recommended that endowments not be used for general operating expenses, but rather to extend the annual budget. However, there is no “best way” to use the fund. Each church needs simply to determine how an endowment can most effectively further its mission, then define clearly in its resolutions how broad or narrow the endowment focus will be.” *Endowments*, PCUSA Foundation

“Special gifts and funds are to be received and administered in such a way that they do not diminish the responsible current support and involvement of Church members. Endowment Funds are less likely to interfere with the stewardship of the congregation when they provide for expanding the mission and ministry of the congregation into community programs or institutional and other works of the Church at home and abroad.”

Anglican Church of Canada