

EvUCC Expenditure Policy

December 4, 2014

Monies supplied through restricted and non-restricted endowments enable EvUCC to reach beyond what it may be able to do through members' yearly offerings. Some churches have built retirement homes, housing for low income senior members of the congregation, sponsored children in less-developed countries, started youth programs, provided scholarships to people wishing to go to seminary, made buildings more accessible and safer for physically challenged persons, supported mission schools, and undertook other important ministries. EvUCC has the opportunity to engage in additional activities related to its overall mission due to the establishment of both restricted and non-restricted endowments. These endowments can help create an enduring legacy of giving that will continue to grow and support EvUCC's mission for generations to come. Endowment funds are not meant to support our annual stewardship mission or the operating budget other than as specified in this Policy.

I. Statement of Purpose

- A. The purpose of this Policy is to provide guidelines for the expenditures of financial resources of Evangelical United Church of Christ, Highland, Illinois (EvUCC). The Policy seeks to ensure the expenditures are made in a manner that optimizes EvUCC's financial resources available for its ministry, programs, building and maintenance, and overall mission. It is the intent of this Policy that expenditures be made with care and prudence. The Policy shall govern the expenditures from existing investment assets as defined in the Investment Policy of EvUCC and any new investment assets or sources of income received by EvUCC. This Policy supersedes any previous policies governing the expenditures of financial resources by EvUCC.
- B. This Policy does not address or govern payment, accounting, or reporting systems and methodologies used by EvUCC.

II. Expenditure Policy Guidance

A. Definitions & Terms

1. **Investment Assets:** All financial assets held by EvUCC and managed collectively under the Investment Policy. This includes financial assets obtained as Endowment Funds, Memorials, Restricted Gifts, Non-designated Gifts, Monies from Recurring Sources, and monies received from the sale of gifted Real and Personal Property.
2. **Endowment Fund:** The Endowment Fund is a fund maintained to provide sources of monies either in perpetuity or for an extended term for general or restricted use by EvUCC.
 - a. **Unrestricted Endowment Funds:** Cash, securities, and other financial assets managed to provide income and financial support for EvUCC. As determined by the Consistory, withdrawals of principal or income from these gifts may be used for any purpose consistent with the mission of EvUCC. Such purposes may include, but are not limited to, recurring operating expenses; repair, renovation, or expansion of fixed assets; mission activities; benevolent activities; and community outreach.
 - b. **Restricted Endowment Funds:** Gifts received by EvUCC which, due to legal or moral requirements, must be used for specifically stated purposes.
3. **Memorials:** Such gifts are received by EvUCC, often in recognition of, or associated with, a specific event. Common events for which such gifts are given include death, birth, marriage, confirmation, or graduation.
4. **Non-designated Gifts:** Gifts received by EvUCC for which the donor provides no specific guidance. Non-designated gifts exceeding ten thousand dollars (\$10,000) shall be directed to the Non-restricted Endowment Fund unless it is determined the giver's intent is for the gift to be used for ongoing current operations.
5. **Monies from Recurring Sources:** This includes monies received from offerings, day care and pre-school operations, or other recurring sources.

B. Authorities

1. **Responsibility for Expenditure Oversight:** Responsibility for the expenditures of financial resources rests with the Consistory. The Finance Committee shall make

recommendations for expenditures to the Consistory through both the setting of the annual budget and through regular communication with the Consistory throughout the year.

2. Establishment of a Budget: The Consistory, in conjunction with the Finance Committee, shall establish an annual budget each year. The budget shall reflect known and anticipated expenditures for the coming calendar year. In establishing the annual budget, the Consistory and Finance Committee shall consult with the Investment Ministry Team (IMT) established by EvUCC's Investment Policy to determine the amount of funds available for use from investment assets, including restricted and unrestricted endowment funds.
3. Annual Determination of Monies Available for Expenditure from Restricted and Unrestricted Endowment Funds: The IMT shall, based on guidance contained within this Expenditure Policy, determine the amount of monies available for spending in each fiscal year of EvUCC. On or before October 30th of each year, the IMT will provide the Finance Committee and Consistory with the amount of monies available for inclusion in the next calendar year budget generated by Restricted Endowment Funds, Non-restricted Endowment Funds, and Restricted Recurring Gifts. There is no requirement that the monies determined to be available each fiscal year be spent, but identification of the amounts available for spending under the guidance of this Policy provides for more accurate financial planning by the Consistory and Finance Committee.

C. Expenditure Guidance

1. Endowment Funds (Restricted) – Income from the principal amount of restricted gifts shall be available for spending in the calendar year after it is earned per the restrictions imposed by the donor so long as those restrictions remain in place. Unless prohibited by restrictions governing the gift, amounts exceeding the principal amount of the original gift resulting from capital gains may be included with non-restricted endowment funds when determining the amount of monies available from non-restricted endowment funds.
2. Endowment Funds (Non-restricted) – The amount of monies available for spending from non-restricted endowment funds by the Consistory without additional congregational approval shall be determined by applying a rate of five percent (5%) on the average value of total non-restricted endowment funds over the previous twelve (12) quarters. In the absence of twelve (12) quarters of

historical values, the five percent (5%) rate shall be applied to ninety percent (90%) of the total non-restricted endowment funds at the most current third quarter-end. [For example, the amount available for spending in 2015 shall be determined by applying the five percent (5%) factor to ninety percent (90%) of the total value of non-restricted endowment funds at September 30, 2014.] The use of this total return based spending approach is designed to allow for access to both income earned and capital appreciation of non-restricted endowment assets and helps smooth out the amount of funds available which assists in budget and planning purposes by capturing the ups and downs of financial markets over a three (3) year period.

Spending in excess of five percent (5%) of the non-restricted endowment fund on a total return basis as described above in any calendar year shall require approval of 75 percent (75%) of eligible members voting at a duly called congregational meeting.

Monies available for spending from non-restricted endowment funds shall be used as follows:

- a. Payment of investment management fees
- b. Up to ten percent (10%) may be added to EvUCC's Our Church's Wider Mission (OCWM) giving, but shall not be used to offset the church's OCWM commitment coming from recurring giving
- c. Covering of no more than twenty percent (20%) of a current year's actual operating fund shortfall, should one occur.
- d. Activities consistent with the overall mission of EvUCC including, but not limited to:
 - college scholarships
 - seminary scholarships
 - youth-oriented programs such as faith-based retreats, gatherings, speakers, and music programs

- community outreach such as HACSM, Hope House, Hoyleton Children and Family Services, Sunshine Mission, Kinder Cottage, sponsoring faith-based speakers and musical groups
 - support of low-income families to assist with Wee Care and/or Peppermint expenses
 - church staff training and development seminars/programs
 - music ministry
 - support of domestic and international missionary programs
 - costs of repair, renovation or expansion of fixed assets not covered by restricted endowment monies
 - other activities as identified by the Consistory, members of the congregation, and pastors
3. Memorials – Monies received through memorials, both principal and income, may be used by the Consistory to meet EvUCC needs. Since memorials are often given with a desired use such as fixed assets, music ministry (including musical instruments such as organ, piano, and bells), the Memorial Board shall make reasonable attempts to use memorial monies per the stated desires for a period of at least three (3) years. In the event the desired use does not become a need during the 3 year period, the Consistory may then use the memorials for the overall mission of EvUCC, keeping in mind the desired use. For instance, after a church member's death, memorials are given to be used for a new piano. Over the subsequent three years, there is no need for a new piano. The Memorial Board and Consistory then determines that the funds might best be used to enhance the sound and music ministry through the purchase of improved microphones and speakers.
4. Restricted Recurring Gifts: Monies from these gifts shall be used per the requirements of the governing legal instrument such as a Trust Agreement.

5. Non-designated Gifts – Monies from non-designated gifts may be used for any purpose as determined by the Consistory.

6. Monies from Recurring Sources – Monies from recurring sources such as offerings, daycare and pre-school operations, and other recurring sources shall be used for the payment of normal and customary operating expenses related to the church, pre-school, and day-care. Monies received from special offerings shall be used for the purpose designated by the special offering.

III. Policy Review and Revision

This Policy shall be reviewed by the Consistory, Finance Committee, and IMT annually as revised as necessary to ensure it is consistent with the needs and the mission of EvUCC.