

# Marin Lutheran Church: Memorial and Perpetual Funds Policy

## Purpose:

The purpose of this Policy is to document the structure and management of the various funds that exist to receive designated donations, memorials and bequests, including restricted, unrestricted, and partially restricted (“directed”) gifts. With additional guidance for the management and disbursement of the funds, the Policy will also help to assure donors that MLC will honor their wishes and use their gifts wisely in support of the mission of MLC.

**Mission Endowment Fund:** One significant addition to this policy, in comparison to the previous Memorial Fund Policy, is the addition of a Mission Endowment Fund—an open-ended (“perpetual”) fund with a specific charter to benefit ministry in four areas relevant to Marin Lutheran: our congregation, our local area, our state and synod (Sierra Pacific Synod), and ELCA Church and global ministries. Initially the Mission Endowment Fund will be another “internal” fund at Marin Lutheran, pooled along with the memorial funds and perpetual funds, in the same limited number of external investment accounts, with income shared proportionally across all funds. When the Mission Endowment Fund reaches a significant size (over \$100,000), it may be separated from the other funds and its investments managed separately.

## Types of Gifts: Undesignated, Directed, or Restricted

Normally, gifts might be thought to be divided into only two categories, either restricted or unrestricted. (The term “unrestricted” is used interchangeably with “undesignated” in this policy.) For the purposes of managing gifts and bequests to MLC, an additional gift category-- “directed” -- is introduced. Directed means directed towards a particular ministry *area*, thereby giving donors a measure of say in how the gift will be used, but without specifying an exact or immediate use or project, thereby allowing MLC to retain maximum flexibility to use the gift “where needed most” within the specified ministry area.

As a practical matter, unrestricted or undesignated gifts are of most use to the church and its ministry—to be able to be used in such a way that provides greatest benefit to the ministry and mission of the church at a particular time. In addition to encouraging directed gifts where the church retains some flexibility, it is also desirable that restricted gifts, whenever possible, come with some flexibility or discretion—the ability to repurpose a gift if the church determines the initially designated use turns out to be impractical, infeasible or inappropriate.

Gifts may be cash, financial instruments, shares, or tangible property, including but not limited to bequests, life insurance proceeds, and remainders from life income trusts/agreements. (Gifts not in the form of cash will generally be sold/converted to cash as soon as is practical.)

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## ***Undesignated or Unrestricted Donation***

Donation given to MLC with no restrictions. Such funds will become part of the Marin Lutheran Memorial Fund, and will be used to further MLC's mission and ministry, as expressed in a regularly updated list of "Current Ministry Needs and Priorities".

## ***Directed Donation***

Donation directed towards a particular ministry area, without precisely designating how the donation is to be used. Most directed donations will fall into ministry areas represented by the existing perpetual funds (Property, Worship & Music, Social Action, Education), or can be directed to the Mission Endowment Fund, which will be spent at least 50% "outside of our walls". Additional information about the relationship of Perpetual Funds to the Mission Endowment Fund, as well as how disbursements from these funds are determined is provided below.

## ***Specified or Restricted Donation***

Money or other valuable goods or services given under condition that it be used in a specified way. Specified, or restricted gifts should be accepted only in special circumstances, after certain conditions are met, outlined below.

It is anticipated and hoped that most donations will be undesignated, or "flexibly" directed. Potential donors should be made aware that all such donations will be used in accordance with MLC's stated mission and vision; undesignated gifts will be further guided by the list of "**Current Ministry Needs and Priorities**"; gifts directed to individual ministries/perpetual funds, or to the Mission Endowment Fund will be further guided by the current priorities for those ministries, or by the charter of the Mission Endowment Fund, contained in this document.

## **MLC Memorial and Perpetual Funds**

- Memorial Fund
- Restricted Memorial Fund
- Mission Endowment Fund
- Perpetual Fund: Worship & Music
- Perpetual Fund: Property and Capital Improvements
- Perpetual Fund: Social Action
- Perpetual Fund: Education (Scholarships)
- Other Special Funds

The above funds shall together make up the "MLC Memorial and Perpetual Funds" ("Funds") to be managed and administered by the Memorial Fund Administration Committee (MFAC), in accordance with this policy.

**Internal fund types vs. external investment pooling:** The list of funds making up "MLC Memorial and Perpetual Funds" are 'internal' classifications only—consistent with the sources and purposes of the funds but not tied to individual external investment

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accounts. All funds will be pooled into a limited number of (external) investment accounts, not separate external investment account for each fund type above. Multiple external accounts may be maintained for purposes of diversification and allocation of different types of investment, such as bond fund, vs money-market fund, or equity fund, with identical allocation for each of the internal funds, and any investment gains or losses divided proportionally among all the individual funds.

**Open-end/Perpetual Funds v. Restricted/Time-limited:** Four funds associated with ministry teams at MLC (Property, Worship & Music, Social Action, Education) are known as “Perpetual Funds”. They have no end-date or completion date at which they will be closed, they are free to receive gifts at any time, and may disburse funds at any time, depending on the fund balances. In addition to these four Perpetual Funds, the Memorial Fund and the Mission Endowment Fund are also “perpetual”—no completion or expected closing date. On the other hand, all Restricted Memorial Funds as well as other Special Funds are designed to exist for only a limited time frame—a period of time sufficient to spend the funds on the specified project. The intended completion date is determined when the fund is set up; the fund will be closed at that time, unless council approves amending the completion date.

### **Description of Funds comprising the MLC Memorial and Perpetual Funds:**

#### **1. MLC Memorial Fund**

Smaller, one-time, undesignated gifts will usually go into the Memorial Fund, which is unrestricted in terms of how the money will be spent. Unrestricted, does not mean it immediately becomes part of the general fund, however. Unrestricted means it will be spent according to the terms of this Memorial Funds Policy, used for important or urgent ministry needs specified in the list of “Current Ministry Needs and Priorities.” (If a person wants their gift to benefit a particular ministry area—such as Worship & Music, Property, Education, Social Action—then the gift will be directed to the appropriate perpetual fund. Or, if the donor wants the gift to become part of our endowment, then it will go into the MEF.)

#### **2. Restricted Memorial Fund**

A memorial gift that contains specific restrictions as to what the money can be used for. Restricted gifts are generally to be discouraged, in favor of unrestricted gifts, or gifts to existing perpetual funds covering specified ministry needs (property, music, education, youth, etc).

If a restricted gift is to be accepted, it must be for a recognized, important need of the church, consistent with the church’s mission and vision, and the gift is to be spent over a specific period of time (generally less than 2 years.) Restricted gifts without a defined completion date or time frame are not to be accepted. In addition, these conditions **must be fulfilled:**

1. If at all possible, *prior* to the gift being made, a pastor will meet with the donor(s), counseling and discussing with them:

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- a. the current ministry/financial needs of the church, explaining how the use of all gifts is guided by MLC's mission and vision statements, as well as the list of "Current Ministry Needs and Priorities"
  - b. the options for giving towards specific ministry areas covered by the existing perpetual funds, or the Mission Endowment Fund, or otherwise stating "intent" without placing undue restriction
  - c. how overly specific or inflexible restrictions reduce the benefit to the church of their gift and impede the church's mission, and
  - d. how their wishes can be fulfilled and their gift and name be recognized, without placing undue restrictions on the gift
2. The gift will be accompanied by a Statement of Intent or Statement of Intended Use to describe the desired conditions of the donation.
  3. The terms of the gift, and its time frame for completion (generally less than 2 years, more in extraordinary circumstances) must be approved by council.
  4. At the end of the gift's initial time period, any unspent funds are to be either transferred to the (undesignated) Memorial Fund, or an existing perpetual fund, or the Mission Endowment Fund, if one of the funds can be determined to be consistent with the original terms of the gift. (Ideally, the time limit on the restriction will have been part of the understanding of the original gift, communicated with the donor(s) at the time of the gift.) If such a transfer or "De-designation" of funds is deemed to be inconsistent with the original terms of the gift, then the council may approve an extension of the time frame over which the funds may be spent for the originally specified purpose, or may vote to return unspent funds.

### **3. Perpetual Funds**

A Fund established to collect donations and memorials intended to support the work of a particular ministry team or area, without other conditions. Perpetual Funds are a source of funds, beyond any budgeted expenditures, to be used to support and further each of the ministries in question. A Perpetual Fund does not have a completion criterion or date. Relevant ministry teams, not the Finance Committee, MFAC, or council, determines how the funds are spent; expenditures should generally be on items that are already on the list of "Current Ministry Needs and Priorities" since each ministry team will have already provided current input to that. (Expenditures over \$1,500 also need to be approved by Council.) The current list of Perpetual funds is:

- Property Fund
- Worship and Music Fund
- Education Fund
- Social Action Fund.

### **4. Mission Endowment Fund**

The Mission Endowment Fund is a new perpetual Fund that will be managed on an ongoing basis, similar to an endowment: each year, only the income earned by the fund, plus a relatively small amount of the principle, will be disbursed, to ministries within and outside of our walls.

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Disbursements: Each year, an amount no less than the annual income earned will be distributed; the maximum amount allowed to be disbursed in any year will be the greater of 1) the annual total return (income and gains) of the fund, or b) 10% of the total balance of the fund.

Note: the MEF is similar to the perpetual funds in that it is open-ended, not time limited, but it is different in that this is the *only* fund that is conceived of as an “endowment” fund—only a portion of the principal, along with any income or gains, will be spent in any given year. The perpetual funds, while open-ended, are not endowment funds—any gifts to the perpetual funds should be expected to be spent within a reasonable period of time, and the entire balance of these funds may be drawn down at times, depending on the congregation’s needs. While the endowment feature makes the MEF different in how the fund is managed and how much is disbursed, there will be overlap with the other perpetual funds in how the money is spent: Up to 50% of the MEF may be spent on ministry initiatives and priorities within the congregation—i.e. in the areas of Music & Worship, Education, or Property, while the remaining disbursements from MEF, as well as the Social Action Perpetual Fund, will usually be spent “outside our walls.”

### **5. Special Fund**

A Fund established to collect donations for a particular purpose, project or purchase, with a definite completion criterion and time limit. (In a sense, Restricted Memorial Funds are one type of Special Fund.) Goals for the amount and timing to achieve the purpose shall be set, and the purpose described, at the establishment of the fund. When the purpose and/or time limit is achieved the Fund shall be closed, and any unspent funds may be transferred to the Memorial Fund, unless council has voted to amend the original terms.

**Use of “Named” funds to honor donors, bequests, and track memorial donations:** Named funds are not an additional category or type of fund. All gifts of a significant size may be given a name, to be tracked over time. This is especially important in the case of memorial gifts that may arrive from many individuals over a period of a year or more. Any gifts—undesignated, directed to perpetual funds or MEF, or restricted memorials can be “named” funds, in which case the MFAC will track the donations made in each name and provide regular reports including cumulative totals for each named fund to council and the congregation, and to each named donor’s family upon request.

**Unrestricted “Named” gifts:** While undesignated or unrestricted gifts automatically become part of the (perpetual) MLC Memorial Fund, cumulative totals may be kept and regularly reported, as if a separate “sub-fund” in that name existed, within the Memorial Fund. Especially within the year a gift is made, it is important to hold up and celebrate such a gift, as the “Smith Memorial” for \$X,xxx, even when it is not designated for a specific purpose. What cannot be tracked precisely, is how the funds are spent, for such a “named” fund. Nonetheless, within a reasonable time frame (1-2 years) after a significant unrestricted gift has been made, the council (sometimes at the recommendation of the pastor) may choose to “match” a particular project on the “Current Ministry Needs and Priorities” list with the “named” gift, particularly if it is felt that such a use would meet with approval from the donor and donor’s family; the pastor

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will communicate back to the family when a gift has been used in such a way and MFAC will keep a record of how much of the “named” memorial has been used and for what purpose. There is no requirement or expectation that the entire amount of unrestricted memorial gifts will be attributed or spent in such a fashion—it is simply a courtesy to the donor and donor’s family to communicate what we can. Any such attempt to designate spending from an undesignated named fund should occur within 2 years of the last donation into the fund.

**Directed “Named” Gifts:** Just as significant gifts to the undesignated Memorial Fund can be named and tracked as specific named gifts, significant directed gifts to either the perpetual funds or the Mission Endowment Fund can be similarly named, with cumulative totals appropriately tracked and reported. (ie, the Smith Bequest to the Music Fund in 2014 totaled \$10,000, or the Jones bequest to the Mission Endowment Fund in 2015 totaled \$12,000). In the case of such directed gifts, no further tracking of how the named gift is used will be done. The donor may be informed of all expenditures from the fund in question for a period of time following the gift.

**Restricted Gifts:** All Restricted Memorial Funds will be “named” funds, with both the income and the expenditures tracked and reported individually for each fund.

**Tracking/Reporting of contributions to “named” funds:** It is not necessary for each individual named fund (restricted, directed, or unrestricted) to appear as a separate line in the Church’s summary financial reports and Balance sheet. A single total for all “Restricted Memorial Funds” along with the (unrestricted) “Memorial Fund” total is sufficient. For undesignated and directed gifts, only the contributions to a particular name, not expenditures from a name need to be precisely tracked. A separate “Contributions to Named Funds Report” will detail annual and cumulative total contributions to each “named” fund—undesignated, directed and restricted—and will be prepared by the MFAC. For the Restricted Memorial Funds, more detail—separate internal accounts—will be kept, to be able to track and report disbursements for the Restricted Funds. These reports will be prepared by MFAC and be available to the congregation annually, as well as upon request to donors and potential donors.

### ***I. Memorial Fund Administration Committee***

Memorial Fund Administration Committee (MFAC) is appointed by the Finance Committee, to include members of the committee, as well as additional members from the congregation, including but not limited to members of council and the Stewardship Ministry Team, and reports to the Finance Committee. The MFAC shall be responsible for administering the Memorial Funds and the Mission Endowment Fund (MEF), as well as tracking and administering the Special and Perpetual Funds of MLC, keeping track of donations, disbursements and balances of all funds. The committee will, with input from council and all the ministry teams, compile the list of “Current Ministry Needs and Priorities” which is used both to inform potential donors of our needs as well as to guide disbursements from any the funds.

### ***II. Current Ministry Needs and Priorities***

Lists of items or projects which have been determined to be necessary to further the ministry of MLC, to help direct the expenditure of both perpetual and Memorial Funds.

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This will be closely aligned with MLC's mission and vision, with any current strategic plan created by council, and will be updated at least once a year, with input from every MLC ministry team and committee.

Each ministry team and committee with a perpetual fund (Property, Worship & Music, Social Action, and Education) will maintain a list of needs and priorities to inform expenditures from and donors to each perpetual fund, and will also provide their list of needs and priorities to MFAC.

MFAC will use these lists, along with input from the remaining ministry teams and committees, from pastors, and council, to create the list of "Current Ministry Needs and Priorities" for the congregation. The council may review and suggest changes in the list.

The entire list from each individual perpetual fund/ministry area need not be included in full in the overall congregation CMNP list.

Disbursements from the undesignated Memorial Funds, as well as money spent within MLC from the MEF, will be determined by Council, guided by the list of Current Ministry Needs and Priorities, and by the principle that memorial gifts are intended to be used for ministry, within a reasonable period of time following the gift.

The Current Ministry Needs and Priorities lists will be available to members and potential donors to inform donors of how Marin Lutheran is making use of their current and future bequests and planned giving, whether undesignated or to a particular ministry area.

### ***III. Tithing of Gifts to MLC***

MLC strives to provide a good example of stewardship to its members in the way it handles gifts. Part of that stewardship example is tithing—giving a minimum of 10% (and perhaps much more) to the larger church—Sierra Pacific Synod, or the ELCA and its various ministries. All memorial gifts—restricted and undesignated, or designated for one of the perpetual fund ministries—greater than \$10,000 will be subject to tithing as a matter of policy, and this should be made clear to anyone considering making a restricted bequest. Gifts to the MEF will not be automatically be subject to tithing, as a large proportion of the disbursements already go to the larger church.

### ***IV. Mission Endowment Fund Disbursements***

Annual disbursement amount: will generally be between 5-10% of the total assets of the MEF (at previous year-end), but not less than the annual income earned, to be divided as follows:

- 1) Local: Up to 35% for projects within the local area wherein the congregation resides (as determined by the Social Action team list of needs and priorities),
- 2) Synod/State: Up to 35% for special ministries within our state and the Sierra Pacific Synod of the ELCA
- 3) ELCA/Global: Up to 35% for ELCA Churchwide and other global ministries
- 4) MLC Congregation: Up to 50% for extraordinary needs, capital improvements or ministry initiatives within this congregation.

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MFAC will recommend a disbursement amount (between 5-10% of assets) with council making the final decision. MFAC will make further recommendation for disbursements from Restricted Memorial Funds, consistent with each fund's Statement of Intended Use.

### ***V. Responsibilities***

#### **Council**

1. Memorial Fund: With input from pastors, ministry teams, Council will approve expenditures/disbursements from the Memorial Fund. Except in unusual circumstances or emergencies, Memorial Funds will be used for items on the list of "Current Ministry Needs and Priorities."
2. Mission Endowment Fund: based on the guidelines above with respect to minimum and maximum annual disbursement, and on the guidelines for distribution between the four broad ministry areas, Council will approve the annual disbursements from the Mission Endowment Fund.
  - a. Council may act in response to recommendations from MFAC, or in response to request from ministry teams or from council itself, provided the disbursement remain within the overall MEF disbursement guidelines.
  - b. In particular, Council will generally defer to the Social Action Ministry team in determining the specific *local* (#1) ministries receiving Mission Endowment Fund disbursements,
  - c. Social Action may also recommend specific ministries in the *regional* or *global* areas (#2, #3). to council.
  - d. Council may, in response to an extraordinary and unforeseen emergency situation, increase the total distribution amount and alter the allocation percentage limits, to help the congregation rectify an economically devastating situation.
3. Perpetual Funds: Requests from a ministry team or committee for an expenditure from its Perpetual Fund of greater than \$1,500 must be approved by Council.
4. Council will approve disbursements from Restricted Memorial Funds, consistent with each Statement of Intended Use.

#### ***The Memorial Fund Administration Committee (MFAC)***

1. Shall compile and maintain the list of "Current Ministry Needs and Priorities" based on consultation with and current information received from every ministry team and the Council. The list will be updated at least annually, if not more frequently.
2. Shall maintain a permanent book of remembrance of all donors to the Mission Endowment Fund (including restricted and undesignated memorials, and gifts to perpetual funds.) and current and cumulative totals for all of the Named Memorial Funds.

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3. Shall communicate with the Pastor when an Intended Use has been achieved and a Restricted Memorial Fund retired, to support follow-up communication of this by the Pastor to the donor, as may be appropriate.
4. Shall provide a summary of fund balances and activity—gifts and disbursements, regularly to council and to the congregation annually.
5. Shall maintain records of contributions to Named Funds, providing annual reports to the congregation, and report as requested to donors or families, both the cumulative total, and the total contributions for a given time period. A list of all the individual contributors (but not the amounts) to a named fund will be provided in a timely manner after the Named Fund has been created, and as needed or upon request thereafter.
5. Shall verify that we have a Statement of Intended Use for each Restricted Memorial Fund, as well as for all Directed donations to perpetual funds or Mission Endowment Fund.
6. Shall ensure that all Restricted Memorial Funds have a limited lifespan or time limit included with the Statement of Intended Use, and that such funds are in fact closed within the stated time frame.
7. Shall provide information to Council regarding the annual disbursement and distributional guidelines for the Mission Endowment Fund, and may also provide Council with a recommendation regarding these amounts.
8. Shall, with the help of the Treasurer, ensure that all gifts of tangible property, or shares of stock in individual companies, are promptly sold and converted to cash, as soon as is practical.
9. Shall, in coordination with the Stewardship Ministry Team, encourage planned giving and gifts through education and promotion of:
  - a. the list of “Current Ministry Needs and Priorities”
  - b. Memorial gifts (undesignated)
  - c. the Perpetual Funds (for “directed” giving)
  - d. the MEF for building an endowment.

### ***The Pastor***

1. Shall be the primary point of contact with donors, involving consultation with and counseling of prospective donors prior to making a memorial gift or bequest and communicating with the families of donors following a bequest. (The pastor may also choose to involve other individuals, such as members of MFAC, if needed, in certain communications with donors.)

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2. Shall use the list of “Current Ministry Needs and Opportunities” and the existence of the Perpetual Funds and the Mission Endowment Fund, to communicate the donation opportunities in the Church to the donors:
  - a. To assure donors of the many possible valuable areas an undesignated will be used for
  - b. To offer the alternative of a “directed” gift (to a perpetual fund/ministry area, or to the MEF)
  - c. Using the “Current Ministry Needs and Opportunities” to assure that a restricted gift is as useful as possible to the mission and ministry of MLC, if the donor insists on making a restricted gift.
3. Shall work with the committee to assure that an accurate Statement of Intended Use is recorded for each restricted or directed donation;
4. Shall involve the MFAC, as needed, on any issues involving “complicated” (non-cash) bequests or planned giving.

### ***The Treasurer***

1. Shall create accounts, and receive and disburse money or other tangible assets, to support this policy as regards donations and Funds.
2. Shall make arrangements to promptly sell all shares of stock or other financial instruments that have been donated.

### ***Ministry Teams and Perpetual Funds***

For each Perpetual Fund, the ministry team or committee whose activities are the intended use of that Fund shall decide how funds shall be spent. Each ministry team and committee will maintain a list of current needs and priorities, which will:

- a) Be given to MFAC to help compile the overall list of “Current Ministry Needs and Priorities” for MLC
- b) Be available to potential donors to the ministry area
- c) Determine where monies from the perpetual fund may be spent in any given year. (if money is to be spent, it needs to be a “priority.”)

The Ministry team has sole discretion to spend amounts less than \$1,500 from its Perpetual Fund, provided the expenditure appears on their list of needs and priorities. Amounts greater than \$1,500 need to be approved by council.