



Second Unitarian Church of Omaha

Endowment Fund Committee (EFC) **Implementation Procedures of Articles 13, 14, & 15 of the Bylaws**

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1. Purpose and Intent

This document details procedures and an annual schedule for the Endowment Fund Committee (EFC) to administer the Endowment Fund in accordance with Articles 13, 14, and 15 of the 2nd Unitarian Church of Omaha bylaws (Bylaws). The intent of these procedures is to provide a consistent and standardized approach for the EFC to administer and manage the Endowment Fund. The EFC will consist of three people: 1) investment monitor; 2) convenor; and 3) secretary. It may be necessary to revise this document from time to time to be consistent with changes in church governance and/or to be responsive to changes in social and economic conditions. Revisions to this document must be approved by the Board of Trustees (Board).

2. Duties & Responsibilities

- A. The EFC will administer the endowment fund consistent with church Bylaws. In addition, the EFC shall administer the Endowment Fund according to generally accepted accounting principles applicable to the Church.
- B. All assets of the Endowment Fund shall be held in the name of the Church. For the benefit of donors and their tax filing, the specific recipient name for Endowment Fund gifts will be Second Unitarian Church of Omaha Endowment Fund (Tax ID 47-0581934).
- C. The EFC shall keep a permanent record of all gifts made to the Endowment Fund including any terms and restrictions of those gifts. This record is needed to track principal amounts which are to remain intact (not to be withdrawn) within the Endowment Fund. Principal amounts are defined as the original amounts contributed by donors. In accordance with Bylaws Section 15.3, principal amounts contributed to the Endowment Fund shall remain intact. All other amounts are defined as earnings (income, interest, dividends, rents, profits, and capital appreciation of investments) which may be withdrawn in support of church functions.

D. Quarterly Reporting

The EFC will inform the Board and the Financial Council Committee (FCC) of the following on a quarterly basis (or more frequently if deemed necessary):

- the Endowment Fund balance, as documented in periodic investment statements from investment firms holding Endowment Fund assets.
- the total principal amount based on historic donations, which shall remain intact.
- donations received during the quarterly period (information to include amounts, donors, and related gift purposes such as memorials, legacy, etc.).

The EFC may also advise the Board and FCC on market conditions (e.g., bull markets, bear markets, recessions, market corrections, and other current trends affecting endowment fund values) to assist the Board with decisions regarding the handling of endowment funds.

E. Annual Reporting

- The EFC will prepare and issue an annual report to the Board following receipt of financial information related to the prior fiscal year (July 1 to June 30). Annual reports should include the following: An indication of the annual fiscal year reporting period dates.
- A list of current EFC members and their functions.
- A summary of quarterly fair market values for the past five quarters leading up to the annual report date.
- A summary of gifts made to the endowment fund during the annual reporting period.
- Any withdrawals made from the endowment fund during the annual reporting period and the purpose of the withdrawals.
- Any pending withdrawals that have been approved by the Board but not yet withdrawn from the endowment fund as of the date of the annual report.
- Information regarding the results of audits conducted on the endowment fund during the annual reporting period, if an audit was conducted during this time.
- Any other salient activities conducted by the EFC during the annual reporting period.

F. Reporting to the Committee Leadership Council (CLC)

Reporting current EFC activities may be necessary in support of the Committee Leadership Council (CLC). The CLC is a forum for all church committees to share their respective activities, challenges, accomplishments, etc. Committees participating in CLC meetings share/offer suggestions, advice, assistance, etc. between committees to facilitate the overall good of the church. The type and frequency of information needed for CLC meetings is typically requested by the CLC.

3. Audits

Audit means the biennial audit performed by appropriate persons who are not members of the EFC as set forth in Article 12.4 of the Bylaws. The EFC will cooperate with church auditors to facilitate the completion of each biennial Endowment Fund audit.

4. Advisory Members

Advisory Members of the EFC means investment advisors or legal advisors as authorized by Article 14.7 of the Bylaws.

If the EFC deems it to be in the best interest of the Endowment Fund, the EFC may retain the services of Advisory Members for (1) financial counseling on investment; or (2) legal matters. Such hiring will be with the Board's approval.

5. Authorizations

The EFC is responsible for managing the endowment fund in accordance with church Bylaws and Board directives. Authorization for the EFC to manage endowment funds is provided by the Board. The Board shall have sole authority to approve investment recommendations by the EFC, and in all other respects control the assets of the Endowment Fund.

For financial transactions, the EFC may:

- a. take all actions necessary to execute any financial transactions approved by the Board.
- b. make recommendations to the Board.

6. Conflict of Interest

- A. No member shall engage in any self-dealing or transactions with the Endowment Fund in which the member has a direct or indirect financial interest and shall always refrain from any conduct in which their personal interests would conflict with the interest of the Endowment Fund.
- B. Each fiscal year, following the incoming of a new EFC member each June, each EFC member will complete and sign a Conflict of Interest (COI) Statement. The COI Statements will be submitted to the Board. A COI Statement form is located on the church website under Church Governance / Governing Documents.
- C. A Conflict-of-Interest Policy, periodically updated from time to time, is located on the Church website under Church Governance / Governing Documents.

7. Processing Gifts to the Endowment Fund

Upon receiving a donation, the donation amount will reside in a pass-through account managed by the church treasurer until the EFC is ready to transfer the amount to an investment account. Any gifts of stocks, bonds, or other tangible assets must be converted to cash before this process can proceed.

At the time of implementing this version of the Implementation Procedures (version 4.1), Vanguard was the only investment management company holding assets of the Endowment Fund. The process of investing with Vanguard is done online using the following general process:

- a. The EFC decides what percentages/amounts of the gift(s) will be transferred and which of the investment funds being managed will receive the transfer(s).
- b. There are two people that have access to Vanguard online: 1) the EFC investment monitor and 2) the church treasurer.
- c. The EFC investment monitor should notify the treasurer of the EFC's decision regarding which Vanguard fund(s) will receive the transfer, along with the specific percentages or amounts to be allocated to each fund.
- d. The EFC investment monitor and church treasurer will work jointly to transfer money from the Core Bank account to the appropriate Vanguard funds.
- e. A thank-you letter or card coming from the EFC should be sent to the donor(s) to recognize the gift. Important points to touch upon in the endowment thank you:
 - Sincere and deep gratitude from the EFC (be sure to include dollar amount so they know it all got to us and that we are aware of how much they gave).
 - Include special thanks/recognition for other ways the member(s) contributed to the congregation to make the letter more meaningful and personal.
 - Emphasize that their gift will be a permanent legacy to Second Unitarian that will help to maintain our church as a beacon of liberal religion in Omaha.
 - Provide a signature(s) to make the card/letter more personal.
 - Use previously prepared thank-you letters as a guide.

8. Processing Withdrawals from the Endowment Fund

At the time of implementing this version of the Implementation Procedures (version 4.1), Vanguard was the only investment management company holding assets of the Endowment Fund. The process of withdrawing assets from Vanguard is done online using the following general process:

- a. The Board and/or FCC will notify the EFC of the amount to be withdrawn, based on the line item of the annual budget approved by church members at the annual meeting.
- b. The EFC will make recommendations to the Board regarding the following:
 - the fund(s) from which the withdrawal should be made
 - the timing of making a withdrawal with respect to market conditions (e.g., making a withdrawal during depressed market conditions would result in redeeming more fund shares for a specific amount of cash than when market conditions are more prosperous.)
- c. There are two people that have access to Vanguard online: 1) the EFC investment monitor and 2) the church treasurer.
- d. The EFC investment monitor and church treasurer will work jointly to transfer money from the Vanguard funds to the appropriate Core Bank account.

9. Restricted Funds

The Endowment Fund is intended to be a fund that does not include any restrictions, other than the restriction to not spend the principal amounts donated (only earnings on the principal are to be spent). Donations made with any other restrictions will not be added to the Endowment Fund and will be managed by the Finance Coordinating Council and the Treasurer.

10. Security Measures

The EFC investment monitor and church treasurer will have access to the Vanguard website for viewing account information and making transactions. The EFC investment monitor will provide monthly fund balances and transactional details to other EFC members upon request.

11. Schedule

An outline of the schedule to implement Endowment Fund procedures is as follows:

January	Quarterly reporting to the Board on the financial records of the Endowment Fund (end of December calendar quarter). EFC continues to track net investment income and fair market value of the Endowment Fund each calendar quarter.
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February

March

April

Quarterly reporting to the Board on the financial records of the Endowment Fund (end of March calendar quarter). EFC continues to track net investment income and fair market value of the Endowment Fund each calendar quarter.

May

May/June

EFC to prepare and give a presentation on the endowment fund status to the congregation at the annual town hall meeting and/or the annual congregational meeting in accordance with Bylaws Section 14.6.

Simple majority of the voting members of the congregation present at the annual congregational meeting to approve/disapprove the Board's budget which may or may not contain a line item Endowment Fund distribution.

The Board authorizes EFC to make a withdrawal from the Endowment Fund for a specified amount to be used for approved uses.

New incoming EFC member to replace outgoing EFC member.
New incoming EFC member to begin 3-year term.

All EFC members to complete and submit conflict of interest forms to the Board.

In accordance with Vanguard Funds' corporate security protocols for private investment accounts, any change to authorized users for access and permissions requires new Vanguard documentation identifying the funds' newly authorized users. As such, the names of the EFC investment monitor and church treasurer for access and permissions to the Vanguard website (and/or any other fund website) will be updated as necessary.

As required every two years, EFC assists church auditors with audit.

July

Quarterly reporting to the Board of Trustees on the financial records of the Endowment Fund (end of June calendar quarter). EFC continues to track net investment income and fair market value of the Endowment Fund each calendar quarter.

October Quarterly reporting to the Board on the financial records of the Endowment Fund (end of September calendar quarter). EFC continues to track net investment income and fair market value of the

Endowment Fund each calendar quarter.

December

12. Investment Policy

Endowment Fund Committee (EFC) Mission

The mission of the EFC is defined by the Purpose Section of Church Bylaws. The primary objectives are:

- 1) To preserve and protect the original principal.
- 2) To maximize long-term growth of the fund.
- 3) To provide funds to support the needs and purposes of the Church.

Investment Principles

- 1) Appreciation of the Endowment Fund can be best achieved in the equity markets, which have proven to generate the highest returns over long-term intergenerational investing.
- 2) Investment risk is minimized through the selection of mutual funds that index a broad sector of equity markets.
- 3) Investments in specific individual stocks is not allowed.
- 4) Global investment diversification should be 70% domestic and 30% international. Rebalancing this diversification should be considered once a year within 30 days of the end of the fiscal year. The EFC may decide to rebalance more frequently if a large imbalance (greater than 5%) occurs during the year.
- 5) Investment expenses should be kept to a minimum by selecting only funds with expense ratios under one-half of one percent. Vanguard funds have met this requirement in the past but other investment institutions may be used if determined to be advantageous.
- 6) Larger fluctuations in equity markets are expected compared to those associated with less risky investment. These periodic reductions in asset values will be tolerated as a normal part of long-term investing for higher returns.
- 7) Consideration should be given to socially responsible funds that meet all other investment principles.
- 8) To minimize costs, no professional advisors will be used.
- 9) Cash and cash-like investments should be kept at zero or to a minimum (less than 2%) and generally held only for short-term liquidity and distribution needs.
- 10) All stocks, bonds, and tangible property received as a contribution to the Endowment Fund must be sold upon receipt and the sale proceeds be invested in the Endowment Fund. See the Finance Committee's Gifts & Donations policy as a guide for selling the assets.

Investment Goals and Comparative Analysis

- 1) The goal of Endowment Fund investing is for an average annual rate of return of 6% or greater over a three-year period.
- 2) For purposes of evaluation of performance, the portfolio's investment results will be compared to appropriate benchmark indices, as follows:
 - a. Comparison to Domestic Socially Responsible stock fund – Investments in funds in this category will be compared to the FTSE US Choice Index, which measures the performance of US stocks

after excluding companies involved in Vice Products (Adult Entertainment, Alcohol, Gambling, Tobacco), Non-Renewable Energy (Nuclear Power, Fossil Fuels), and Weapons (Civilian Firearms, Controversial Military Weapons, Conventional Military Weapons, Ammunition).

- b. Comparison to International stock fund – Investment in funds in this category will be compared to the FTSE Global All Cap ex US Index, which is a market-capitalization-weighted index that is designed to measure the equity market performance of companies located in both developed and emerging markets around the world, excluding the United States.
- c. A comparison of investments to the appropriate benchmark indices will be performed annually and presented as part of the Endowment Fund report at the annual meeting.

Policy Exceptions

Exceptions to this policy must be approved by the Board of Trustees.