

1 **1 Purpose and General Policy**

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3 1.1 The purpose of this Endowment Policy is to faithfully guide securing and
4 managing property and funds received by the Maine Conference of the United
5 Church of Christ (hereafter, the “Conference”).

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7 1.2 It is the general policy of the Conference:

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9 1.2.1 To offer diverse opportunities to all constituencies for support of the
10 Conference;

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12 1.2.2 To communicate such opportunities to constituents on a regular basis; and

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14 1.2.3 To provide resources for full and effective stewardship and planned giving
15 programs for the benefit of donors and the Conference.
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18 **2 Authority**

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20 Pursuant to the Conference Charter and By-laws, the Coordinating Council has
21 responsibility for stewardship concerns of the Conference. In addition, the Charter
22 and By-laws delegate management of the Endowment to the Board of Trustees. The
23 Coordinating Council and the Trustees may implement this legitimate authority
24 through persons, committees, task forces, advisors, staff and others as it sees fit
25 within the confines of Conference policy and the Conference By-laws.
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27 **3 Sunset**

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29 The Coordinating Council shall review this policy a minimum of every five years.
30 The five years commence with this policy’s approval date.
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32 **4 Policy Overview**

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34 The Conference Endowment consists of restricted and unrestricted funds that have
35 been received in trust or as a gift to provide income and capital for support of
36 Conference programs and purposes. This policy provides guidelines regarding the
37 sources and uses of Endowment funds, including gifts, bequests, charitable remainder
38 trusts, memorials, securities, real property and life insurance.
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40 The expectation that the Endowment will continue to grow and will exist in
41 perpetuity will be taken into consideration in determining the acceptability of gifts
42 and the amount, purpose and frequency of withdrawals. The Coordinating Council,
43 under guidelines established below, will monitor the Endowment.
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4.1 What This Policy Provides:

4.1.1 **Guidance** for the advancement of the Maine Conference – United Church of Christ Ministries;

4.1.2 **Management Practices and Procedures** to secure and protect the trust of the local churches, volunteers, the Conference, its Coordinating Council, Board of Trustees and staff; and

4.1.3 **Information** for the Conference’s volunteers, advisors, donors and prospective donors.

5 Advancement of the Maine Conference – United Church of Christ Ministries

5.1 The Coordinating Council shall cause the build up of the Endowment through new gifts to existing and new program areas. Endowment funds are to be employed and disbursed to promote and secure the mission/program of the Conference in accordance with and under the provisions of the uses and purposes for which they have been received and held. Income from the Endowment shall be distributed quarterly and at such other times as deemed necessary and/or feasible to accomplish purposes of the Conference in existing and new program areas.

5.1.1 Existing Gifts

5.1.1.2 For nearly 200 years, members, congregations, and other friends have blessed the Maine Conference United Church of Christ with permanent gifts. Those gifts support many Conference purposes, ministries, programs and projects as follows.

5.1.1.1.1 Resourcing the Local Church.

5.1.1.1.2 Maine Conference General Support

5.1.1.1.3 Pilgrim Lodge General Support

5.1.1.1.4 Pilgrim Lodge Facility Maintenance and Improvements

5.1.1.1.5 Pilgrim Lodge Camper Scholarships

5.1.1.1.6 Maine Ministerial Relief Society

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5.1.1.2 New Gifts and New Program Areas

5.1.1.3 Receipt of New Gifts. The Conference may accept undesignated or donor designated gifts in keeping with the donor’s intent and Conference purposes, subject to the *General Development Guidelines* attached to this policy.

5.1.1.3.1 Donors Intent. Funds accepted by the Conference shall be held for the benefit of the Conference, in compliance with the intent of the donor as expressed in any writing delivered by the donor to the Conference at the time of the donation, to the extent that such intent is in furtherance of the religious and charitable purposes of the Conference or this Endowment Policy to accept any gift, the Coordinating Council may refuse to accept such gift.

5.1.1.3.2 Undesignated Gifts. Undesignated gifts will be considered unrestricted funds and will be allocable by usual and ordinary budget and spending policies and procedures.

5.1.1.3.3 Designated Gifts. Designated gifts will be considered permanently restricted funds. The donor may designate gifts and the income from such gifts to the Conference’s specific purposes, ministries, programs and programs listed in Section 5.1.1.2 above. In addition, the Conference will receive donor-designated gifts for any new purpose or program not listed in this policy pending acceptance of the gift by the Coordinating Council.

5.1.1.3.4 New Designation Purposes. The following categories for guiding acceptance of new gifts and spending for new purposes will include but not be limited to the following

5.1.1.3.4.1 Education and Leadership Development. For scholarships or grants to members of the Maine Conference to grow in Christian faith and service to God’s people.

5.1.1.3.4.2 Community Mission. For outreach into the community including, but not limited to, grants to colleges, seminaries, social service agencies, institutions and agencies to which the Conference relates, and to special programs designed for persons in Maine who are in spiritual and/or economic need.

5.1.1.3.4.3 Wider Mission. For the wider mission of the Conference at home and overseas, including, but not limited to, grants for new church development, professional leadership, educational ministries, world mission, capital financing, and ecumenical ministries.

5.1.1.3.4.4 Facilities and Equipment. For capital improvements, debt reduction, or the building program of the Maine Conference.

5.1.1.3.4.5 Other Proposals. The Coordinating Council shall consider all proposals for acceptance of gifts and distribution of income under this policy, and make its decision on acceptance and for distribution of income under this policy, and make its decision on acceptance and for distribution of income known in a timely manner.

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143 5.1.1.3.5 **Size of New Purpose Designated Gifts.** The Conference encourages that gifts
144 designated for a new purpose be not less than \$10,000. This is because the
145 smaller the gift, the more management costs tend to dilute the annual returns of
146 the gift. The Coordinating Council may accept a new purpose donor designated
147 gift of less than \$10,000 only after a ¾ vote of those present and voting to accept
148 the gift. Furthermore, the Conference encourages donors who seek to contribute
149 less than \$10,000 to make unrestricted gifts to the Conference or contribute to an
150 existing purpose.

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153 5.2 The Coordinating Council shall cause awareness of endowment opportunities
154 through various methods (not all inclusive) of communication, resource and
155 educational efforts aimed at explaining donation opportunities and methods of
156 giving. Communication methods and interpretive efforts might include:

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158 5.2.1 Estate planning seminars

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160 5.2.2 Personal financial planning seminars

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162 5.2.3 Brochures

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164 5.2.4 Personal outreach through a special gifts committee

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166 5.2.5 Mailings, news articles, web publishing and other publicity

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168 **6 Management Practices and Procedures**

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170 **6.1 Board of Trustees Duties**

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172 6.2 The Trustees in managing the Endowment on behalf of the Conference are
173 authorized to exercise the following specific duties on behalf of the Conference
174 in accordance with the Conference Charter and By-laws.

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176 6.2.1 To hold, sell, exchange, rent, lease, transfer, convert, invest and reinvest the
177 Endowment assets and in all other respects to oversee the management and
178 control of said assets, exercising discretion in a reasonable and prudent manner,
179 in order to enhance income, growth and security of those assets;

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181 6.2.2 To authorize the signing of all checks and other necessary documents in dealing
182 with the assets, subject to guidelines and other prior approval requirements
183 established from time to time by the Coordinating Council in accordance with the
184 Charter and By-laws of the Conference;

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186 6.2.3 To hire or otherwise obtain the services of investment advisors, accountants,
187 attorneys, custodians, depositories or such other agents the Trustees determine to
188 be in the best interests of properly managing the assets and to compensate said
189 individuals or entities from the income and/or principal of the assets;

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- 191 6.2.4 To determine the allocation of receipts and disbursements between principal and
192 income on a reasonable basis according to generally accepted accounting
193 principles and provisions of applicable law;
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- 195 6.2.5 To develop rules and procedures to aid in the operation and administration of the
196 Endowment, provided such rules, procedures and guidelines are consistent with
197 the policy;
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- 199 6.2.6 To distribute income from the assets of the Endowment at such times and in such
200 amounts and to such recipients as it deems appropriate in accordance with
201 established policy;
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- 204 **6.3** ***Disposition of Funds***
- 205 Endowment funds shall be held in perpetuity. No distribution of principal of the
206 Endowment funds shall be made, except according to the provisions specified in
207 this policy. The principal of Endowment funds shall be held, invested and
208 reinvested and accumulated for the purposes described in this policy. The income
209 of Endowment funds shall be distributed or accumulated as set forth.
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- 211 6.3.1 No less frequently than quarterly, the Trustees shall expend as much of the
212 Endowment's net appreciation, realized and unrealized, in the fair value of the
213 assets as is prudent in accordance with the provisions of the Uniform
214 Management of Institutional Funds Act, 13 M.R.S.A., sec. 4100, et seq., as
215 amended. Such expenditure shall be disbursed by the Trustees to the Conference
216 Treasurer to be used as determined by the Coordinating Council but in
217 accordance with the acceptance of such funds.
218
- 219 6.3.2 Unrestricted gifts. From time to time, in the discretion of the Coordinating
220 Council, unrestricted gifts may be held by the Trustees as Endowment funds.
221 While there is no encumbering donor restriction limiting the use of unrestricting
222 gifts, the Coordinating Council may add unrestricted gifts to the Endowment as
223 good stewardship of scarce resources. Lacking any other Conference or
224 Coordinating Council policy or directive, all such unrestricted Endowment funds
225 shall be held, managed and used as described in sections 6.3.1 and 6.3.2
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- 227 **6.4** ***Investment Policy***
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- 229 6.4.1 Endowment funds are invested according to policies established by the Board of
230 Trustees following an opportunity for advice from the Coordinating Council.
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- 232 **6.5** ***Records, Accounting and Reporting***
- 233
- 234 6.5.1 The Trustees shall render to the Coordinating Council a complete and accurate
235 statement of account of the assets held as Endowment funds, and all income and
236 expenses, thereof.
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- 238 6.5.2 The Trustees shall render to the Coordinating Council a management report on a
239 quarterly basis and, at each annual meeting of the Conference, shall render a full
240 and complete audited accounting of endowment funds during the preceding year.

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7 General Development Guidelines

7.1 **Introduction.** The Conference welcomes expressions of interest and financial support, regardless of size or form, from any local church member, friend, church, corporation, foundation or similar source.

7.2 **Information for Potential Donors.** Conference volunteers, staff or designated representatives shall be available to meet in confidence with any prospective donor, without obligation, to discuss areas of interest and opportunities to support any area of the church's life and types of commitments, options for payment, estate planning, and the tax planning implications of a possible gift commitment so as to provide comprehensive information to a prospective donor. Conference volunteers may inform and request but shall not advise prospective donors about the form or amount of their gifts.

7.3 **Designated Endowment Gifts.** Donors interested in establishing a named Endowment fund are encouraged to consult with the Conference representatives or staff prior to making the gift so that the donor's intentions are appropriately established in writing. In designating an Endowment gift for a specific purpose, the donor is encouraged: (a) to describe that purpose as broadly as possible; (b) to avoid detailed limitations and restrictions; and (c) to provide a clause granting the Conference maximum flexibility to make use of designated funds in a manner most consistent with the intent of the donor and with the interest of the Conference should developments make it impossible to apply such funds to the designated purpose.

7.4 **Approval of Solicitations Required.** No solicitation of donations for gifts of funds or real property for the benefit of the Conference shall be made by anyone without the approval of the Coordinating Council or its designated representative. All gift and grant proposals from the Conference to potential donors must be prepared or reviewed by the Coordinating Council or its designated representative.

7.5 **Planned Giving Administration.** The Coordinating Council shall cause planned gifts to be held and administered by competent designated agents. All gifts to the Conference should be directed to the Conference office where they will be accepted, acknowledged and administered in accordance with the policies of the Coordinating Council and donor's wishes.

7.6 **Form of Donor Commitments.** Commitments to the Conference and/or payment of same may take the form of one, or a combination, of the following: 1) cash; 2) pledges; 3) appreciated securities or other personal assets; 4) deferred or planned gifts including trusts, annuities, insurance policies, gifts of residence with or without a retained life interest, and/or bequest intentions.

291 7.7 **Planned Giving Agreements and Arrangements.** Duly appointed or designated
292 representatives of the Coordinating Council shall have authority to sign planned
293 giving agreements on behalf of the Conference. Any agreement which does not
294 follow the format of the specimen agreements or otherwise meet the current
295 guidelines established in the specimen agreements attachment (TBA) to this
296 policy shall require the approval of the Coordinating Council or its designated
297 representatives.
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299 7.8 **Right to Accept or Reject Any and All Gift Commitments.** The Coordinating
300 Council reserves the right to accept (or, in cases where absolutely necessary, to
301 decline) any commitment that is offered to the Conference.
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303 7.9 **Receipting of Gifts.** The Conference, it's staff, volunteers, and designated
304 representatives will provide receipts to donors as appropriate for both business
305 and tax purposes.
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307 7.10 **Recognition of Gifts.** Commitments will be recognized publicly and/or
308 commemorated consistent with guidelines adopted by the Coordinating Council
309 and publicized to the churches of the Conference. When a gift has been
310 recognized and/or commemorated with the name of the donor or designee, that
311 name will not be disassociated with the named facility, program, or endowment
312 without the express written request of the donor or his/her heirs and assigns and
313 the authorization of the Coordinating Council. Donor requests for anonymity will
314 be honored. Furthermore, the Coordinating Council reserves the right to
315 determine how any commitment will be credited, and/or recognized.
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- 340 7.11 **Advice and Counsel on Tax and Legal Matters.** Although representatives or
341 designees of the Conference will provide appropriate assistance (see paragraphs
342 above), the ultimate responsibility regarding evaluations, tax deductibility, and/or
343 similar federal, state, and/or local legal compliance issues rests with the donor
344 and/or the donor's counsel. Representatives of the Conference shall recommend
345 donors retain competent legal related to the legal implications of giving to the
346 Conference.
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- 348 7.12 **Charitable Intent.** The Conference, its staff, volunteers and designated
349 representatives, will not accept gifts from individuals who do not exhibit obvious
350 charitable intent.
351
- 352 7.13 **Donor's Interest.** The Conference, through it's Coordinating Council, other
353 volunteers, officers, or paid employees, will not knowingly seek, nor accept, any
354 commitment regardless of size, designation or other condition which they believe
355 is not in the potential donor's best interest.
356
- 357 7.14 **Donor Withdrawal of Commitment.** Except in the case of and irrevocable
358 estate note, a donor may, upon written request and without explanation, withdraw
359 or modify a pledge commitment.
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- 361 7.15 **Encumbered Property.** The acceptability of gifts of encumbered property will
362 be evaluated on a case-by-case basis.
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- 364 **7.16 Policies Pertaining to Certain Types of Commitments**
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- 366 7.16.1 **Gifts of publicly traded securities** will be receipted at the mean value within
367 which the security traded on or about the date of the gift; such securities will be
368 conveyed to the Conference's broker for sale or to the Conference staff consistent
369 with established Conference policies.
370
- 371 7.16.2 **Gifts of closely held stock** will be receipted at the donor's appraised value and
372 will be held until liquidated, at which time the funds will be used consistent with
373 the gift intentions of the donor and the established Conference policies. If the
374 stock is finally revalued for Federal tax purposes, it will be credited in
375 accordance with such revaluation.
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- 377 7.16.3 **Fully paid up, or otherwise vested, insurance policies** of which the Conference
378 is owner and sole beneficiary will be credited at the fair market value of the
379 policy.
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- 381 7.16.4 **Bequest intentions, commitments of unpaid insurance policies, and other**
382 **revocable deferred gifts** will be recorded as deferred gifts to the Conference at
383 the value established a writing by the donor through a bequest form, a letter, a
384 copy of appropriate sections of a will, insurance document, a trust document, etc.
385 Such revocable gift commitments will be recognized, subject to the donor's
386 specific request and intent, only when the funds are irrevocably committed to the
387 Conference or when the gift matures.
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- 391 7.16.5 **Bequest intentions for which the donor does not know a specific gift value**
392 and/or does not provide an estimate of a residency bequest will be credited as
393 deferred gifts at a value of \$1.00.
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- 395 7.16.5.1 **Bequests will be credited to the Conference as received.** Such bequests will be
396 credited, recognized and/or commemorated at the fair market value established
397 for purposes of the decedent's federal estate tax return, or, if no such return is
398 filed, the fair market value at the time of probate and/or on the date of the gift.
399
- 400 7.16.5.2 **Outright gifts of real estate, bargain sales, and/or partnerships** will be
401 credited, recognized and/or commemorated at the appraised value of the property
402 at the time it is transferred to the Conference, less any encumbrances.
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- 404 7.16.5.3 **Outright gifts of tangible personal property** will be credited, recognized
405 and/or commemorated at the appraised value of the property at the time it is
406 transferred to the Conference less any encumbrances.
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- 408 7.16.5.4 **Liquidation of Tangible Personal Property.** Unless otherwise authorized by
409 the Coordinating Council, the Conference will seek to liquidate such assets in
410 order to secure the cash needed to fund its capital or operating programs and/or to
411 invest such assets in ways consistent with the currently authorized Conference
412 investment strategies.
413
- 414 **7.17 Guidelines Concerning Gifts of Tangible Personal Property:**
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- 416 7.17.1.1 **Additional Expenses from Accepting Gift.** Generally, the Conference's
417 acceptance of tangible personal property cannot involve significant additional
418 expense for present or future use, display, maintenance, or administration.
419 Generally, no burdensome financial or other obligations should be incurred,
420 directly or indirectly, by the Conference as a result of its acceptance of such gifts.
421
- 422 7.17.1.2 **Appraisals of Tangible Personal Property.** The Coordinating Council can
423 Conference Staff cannot furnish valuation or appraisals to donors in connection
424 with gifts of tangible personal property to the Conference.
425
- 426 7.17.1.3 **Loans of Tangible Personal Property.** Except in those cases where the
427 Coordinating Council determines that it is in the best interest of the Conference
428 to do so, the Conference will not accept gifts of tangible personal property (such
429 as paintings) if such gifts are to be made on the condition, understanding, or
430 expectation that the gifted items will be loaned to the donor or to persons
431 designated by the donor for life or for an extended period of time as determined
432 by the donor.
433
- 434 7.17.1.4 Gifts In-kind. Any gifts in-kind that could be liquidated will be credited on a per
435 item basis.
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- 437 **7.18 Administrative Procedures Relating to Certain Planned Gifts**
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- 439 7.18.1 **Funds received for Annuities and Trust Agreements.** Funds received for
440 annuities and trust agreements are administered by Coordinating Council

441 designated representatives and subject to policies and procedures as agreed to
442 with the designated representatives.

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444 7.18.2 **Gifts of Real Estate with Retained Life Interest.** The gift of a primary
445 residence, a vacation home, or a farm with retained life interest on the part of the
446 donor shall be arranged without a trust agreement. The donor deeds the property
447 to the Conference immediately. Calculation of the remainder interest, which is
448 allowed for Federal Income Tax Deduction Credit, is calculated as provided in
449 Section 7520 of the Internal Revenue Code, as amended.

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451 7.18.3 **Life Insurance.** Gifts of life insurance may be accepted by the Conference after
452 ownership is transferred to the Conference and the insurance company has
453 established present fair tax value.
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8 Glossary of Terms

agent. An entity acting for and on behalf of a principal, which may be either resource provider or a beneficiary.

annuity gift. A transfer of assets to a not-for-profit organization in connection with a split-interest agreement that is in part a contribution and in part an exchange transaction. The organization accepts the contribution and is obligated to make periodic stipulated payments to the donor or a third party beneficiary for a specified period of time, usually either a specific number of years or until the death of the donor or third party beneficiary.

annuity trust. *See charitable remainder trust.*

board designated. *See designated net assets and endowment fund.*

charitable lead trust. A trust established in connection with a split-interest agreement, in which the donor or a third-party beneficiary receives specified distributions during the agreement's term. Upon termination of the trust, the remainder of the trust assets is paid to the donor or to third-party beneficiaries designated by the donor.

charitable remainder trust. A trust established in connection with a split-interest agreement, in which the donor or a third-party beneficiary receives distributions during the agreement's term. Upon termination of the trust, a not-for-profit organization receives the assets remaining in the trust.

collections. Works of art, historical treasures, or similar, assets that are (a) held for public exhibition, education, or research in furtherance of public service rather than financial gain, (b) protected, kept unencumbered, cared for, and preserved, and (c) subject to an organized policy that requires the proceeds of items that are sold to be used to acquire other items for collections.

conditional promise to give. A promise to give that depends on the occurrence of a specified future and uncertain event to bind the promisor.

contribution. An unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner.

corpus. The principal amount of a gift or trust. Usually refers to the portion of a split-interest gift or an endowment fund that must be maintained over a specified period or in perpetuity.

designated net assets. Unrestricted net assets subject to self-imposed limits by action of the governing board. Designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

donor-imposed condition. A donor stipulation that specifies a future and uncertain event whose occurrence or failure to occur give the promisor a right of return of the assets it has transferred or releases the promisor from its obligation to transfer its assets.

donor-imposed restriction. A donor stipulation that specifies a use for the contributed assets that is more specific than broad limits resulting from the nature of the organization, the environment

539 in which it operates, and the purposes specified in its articles of incorporation or bylaws, or
540 comparable documents fo
541 r and unincorporated association. A restriction on an organization's use of the asset contributed
542 may be temporary or permanent.

543
544 **endowment fund.** An established fund of cash, securities, or other assets to provide income for
545 the maintenance of a not-for-profit organization. The use of the assets of the fund may be
546 permanently restricted, temporarily restricted, or unrestricted. Endowment funds generally are
547 established by donor-restricted gifts and bequests to provide a permanent endowment, which is to
548 provide a permanent source of income or, or a term endowment, which is to provide income for a
549 specified period. The portion of a permanent endowment that must be maintained permanently –
550 not used up, expended, or otherwise exhausted – is classified as permanently restricted net assets.
551 The portion of a term endowment that must be maintained for a specified term is classified as
552 temporarily restricted net assets. An organization's governing board may earmark a portion of its
553 unrestricted net assets as a board-designated endowment (sometimes referred to as funds
554 functioning as endowment or quasi-endowment funds) to be invested to provide income for a
555 long but unspecified period. A board designated endowment, which results from an internal
556 designation, is not donor-restricted and is classified as unrestricted net assets.

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558 **equity.** *See net assets.*

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560 **Functional classification.** A method of grouping expenses according to the purpose for which
561 the cost are incurred. The primary functional classifications are program services and supporting
562 activities.

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564 **funds functioning as an endowment.** Unrestricted net assets earmarked by an organization's
565 governing board, rather than restricted by a donor or other outside agency, to be invested to
566 provide income for a long but unspecified period. A board-designated endowment, which result
567 from an internal designation, is not donor-restricted and is classified as unrestricted net assets.
568 The governing board has the right to decide at any time to expend the principal of such funds.
569 (Sometimes referred to as quasi-endowment funds). See also *designated net assets*.

570
571 **Fund raising activities.** Activities undertaken to induce potential donors to contribute money,
572 securities, services, materials, facilities, other assets, or time. They include publicizing and
573 conducting fund-raising campaigns; maintaining donor mailing lists; conducting special fund-
574 raising events; preparing and distributing fund-raising manuals, instructions, and other materials;
575 and conducting other activities involved with soliciting contributions form individuals,
576 foundations, governments, and others.

577
578 **funds held in trust by others.** Resources held and administered, at the direction of the resource
579 provider, by an outside trustee for the benefit of the organization, frequently in connection with a
580 split-interest agreement or permanent endowment.

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582 **gift annuity.** *See annuity gift.*

583
584 **life income agreement.** A form of split-interest agreement. See *annuity gift* and *charitable*
585 *remainder trust*.

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587 **life tenant.** One who possesses a life-use right to property, frequently used in connection with a
588 split interest agreement.

589

590 **natural expense classification.** A method of grouping expenses according to the kinds of
591 economic benefits received in incurring those expenses. Examples of natural expense
592 classifications include salaries and wages, employee benefits, supplies, rent, and utilities.
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594 **net assets.** The excess or deficiency of assets over liabilities, classified according to the existence
595 or absence of donor-imposed restrictions.
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597 **net asset class(es).** The classification of net assets based upon the existence or absence of donor-
598 imposed restrictions. See also permanently restricted net assets, temporarily restricted net assets,
599 and unrestricted net assets.
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601 **net investment (equity) in land, buildings, and equipment.** The total carrying value (after
602 accumulated depreciation) of all property, plant, and equipment, less directly and related
603 liabilities. This amount is exclusive of real properties that are held for investment purposes.
604

605 **nonreciprocal transfer.** A transaction in which an entity incurs a liability or transfers an asset to
606 another entity (or receives an asset or cancellation
607

608 **not-for-profit organization.** An entity that possesses the following characteristics that
609 distinguish it from a business enterprise; (a) from contributions or significant amounts of
610 resources from resource providers who do not expect commensurate or proportionate pecuniary
611 return, (b) operating purposes other than to provide goods or services at a profit, and (c) absence
612 of ownership interests like those of business enterprises. Not-for-profit organizations have those
613 characteristics in varying degrees (FASB Statement of Financial Accounting Concepts
614 Statement No. 4, paragraph 6) Organizations that clearly fall outside this definition include all
615 investor-owned enterprises and entities that provide dividends, lower costs, or other economic
616 benefits directly and proportionately to their owners, members, or participants, such as mutual
617 insurance companies, credit unions, farm and rural electric cooperatives, and employee benefit
618 plans (FASB Concepts Statement No. 4, paragraph 7).
619

620 **permanent restriction.** A donor imposed restriction that stipulates that resources be maintained
621 permanently but permits the organization to use up or expend part or all of the income (or other
622 economic benefits) derived from the donated assets.
623

624 **permanently restricted net assets.** The part of the net assets of a not-for-profit organization
625 resulting (a) from contributions and other inflows of assets whose use by the organization is
626 limited by donor-imposed stipulation that neither expire by passage of time nor can be fulfilled or
627 otherwise removed by actions of the organization, (b) from other asset enhancements and
628 diminishments subject to the same kinds of stipulations, and (c) from reclassification from (or to)
629 other classes of net assets as a consequence of donor-imposed stipulations.
630

631 **promise to give.** A written or oral agreement to contribute cash or other assets to another entity.
632 A promise to give may be either conditional or unconditional.
633
634

635 **program services.** The activities that result in goods and services being distributed to
636 beneficiaries, customers, or members that fulfill the purposes or mission for which the
637 organization exists. Those services are the major purpose for and the major output of the
638 organization and often related to several major programs.
639

640 **quasi-endowment.** See *funds functioning as endowment*.

641
642 **reclassifications.** Transfers of amounts from one net asset class to another, usually as a result of
643 the release or lapsing of restrictions.
644
645 **remainder trust.** See *charitable remainder trust*.
646
647 **remainderman.** The recipient of the corpus (remaining principal) of a trust upon termination.
648
649 **restricted support.** Donor-restricted revenues or gains from contributions that increase either
650 temporarily restricted net assets or permanently restricted net assets. See also *unrestricted*
651 *support*.
652
653 **restricted net assets.** Resources whose use is restricted by donors are contrasted with those over
654 which the organization has complete control and discretion. Restricted net assets may be
655 permanently or temporarily restricted.
656
657 **spending-rate.** The portion of total return on investments used for fiscal needs of the current
658 period, usually used as a budgetary method of reporting returns of investments. It is usually
659 measured in terms of an amount or a specified percentage of a moving average market value.
660 Typically, the selection of a spending rate emphasizes (a) the use of prudence and a systematic
661 formula to determine the portion of cumulative investment return that can be used to support
662 fiscal needs of the current period and (b) the protection of endowment gifts from a loss of
663 purchasing power as a consideration in determining the formula to be used.
664
665 **split-interest agreement.** Trust or other arrangements initiated by donors under which not-for-
666 profit organizations receive benefits that are shared with either the donor or third party
667 beneficiaries. These gifts include lead interests (see charitable remainder trust, annuity gift, and
668 annuity trust).
669
670 **stipulation.** A statement by a donor that creates a condition or restriction on the use of transferred
671 resources.
672
673 **supporting activities.** Activities other than program services. The primary supporting activities
674 are management and general, fund raising, and membership development activities.
675
676 **temporary restriction.** A donor-imposed restriction that permits the donee organization to use
677 up or expend the donated assets as specified and is satisfied either by the passage of time or by
678 actions of the organization.
679
680 **temporarily restricted net assets.** The part of the net assets of a not-for-profit organization
681 resulting (a) from contributions and other inflows of assets whose use by the organization is
682 limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled
683 and removed by actions of the organization pursuant to those stipulations, (b) from other asset
684 enhancements and diminishments subject to the same kinds of stipulations, and (c) from
685 reclassifications or (or from) other classes of net assets as a consequence of donor-imposed
686 stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the
687 organization pursuant to those stipulations.
688
689 **term endowment.** A donor-restricted contribution that must be maintained for specified term.
690

691 **total return.** A measure of investment performance that focuses on the overall return on
692 investments, including interest and dividend income as well as realized and unrealized gains and
693 losses on investments. Frequently used in connection with a spending-rate formula to determine
694 now much of that return will be used for fiscal needs of the current period.

695
696 **unconditional promise to give.** A promise to give that depends only on passage of time or
697 demand by the promisee for performance.

698
699 **unrestricted net assets.** The part of net assets of a not-for-profit organization that is neither
700 permanently restricted nor temporarily restricted by donor-imposed stipulations.

701
702 **unrestricted support.** Revenues or gains from contributions that are not restricted by donors. See
703 *also restricted support.*

704
705 **voluntary health and welfare organizations.** Organizations formed for the purpose of
706 performing voluntary services for various segments of society. They are tax exempt (organized
707 for the benefit of the public), supported by the public, and operated on a “not-for-profit” basis.
708 Most voluntary health and welfare organizations concentrate their efforts and expend their
709 resources in an attempt to solve health and welfare problems of our society and, in many cases,
710 those of specific individuals. As a group, voluntary health and welfare organizations include
711 those not-for-profit organizations that derive their revenue primarily from voluntary contributions
712 from the general public to be used for general or specific purposes connected with health,
713 welfare, or community services.

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1 The included Glossary from Pp. 505 – 509 of the *AICPA Audit and Accounting Guide for Not-for-Profit Organizations* (American Institute of Certified Public Accountants, Inc. New York, New York, 1999) is intended for a glossary of terms for this Endowment policy only. Permitted use of the glossary for inclusion in a final endowment policy has been granted by the American Institute of Certified Public Accountants, Inc and may be updated from annual updates of the *AICPA Audit and Accounting Guide for Not-for-Profit Organizations*.