

## **Dallas First UMC Endowment Fund Spending Policy**

### **A. General Information**

The Dallas First UMC Endowment Board, 141 E. Memorial Drive, Dallas, GA 30132, (hereafter “Endowment Board” or “Board”) hereby adopts this Statement of Spending Policy. The Fund operates as part of the committee structure of Dallas First United Methodist Church, (hereafter “the Church”). The Endowment Board provides funds to help support the capital, ministry, and missional needs of the Church and the broader Paulding County community.

### **B. Purpose**

The purpose of the Spending Policy is to establish a consistent plan that will enable the Endowment Board 1) to approve and to disburse funds that fulfill the ministry and designation of the endowments received and 2) to further strengthen the financial base of the Endowment Fund (hereafter “the Fund”).

### **C. Problems to Avoid**

This Spending Policy is adopted in order to minimize the problems that may occur without such policy, including, but not limited to:

1. Erratic spending that may place the future of the Fund in jeopardy.
2. Lack of disbursements from the Fund resulting in a disinterest in future contributions and bequests to the Fund.

### **D. Policies Adopted**

The Endowment Board hereby adopts the following policies as the components of its Spending Policy:

1. Income Definition: The Fund shall use the definition of income as defined by Corporate Law, which generally defines income as earnings from all sources including interest, dividends, net rentals, and capital appreciation.
2. Inflation Retention: The Fund shall retain sufficient income to offset the long-term effects of inflation or a severe market decline.

3. Spending Rate: Financial analysis has demonstrated that a 4.0% to 6.0% spending policy and an endowment portfolio invested and professionally managed is likely to never be depleted. A set spending rate is an industry standard for charitable endowment funds. Thus, the Fund shall use a spending rate of up to 5.0% annually. Based on an approximate initial Fund value of \$3.0 million, a 4.0% withdrawal rate equates to \$120,000 annually, while a 5.0% withdrawal rate equates to \$150,000 annually. The Board has adopted an annual spending rate of \$140,000, as of 1/7/2025, to be adjusted for inflation annually.

4. Application of Spending Rate: Semiannually, on or about May 15<sup>th</sup> and November 15<sup>th</sup> of each year, the semiannual spending rate as determined above shall be applied to the average account balance of the Fund, the resulting amount shall be available for distribution as gifts or grants. A review by the Board's contracted financial advisors will be regularly conducted to review the annual withdrawal rate and cash flow needs.

5. Limitation on Spending: The Board will make every reasonable effort to only withdraw funds that keep the original principal gift of \$3.0 million.

6. Additional Consideration:

- Income available for making grants or other distributions, as determined under the above policies, definitions, and formula, but which is not disbursed for any reason, shall be available for disbursement in future years. However, by action of the Board, undistributed income may be reinvested in the endowment on a case-by-case basis.
- For the Westbrooks Fund, the Board may consider making donations to church ministries, causes, and charities, especially those that benefit women and children, in accordance with the wishes of Dr. Sandra Lee Westbrooks.

7. Policy Amendments and Changes: The Endowment Board Spending Policy may be updated or amended by the Board with the approval of the Dallas First UMC Charge Conference, whenever a change is deemed necessary.

Adopted by Dallas First United Methodist Church Endowment Board on 1/7/2024.