

**ENDOWMENT FUND CHARTER**  
(As amended through June 11, 2023)

WHEREAS, the Congregation of the Tennessee Valley Unitarian Universalist Church (“Congregation” and “TVUUC”) wishes to secure the continuing presence of TVUUC well into the future, and to ensure that Unitarian Universalist principles are lifted up and applied in the Knoxville region in perpetuity; and

WHEREAS, the Congregation recognizes that these long-term goals can best be supported through bequests in wills, creation of charitable remainder trusts, charitable gift annuities, assignment of life insurance, and transfers of property, including cash, stocks, bonds, real estate, and works of art; and

WHEREAS, the Congregation desires to encourage, receive and administer these gifts in a manner consistent with the loyalty and devotion expressed by the donors and in accordance with the policies of the Congregation; and

WHEREAS, the Congregation wishes to dedicate, when prudent, distributions from the investments of these gifts for special projects and programs each year; and

WHEREAS, changes in state law and prevailing best practices concerning the management of charitable and institutional funds have occurred since the Congregation first established The Tennessee Valley Unitarian Universalist Church Endowment Fund (the “Fund”) in 1992,

NOW, THEREFORE, The Tennessee Valley Unitarian Universalist Church Endowment Fund Charter is hereby amended and restated.

**Definitions**

**Gift Instrument** — A written record or records under which property is granted to, transferred to, or held by the TVUUC Endowment Fund.

**Record** — Information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

## **Article I Endowment Fund Committee**

An Endowment Fund Committee (the "EFC") shall consist of seven (7) members, all of whom shall be voting members of the Congregation, serving staggered, three-year terms.

### **A. Membership**

- 1. Nomination.** Each year, the EFC shall contact the Leadership Development Committee of the Congregation, informing that committee of the seats on the EFC that need to be filled and the specific talents needed on the EFC. The Leadership Development Committee shall nominate candidates to serve as members of the EFC and shall report their nominations at the annual meeting of the Congregation in the same manner as for other offices and committees.
- 2. Election.** At each annual meeting of the Congregation, the Congregation shall elect the necessary number of EFC members to fill all expiring terms. No member shall serve more than two (2) consecutive three-year terms; however, after a lapse of one year, a former EFC member who served two (2) consecutive terms may be re-elected.
- 3. Vacancy.** If a vacancy occurs on the EFC other than by expiration of a member's term, the EFC shall notify the Board of Directors of the Congregation (the "Board") of specific talents that may be needed on the EFC, and the Board shall appoint a member to fill the vacancy until the next annual meeting of the Congregation, at which time the Congregation shall elect a member to fulfill the unexpired term of the vacancy as provided hereinabove.
- 4. Ex-Officio Members.** Each year, the Board of Directors shall select one or two (2) of its members, or one of its members and the Senior Minister, to be the non-voting, ex-officio member(s) of the EFC for that year.

### **B. Duties**

- 1. Custody of the Fund.** The EFC shall be custodian of the Fund and shall be governed by the Tennessee Uniform Prudent Management of Institutional Funds Act, as amended from time to time, and other Tennessee and Federal laws. All assets of the Fund shall be held in the name of The Tennessee Valley Unitarian Universalist Church Endowment Fund. All donations shall be added to and become a part of the Fund until appropriated for expenditure, as set forth below.
- 2. Meetings.** The EFC shall meet at least quarterly and shall meet more frequently if the EFC deems more frequent meetings to be in the best interest

of the Fund. A quorum shall consist of four (4) voting members and shall be required to conduct official business. Other than the required votes specified in Article II (Paragraph F), Article III (Paragraph C), and Article IV (Paragraph A), a majority present and voting shall carry any motion or resolution. The EFC's regularly scheduled meetings shall not be set on the same date as the regularly scheduled meetings of the Board. At its discretion, the EFC may meet virtually. If necessary, time-sensitive matters can be voted on via email between meetings.

3. **Officers.** The EFC shall elect from its members a Chairperson, a Secretary, and a Treasurer, whose duties shall include the following:
  - a. **Chairperson.** The Chairperson shall prepare the agenda for and preside at all EFC meetings, or shall designate another EFC member to do so, and shall sign necessary legal and financial documents on behalf of the Congregation in furtherance of the purposes of the Fund, but no necessary legal or financial document shall be valid unless it also bears the signature of the Secretary of the EFC.
  - b. **Secretary.** The Secretary shall maintain complete and accurate minutes of all meetings of the EFC and shall supply a copy of them to each member of the EFC, and to the Board, either directly or by access to an online folder containing the minutes. The Secretary shall sign necessary legal and financial documents on behalf of the Congregation in furtherance of the purposes of the Fund, but no necessary legal or financial document shall be valid unless it also bears the signature of the Chairperson of the EFC.
  - c. **Treasurer.** The Treasurer shall maintain complete and accurate records of all financial and investment accounts for the Fund.
4. **Records Review.** The EFC shall arrange for the records of the Fund to be examined at least every two (2) years by a certified public accountant or another appropriate person who is not a member of the EFC or of the Board. The examiner shall report their findings and recommendations to the EFC, the Finance Committee, and the Board.
5. **Checking Account.** At its discretion, the EFC may maintain a checking account separate from the TVUUC checking account. The EFC shall designate its Chairperson, Secretary, and one other member to sign checks on the checking account. No check shall be valid unless it bears the signature of two (2) of the three (3) designated check signers. The EFC Treasurer shall not be authorized to sign checks.
6. **Reports.** The EFC shall report to the Finance Committee and to the Board quarterly. At the annual meeting of the Congregation, the EFC shall submit a

full and complete account of the administration of the Fund since the preceding annual meeting.

- 7. Investment Decisions.** The EFC shall make all decisions to hold, sell, exchange, rent, lease, transfer, convert, invest, reinvest, and in all respects manage and control the assets of the Fund, including stocks, bonds, debentures, mortgages, notes, or other securities. Subject to the intent of a donor expressed in a gift instrument, the EFC, in managing and investing the Fund, shall consider the charitable purposes of the Congregation and the purposes of the Fund. The EFC shall manage and invest the Fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.
- 8. Advice.** The EFC may recruit other members of the Congregation to serve as advisors to the EFC. The EFC may engage attorneys, investment counsellors and other professional advisors to render such legal or financial advice as the EFC believes to be in the best interests of the Fund. The fees and expenses of all such professional advisors shall be paid from the Fund.
- 9. Requests for Support.** The EFC shall establish procedures for receiving requests for support from the Fund and shall publish these procedures to the Congregation. The EFC shall evaluate all requests that it receives and shall provide committees or staff whose work or responsibilities may be impacted by a proposed project or program the opportunity to comment on the proposal.
- 10. Distributions and Loans from the Fund.** In accordance with Article III, the EFC may recommend to the Board distributions from the Fund for support of those programs and projects that the EFC deems most consistent with the purposes for which the Fund and the individual Sub-Funds were established. In accordance with Article IV, the EFC may recommend to the Board that a portion of a Sub-Fund be loaned to the Congregation, except where such loan is prohibited by the terms of a Sub-Fund.
- 11. Accumulations.** In any given year, out of concern for the duration of the Fund, the EFC may choose not to recommend a distribution and instead accumulate (i.e., retain) all or a portion of what otherwise would have been distributed.
- 12. Documentation.** In its minutes, the EFC must record its reasons for all distributions and accumulations, including, without limitation, its consideration of the relevant duty-of-care factors listed in Paragraph 7 above and in Article III, Paragraph A.
- 13. Fund-Raising and Donor Recognition.** In consultation with the Board and the Stewardship Committee, the EFC shall sponsor such solicitations or

campaigns as the EFC deems necessary to encourage contributions to the Fund. The EFC shall establish and publish to the Congregation guidelines for special recognition of those donors whose contributions meet certain specifications.

- 14. Liability.** Pursuant to and expanding upon the Tennessee Nonprofit Corporation Act — TCA § 48-52-102(b)(3) — the EFC members shall have no personal liability to the Congregation or to its members for monetary damages for breach of fiduciary duty as a member or officer; provided, however, that this provision shall not eliminate or limit liability of a member or officer for any breach of a member's or officer's duty of loyalty to the Congregation or for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, or for any violation of TCA 48-58-302 relating to unlawful distributions.

Further, each member and officer of the EFC shall be indemnified by the Congregation against expenses reasonably incurred by the member or officer in connection with any action, suit, or proceeding to which that individual may be made a part by reason of being, or having been, a member or officer of the EFC, except in relation to matters as to which they shall be finally adjudged in such action, suit, or proceeding to have been derelict in the performance of their duty as a member or officer. "Derelict" shall mean grossly negligent, criminally negligent, or intentionally engaging in tortious conduct with the intent to defraud, deceive, misrepresent, or take advantage improperly of a corporate opportunity.

- 15. Conflict of Interest.** Notwithstanding the limitations of liability provided in Paragraph 14 above, no EFC member shall engage in any act of self-dealing or in any transaction with the Fund in which the member has direct or indirect financial interest. No EFC member shall engage in any conduct in which that member's personal interest conflicts with the interests of the Fund.

## **Article II Endowment Sub-Funds**

The Fund shall consist of a number of wholly separate Sub-Funds to be maintained for the purposes set out in Paragraphs A through E of this Article, and such other Sub-Funds as the EFC, with the approval of the Board, shall create from time to time under Paragraph F of this Article. The EFC shall segregate each of the Sub-Funds. A donor of property to the Fund may designate in writing at the time of contribution the particular Sub-Fund to which the donor wishes to transfer any part of the contribution. If a donor fails to designate a Sub-Fund, the contribution shall be added to the General Sub-Fund.

- A. General Sub-Fund.** Distributions from this Sub-Fund may be made for any purpose for which the Fund was established in furtherance of the goals and principles of TVUUC, including distribution to one or more of the other Sub-Funds.
- B. Social Concerns Sub-Fund.** This Sub-Fund shall be designated for charitable purposes as defined in Article III below to address social concerns and social justice issues that have been identified by or brought to the attention of the EFC in its communication with the Board, other TVUUC committees, church staff, and the Congregation. Distributions from this Sub-Fund shall be made for or directly to local charitable organizations or in any other manner consistent with the aforementioned purposes of this Sub-Fund.
- C. Building Maintenance and Capital Improvement Sub-Fund.** Distributions from this Sub-Fund shall be made only for non-routine maintenance and long-term capital improvements to properties owned, leased, and/or used by the Congregation.
- D. Religious Education Sub-Fund.** Distributions from this Sub-Fund shall be made only for establishment or support of non-routine projects or programs to further the religious and spiritual development of the children and adults of the Congregation.
- E. Memorial Garden Sub-Fund.** Distributions from this Sub-Fund shall be made only for the maintenance and perpetual care of the Memorial Garden of TVUUC. The assets of this Sub-Fund shall not be available for any other purpose, including loans to the Congregation.
- F. Creation of Additional Sub-Funds.** The EFC, with the approval of the Board, may create such additional Sub-Funds as it deems advisable to best implement the desires of potential donors to the Endowment Fund and meet the needs of the Congregation. New Sub-Funds shall be created as follows:
  - 1. Donor-Requested Sub-Fund.** Any donor may request the EFC to create a new Sub-Fund in accordance with this Paragraph F. However, the EFC may

reject or seek to modify such request if, for example, it disagrees with the attendant terms and conditions or if it determines that the new Sub-Fund would be too small to manage efficiently. If agreement cannot be reached, the EFC may decline the gift itself and suggest that it be directed elsewhere within TVUUC.

**2. Recommendation of the EFC.** The EFC shall prepare and send to the Board a description of each new Sub-Fund to be created in a form similar to those set out in paragraphs A through E of this Article. The description shall state the purposes of the Sub-Fund and such other special provisions as the EFC deems appropriate. No recommendation to create a new Sub-Fund shall be forwarded to the Board unless it is approved by at least four (4) of seven (7) EFC members.

**3. Approval by the Board.** No new Sub-Fund shall be created unless it is approved by a majority of the Board present and voting at the meeting at which the EFC's recommendation is presented.

**G. Amendments to Gift Instruments.** In the event that a donor (or the beneficiary of a donor if the donor is no longer living) subsequently removes any restrictions placed upon a gift or sub-fund, the EFC shall thereafter administer the gift (or sub-fund if established by a donor) as it would the General Sub-Fund, unless otherwise expressly provided by the donor in a gift instrument.

### **Article III Distributions from the Fund**

Making distributions in support of TVUUC programs and projects is an essential feature of this Fund. Decisions to make distributions originate with the EFC, with ultimate approval required by the Board. Both the EFC and the Board therefore share a fiduciary responsibility to make distributions in a manner that a) is consistent with the purposes for which the Fund and the individual Sub-Funds were established, b) addresses the needs of the Congregation, and c) preserves the value of donor contributions over time.

**A. Duty of Care.** Subject to the intent of a donor expressed in a Gift Instrument, and the provisions of this Paragraph, the EFC may recommend, and the Board may approve, distributions of so much of a Sub-Fund as they determine is prudent for the uses, benefits, purposes, and duration for which the Sub-Fund is established. In deciding whether to recommend and approve distributions, the EFC and the Board shall act in good faith, with the care that an ordinary person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- 1) The duration and preservation of the Fund;
- 2) The purposes of the Congregation, the Fund, and its individual Sub-Funds;
- 3) The needs of the Congregation;
- 4) General economic conditions;
- 5) The possible effect of inflation or deflation;
- 6) The expected total return from income and the appreciation of investments;
- 7) Other resources of the Congregation; and/or
- 8) The investment and distribution policies of the EFC.

**B. Formula for Recommended Distributions.** The EFC shall determine the amount of the Fund eligible for recommended distribution each year by multiplying the fair market value of the appropriate Sub-Fund(s) by a percentage that derives from the duty-of-care analysis outlined above. The fair market value shall be determined at least quarterly and averaged over a period of not less than three (3) years immediately preceding the year in which a distribution is to be made. If a Sub-Fund has been in existence for less than three (3) years, the fair market value of the Sub-Fund shall be calculated for the period the Sub-Fund has been in existence.

Notwithstanding the foregoing, a distribution from any Sub-Fund in any one year in an amount greater than seven percent (7%) of the fair market value of that Sub-Fund (as calculated above) shall generally be considered imprudent. Therefore, the EFC and the Board are generally prohibited from recommending and approving a distribution greater than seven percent (7%) of fair market value of the Sub-Fund, except in dire circumstances in which such distribution is deemed justified based on the duty-of-care factors listed above.

**C. EFC Approval Thresholds.** Having considered the duty-of-care factors outlined above, and using the fair market value and market adjustment calculations outlined above, the EFC:

1. By a vote of at least four (4) of its seven (7) members, may recommend to the Board a distribution of no more than four percent (4%) of the fair market value of a Sub-Fund.
2. By a vote of at least five (5) of its seven (7) members, may recommend to the Board a distribution of more than four percent (4%) up to and including seven percent (7%) of the fair market value of a Sub-Fund.
3. By a vote of at least six (6) of its seven (7) members, may recommend to the Board a distribution greater than seven percent (7%) of the fair market value of a Sub-Fund.

**D. Board Approval Thresholds.** In response to an EFC recommendation, and having considered the duty-of-care factors listed above, the Board may approve, in any one year:

1. A distribution no greater than four percent (4%) of the fair market value of a Sub-Fund by a vote of a majority of those Board members present at a Board meeting.
2. A distribution of more than four percent (4%) up to and including seven percent (7%) of the fair market value of a Sub-Fund by a vote of a majority of all Board members, whether or not they are present at the Board meeting.
3. A distribution greater than seven percent (7%) of the fair market value of a Sub-Fund by a vote of at least seventy-five percent (75%) of all Board members, whether or not they are present at the Board meeting. The Board must state its reasons for such distribution(s) in its minutes, including, without limitation, its consideration of each relevant duty-of-care factor listed above.

**E. Congregational Approval.** Distributions greater than seven percent (7%) of fair market value of a Sub-Fund must also be approved by at least seventy-five percent (75%) of the members of TVUUC voting at a Congregational meeting where a quorum is met according to the By-Laws of TVUUC.

**F. Unused Distributions.** Monies approved for distribution by the Board that are not utilized in whole or in part for the intended project or program shall be returned to the Sub-Fund from which they originated.

**G. Distributions for Charitable Purposes Only.** Distributions may be made directly for charitable purposes, without being made through any other charitable organizations, and may be made to states, territories, or possessions of the

United States, any political subdivision of any of the foregoing, or to the United States or the District of Columbia, but only for charitable purposes as defined in Subparagraph 2 below, and only in a manner consistent with the purposes and restrictions of each Sub-Fund. No part of the net earnings of the Fund shall inure or be payable to or for the benefit of any private member, shareholder or individual, and no substantial part of the activities carried out through the use of this Fund shall be the carrying on of propaganda, or otherwise attempting to influence legislation. None of this Fund shall be used to participate in or intervene in (including the publishing or distributing of statements concerning) any political campaign on behalf of any candidate for public office.

1. **Charitable Organizations.** As used in this document and in any amendments to it, “charitable organization” or “charitable organizations” shall mean corporations, trusts, funds, foundations, possessions, whether under the laws of the United States, any state or territory, the District of Columbia, or any possession of the United States, organized and operated exclusively for charitable purposes, no part of the net earnings of which inures or is payable to or for the benefit of any private member, shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation, and which do not participate in or intervene in (including the publishing or distributing of statements concerning) any political campaign on behalf of any candidate for a public office. It is intended that the organizations described in this Paragraph G shall be entitled to exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, or corresponding section of any future Federal tax code.
2. **Charitable Purposes.** As used in this document and any amendments to it, the term “charitable purposes” shall mean the relief of poverty, the advancement of education or religion, the promotion of health, the promotion of a governmental purpose, or any other purpose the achievement of which is beneficial to the community.

## **Article IV Loans from the Fund**

There may be times when a loan from the Fund to the Congregation is in the best interest of both the Congregation and the Fund. Thus, the EFC may recommend, and the Board may approve, that a portion of the assets of a Sub-Fund be loaned to the Congregation for any purpose that furthers the goals and principles of TVUUC, subject to the following restrictions:

- A. Approvals.** By a vote of at least six (6) of its seven (7) members, the EFC may send to the Board a recommendation to loan a portion of the Fund to the Congregation in accordance with this Article. The Board may then approve the recommended loan by a vote of seventy-five per cent (75%) of all members of the Board, whether present at a Board meeting or not.
- B. Scope.** Loans from a Sub-Fund cannot total more than one-third (1/3) of the assets residing in that Sub-Fund at the time of the execution of the loan(s). No loans can be made from a Sub-Fund whose terms prohibit loans.
- C. Duty-of-Care Analysis.** Consideration of a loan is subject to the duty-of-care analysis outlined in Article III, Paragraph A, above. In its deliberations, the EFC shall also evaluate whether the loan, as an investment, comports with its overall investment policy.
- D. Interest.** Loans from any Sub-Fund must be repaid with interest at a level greater than or equal to the average market return for that Sub-Fund over at least the three (3) calendar years prior to the date of the loan.
- E. Promissory Note.** All loans and their terms, including, without limitation, repayment terms, shall be memorialized by a promissory note signed by the Board President and the Board Treasurer. Repayment of loans from the Endowment Fund shall be listed as a separate line item in the TVUUC annual budget.
- F. Repayment.** Loans may be repaid by transfer from the Congregation's operating budget, or by transfer to the Fund of loan funds borrowed elsewhere by the Congregation and which the Congregation is obligated to pay back from its operating budget. In no event shall contributions to the Fund received after disbursement of a loan be treated as repayment of the loan, unless a donor specifically designates a contribution for that purpose.

**Article V**  
**Amendment and Transfer**

- A. Amendment.** This document may be amended by a two-thirds (2/3) vote of those voting members of the Congregation present at the Congregation's annual meeting or at a meeting of the Congregation called specifically for the purpose of considering such amendment. No amendment shall authorize the Board or the EFC to administer the Fund in any manner or for any purpose contrary to the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986, or corresponding section of any future Federal tax code. All amendments hereto shall be noted upon or kept attached to the original of this document held by the EFC in electronic form in a manner deemed secure by the EFC and in duplicate paper form at the office of the Tennessee Valley Unitarian Universalist Church.
- B. Transfer.** If the Tennessee Valley Unitarian Universalist Church ceases to exist either through merger or dissolution, the Board — in close consultation with the EFC and the Unitarian Universalist Association — shall dispose of or transfer the Fund in accordance with the provisions of this document, any statutes governing endowment funds, and the Bylaws of the Congregation. Prior to any disposal or transfer of the Fund, the EFC and the Board shall make provision for the perpetual care of the Memorial Garden.