

*Daifukuji Soto Mission*

*Legacy Endowment Fund Charter*

*January 2017*

## I. Name

The name of the endowment fund shall be the **Daifukuji Soto Mission Legacy Endowment Fund** (DSMLEF). The Fund and its administration will conform to all applicable Hawaii laws and regulations, and any applicable Federal laws and regulations including the provisions of the Internal Revenue Code.

## II. Purpose

The purpose of the Daifukuji Soto Mission is to provide a safe and peaceful temple within the community for Buddhist study, Soto Zen practice and other Dharma related activities. The purpose of the Daifukuji Soto Mission Legacy Endowment Fund is to develop and enable the financial capability to cultivate, promote, and administer a sustaining endowment fund that provides for the preservation, maintenance and capital improvement of the Temple and its surrounding buildings and grounds.

The DSMLEF is also established to provide members and friends opportunities to make charitable gifts to the Temple that will become a permanent fund for financial support and a living memorial. The assets entrusted to the endowment shall be invested in accordance with the Uniform Prudent Management of Institutional Funds Act (2006) and to the fullest extent feasible, the social principles of the Temple.

In all endeavors, the DSMLEF will honor the legacy and intent of the donors.

### III. Administration

#### Legacy Endowment Fund Board of Trustees

The DSMLEF shall be administered by the Legacy Endowment Fund Board of Trustees (“LEF Board”) in accordance with the Legacy Endowment Fund Charter, the Daifukuji Soto Mission By-laws, all applicable Hawaii State and Federal laws, and IRS codes.

#### LEF Board Composition

The LEF Board shall consist of no less than three (3), and no more than five (5) Trustees, all of whom shall be members in good standing of Daifukuji Soto Mission:

- The Legacy Endowment Fund Board of Trustees shall not consist of any members who are also on the Daifukuji Board of Directors. The primary rationale for this restriction is to separate the group who make funding requests from the group who approve those requests:
  - The Daifukuji Board of Directors will initiate funding requests
  - The Legacy Endowment Fund Board of Trustees will approve/deny those requests based on consistency with the stated purpose of the endowment
- The LEF Board shall select from its members a Chairperson, Vice-Chairperson, and a Secretary.
- LEF Board Trustees shall serve 3-year terms, with no limit on consecutive terms.
- Nominations of new Trustees will be made by the existing LEF Board before a Trustee’s term expires, and final approval will be made by the Daifukuji Board of Directors. In the event the LEF Board cannot select a new or replacement Trustee, the Daifukuji Board of Directors shall make that selection.
- The Reverend shall be a permanent Honorary Advisor to the LEF Board without voting privileges.
- Removal. Any LEF Board Trustee may be removed without cause by the affirmative vote of the Daifukuji Board of Directors.

## Responsibilities of LEF Trustees

1. Receive and administer all donations made to the Temple. Permanently record donations and provide appropriate Acknowledgement Letters in accordance with IRS Publication 1771.
2. Accept or reject any designated or restricted gift, bequest or device based on the compatibility with the DSMLEF Gift Acceptance Guidelines.
3. Calculate the annual draw amount in accordance with the DSMLEF Spending Policy (Section VI.)
4. Approve or reject spending requests received from the Daifukuji Board of Directors in accordance with the spending policy of the endowment. LEF Trustees shall have the responsibility to preserve the principal of the endowment to the fullest extent feasible with regards to appropriate spending activity.
5. All eligible members of the LEF Board shall be authorized signers on the disbursement account, with the requirement that all disbursement checks be signed by two (2) authorized signers.
6. Invest all funds of the Temple in accordance with the Daifukuji Soto Mission Investment Policy Statement and in conformity with all laws of the United States and the State of Hawaii.
7. Monitor investment managers to ensure they are adhering to the Investment Policy Statement guidelines.
8. Issue a written annual report at the beginning of each year that includes, but is not limited to, the following:
  - a. Dec. 31<sup>st</sup> fund valuation
  - b. Total donations received in the previous year
  - c. Annual draw amount calculation for the current year
  - d. Description of projects completed & funded by the Endowment in the previous year
  - e. List of Previous Year's Donors
  - f. List of all Legacy Donors
9. Educate the membership and community about the DSMLEF via seminars, workshops, and other educational events.

10. Employ suitable accountants, agents, legal counsel, and custodians, and pay their reasonable expenses and compensations.
11. Any other provisions of this agreement notwithstanding, the LEF Board shall not be compensated, nor engage in any act of self-dealing as defined in the Internal Revenue Code including section 501(c)(3), nor retain any excess business holdings as defined in the Internal Revenue Code, nor make any investments in such manner as to incur tax liability under the Internal Revenue Code, nor make any taxable expenditures as defined in the Internal Revenue Code or corresponding provisions of any subsequent Federal tax law.
12. The LEF Board shall determine all matters regarding management of the endowment, expenditures, and investment by a majority vote of Trustees present at a duly called meeting (except amendments as discussed under Section VIII. Amendment of Legacy Endowment Fund Charter).

#### IV. Accounting

Upon written request, the LEF Board will make available for review, to any Daifukuji member in good standing, any account statement(s) associated with the endowment. The LEF Board is not permitted to prepare their own statements or performance reports; all statements and performance reports presented will be the originals received directly from the custodian and/or investment manager.

A permanent record will be kept of all donations made to the endowment. At no time shall the amount of individual gifts nor the identity of donors to the Fund be published unless proper authorization is obtained.

The LEF Board shall not be liable for any losses that may be incurred upon the investments of the assets of the endowment except to the extent such losses shall have been caused by willful misconduct. Each member shall be liable only for her/his own willful misconduct, and shall not be liable for the acts of any other members.

## V. Investment Policy

The purpose of the DSMLEF is to provide a secure and perpetual source of financial support to facilitate the mission of the Temple. The fund will be invested according to the guidelines set forth in the *Daifukuji Soto Mission Legacy Endowment Fund Investment Policy Statement*.

## VI. Spending Policy

The LEF Board of Trustees sets the spending policy with input from the Daifukuji Board of Directors. The dollar amount for each year's draw will be determined every January:

- Definitions:
  - ORIGINAL CONTRIBUTION AMOUNT is defined as the dollar amount of all donor contributions, valued on the date of transfer into the fund.
  - TOTAL EARNINGS is defined as the fund's cumulative net investment earnings since inception. This is the amount of account value above the original contribution amount.
- The annual draw amount calculated in January is 4% of the Endowment account value as of December 31<sup>st</sup> of the previous year.
- In addition, annual draws are limited to the 4% calculated as described above, or total earnings, whichever is less.
- If the account value in any given year is below the original contribution amount, the LEF Board has the discretion to limit the annual draw to between 0% and 2%. This is to ensure preservation of principal, while still maintaining support for vital maintenance.
- Special requests for additional draws in years when total earnings are above the 4% cap may be made with approval of the LEF Board, but total distributions shall not exceed the total earnings amount.
- Emergency requests for distribution of principal may be made only in extreme situations that are deemed to jeopardize the financial status or existence of the Daifukuji Soto Mission. Approval for emergency requests will be made by both the LEF Board and the Daifukuji Soto Mission Board of Directors, subject to the applicable bylaws of the Mission.

Spending requests will be made by the Daifukuji Board of Directors by submitting the Maintenance Distribution Request form to the LEF Board that includes, but is not limited to: Vendor Name (Payee), amount of request, purpose of disbursement, date payment required, name of board member making request, date of request. After a reasonable amount of time, a follow-up note shall be added to the request form as to the disposition and/or satisfaction of the work provided by the vendor. This will close the request.

Withdrawal requests will be made to the investment manager by the LEF Board with at least 10 business days' notice. Withdrawals should come from unallocated cash, then from securities in order of liquidity upon recommendation of the investment manager.

- The Authorized Signers of the DSMLEF shall be the current officers of the DSM Board of Directors, and will be the only ones authorized to request endowment funds to be transferred to the disbursement checking account.
- The disbursement checking account is the only account/destination that endowment funds may be transferred.
- All checks to vendors will be disbursed directly from this business checking account with two (2) LEF Trustee authorized signatures required on every check.

## **VII. Gift Acceptance Policy**

1. Outright Gifts – These are gifts offered to the Temple by an individual, corporation, or foundation and include the following:
  - a. Cash, cash equivalent and/or a written cash pledge paid over a set period of time
  - b. Stocks, bonds, mutual funds and other securities subject to the acceptance of the custodian/investment manager
  - c. Real assets, (property, jewelry, vehicles, etc.), will be evaluated on a case-by-case basis
2. Estate/Planned Gifts
  - a. Bequests – Wills & Living Trusts
  - b. Charitable Remainder Trusts
  - c. Charitable Lead Trusts
  - d. Other estate/planned gifts on a case-by-case basis

**VIII. Amendment of Legacy Endowment Fund Charter**

Amendments to the Daifukuji Soto Mission Legacy Endowment Fund Charter may be made by a majority vote of all current LEF Board Trustees, excluding the following sections:

**SECTION I. NAME** – Any change will require the approval of the Daifukuji Board of Directors.

**SECTION II. PURPOSE** – Any change will require the approval of the Daifukuji Board of Directors AND a majority vote of the active membership, present and entitled to vote, at any meeting called for that purpose.

**SECTION VI. SPENDING POLICY** - Any change to the Annual Draw Rate will require the approval of the Daifukuji Board of Directors.

**IX. Dissolution**

If the Daifukuji Soto Mission should cease to exist or shall be dissolved, all assets of the Daifukuji Soto Mission Legacy Endowment Fund, after payment of its just debts, shall be distributed only to one or more public agencies, organizations, corporations, trusts or foundations having like purposes and organized and operated exclusively for charitable, scientific, literary, religious or educational purposes, no part of whose assets, income or earnings may be used for dividends or otherwise withdrawn or distributed to, or inure to the benefit of any private shareholder or individual, and the activities of which do not include participation or intervention (including the publication or distribution of statements) in any political campaign on behalf of any candidate for public office. In no event shall any distribution be made to any organization unless it qualifies as a tax-exempt organization under section 501(c) (3) of the Internal Revenue Code with purposes similar or related to those of the Daifukuji Soto Mission.