

# Endowment Fund

## An Overview

*“Be generous with what God gave you.” 1 Peter 4: 10*

First Presbyterian Church of Edmond

“The Church”

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# Endowment Basics

- Purpose: “to provide a means for members and friends of the Church to make bequests (typically sourced from wills or estate trusts), or to provide financial support in living memorials, sourced from assets”
- Endowments are not to be confused with the general church budget, which receives its support from gifts generated from current ordinary income from active church members
- Endowment should be used only to support Kingdom Investments BEYOND normal local Church activities
- Endowments provide temporary assistance in starting new ministries in the local Church or new worshipping communities

*“Be joyful in hope, patient in affliction, faithful in prayer.” Rom. 12: 12*

# Endowment/Gift Types:

## General Accounts

- Undesignated: Bequests received which are not designated for a particular purpose or restricted in any way
- Missions, Evangelism, Outreach
- Scholarships: First preference for active members, either high school graduates or those seeking advanced degrees
- Christian Life Development: Youth program expansion, camp scholarships, leadership training, etc.
- Music, Worship, Arts: Enhance the worship experience
- Building: Provide capital improvements, repairs, equipment, etc.

*“For seven good years store up food so that there will be food in the seven bad years.” (paraphrase) Gen 41: 34-37*

# Endowment/Gift Types:

## Donor Designated

- Endowments with specific designations, restrictions or desires for the bequests; these are the most common type
- Designated accounts generally meet certain criteria, such as, but not limited to:
  - Trustees agree to accept the bequest with the restrictions placed upon it
  - Trustees agree to establish a new designated account to hold the restricted bequest
  - Initial gift to the new account will have a minimum figure, as established by the Trustees and approved by Session
  - Additional gifts to existing funds have no minimum requirement

*“Be generous with what God gave you. 1 Peter 4: 10*

# Endowment Board of Trustees -

## Qualifications

- All Trustees (7) will be current, active members of FPCE and be elected by session
  - Trustees will demonstrate:
    - Strong interest in endowments and/or
    - Interest in legal, financial, accounting, public relations or services which may be valuable to the church and/or
    - Strong financial support of the Church and/or
    - An understanding of the Church's mission and vision
  - Congregation members may propose Trustees

• *“So he called ten of his servants and gave ten talents. “Put this money to work, He said, until I come back.” Luke 19: 13*

# Endowment Board of Trustees - Expectations

- Congregations should expect the following activities are executed by the Trustees, once convened
  - Establish guidelines and safeguards for the fund / policies, gain Session approval and share with Congregation
  - Educate church members and potential donors on planned giving and promote giving, including end of life giving
  - Conduct annual independent audits of the fund(s) and fund management using outside experts
  - Present annual written report to Session and Congregation
  - Manage the funds' investments and uses

*“On the sixth day, bring in twice as much as needed for one day.”  
(paraphrase) Ex 16: 4-5*

# Investment of Funds

- Investment considerations, as a matter of Christian and corporate stewardship, shall be made through a qualified financial manager or institution and will include strategies to encourage prudent and diversified investments
- Investment Objectives
  - Safety (Conservation of principal)
  - Liquidity (Ability to utilize funds)
  - Yield & Return (Growth of principal and income)

*“Hezekiah gave orders to prepare storerooms... the people faithfully brought in the contributions, tithes and dedicated gifts.” 2 Chr 31: 11-12*

# Distribution of Earned Income

- As recommended by Trustees and approved by Session
- Common guidelines for distribution
  - Income from General Accounts: distributed as recommended by Trustees, in accordance with policies accepted by Session
  - Donor designated funds distributed as specified by donor
  - FUNDS ARE NOT INTENDED FOR LOCAL CHURCH GENERAL OPERATING EXPENSES
  - FUNDS ARE INTENDED TO SUPPORT MINISTRIES / EXPENDITURES BEYOND NORMAL ACTIVITIES

• *“From time to time, those who owned land or houses sold them, brought the money and put it at the apostles' feet.” Acts 4: 34-35*



# Other Discussion Points

- **Limitation on Use of Principal:** policies may include use when “good cause” is shown (to be defined)
- **Borrowing from the Fund:** rare and only if it makes good financial sense for the church to do so, with Session approval (never to support operation budget)
- **Funds should never be pledged as collateral**
- **Employment of professionals: Legal & Financial**
- **What ifs?**
  - Mergers/consolidation of the church
  - Dissolution of the church

• *“Store up for ourselves treasures in heaven.” Matt 6: 20*

# Endowments: Pros & Cons

## Positives / Benefits Realized

- Endowments enable people to give beyond their lifetime and are based on trust
- Endowments are not a financial issue, but a theological issue
- Endowments create new possibilities for mission & ministry
- Endowments are based on trust, especially when not designated
- Endowments perpetuate essential ministries and encourage a larger understanding of stewardship

## Response / Considerations

- Managed well, endowments can exceed the annual giving and create new opportunities
- Giving beyond death declares to generations, the person's faith; faith is an eternal issue
- Endowments allow for new projects/programs, increase and broaden church's reach
- Policy should have in place an approved formula for gifts that are not designated
- A person can perpetuate those beliefs he/she holds most dear via an endowment

• *“God will open the windows of heaven for you and pour down for you a Blessing until there is no more need.” Malachi 3: 10*

# Endowments: Pros & Cons

## Possible Concerns/challenges

- Belief that financial capacity does not exist in the church to support funds such as these
- Endowments diminish annual stewardship giving of members
- Endowments are difficult to manage & cause conflict in congregations
- People may believe annual gifts are unimportant and confuse the budget process
- Fears of fund/investment mismanagement

## Response / Considerations

- Research suggests that on average, 1 in 40 have financial capacity for giving significant funds
- People who give annually usually believe they can contribute to the church's future via endowments
- Most creative endowments are those which are specific and designated
- Annual giving has nothing to do with endowments; endowment income should always be designated and have NOTHING to do with annual budgets or stewardship
- Trustees must have accountability as per policies approved by session; audit guidelines must be in place

- *“Command them to do good, to be rich in good deeds, and to be generous and willing to share” 1 Timothy 6:18*

# Standing at a Crossroads...

- **Allowing the church to accept endowments opens the way to abundant giving and abundant discipleship**
- **Stewardship will always be the support for church operations and missions**
- **Endowments do not kill churches, if safeguards are taken**
  - **Leadership must prevent endowment income from replacing stewardship and have strong safeguards**
  - **Governance must be in place which requires that such funds are used ONLY to enhance our mission(s) > Kingdom Investments**
  - **Trustees are held accountable to the session through policy and periodic reporting to the congregation**

# Previous Gifts to FPCE

- **Smith Education Wing:**
  - Donation stipulated in Essie Smith's will
- **Yinger Youth Center**
  - Designated gift to expand and improve the Youth Area
- **Haywood Pavilion**
  - Donated by Rush Haywood in memory of Wylene Haywood
- **Multiple smaller donations**
- **Other anonymous gifts**

*Jesus uses a parable of the rich man with abundant crops to teach us not to neglect life after death... “anyone who stores up things for oneself... Is not rich toward God.”*

*(paraphrase) Luke 12: 15-21*

# FPCOKC Endowment Benefits

- **FPCOKC Designated Endowments(Income or Income/Principal, as designated by donor)**
  - Student Award Fund
  - Boy Scout Funds
  - Church Building, Grounds and Facilities Funds (Repair, upkeep, maintenance, repairs & improvements to building and equipment for kitchen)
  - Kemp Concert Fund
  - Mission Funds
- **FPCOKC Undesignated (Income or Income/principal as designated by donor)**
  - General Church Purpose
  - Annual Distribution
  - Church Building, Grounds and Facilities Funds (Repair, upkeep, maintenance, repairs & improvements to building and equipment for kitchen)

# Memorial Drive Presbyterian (Houston)

- *Benevolence Fund: supports missions, evangelism and church development*
- *Capital Fund: support for facilities and infrastructure*
- *Legacy Fund: a means for donor's gifts to be distributed for a designated cause over a 10-year period*
- *Maintenance Fund: provides support for general maintenance of buildings, vehicles and equipment*

*Mission Statement: The Foundation is organized and operated to support the religious, charitable and educational undertakings of MDPC; to receive, hold in trust, manage, convey and dispose of property, real or personal; and to invest and reinvest funds, donated or otherwise acquired from whatever source, for the purposes described herein.*