

## Frequently Asked Questions

### 1. What is an endowment program?

- A. An endowment is a permanent fund that that can be invested to establish a long-term source of income to support programs and ministries. In most churches, the income from the investment or a set percentage of the value of the fund is available to spend on an annual basis. A healthy endowment can provide a source of funds – beyond the annual budget – for opportunities in operations and outreach and a hedge against challenging economic times.

### 2. How do we start one?

- A. The first step is to create an Ad Hoc Committee to draw up a resolution to be presented to a Charge Conference establishing a Permanent Endowment Fund Committee and Permanent Endowment Fund. Once the Permanent Endowment Fund Committee is in place, it determines how the fund will be administered and invested. The committee's duties include:
- determining what types of funds will be included in the endowment program, usually based on the church's needs, goals or long-term vision
  - determining what types of gifts will be accepted and acting as the authority for receiving planned gifts on behalf of the church
  - determining how income will be distributed, and
  - general oversight of the endowment program and its invested funds.

The step-by-step process for establishing a Permanent Endowment Fund Committee and fund is outlined in your *Planned Giving Handbook*, in accordance with ***The Book of Discipline of The United Methodist Church***.

### 3. Is it necessary to establish an incorporated foundation?

- A. It is not necessary to incorporate a separate foundation. The Midwest Methodist Foundation is an incorporated 501(c)(3) organization, which is fully licensed in accordance with local, state, and federal regulations to serve as trustee of charitable gifts to Methodist churches and other agencies. Trustee services include:
- professional management of assets
  - record keeping and reporting

- accounting and payment of income to a donor or beneficiaries

The Foundation also is licensed to provide charitable gift annuities to donors who wish to set up an annuity that will benefit a church or church-related institution.

Setting up a separate incorporated foundation in a local church could be problematic in that the corporation would be separate from the incorporated local church and would not be subject to the control of the church Charge Conference.

#### **4. What types of people should be on the committee?**

- A. The Permanent Endowment Fund Committee should include the pastor, the chair of the Finance Committee, the local church treasurer or business administrator, a representative of the Board of Trustees, a representative of the Stewardship Committee and an additional three to five at-large members who are recognized leaders in the church. Usually the church Nominating and Leadership Development Committee submits its slate of nominees to the Charge Conference.

#### **5. How do the trustees and endowment fund committee work together?**

- A. In most churches the Permanent Endowment Fund Committee and Trustees work closely together to ensure the financial security of the church. The endowment fund committee should keep the trustees informed through annual or quarterly reports on the state of the endowment funds and how those funds are impacting the mission and ministry of the church.

#### **6. How do we decide what to endow?**

- A. The Permanent Endowment Fund Committee will typically create a list of funds and sub-funds that are in keeping with the mission, ministry and vision of the church. Most churches create a General Endowment Fund, which is an “undesigned” fund which can be used by the church to cover special needs, including unbudgeted facilities maintenance or capital improvements. In addition, the committee will typically create a list of “designated” funds which may be used to endow specific ministries, such as missions, children’s ministries, scholarships, continuing education for pastors and staff, worship and educational needs and almost anything the committee or congregation can imagine. Some of these endowment funds are established to honor or memorialize a member or members. Some are established to provide for current and future needs.

## **7. How long will it take for the endowment to grow?**

- A. It depends on how committed the church and endowment committee is to building a substantial fund and how well the endowment program is communicated and celebrated by the committee and church at large. Guidance on how to promote an endowment program is available in the marketing handbook which accompanies this document.

## **8. Who decides how the income is spent?**

- A. The Permanent Endowment Fund Committee, with approval of the Charge Conference, establishes the funds that make up the endowment and is responsible for administering income distributions to the respective ministries involved. From that point, the committee or agency of the church that is responsible for the ministry or function that is endowed by the fund decides, in consultation with the Church Council and the Finance Committee, how to spend income distributed to it by the Permanent Endowment Fund Committee.

## **9. Will endowment giving reduce other types of giving?**

- A. Typically the addition of an endowment program creates a new stream of income for a church. In most churches, 99.5% of the operating budget is funded by gifts of income (cash, coins and checks) from its members. Likewise, most capital campaign pledges are funded by gifts of income, while planned gifts to the church endowment are given almost 100% from assets. Without a well-publicized endowment program, church members may designate planned gifts, such as bequests, trusts or charitable gift annuities to other charitable organizations that do.

## **10. Does the leadership need to give?**

- A. Absolutely. Members of the Permanent Endowment Fund Committee and other lay leaders should be prepared to “lead by example” when it comes to establishing a church endowment. It is a good practice to recognize and “thank” donors on a regular basis in a special recognition event or service or by printing a listing of gifts and givers in one or more church publications.

## **11. How does the endowment program relate to the mission and ministry of the church?**

- A.** The most successful endowment programs are those that are tied to a well thought out and well-communicated vision for ministry. Donors will give if they believe in the mission of the church and if they believe the church, or ministry, is changing people's lives.