



Proposed Endowment Changes

Frequently Asked Questions

1. Why are we changing the name from Endowment Trust to Endowment Fund?

When the Endowment was first created in 1939, it was named the “General Church Endowment Fund.” The word “Trust” was added in a 1963 revision; however, this was a change in name only, not function. The Endowment today is structured and operated as a fund, as it has been from the beginning. To eliminate confusion now and in the future the proposed revisions remove the word “Trust”.

2. Doesn't a Trust have legal protections? Will the proposed change affect our protections?

A legally-binding Trust has protections against creditors. However, as it currently stands, the Endowment is not a Trust, and therefore never had the same legal protections as a Trust. The proposed changes do not add or remove any protections.

3. Why not update the document and make it a trust?

Legally, there are several viable options that the church can take to add protections to the Endowment, and making it a trust is one. In the next year the Stewardship & Finance Board will be taking under consideration the various choices to determine the best solution.

4. Under the “Use of Endowment Fund” Section IV, it states that “The Annual Operating Draw may not exceed 8% of the Average Fund Balance.” Isn't that high?

The annual operating draw is set each year by the Stewardship & Finance Board, with the approval of the Governing Board. First Church has been withdrawing from the Endowment at a rate of 5% or below (of the average balance for the preceding 12 quarters) for many decades. The current policies have no limit on the level of the operating draw, so it was felt to be prudent to set a limit, while allowing some flexibility for future unforeseen circumstances. This flexibility also allows the Stewardship & Finance Board to reduce the fund draw in order to build up the Endowment Fund or to increase the fund draw in order to invest further in our ministries.

5. How can we be sure that the money is being spent appropriately?

Under the current guidelines, expenditures of the Endowment must be approved by the Governing Board and vote of the congregation. Under the new guidelines, expenditures of the Endowment must be approved by the Governing Board, and a vote of the congregation. Nothing changes.

6. The original document does not allow for loans from the Endowment, but the new one does, why?

The original Endowment did not allow for loans or to be used for collateral. By adding this new language, the church will now have the ability to “lend” itself money for capital purchases. This

will allow the church to pay back the loan, with interest, to ourselves instead of paying interest to a bank.

7. How did the original Endowment document affect the process of purchasing the property from the University of Akron and how do the new guidelines improve on similar situations?

With the original Endowment not permitting the church to use the funds as a loan or as collateral, once the congregation voted to purchase the adjacent University of Akron properties, we needed to procure a loan. This also required the church building to be used as collateral for the line of credit and mortgage. Under the new Endowment guidelines, the funds could be used as collateral and the funds could be used as a tool to "lend" the church money to itself. Interest would be paid by the church, back to Endowment, against the internal loan rather than to a bank. Such action would require approval of the Governing Board and a Congregational vote. The current University of Akron property purchase is proceeding with an outside lender.

8. The original document required unspent income to be turned into Principal. The new proposal does not, why?

Throughout the history of the fund, unspent earned income has helped the fund grow and provide a bigger return of income in successive years. That growth occurs whether the dollars are classified as "principal" or "income". By continuing to prudently spend at a rate of 5% or below, our funds will continue to earn income and grow.

According to our *current* documents, "Principal" (which is not clearly defined) is not permitted to be spent on operating expenses, such as utilities, payroll, maintenance, etc. Principal is also currently not to be applied to programs, activities, and ministries of the church. In the future, should the church choose to dedicate monies (through a vote of both the Governing Board and the congregation) to a community program or ministry, it must be taken out of Income, not Principal. If all unspent Income continues to be turned into Principal, the church would be very limited in its ability to use the Endowment to support its community initiatives. Additionally, a clear definition of "Principal" has been added to the document.

9. Do we need to make this decision now?

The process to review the Endowment and create the recommended policy changes was originally initiated two years ago. Two different cycles of the Endowment board provided insight and review, and the document has been vetted by an attorney hired by the church. A great deal of time and money has already been invested in these documents. If a motion is made to postpone the vote until the September Annual Meeting, we will still be voting on the same motion and the same documents, there will be no updates or changes. Delaying the vote will also impede our leadership's ability to dedicate time and resources to our search and call process as well as other ministries. Keep in mind, just as we are updating these documents now, we always have the ability to update them again, as needed, in the future. There are no restrictions on the timing or frequency of updates.