

## **Endowment Fund Frequently Asked Questions**



### **Why did the church establish an endowment fund?**

- Careful study indicated strong interest in a larger dimension of stewardship at St. John's whereby church members can make gifts or bequests to the church that will benefit St. John's ministry in perpetuity. The endowment fund and a standing committee to manage the fund will provide a vehicle for accomplishing this.

### **What is the history and structure of St. John's Endowment?**

- Effective March 12, 2000, St. John's Baptist Church established: 1) a perpetual endowment fund to be known as the St. John's Baptist Church Endowment Fund ("the Fund") and 2) a permanent standing committee to manage the fund known as the St. John's Baptist Church Endowment Committee ("the Committee").
- The endowment will consist of two component funds – The Capital Needs Fund and The Missions and Ministries Fund.
  - Experience has demonstrated that the physical plant and facilities required to house and support the congregational programs and the missions emanating therefrom create capital needs *well beyond the annual budget funding process*. The Capital Needs Fund will allow the church to continue and to expand its ministries through support of capital needs projects.
  - The Missions and Ministries Fund will allow the church to increase its generous support of various missions and ministries efforts, both internal and external.

### **How does the endowment affect the church's annual budgeting process?**

- The endowment exists separate and distinct from the annual budgeting process. The church and its ministries will remain greatly dependent on traditional congregational commitment to the annual budget.
- The Endowment Committee will appropriate up to five percent of endowment funds to the Finance Committee annually. The Administrative Deacon Panel will determine how to apply the Capital Needs Fund endowment revenue and the Ministry Deacon Panel will determine how to apply the Missions and Ministries Fund endowment revenue. (This reflects a change in policy as of January 2016. Previously, requests were to come directly from House & Grounds and the Missions Task Force to the Endowment Committee.)

***When may the church begin utilizing the funds for capital needs and missions?***

- No application for distribution from either fund will be considered until the market value of the assets in that fund equal at least \$500,000. Twelve months after the threshold is exceeded in a component fund, the Endowment Committee may begin appropriating up to five percent of the fund's assets to the Finance Committee. (This threshold amount was reduced from \$1,000,000 by church-wide vote in 2014.)

***Assuming the funds exceed the required threshold, how much will the funds distribute annually?***

- The policy to be used in the administration of the endowment funds shall be a "total return" spending policy that permits the distribution of capital gains as well as investment income as long as total distributions do not exceed a level that would erode the fund's real value over time. The committee may choose to spend up to five percent of the three-year rolling average balance. The amount not distributed will be available for future distribution.
- The Endowment Committee will exercise its discretion in determining the reasonable and sustainable draw and, due to capital flows and market fluctuations, the amount distributed will change. Additionally, the committee's goal is to grow the funds well beyond the minimum threshold amounts. The distribution policy in the early years will reflect this goal.

***How will the funds within the endowment be invested?***

- Endowment Fund asset investment is governed by an Investment Policy Statement adopted by the Endowment Committee in March 2000.
- The "normal investment allocation" is 60% stocks, 35% bonds, and 5% cash equivalents. Emphasis will be placed on diversification, risk-adjusted returns and regular re-balancing.
- The Vanguard Group of Mutual Funds serves as custodian and investment manager of St. John's endowment funds. Vanguard was selected based on criteria including performance, long-term consistency and flexibility. The Vanguard Funds are no-load, low-cost funds. No church member benefits in any way directly or indirectly from the investment, management or custody of the endowment assets.