

Leaving a Legacy

Establishing an Endowment Ministry for
Heritage United Methodist Church



The National Institute in Church Finance and Administration
Candler School of Theology
Emory University
Atlanta, Georgia

July, 2004

Martha Sue Weege
Heritage United Methodist Church
1604 Pointer Trail
Van Buren, Arkansas

Table of Contents

I	Personal History	3
II	History of Heritage	4
III	Biblical/Theological Foundations	9
IV	Establishing an Endowment Policy	11
V	Conclusions and Findings	30
VI	The General Endowment Policy	33
VII	Bibliography	36

PREFACE

I grew up as a United Methodist in a semi-rural community outside North Little Rock, Arkansas. I lived a half mile from our church and it was the center of most of our activities. After graduating from high school in 1964 I worked three years as a secretary for an insurance company and also attended night classes at the state university in Little Rock for one year before getting married and moving to a small town in southern Arkansas. My husband's job transferred him to Van Buren, Arkansas, in 1974. In September 1978, our church needed a part-time secretary. Our oldest son was in the second grade and the other was in a morning kindergarten program. I agreed to take the job because I could work mornings while they were both in school. It was a congregation with an average worship attendance of 150. I worked about 15 hours per week doing the bulletin, a monthly newsletter and general office work. Three years later, the church treasurer, who was a volunteer, died suddenly. Because no one wanted to take over the job, I agreed to give it a try. I had absolutely no bookkeeping training or experience other than handling our own family finances and balancing our checkbook. I took an introduction to accounting class at the community college and learned what "credits" and "debits" and a balance sheet were. We had only one operating fund with no loans and no restricted funds, so it was a very simple accounting system.

Van Buren had two United Methodist churches of about the same size. First Church was downtown and St. John's, to which we belonged, was on the east edge of town. Both needed more space and were in old buildings in need of major repairs and renovations. In 1985 the two congregations voted to merge, sell the two properties, and

build new facilities on land on the north edge of town which had just been purchased by St. John's. The new church was named Heritage in tribute to the legacy left to us by many faithful saints and stewards from the past who made it possible for us to worship as Christians and as United Methodists in Van Buren.

The new church was still a relatively small congregation with an average attendance of around 225. When we merged, First Church was without a secretary, so I continued as the only secretary and the bookkeeper. New facilities were built and we moved into them in October 1987. The next few years were very difficult for our church. The new building was not extravagant: a sanctuary to seat 400, a fellowship hall, four offices, music room, youth lounge and classroom space for children, youth, and adults. All the space was needed, but a large debt was undertaken for a congregation that was basically middle class, average people without large financial resources. Although the merger had gone reasonably well, it was still a difficult process to become one family. A lot of healing had to take place.

Struggling financially to meet the weekly loan payments and pay our operating expenses, we have operated with a very small (underpaid of course!) staff and a shoe-string budget. We have made giant strides the last two years, beginning a contemporary worship service in addition to our traditional service, increasing the salaries of our staff to bring them closer to comparable church staff positions, and recently hiring a full-time director of ministries. A full-time children's minister begins this summer. What we have accomplished this past year has been all the more remarkable because our pastor, who serves in the Army National Guard as a chaplain, was called into active duty for a year. Fortunately, he was stationed at a camp in Arkansas and was able to come home once or

twice a month and keep in touch with us frequently by lots and lots of e-mails. His active duty year ended August 2003.

Over the years as we have grown, my hours and responsibilities have increased. My official title is office manager. We now have a congregation with a membership of 836 with an average attendance in worship of 434 and Sunday School attendance of 230. Our operating budget this year is \$588,235. In addition, we will pay \$91,000 on our building loan note principal and interest. Our staff includes full time staff of lead pastor, director of ministries, youth minister and office manager. Our part time staff includes a lay congregational care pastor, music director, organist, contemporary service worship leaders, office assistant, children's minister, janitor, maintenance supervisor, mother's day out director and teachers, and nursery attendants. In June this year our children's minister position will become full time.

Heritage is very fortunate to be located in a growing part of the state. The economy has not been hit as hard in our area as it has in others. Our church location is good and our facilities attractive. We have a young, dynamic, caring pastor. Our congregational leaders understand their leadership responsibilities and realize the church staff is here to help them do ministry, not to do the ministry for them.

Because so much energy has gone into just keeping the church afloat since the merger and because the staff has been spread so thin, we have done nothing to develop any planned giving for our members or to establish any type of endowment fund. We know we must now begin to look toward the future to be sure we leave a legacy for our children. We are rapidly outgrowing our current facilities and realize that in the not too distant future we will need an additional building and more parking. Our current building

is 16 years old. The time for replacing carpeting and other flooring, lighting, sound system, etc., is rapidly approaching. We have an active mission ministry (Ozark Mission Project, a mission trip to Mexico each fall, Habitat for Humanity, food pantry and local missions) but we want to expand these and also provide more ministries to our congregation. All this will take money above that needed for normal operating expenses. We must begin to accumulate funds for the future.

We have been actively teaching members to tithe through our pastor's messages, through stewardship education in small groups, regular newsletter articles and ministry spotlights with our monthly statements of giving. It is time to begin educating the members on giving through their accumulated assets. Typically, our income makes up less than ten percent of our overall financial worth. Our accumulated assets make up the other ninety percent of our wealth.¹ My husband and I designated our church as one of the recipients of our estate several years ago, but this is something that probably very few of our members have even considered. An on-going, comprehensive education plan needs to be mapped out to encourage bequests; however, we want the gifts to be a blessing not a curse. Churches have been torn apart over disagreements on how to use a large bequest or they have become stagnant because they relied on a gift to support their normal operating expenses. Before we begin promoting bequests, guidelines need to be established so we

- Know to what we are asking our members to give
- ensure their gifts will be properly managed
- avoid controversies on the use of these gifts.

¹ Mark Whitley, Future Generations: A Basic Estate Planning Guide The Oklahoma United Methodist Foundation, Inc., April 2003, 4

The purpose of this project is to help the church establish these guidelines in preparation for promoting and receiving bequests and other planned giving. This project will be a huge undertaking for me. I am an office manager, not a church business administrator. I do not have the educational background or the experience to recommend these guidelines; however, I do love this church and want to help it accomplish one part of its core values of Leaving a Legacy which states: “We will pass on our faith—a godly heritage—to our children and youth. We will equip each generation to reach its culture for Jesus Christ. We will add such value to the life of our community that we will have an enduring impact for the glory of God. We will be stewards of our finances so that the following generations will have the land, facilities, and resources they will need to impact their world for Jesus Christ.” I have the wisdom to ask people who do have the education and background to work with me in recommending guidelines to our Board of Trustees and Church Council.

My Consulting Team includes Wesley Hilliard who is our Lead Pastor. He strongly believes that our stewardship should include our assets as well as our income. It was his encouragement that led me to attend the first NICFA seminar last spring. He strongly feels the responsibility to not only preach the Good News but also to raise up congregational members to do ministry.

The second person on my team is Philip Bagby. Philip is an attorney and an active member of Heritage. He is a man of integrity and is always generous with his time in assisting Heritage with any legal questions and concerns. He is good at seeing all sides of an issue.

Bill Thomas, the third member, has recently retired as a bank president. He was instrumental in planning, building and fund raising for our current facilities. He has served as president of the Van Buren School Board and is used to looking at many sides of an issue. He doesn't mind asking the difficult questions.

Two others serving on my team are Clifford Lyon, a certified public accountant and co-owner of an accounting and an employment firm, and Gina Stafford, security exchange commission compliance manager, at a local corporation. Both are members of Heritage and bring valuable business sense to the group. They are good at looking for possible problems and pitfalls.

Biblical/Theological Foundations

Although the end result of my project is to encourage members to include the church in giving from their estates, the main focus of this project is the church being a good steward. According to New Webster's Dictionary, a steward is a manager of a large estate or other establishment, an agent who takes care of financial or other affairs for another person.² We should ensure that Heritage will be a good steward of its members' gifts.

Jesus spoke often about money and stewardship. In Matthew 25:14-30. Jesus tells the parable of the talents. We are servants and are to take whatever we are given, whether it is large or small, and multiply it for the owner. He also taught that our treasure should be used for that which will last. "Do not store up for yourselves treasures on earth, where moth and rust consume and where thieves break in and steal." (Matthew 6:19). Luke 12:16-21 tells of the rich ruler who kept all he had only to lose it all when he died. Jesus also tells us in Luke 12:42-48 that the servant who is hard at work is blessed and to whom much has been entrusted, even more will be expected.

In his letter to Timothy, Paul said "Of course, there is great gain in godliness combined with contentment: for we brought nothing into the world, so that we can take nothing out of it, but if we have food and clothing, we will be content with these." (I Timothy 6:7-8). Later in the same chapter he tells those who are rich (and we are indeed rich by the world's standards) to set their hearts on God who provides everything for our enjoyment "...to do good, to be rich in good works, generous, and ready to share, thus storing up for themselves the treasure of a good foundation for the future, so they

² New Webster's Dictionary of the English Language, (Consolidated Book Publishers, New York, 1974) 1499.

may take hold of the life that really is life.” (I Timothy 6:17-20). God tells us in Genesis 12:12 that we are “blessed to be a blessing.”

It is clear that God not only expects us as individuals to be generous but also to be good stewards of what He has given us. He also expects the same thing of His church—the “body” of Christ. I believe Heritage is being called to do good works, to be generous and ready to share, **and** to lay a good foundation for the future so the church will continue in good works and generosity.

Leaving a Legacy Establishing an Endowment Ministry for Heritage United Methodist Church

A chairperson for Wills, Trusts and Endowments has been elected to our Administrative Board (which has now been re-organized into our Church Council) for many years. The responsibility of this position was to promote giving to the church through wills and trusts; however, it has been an “in name only” position. We have given a member the title of chair of wills, trusts and endowments and expected that person to encourage members to include the church in their wills and trusts without setting up a vehicle for those gifts. There was no committee and no guidelines. That is probably why nothing has been done with the position. We have had nothing to motivate us to encourage people to give in this way.

Our church has had the good fortune to receive three bequests in the last twenty years. All three were in the \$30,000 range, and all three were from single or widowed women with no children. None of the gifts had any restrictions placed on them. The first was received around the time First Church and St. John’s merged to create Heritage United Methodist Church. First Church had a parsonage debt which needed to be paid before we could begin work on a new building. That bequest went to pay off that loan. The second came after the new church had been built and at a time when we were falling behind in making our weekly loan payments. That bequest went toward loan payments. The third was received last year and for the first time we were able to set it aside for future use. The Trustees voted to hold the principal and use the income to help fund new ministries.

These three bequests were from women who loved the church and wanted to show their love and appreciation for what it had meant to them. How many others might have done the same if there had been an education program to open their eyes to the possibilities and if there had been a fund set up with guidelines so they would know how their gift would be used? Now, with the gift from last year in hand, we can use it to begin a permanent endowment fund and use the giver's story to kick off a campaign to encourage giving to an endowment to help fund ministries for the future.

Promoting giving to an endowment fund will require a tremendous amount of education and publicity over a continuing time if it is to be successful. Setting up this education/publicity program was my original idea for this project; however, as I thought more about it, I realized that we first needed to have the fund set up. This would help assure the donors that we would do the best job possible with their gifts. It also would ensure that these gifts help rather than hurt the church.

A booklet on planned giving published by the United Methodist Foundation of Arkansas states: "Endowments for local churches can be compared to inheritances for individuals. Some individuals have been 'spoiled' by an inheritance...others have been greatly blessed and have become better stewards because of their inheritance. The problem is not with the inheritance, but with how it is left and how it is used. So it is with endowments in the local church. To say that there is no place for endowments in the funding plans of the local church would be as unthinkable as saying that no one should ever be left an inheritance because some have abused their gifts."³

A church can be torn apart by arguments over how to use money if an inheritance or other large gift is received and no policies are already in place. The money also can be

³ Planned Giving Handbook for Local Churches, United Methodist Foundation of Arkansas, 7

“buried” because there is no leadership in making a decision on how to use or invest it, or because of fear of making a wrong decision. Another potential problem exists if no guidelines are set and something is endowed which later is no longer needed. For example, someone sees the real need for providing wheelchair ramps and sets up an endowment just for this purpose. Several years later the local mission team has no family needing a wheelchair ramp but does have a family in dire need of a new roof. If the endowment is designated for only wheelchair ramps rather than local missions, then money is not available for a ministry with a real need.

The first decision I had to make was how best to go about setting up guidelines. According to the Book of Discipline of the United Methodist Church,⁴ the Board of Trustees has authority to

- Receive and administer all bequests made to the local church
- Receive and administer all trusts
- Invest all trust funds of the local church in conformity with the laws of the country, state, or like political unit in which the church is located

The Book of Discipline also recognizes the advantages to the local church of having these responsibilities delegated to a special committee which can focus exclusively on these stewardship matters and allows for the establishment of a Permanent Endowment Fund Committee.⁵

In our own church situation, the Board of Trustees is busy addressing repairs, remodeling, and the equipment needs of our church. They do not have the time to plan an endowment program. The persons making up our Board of Trustees have great skills for

⁴ The Book of Discipline of The United Methodist Church, 2000, ¶2532.5

⁵ Book of Discipline , ¶ 2533).

those regular tasks, but these are not necessarily the skills needed for setting up an endowment program.

With the blessing of our Board of Trustees and the Finance Committee, I selected an ad hoc committee of six people to discuss the issues involved and recommend guidelines to the Trustees and then to the Church Council and Church Conference.

At the first meeting, we talked about some of the reasons for establishing an endowment program including leaving a heritage for future generations, building a sense of permanence in what we do, and providing for ministries that formerly (due to budget constraints) were only dreams.

In his book, Twelve Keys to an Effective Church, Kennon L. Callahan states

A responsible theology of stewardship encourages local congregations to invest money in such a way as to (1) increase missional services in the community, (2) maximize the effectiveness of the local church, and (3) add to the number of households that contribute financially to the life and mission of the congregation. It is not the task of the church to save money. Nor is it the task of the church to spend money. Rather, it is vitally important that the church invest its funds wisely so that mission, effectiveness, and increased giving are the substantive results of its sound investments.⁶

Setting up an endowment and managing it wisely will help our church achieve these goals.

Another reason for beginning an endowment fund is timing. The time is ripe for encouraging gifts to an endowment program. People, particularly those in retirement, are discovering they have accumulated assets, perhaps valued more than they thought. According to PhilanthroCorp, the wealth transfer from 1998 to 2052 will be more than \$41 trillion. Eighty million estates will change hands. Most of these estates have not been

⁶ Kennon L Callahan, Twelve Keys to an Effective Church, (San Francisco: Harper & Row, 1983) 106

planned.⁷ Due to lack of a will or estate plan, seventy percent of Christians leave nothing to their church or God's work when they die. One hundred forty three billion dollars were given to all charities in 1997: 47% of this was given to churches and religious organizations. Seventy-six percent of the \$143 billion was given by individuals.⁸ According to Christianity Today, relatively little of the wealth that will be inherited by baby boomers may end up supporting the local church.⁹

Most people want to feel they have made some difference in the world. They like the idea of leaving their assets for a purpose that will have lasting benefits, but they don't know how to go about it and don't realize what the opportunities are. People are also looking for tax benefits.

Another factor is that as people age, they sometimes tire of worrying about their stocks, of dealing with decisions regarding them, and of all the information they receive in the mail. They also may not be sure how to dispose of stocks and concerned about the subsequent tax consequences.

The committee also discussed possible pitfalls we needed to avoid such as arguments about use of the money, tying up funds in a way that hampers future ministries in the future (i.e. funds are tied to a ministry that is no longer needed so they are not available for new ministries), and reliance on these funds to pay for normal operating expenses so members are not motivated to give of their current income. There was a general feeling that if a person wanted to designate their gift, it would be better to encourage them to designate a "category" (i.e. new ministries, missions, etc) rather than designating a particular item or ministry.

⁷ PhilanthroCorp, Woodland Park, CO

⁸ Stewardship Matters, Volume 2, Number 1, p 11

⁹ Christianity Today, April 7, 1997

Another pitfall we hoped to avoid is family members objecting to the church being the beneficiary of their relatives' assets and filing a suit disputing the will, trust or other agreement made by their family member. We also need to be cautious in approaching members about giving of their assets—some might believe the church is after their money.

Decisions also need to be made on how the endowment income will be used. Will we use the income to begin new ministries or for mission outreach outside our local church? Perhaps it should be used for capital expenditures on current facilities or to help fund future building needs.

We also talked about the many ways gifts can be made. Gifts of cash bequests in a will or trust can be made by everyone. Those with larger estates may be more interested in charitable remainder trusts or gift annuities with greater tax benefits.

Another item for discussion was the pros and cons of the church administering the fund(s) versus outsourcing this task to a secular business or an organization such as the United Methodist Foundation of Arkansas. We had concerns about the wisdom of a church member or committee making the decisions about investing our money. Did we have members with the expertise for this? Did we want to put this much responsibility on them? Plus there would be additional work involved in determining the amount of earnings that each ministry would receive, assuming there was more than one fund benefiting from the endowment. There also was some concern about using a public bank or company for our investment. We wanted to be sure our interests would be topmost. Everyone was in agreement that we would like to talk with representatives of The United Methodist Foundation of Arkansas to learn more about their program and services.

I contacted Janet Marshall, a vice president of UMFA. She was eager for an opportunity to come to our church and explain their program. She and Jim Argue, CEO of the Foundation, came the next week and met with the committee and shared information about the Foundation. It has existed for 23 years and currently manages over \$70,000,000 in assets for United Methodist churches and institutions. They offer a lot of flexibility. The church can have a basic endowment program wherein we designate the earnings to whichever ministries we wish, plus have endowments that have been designated by the donor or family. The Foundation will do all the figuring as to how much each fund receives from the earnings. We can draw earnings at whatever schedule we wish—yearly, semi-annually, quarterly, monthly.

The Foundation also offers three types of investments:

Money Market Pool which features:

- Money Market rates
- Liquidity
- Deposit/withdraw anytime privileges
- No market risk
- Daily interest
- Income credited monthly
- 6 months T-bill rate + 35 Basis Points

Income Investment Pool which features

- Emphasis on current income, not capital appreciation
- High grade Corporate/Government Bonds, Church Loans, Index Funds
- Purchase/sell units as of 1st of each month
- Income credited monthly
- More stable unit values

Growth Investment Pool which features

- Emphasis on capital appreciation, not current income
- Diversified portfolio of stocks
- Five Professional Managers
- Purchase/sell units as of 1st of each month
- Income credited monthly
- More volatile unit values

The church can invest whatever percentages of the endowment it wishes among these funds. There also is an additional option. If an asset is appreciating significantly, we can choose a distribution of 4.0% of the three-year average year-end market value. This could be a valuable option. James Hagan, in his project paper Cultivating and Investing Special Gifts¹⁰ discussed changing his church's policy to allow them to use some of the value of appreciated assets as income rather than leaving all of it in the endowment. They chose a sixteen month look back period with a five percent spending rate.

Foundation representatives will come to present programs to church groups at any time and give us any help needed in education and publicity for our endowment program. They also will work with individual church members who are looking at tax advantages from their gifts or want to set up designated funds. The Foundation's objective is information, not pressure.

The Foundation receives most of its operating income from the Arkansas Conference and from its own endowment program; therefore it is able to offer us a monthly management fee much less than that of for-profit organizations.

The representatives also gave us a little advice on how to have a successful endowment program after it has been adopted. Of the three types of gifts (cash and appreciated assets while the person is living, gifts through a will or trust—"testamentary" gifts, and charitable remainder trusts/gift annuities) they suggested that we focus first on testamentary gifts. Our church is currently running out of space and if we continue to grow will need to add another building. We don't want to hurt that future capital fund drive by tapping our members' current assets. We agreed that for our church, focusing on testa-

¹⁰ James Hagan, Cultivating and Investing Special Gifts Candler School of Theology, NICFA project summer, 2001, 11-33.

mentary gifts first would be best. Whatever type of gift we receive, it is vital that we thank donors within a week of their gift with hand-written notes and publicly recognize them for their gift, (but not with the amounts of their gifts). We must have an on-going education program. The education program should be many-faceted to reach the many different people at different times of their lives.

Jim and Janet answered our many questions and explained the need to write a policy to present to the Charge Conference for approval. They offered to send us some sample policies to guide us. After visiting with Jim and Janet, everyone on the committee found them helpful and was pleased with the program's philosophy, the flexibility of investment options, and their willingness to work with us. I asked Janet to send me the sample policies.

Our next step was to begin work on a policy that fit our church's needs. Janet sent me three sample policies. I read them and made notes on what they included, how they were alike, and how they were different. I am a person who doesn't like to waste a lot of time in a meeting, and all my committee members are busy people with little time to spare. I sent the sample policies to the members along with my notes and questions I saw that we would need to answer. I asked them to read over the information and think about their questions. I felt this would help us use our time more efficiently when we met.

We met again two weeks later and were prepared to get to work hammering out details. We chose the policy that seemed clearest and offered the closest fit to our church and used it as a framework. Some parts we were able to use exactly; some we made slight changes; some we omitted altogether. As someone who sews, it reminded me of making a dress. I take a pattern and make adjustments to fit my figure. I may change the sleeves or

the dress length. I may add or omit trim. If I do a good job, I have a dress that fits me, I feel comfortable wearing, and I can use for a long time.

Our basic policy (pattern) was divided into nine sections:

- A. The Endowment Committee
- B. Donations
- C. General Endowment Fund
- D. Investment of Endowment Funds
- E. Use of Income from Endowment Funds
- F. Liability
- G. Merger, Consolidation, or Dissolution
- H. Amendments
- I. Severability

We went over each section and decided how to fit that piece to our situation.

Section A established the Endowment Committee and defined their purpose, who the committee members would be, and how they would be elected. The major decision in this section was the selection of the committee members. We wanted a group familiar with the needs of the church as well as those experienced in business and communications. We felt that the committee would need some membership continuity to operate best, but we also wanted to avoid a group with control issues.

The persons most familiar with the church ministries and needs are those on the Board of Trustees, Finance Committee, Church Council and church staff. We discussed making the chairpersons of the Trustees, Finance and Council members of the committee along with the pastor; however, these persons are often already very busy with their par-

ticular committees. The pastor also has to wear many hats. So we chose to have a representative from the Trustees, Finance, and Council be members of the committee. That way they could select the person from their team they felt would be the best person to represent them on the committee. The church staff will decide which staff member would be the best one to serve. The church treasurer will be a member of the committee because the treasurer will be directly involved in administering the endowment. In addition three other at-large members will be elected to serve on a three year rotating basis. The three at-large members will be selected on the basis of their business and publicity experience. A three year rotation of at-large members will help give some continuity to the group as well as avoid a situation of stagnation or control issues. A chairperson of the committee also will be elected. The lead pastor and church lay leader will be ex-officio members of the committee. This will give a committee of nine persons—enough to allow a variety of people capable of making decisions but not too large a group to have trouble making decisions.

The next section involved donations—how funds will be received and distinguished between “designated” and “general” funds. A “designated” fund is one that is given by a person(s) and designated for a particular purpose (for example, income from the fund will be used to support the music ministry of the church). If the church accepts the gift and agrees to its designation, then the fund must be used for that purpose only unless the person or family approves it being changed. All gifts not designated for a particular ministry will go to the “general” fund.

We also discussed at length the advantages and disadvantages of dividing the general fund into categories such as ministry, mission, and capital expenses. Sometimes

people are more likely to give when they know their gift will be used for purposes dear to their hearts. But sometimes needs change and while a particular need is great now, ten years from now it may not be needed. In the end, we decided it best to have one general fund with the church deciding each year how income will be used. Persons who have strong feelings about their money being used for a particular purpose still have the option of making a designated gift.

This brought us to another concern. Should there be a minimum amount on any designated gift? If a gift is small, it may not earn enough to make a significant contribution to a ministry. On the other hand we felt that all gifts are important and did not wish anyone to feel that their gift is not worth enough. We decided to encourage—and the key word is encourage—gifts of less than \$10,000 be placed with the General Fund rather than designated. While interest earned on smaller amounts may not be enough to give significant support to a ministry, when several smaller gifts are combined in our General Fund, together they can make a significant contribution to a ministry and help support it for many years. This policy does not prevent a person from designating a small gift but does encourage them to add it to the General Fund.

The third section involved the purpose, use, and objectives of the general endowment fund. We were all in agreement that the purpose of the fund was to give members and friends the opportunity to make charitable gifts to Heritage Church which would become a permanent source of financial support and a living memorial.

That was simple. Not so simple was designating the annual income. Should the income be specified under several ministries (such as ministry, mission and capital expenses)? Should we include a statement that income would not be used for items that

should be supported by the church operating budget? Should the committee have sole authority over who receives the income?

We were all concerned that the church should not rely on the endowment income for the normal operating expenses of the church. This should be the responsibility of our members' regular giving, and we did not want the church to become like a spoiled child who has everything given to him and then does not accept personal responsibility. At the same time, we did not want to limit the church in the future so that it would not be possible, in the event that it was in the best interest of the church, to fund a ministry that had been in the operating budget.

We also discussed who should make the decision each year on how the income would be used. Should this be the Endowment Committee or the Church Council? Giving the committee the sole authority might not be the best. On the other hand, the council is made up of over 50 people, and it could become quite a free-for-all if it were strictly a council decision. It was decided the best plan was for the committee to take all requests, discuss their merits, and then based on the needs and the money available, make its recommendation to the council. If its recommendation is well thought out and explained, it should save the council a lot of time in making the final decision and also prevent a small group having complete control of the endowment income.

Next, we had to decide just how permanent this fund should be. Should the policy be written so the principal could never be touched? Could there be possible situations in the future when it would be in the best interest of the church to use some of the principal? We were reluctant to state that the principal could, under no circumstances, be touched, but we also wanted to make it very difficult to do so. Our statement that "any part of the

principal may be withdrawn only in extreme and overwhelming circumstances, bordering on the survival of Heritage UMC” indicated the seriousness of this step. Requiring a three-fourth vote, first of the committee, second, of the Church Council, and third, of the Charge Conference would insure that this step would be in the best interest of the church. The likelihood of this many people being swayed by poor judgment would be highly unlikely.

The next section outlined our investment objective, who would manage the fund and the reporting procedure. We realized that in order for the fund to keep up with inflation, some risk would have to be undertaken; however, we did want to be cautious with this risk. We also felt it best to use an outside group to manage the fund. We were all in agreement about using the United Methodist Foundation of Arkansas as our agent, but we also wanted authority to choose another similar agent if problems arose with the Foundation.

The fifth section dealt with use of the income from the funds. It restated that any designated funds would be used in a way consistent with the terms of the gift, and the general fund income would be determined by the Church Council upon recommendation of the Committee.

The sixth section addressed the liability of Heritage Church and its committees and stated that, in the absence of fraud, no member or employee would be liable for any action made or omission with respect to the administration or investment of the funds.

The seventh section dealt with what would happen to the fund in case of merger, consolidation, or dissolution of the church. This was especially relevant to us because our church was created by a merger. We wrote a statement that if our church merged or con-

solidated with another church, it would not affect the terms of this policy and the new church would be obligated to follow the terms of this policy. If the church should ever be dissolved, according to the Book of Discipline¹¹ all property and assets would go to the Arkansas Conference. Our policy would entrust our fund to the United Methodist Foundation during that transition time.

The next section provided that technical corrections and amendments to the policy be made by a three-fourths vote at a Charge Conference.

The last section was a standard statement that if any provision of the policy be found illegal, inoperative or unenforceable, that would not affect the remaining provisions.

Now we had a policy. The next step was to get it approved at a Charge Conference. One of the sessions at the 2003 spring NICFA conference dealt with change and how best to implement change. We can try to force change or we can walk together by explaining what we are trying to do, giving people time to think about it and then listening to each other. By truly listening to each other we may find a better way to implement the change, or we may find things about it that need to be different. We may even find this change just is not for us. Just because it worked someplace else does not mean it is right for our situation. By giving others a voice in the decision we walk together toward the best solution.¹²

Nothing in what we were trying to do should be controversial—certainly not compared to merging churches, adding a contemporary worship service, or changing

¹¹ Book of Discipline, (¶2548).

¹² Karen Golden-Biddle Management Theory and Practice, NIFCA lecture, Atlanta, Candler School of Theology, May, 2003

Sunday worship times—but I have learned in 25 years of church work that just when you think something should be clear sailing you better watch out!

The next meeting of our Church Council was coming up in two weeks. We decided to mail the policy to council members along with notes explaining our reasoning behind some of the items. This would give them time to read, think about it, and be prepared with any questions or concerns they had. At the council meeting we would answer questions and listen to any concerns they had. Following the council meeting, if there were concerns that we needed to address, the committee would get together and discuss those and see if we needed to make any changes to the policy. After that step we would be prepared to present the policy to a called Church Conference.

The Church Council met March 28th. I explained to them why we wanted to set up an endowment and reviewed the proposed policy with them. The response to setting up an endowment was favorable. The main question concerned our already designated funds and if they would be part of the endowment and not be used as designated. I explained that funds which had been designated for a particular purpose must be used for that purpose and could not be part of the general endowment fund.

The next step was to present the policy to a called Church Conference. If the policy was approved, members would be elected to serve on the General Endowment Fund Committee. Our District Superintendent gave permission for a Church Conference to be called for Sunday, April 18, 2004. At the conference the policy was presented and discussed. At the request of the pastor, under the Endowment Committee members section, the staff representative was changed to designate the pastor and director of ministries.

The position of lay leader also was added. No other changes were made. The policy was then adopted by a unanimous vote and committee members elected.

The policy provided parameters for the General Endowment Fund but the details had to be worked out. We would need to select an agent to invest and manage our fund, decide how the funds would be invested, whether to let the endowment grow to a certain amount before using any of the income, and how we would decide on using the income. When our church received the \$37,000 bequest last fall, the Trustees voted to use the interest from it for new ministries. This money would now be used to begin our endowment fund. We needed to look at our other funds to see if we should recommend that any of them be added to the endowment. The newly elected committee met April 29 to begin working on these details.

Prior to the meeting, I spoke again with Janet Marshall from The United Methodist Foundation of Arkansas to learn what the procedure would be if we selected the Foundation to be our agent. She sent the agreement form for us to review and sign if we selected them. At our meeting a copy of the agreement was given to each member. It was the unanimous decision of the committee to sign the agreement making the Foundation our agent.

The next item on the agenda was the amount of money to place into the endowment. We had approval from the Trustees to place the \$39,000 bequest received last year in the fund. We discussed whether or not to ask the Finance Committee and Trustees to add undesignated memorials to the fund. However, since our church has set a goal to pay off our present building loan note in the next year, putting that \$5,000 toward the loan

would save us more in loan interest than we would earn from putting it in the endowment.

The third item to discuss was in which of the three funds to invest our endowment. Because we are investing the money for a long period of time with a goal to grow the principal we selected the Growth Investment Pool. This was a difficult decision because it entailed being good stewards of what we have been given. The parable of the Ten Talents teaches we should put what we have been given to work to multiply it. At the same time we are not to be foolhardy. We realized that by investing in the Growth Investment Pool we were taking on some risk but we did not feel it was a foolish risk. The Foundation has a good investment history and does not invest in high risk endeavors. We recognized there may be times when the value of the fund falls but we believe that holding it over a long period of time will enable it to grow more significantly than with either of the two other pools.

With these decisions made, we next discussed when we should begin using the income from the fund. Letting the earnings stay in the fund for faster growth made sense. The current earnings would not be enough to give significant funding to any ministry. Adding the earnings to the principal would give more earnings to use in the future. On the other hand it could be that a need would arise when it would be to our advantage to use the earnings. We decided to evaluate the fund each year along with any needs and decide what was best in each situation.

Another item for consideration was the process for selecting what received funding from the earnings. Because we won't be using any proceeds from the endowment for the next year, no decision was made on this. We will check with the Foundation and also

with some other organizations to see what processes they use in selecting ministries to receive the income.

Our goal has been accomplished! The General Endowment Fund has been established and funded. May God guide us in being good stewards and may it truly be a legacy to our children that will help them further the Kingdom of God.

Conclusions

Working on this project has been a good experience for me. I didn't choose this project—it chose me! As I began to approach different people and groups last fall with my project idea, everyone was extremely supportive and encouraged me to proceed. They saw it as a real need and asset for our church. It was the right time in the life of our church to begin an Endowment Fund.

Everything about this project has been a challenge to me personally. I know very little about the world of investments, planned giving, and policy writing. I am a good support person, not a good person to be in charge. The personality profiling we did in Beth Vassallo's presentations on Understanding/Relating with Self and Others at the NIFCA spring seminar affirmed what I already knew about myself. I am much better working with pen and paper than I am with people. But I have learned that if I recruit people with the knowledge I need, who share the vision and are willing to give of their time, I can get accomplished what I cannot on my own. I have learned that if I am willing to spend the time gathering information and having it organized and available to people ahead of time then meetings can run smoothly and much can be accomplished in a shorter period of time.

My ad hoc committee members were a joy to work with. They all have strong personalities which sometimes can be a recipe for disaster! However, these were people who had respect for each other, a love for our church, and a common vision that we wanted a policy that was best for our church not only now but for the future. We had differences of opinion on some items, but because we had that common goal we were able to come to a consensus on each point. I also learned more about United Methodist Church

procedures by researching the Book of Discipline to learn who was in charge of endowments and how to follow the Discipline in setting up this fund.

The end product looks a little different than what I had in mind as I began this project. I tend to over organize at times and like things very detailed. I pictured an endowment with the use of earnings set for, at least, definite categories. I wanted to ensure earnings would not be used for normal operating expenses. I wanted to let it grow to a pre-determined amount before we used any earnings. These were good guides but not necessarily good rules. All of these had the potential of limiting ministries rather than enhancing them. This is where the wisdom of a group can be better than the wisdom of an individual. By discussing pros and cons of each point we were able to come to compromises that will help us be the best stewards of the fund. However, one of the future challenges for our church Lay Leadership Team will be nominating individuals to serve on this committee. These individuals will need to balance the needs for using the income against the value of growing the fund, along with not using it as a bail-out to fund ministries that should be supported with our normal operating budget.

Establishing the endowment is just the beginning. The real challenge is promoting it to our congregation and giving members the vision of what their gifts can accomplish through the endowment. The work of establishing the fund will be in vain if there is not a plan for teaching our members the importance of making their church a part of their financial planning. They say you can't take it with you—but we want to show them they can keep their money working for the Lord long after they are gone.

The one thing I would do differently is not procrastinate as much. Like most people, when I do not feel qualified to do something, I tend to put it off. It is easy to find

things to get in the way—other work and family responsibilities, other community programs. I wrestled with getting this project started from July to December when I finally decided that if I was going to do it, I needed to put other things on the backburner and do it. It has definitely put me outside my comfort zone, but I have survived and the effort has been worthwhile. I think in years to come, I will be very proud to have set this program in motion for Heritage. Hopefully my three grandsons, along with all the other children I see daily at church as well as all those children in our community and the world, will come to know the love of Christ because of ministries that will be supported in the future by this endowment.

The Endowment Policy of Heritage United Methodist Church Van Buren, Arkansas

On this 18th day of April 2004, the Charge Conference (the “Charge Conference”) of Heritage United Methodist Church does hereby adopt the following Endowment Policy to be used in operating and administering permanent endowment gifts received by Heritage United Methodist Church (Heritage).

A. Endowment Committee

1. The Endowment Committee of Heritage (the “Committee”) is hereby established.
2. The Committee shall administer the endowment funds of Heritage, pursuant to authority granted by and policies adopted by the Charge Conference of Heritage.
3. The Committee will inform friends and members of Heritage as to ways endowment gifts may be made to benefit the ministries of Heritage.
4. The members of the Committee and its chairperson shall be elected by the Charge Conference and shall serve until their successors have been elected. Members of the Committee shall include the pastor, Director of Ministries, Lay Leader, a representative from the Finance Committee, from the Board of Trustees, and from the Church Council, the church treasurer and three at-large members who will serve on a rotating basis. The Committee shall elect a secretary and such other officers and sub-committees as it deems necessary.
5. The Committee shall cooperate with the Committee on Finance in assuring that the annual audit process (as stated in Paragraph 258.4c of The Book of Discipline) is followed. The Committee shall make a full report no less frequently than once a year to the Church Council

B. Donations

1. The Committee may receive donations from any source, on an inter vivos (while living) or testamentary (through a will or bequest after death) basis, in cash or in other property acceptable to them.
2. All legacies and gifts that are not designated for a specific purpose shall become a part of the General Endowment Fund of Heritage.
3. All legacies and gifts which are designated for a specific purpose, or for other reasons require separate administration, will be separately administered according to the terms of the legacy or gift. Members and friends are encouraged to direct gifts of less than \$10,000 to the General Endowment Fund.

C. General Endowment Fund

1. A permanent fund to be known as the General Endowment Fund of Heritage shall be established.
2. The General Endowment Fund is established for the purpose of providing members and friends the opportunity to make charitable gifts to Heritage that will become a permanent source of financial support and a living memorial.
3. The General Endowment Fund is established to provide annual income for purposes designated by the Church Council as recommended by the Endowment Committee.
4. The objectives of the General Endowment Fund are to conserve principal and make use of only the income from the fund. Any part of the principal may be withdrawn only in extreme and overwhelming circumstances, bordering on the survival of Heritage. Any withdrawal of principal must be approved by a three-fourths (3/4ths) vote of the Committee, a three-fourths (3/4ths) vote of the Church Council and a three-fourths (3/4ths) vote of the Charge Conference.

D. Investment of Endowment Funds

1. The investment objective of Heritage's endowment funds shall be regular, dependable income without undue exposure to risk.
2. The Committee may name the United Methodist Foundation of Arkansas, or another qualified organization, to act as its agent in administering and investing Heritage's permanent endowment funds.
3. The investment performance of Heritage's endowment funds shall be reported to the Charge Conference at least annually.
4. The Committee should employ investment strategies designed to balance the current need for income with the need for capital appreciation to offset the effects of inflation.

E. Use of Income from Endowment Funds

1. The use of income from any designated endowment funds shall be consistent with the terms of the legacy or gift.
2. The use of income from the General Endowment Fund shall be determined by the Church Council upon recommendation of the Committee.

F. Liability

In the absence of fraud, no member of the Board of Trustees of Heritage, the Committee, or any church member or employee acting in behalf of the Committee shall be liable for any action made or omission with respect to the administration or investment of Heritage's endowment funds.

G. Merger, Consolidation, or Dissolution

If at any time Heritage is lawfully merged or consolidated with any other church, all the provisions hereof in respect to the endowment funds of Heritage shall be deemed to have been made in behalf of the merged or consolidated church which shall be obligated to administer the same in all respects and in accordance with the terms herein. If Heritage should ever be dissolved without any lawful successor thereto, the endowment funds of Heritage, including both interest and principal, shall be entrusted to the United Methodist Foundation of Arkansas.

H. Amendments

Technical corrections and amendments to this Endowment Policy which do not alter the stated purpose of the General Endowment Fund may be made only by a three-fourths (3/4ths) vote of those present at a duly announced Charge Conference of Heritage.

I. Severability

If any provision or any application of any provisions of this Endowment Policy shall be held or deemed to be illegal, inoperative, or unenforceable, the same shall not affect any other provisions herein contained or render the same invalid, inoperative, or unenforceable.

THIS ENDOWMENT POLICY WAS ADOPTED THIS 18th DAY OF APRIL, 2004, IN A DULY AUTHORIZED CHARGE CONFERENCE OF HERITAGE UNITED METHODIST CHURCH, VAN BUREN, ARKANSAS, BY A VOTE OF 31 FOR, NONE AGAINST, AND NONE ABSTAINED.

Recording Secretary

Pastor

Approval for the Church Conference was given by District Superintendent Bobby Bell in a letter dated March 26, 2004

Bibliography

- Golden-Biddle, Karen, "Management Theory and Practice", lecture, Atlanta, NIFCA seminar, spring, 2003
- Callahan, Kennon L., Twelve Keys to an Effective Church, San Francisco: Harper & Row, 1983
- Coogan, Michael D., editor The New Oxford Annotated Bible, NRSV, New York: Oxford University Press, 2001
- Hogan, James, Cultivating and Investing Special Gifts, Atlanta, Chandler School of Theology, NIFCA project summer, 2001
- Olson, Harriett Jan, editor The Book of Discipline of the United Methodist Church 2000, Nashville: The United Methodist Publishing House, 2000
- Vassallo, Beth, Understanding/Relating with Self and Others, lecture, Atlanta, NIFCA Seminar, Spring, 2003
- Whitley, Mark, Future Generations: A Basic Estate Planning Guide The Oklahoma United Methodist Foundation, Inc, April 2003
- New Webster's Dictionary of the English Language, New York: Consolidated Book Publishers, 1974
- Planned Giving Handbook for Local Churches, Little Rock, United Methodist Foundation of Arkansas, undated
- Stewardship Matters, Vol. 2, No. 1
- Christianity Today, April 7, 1977