

**Toward a New Policy Concerning Investments and Gifts—
for Congregational Review and Comments
April-May, 2015**

Note: you are welcome to provide feedback about these proposals to members of the Gifts, Endowments, and Investments Committee:
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In addition, there will be a discussion session for the congregation to respond to this proposal and to a proposal to change the Bylaws on Sunday, May 3, during fellowship time in the conference room.

Synopsis of Proposal to Cabinet from the Gifts, Endowments, and Investments Committee (April, 2015)

We propose to restructure the current investments, going from 10 accounts at 3 institutions to a smaller number. The accounts would be restructured so that the church will maintain only one large General Support Fund and three much smaller special purpose funds. The church will receive 4% of the value of the General Support Fund annually to support the church budget. The three special purpose funds will support (1) Facilities, Environment, and Resources; (2) Christian Education and Formation; and (3) Missions and Ministry. They are intended for significant one-time extra-budget needs. These funds carry over from year to year, they can be spent down to the minimum amount needed to maintain the account, and Cabinet can act to replenish them. These changes move us toward best practices for churches in the UCC.

Introduction

First Congregational Church UCC is in the enviable position of having received some very substantial gifts in recent years that have become the major part of the church's investments. The church has also benefited from prudent investment of these funds by prior Gifts and Endowments committees. At present the investments stand at about \$600,000, which is invested in stocks, bonds, and a small endowed account. The proceeds from the investments support the church budget, and they also allow important ventures that enhance the church's mission and that might otherwise be impossible. One example is that the Second Helping ministry got its start using funds from a bequest made by Martha Brill. Recent examples include the grand piano in the sanctuary and the new sanctuary sound system.

Historically, each large gift (ranging from \$30,000 to \$60,000) has been put into an investment account named for the donor. Most of these gifts were not designated by the donor for any particular purpose; however, Cabinet in most cases designated an area of use, such as Christian education, local missions, and so forth.

Several problems arise from this arrangement. First of all, each major gift resulted in a new account. We now have ten accounts that are invested in several different kinds of funds and at three separate institutions. This means that the various accounts do not share equally in gains and losses in the markets. Another issue is that the named accounts might come to be seen as limited to the purposes of particular boards and committees, when in fact there are times when money has to be disbursed from whichever account is considered by the GE&I Committee to be most prudent. Third, in a few cases, either donors or Cabinet have designated income from particular investments (e.g. X% of the annual proceeds from accounts A, B, and C) for several different purposes, which results in relatively small amounts of money being directed to several different line items in the budget, each with a unique percentage. This system has proved so cumbersome that a review of where the money actually goes suggests that the results are hit or miss. Fourth, this situation does not reflect how the church actually and faithfully develops its budget, where we generally say that if an activity or a mission is a priority, we will try to find a way to fund it.

Of course, we are blessed to have these kinds of resources with these kinds of problems. However, we need to devise easier, more transparent ways to deal with gifts and investments. In addition, we are intentionally moving toward what the United Church Funds recommends by simplifying the accounting, being good stewards of resources, and encouraging future donors.

The Proposal

1. GE&I will restructure investments so that the church maintains only one large General Support Fund and three much smaller special purpose funds (for Facilities, Environment, and Resources; Christian Education and Formation; and Missions and Ministry). Both the General Support Fund and the small special-purpose funds are managed by Cabinet through the GE&I Committee. (Investment principles will be included in the GE&I policy documents, to be approved later.) These four funds are the repositories of gifts that are intended to support the church in the future. These gifts could come from bequests, from memorials, or from individuals.
2. The church shall have a general policy of encouraging donors to make gifts to the General Support Fund, i.e. not designated for any particular purpose, so that the church has maximum flexibility in their investment and use. Donors who nevertheless want their gift to be associated with a particular function may donate to one of the three new special purpose funds.
3. The names of donors who contributed \$30,000 or more toward any of these funds (General Support Fund and special purpose funds) will be listed in the annual report every year, unless the donors want anonymity. Other donors will

be listed in the annual report in the year in which they made their gifts, unless they wish to remain anonymous.

4. The church may decline any gift that GE&I and Cabinet believe unduly ties the hands of the church leadership in developing the church's budget and using its resources. Examples might be a gift that requires that all of the proceeds from the investment of that gift be spent annually for a particular function, or a gift where all or part of the proceeds are passed on to an external entity.
5. GE&I will annually recommend a limit on the percentage of the General Support Fund (typically 4%) that can be disbursed in the next fiscal year to support the regular church budget. The Cabinet has the authority to raise or lower this percentage.
6. To assist in the development of the annual budget, the recommended annual disbursement is determined after the third quarter investment reports have been received. It represents a rolling average of the previous five years' year-end totals. It is based on the contents of the General Support Fund only, and the recommended amount must not invade the principal. (Conditions and procedures under which principal might be invaded in the case of financial exigency are included in the GE&I policy documents, to be approved later).
7. The special purpose funds for Facilities, Environment, and Resources, for Christian Education and Formation, and for Missions and Ministry are intended for significant one-time extra-budget needs. The amounts in these funds carry over from year to year, and they can be spent down to the minimum amount needed to maintain the account (anticipated to be \$3,000). When a board or committee wants to use funds from these accounts, it presents a proposal to Cabinet, which must approve the expenditure. These expenditures will not be considered part of the recommended maximum percentage taken out of investments in that calendar year. (Note: These accounts will be set up at the time of restructuring, each with an opening balance that is above the minimum needed to maintain the account and that is commensurate with recent expenditures in each area.)
8. Because usage of the special purpose funds is likely to be quite sporadic, and also variable with respect to amounts taken out, donors should understand that from time to time, Cabinet may need to review the status of these funds while considering anticipated needs. Cabinet may act to shift funds around, or add funds from the general support area, or perhaps undertake a capital campaign to provide additional funds. Donors should also understand that the special purpose funds are broadly rather than narrowly applicable to the indicated areas.

Implications of the Proposed Change

1. The current Pastor Housing account, along with accounts currently carrying the names of Brill, Fenton, and Chalmers would be combined to form the General Support Fund, along with several other funds. None of the named accounts was donor-designated.
2. The amount of money that can be taken routinely each year from the church's investments will be calculated solely on the basis of the General Support Fund, not to include the special purpose funds. GE&I would probably recommend taking out half the annual total in February and the other half in September of each year.
3. Income from the endowed accounts at the Greater Manhattan Community Foundation (GMCF) will be considered part of the 4% taken annually for support of the budget. Other funds generated through GMCF, e.g. through the Grow Green event, will likely be designated by Cabinet for one or more of the three special purpose funds.
4. GE&I recommends sending \$10,000 to the United Church Board for World Ministries. The Sandell family made a donation the 1980s in memory of E.K. Lord, and they specified that the income from \$10,000 of the total (which was combined with other funds) should go to United Church Board for World Ministries (UCBWM). However, the complex arrangements under which the money was combined with other money and was invested in several different accounts and then fed into the budget, has proved unwieldy. So we propose just giving the \$10,000 to UCBWM and letting UCBWM invest it. We will need to talk with donors or surviving family members of this donor, and of certain other donors, to arrange what we hope will be seen as minor changes in how the funds are used.
5. The suggested starting values of the funds would be similar to the following:
 - a. General Fund (incl. GMCF) \$570,000
 - b. Special Purpose Funds (the probable minimum balance is \$3,000)
 - o Facilities, Environment, and Resources \$ 20,000
 - o Christian Education and Formation \$ 10,000
 - o Ministry and Mission \$ 5,000
(We anticipate that a recent gift will be added here)

6. Disbursements from the General Support Fund would go into the general budget and not to specific line items. Consequently, the line items previously supported more or less directly from the investments should be included as regular items in the budget and funded according to typical/anticipated needs.
7. GE&I strongly recommends that the church avoid borrowing from investment accounts with the intent to repay the money later.