



## Basics of Endowment Management

*Presented by*  
*Kenneth H. Quigley, Program Director*  
*Endowment Management Solutions*



## What is the Episcopal Church Foundation (ECF)?

### Overview:

- Independent and lay-led foundation
- ECF's mission is to strengthen the **leadership** and **financial** capabilities of Episcopal congregations, dioceses, and other institutions
- ECF carries out this mission through a wide array of programs including...



### Leadership Resources

- ECF Vital Practices ([ecfvp.org](http://ecfvp.org))
- Vestry Resource Guide
- Fellowship Partners Program
- Educational Events
- Vital Teams

### Financial Resources

- Capital Campaigns
- Planned Giving
- Endowment Management
- Annual Giving/Development



## Principles of Endowment Management

### Why Endowments Matter:

- Respect for the past, vision for the future
- The sin of not having one
- The joy of doing it right



## Four Core Principles

(and the tragedy of doing it wrong)

1. Purpose
2. Perpetuity
3. Prudent Investing
4. Prudent Spending



## Endowments

### What It is

Long-term invested fund with restrictions  
True endowment (donor designated)  
Quasi endowment (board designated)

### What it is not

Reserve funds  
Collection of Trusts  
Invested Funds



Why have an endowment to begin  
with?



## What an Endowment is NOT for

- To plug holes in the annual operating budget
- A savings account for future emergencies
- Self-preservation

## What an endowment IS for

- To support ministries beyond the annual operating budget
- To be an “opportunity” fund
- To provide donors with a trustworthy place to leave legacy gifts



## Why Endowments don't grow

- Lack of Structure
- Outdated Structure
- Lack of Trust
- Unclear Purposes
- No one asked (Planned Giving)



## Why is Structure so Important

- Fiduciary Responsibility
- Clarity of Purpose
- Clarity of Process





## Policies Needed

### Enabling Resolution

#### Operating Policies

Investment Policy Statement  
Disposition of Bequest Policy  
Designated Gift Policy  
Spending Rule  
Gift Acceptance Policies

#### Other start-up considerations

Reserve Funds  
Record Keeping



## Key Operating Principles

- Understanding True vs. Quasi Endowments
- Investing as one; spending as two
- Protecting the corpus (spending power)
- Understanding UPMIFA (Uniform Prudent Management of Institutional Funds Act)

## How UPMIFA Applies to Churches

- Applies to donor-restricted funds
- Rescinds “historic dollar value”
- Removes “income only” restraints
- Defines what “prudent” means
- Can be used to guide management of both restricted and unrestricted funds



## Spending from the Endowment

- *Total Return Spending Policy*
- *Setting a Reasonable Draw*
- *Long-Term Asset Class Forecasts*
- *Preserving Spending Power*



## St. Swithin's, Swampland – Total Return Calculation

Three-Year Average & Annual Draw Percentage

### General Endowment Draw for 2010

<u>12/31/2007</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>3-Year Average</u>	<u>4% draw</u>	<u>3% draw</u>
199,276.10	132,274.14	164,043.76	165,198.00	6,607.92	4,955.94

### General Endowment Draw for 2011

<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>3-Year Average</u>	<u>4% draw</u>	<u>3% draw</u>
132,274.14	164,043.76	186,951.92	161,089.94	6,443.59	4,832.69

### General Endowment Draw for 2012

<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>3-Year Average</u>	<u>4% draw</u>	<u>3% draw</u>
164,043.76	186,951.92	177,421.89	176,139.19	7,045.56	5,284.17

### General Endowment Draw for 2013

<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>3-Year Average</u>	<u>4% draw</u>	<u>3% draw</u>
186,126.73	177,421.89	220,248.28	194,598.89	7,783.95	5,837.96

### General Endowment Draw for 2014

<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>3-Year Average</u>	<u>4% draw</u>	<u>3% draw</u>
177,421.89	220,348.28	268,088.57	221,952.91	8,878.81	6,658.58

## Spending Rule Calculation

Here is a simple calculation we use to help endowment boards think through the implications of spending rules.

• Spending Rate	5%	4%	3%
• Inflation	2%	2%	2%
• Fees	1%	1%	1%
	<hr/>	<hr/>	<hr/>
	8%	7%	6%







## Investing the Endowment

### Investment Options

- Bank/Brokerage House
- Diocesan Investment Trust
- Episcopal Church Foundation

### What to Look For

- Diversification of assets
- Solid performance measured against benchmarks
- Reporting
- Service
- Fees



## Effective Communications

- Keep good records
- Honor donor's wishes
- Explain the concept, share details
- Tell what the endowment has done
- Explain how to give
- Thank your donors



## Growing Your Endowment

- Build a well-ordered structure
- Use the money
- Communicate
- Say thanks



## Recorded Webinars to Empower your Leaders

- Basics of Planned Giving for Parish Leaders
- Basics of Endowment Management for Parish Leaders
- Prospective Donors of Planned Gifts
- Basics of a Capital Campaign
- Annual Stewardship (in Spanish as well)
- Vestry Leadership 101

**For links to recordings visit: [www.ecfvp.org](http://www.ecfvp.org)**





## Upcoming ECF Webinars

- **Communicating Stewardship Year-Round**
  - October 21, 2014- 7pm-8pm EDT
- **Using the ECF PG Roadmap (PG Shepherds only)**
  - October 22, 2014, 7:00-8:00 PM EDT
- **Planificación estratégica para las feligresías**
  - October 28, 2014- 7pm-8pm EDT
- **Preparing for a Diocesan Campaign**
  - November 5, 2014, 1pm-2pm EST
- **Volunteer Ministry**
  - November 13, 2014, 7pm-8pm EST
- **Hybrid Faith Formation** featuring VTS' Kyle Matthew Oliver
  - December 9, 2014, 7pm-8pm EST

Check our website: [www.episcopalfoundation.org](http://www.episcopalfoundation.org),  
under Events, for more info.



## At your service

**ECF always available to assist at (800) 697-2858**

Jim Murphy, Managing Program Director,  
Financial Resources  
[jmurphy@episcopalfoundation.org](mailto:jmurphy@episcopalfoundation.org)

Ken Quigley, Program Director,  
Endowment Management Solutions  
[ken@episcopalfoundation.org](mailto:ken@episcopalfoundation.org)

Lynn Mander, Endowment Management Consultant,  
Endowment Management Solutions  
[lmander@episcopalfoundation.org](mailto:lmander@episcopalfoundation.org)

