

ZION EVANGELICAL LUTHERAN CHURCH OF WATERVILLE ENDOWMENT FUND
Frequently Asked Questions
December 2023

Q1. What Biblical principles form the foundation for Zion's endowment?

- A1. Two New Testament (NRSV) verses explain the stewardship and scope of Zion's endowment:
- A. Luke 12:48: "...From everyone to whom much has been given, much will be required; and from the one to whom much has been entrusted, even more will be demanded."
 - B. Acts 1:8: "...and you will be my witnesses in Jerusalem, in all Judea and Samaria, and to the ends of the earth."

Q2. Can you describe Zion's Endowment?

A2. Zion's endowment includes two funds – the Mission Endowment Fund and the Capital Improvement Endowment Fund.

Q3. What kinds of activities do these funds support?

A3. In accordance with Zion's constitution, the Mission fund provides financial support beyond Zion's walls to local, regional, national and global organizations and projects (Acts 1:8). It also awards grants to Trinity Lutheran Seminary in Columbus. The Capital Improvement fund provides money to pay for major maintenance and improvements of Zion's facilities.

Q4. How did Zion get these endowment funds?

A4. In 1996, Zion entered into an endowment trust agreement with a local financial institution. The trust was initially funded with a modest donation from Zion members Doug and Kathryn Graf. Following their passing, the Graf's estate transferred a substantial amount to the trust in 2004. Additional estate and memorial gifts have been added to the funds since then.

Q5. Who is on the Endowment Committee?

A5. Zion's constitution provides for a seven-member Endowment Committee. Three of the members are elected by Zion's congregation – one each year for staggered three-year terms. The elected members are limited to two consecutive terms. The other four members are: the Senior Pastor, the Treasurer, the president of the congregation, and a member of church council.

Q6. What does the Endowment Committee do?

A6. The committee oversees all aspects of the endowment funds. For assets, this includes maintaining a comprehensive Investment Policy Statement and reviewing performance of the investment manager. For spending, the committee establishes procedures to award grants within the targeted giving areas listed in the constitution.

Q7. How are individual awards of Mission Endowment grants decided?

A7. Grants are made through an application process. Each applicant must be a not-for-profit organization qualified under Section 501(c) of the Internal Revenue Code, a church, or a mission project carried out by a Zion member. Every application must be sponsored by an active member of Zion. Further details are spelled out in the application forms which are available on line and at Zion around the first of each calendar year. The annual submission deadline is typically in early March. After careful review of all applications, the Endowment Committee selects 20-25 applications for potential funding. The selected applications are presented to Zion's members for voting. The voting results determine how the annual spending amount is allocated among the applicants.

Q8. What are the responsibilities of a sponsor?

A8. At a minimum, the sponsor should understand the applicant's operations and believe that the use of funds will fit within one of the targeted giving areas described in the application form. The sponsor also should review the application and edit it if necessary to be sure it is properly prepared. Beyond the minimum, the Endowment Committee encourages members to sponsor applicants with which they have a personal connection as a volunteer, donor, etc. In these cases, sponsors often collaborate with the applicant to identify a project that needs financial support and also assist in completing the application form.

Q9. Why wasn't the application I sponsored selected for funding?

A9. The most difficult challenge of any grant maker is deciding which applicants should receive funding. The needs are great and funds are always limited. When the Endowment Committee reviews each year's applications, it must evaluate each one in light of all the others received that year. When a large number of compelling applications are received, the selection process is especially hard. The committee considers a number of factors including whether a Zion grant has not been awarded recently, whether financial support is not regularly received from other donors, and whether the request is for a one-time project or startup casts. The committee looks for several compelling applications that fit within each of the targeted giving area listed in Zion's constitution.

Q10. The application I sponsored was not selected. Should I submit it again the next year?

A10. Yes! Members often find that the process of sponsoring an organization's application leads to a new or stronger relationship with that organization, even if no grant is awarded. Sponsors become supporters by volunteering or donating financially. Members/sponsors benefit from this because they are carrying out Jesus' charge to be his disciples (Acts 1:8). The organizations benefit by enlarging their circle of supporters and advocates. Repeat submissions usually indicate a strong relationship between sponsor and applicant.

Q11. How does the Capital Improvement Endowment fund work?

A11. In some respects, it works the same as the Mission Endowment fund. However, because the Capital Improvement fund is for maintenance and improvement projects in Zion's facilities, there are occasions when money is needed quickly to pay for unexpected repairs or replacement of equipment. In order to provide for these events, each year the annual amount available from the fund is transferred

from the Endowment trust to a Zion bank account where it can be accessed when needed with the approval of Zion's Council. Zion members may also apply to Council for money to pay for improvement projects such as new carpet, major kitchen appliances, office equipment, lighting upgrade, etc.

Q12. Where are the funds' assets held and how are they invested?

A12. The assets are held in a trust account with KeyBank, N.A. which makes day-to-day decisions. It does so within the guidelines of Zion's Investment Policy Statement. The Investment Policy Statement is reviewed at least annually by Zion's Endowment Committee in conjunction with Zion's church council and KeyBank.

Q13. How much money have the endowment funds given out?

A13. Starting in 2005, in the 19 years through 2023 the Mission Endowment Fund has awarded \$2,154,300 in annual grants to over 100 organizations and projects. During the same period, the Capital Improvement Endowment Fund has provided \$263,900 for maintenance, repairs and improvement projects in the church facilities.

Q14. How much money do the endowment funds spend each year?

A14. Part of the Investment Policy Statement is a spending policy. The current policy is to award grants annually in a total amount equal to 4.25% of the average fund balance over the last 36 months. The use of 4.25% is intended to provide grants that are sustainable into perpetuity while also helping the fund values keep pace with inflation. The use of a 36-month average smooths out short-term fluctuations in the market value of the funds. In 2023, for example, grants by the Mission fund totaled \$158,500 and the Capital Improvement fund provided totaled \$23,000.

Q15. What is the value of the endowment fund?

A15. As of September 30, 2023, the value of the Mission Endowment Fund was about \$3.4 million and the value of the Capital Improvement Endowment Fund was about \$500,000.

Q16. When market values increase, can the spending policy be adjusted to more than 4.25%?

A16. The trust agreement with KeyBank limits spending to "income" only. The agreement doesn't permit "principal" to be withdrawn or spent. Fluctuations in the securities markets change the value of the funds' principal which means increases can't be spent. "Income," as generally defined by trustees and further defined in Ohio law, is limited to no more than 5% of market value. The committee has determined that 5% would not be sustainable over the long-term, given expectations about inflation and future rates of return on assets, so it has adopted a spending amount of 4.25%.