

## QUESTIONS & ANSWERS ABOUT

### **ENDOWMENT FUND INVESTING**

WITH THE FLORIDA UNITED  
METHODIST FOUNDATION, INC.

Endowment Fund investing must take into account the requirements of fiduciary law, the socially responsible investing guidelines of the United Methodist Church and the income and asset growth expectations of the church.

The Florida United Methodist Foundation, Inc. is experienced in establishing and administering Endowment Funds and the staff is available to respond to your concerns about Endowment Funds and Endowment Fund investing. In this brochure, some common questions in regard to Endowment Fund investing are answered.



**Q: Is a reduction in the value of the principal asset of an endowment fund, as a result of market performance, considered an invasion of principal?**

**A:** No – According to professionals in the field of endowment fund investment, such a reduction in the value of the principal asset of an endowment fund is not an invasion of principal. An invasion of principal results only when the owner of the endowment fund actively withdraws funds from the principal asset.

Fluctuations in the value of the principal asset are the result of normal market activity. Historically, market performance over the long-term has resulted in sustained growth in the value of endowment funds.

**Q: Should the owner of an endowment fund be concerned about the fluctuating value of the principal asset of an endowment fund?**

**A:** Yes – The owner of an endowment fund has the fiduciary responsibility to manage the investment of the funds at least to the degree that the “prudent person” rule would apply. That is, any person using ordinary and reasonable investment knowledge and advice would invest the funds in a similar fashion. The Florida United Methodist Foundation, Inc. holds this principal as central to its investment philosophy.

**Q: Should any other consideration be taken into account in determining whether or not the funds are properly invested?**

**A:** Yes – Within the United Methodist Church all funds must be invested according to the socially responsible investing guidelines of the United Methodist Church as published by the General Council on Finance and Administration, The Florida United Methodist Foundation, Inc. follows these guidelines to ensure that no improper investments are made.

**Q: What if the funds were invested in income producing instruments only?**

**A:** If the principal assets of an endowment fund are invested in income-producing instruments only, it might be questioned under fiduciary law whether the owners of the funds were being fiducially responsible. The reason? Inflation! If any endowment fund’s assets were invested only in income-producing instruments, then the basis of that income would eventually erode, thus decreasing the worth of the fund. However, the effect of inflation is controllable through prudent investment for growth as well as for income. The intent of the investment programs of The Florida United Methodist Foundation, Inc. is to invest in quality stocks that, over the long term, will result in growth that exceeds inflation. Such investing is a hedge on the effects of inflation.

**Q: How do I get started?**

**A:** An informational handbook designed to provide accurate and authoritative information about creating and maintaining a permanent endowment fund program is available free from The Foundation. You may call and request a copy of our investment management agreement.

**Q: What is the meaning of “cost basis” in the quarterly investment review?**

**A:** Cost basis is the value of the original principal asset plus any additions to principal over the period of investment resulting from contributions, undistributed or reinvested earnings and realized gains or losses.

**Q: What is the meaning of “market value” in the quarterly investment review?**

**A:** Market value is the value of the investments in the fund as of the date of the investment review according to the exchange rate in effect on that date.

*This flyer constitutes neither an offer to sell nor a solicitation to buy the securities described. Offers are made only by Offering Circular, copies of which may be obtained by writing The Florida United Methodist Foundation, Inc., Post Office Box 3767, Lakeland, Florida 33802.*

**Other services that The Florida United Methodist Foundation, Inc. and The Florida United Methodist Development Fund, Inc. offer include:**

- Stewardship Financial Campaigns
- Capital
- Budget
- Feasibility Studies
- Planned Giving Consulting
- Planned Giving Publications
- Loans
- Gift Annuities
- Endowments
- Trusts
- Investment Management Agreements
- Participation Accounts
- Stewardship Planning



## Endowment Fund Investing Q & A's