



The Role of the Endowment in our Church: Yesterday, Today and Tomorrow

During the church service on Sunday, April 17, 2005, three leaders of the church, Steve Ladew, Ellen Barr, and Mike Wilt, presented their respective visions for the use of the church's endowment. Their remarks follow.

Steve Ladew, Co-Chair of the Stewardship Committee

As we all know, our church finances have experienced a few bumps in the road over last few years. Much of the concern has focused on our endowment and how best to use it. And it is also clear that this is not the only challenge we have. When ever the subject comes up, it has been difficult for any of us to separate concerns about the endowment and other pressing issues. My belief is that we will not be able to make progress on these other issues UNTIL we settle on a definitive plan for the endowment.

To set the stage for today's discussion I want to present a brief history of the endowment, the role the endowment plays in our current financial affairs and to express a personal vision for the endowment the future.

I will confine my remarks to the unrestricted, general fund. We do have a couple of other funds that support RE and the lovely flowers we have here each Sunday, but these are restricted to those purposes only. Today our focus is the largest fund, our general fund.

Brief History of the General Fund

The general fund has been built over the last 80 years by donations and gifts from generous church members and careful investment management. Also, when the Universalist church merged with us in the late 1950s, their endowment was combined with ours and this included proceeds from the sale of their building and parsonage.

From before 1925 to the early 1950s, the following members and families made notable gifts to the general fund. Many of the names you will recognize from the Nashua community.

- Prior to 1925, the Hunt family gave about \$26,000
- David Gregg, our current Senator Gregg's great grandfather gave \$ 10,000 about 1925
- Harry Hobson \$10,000, and S. J. Robinson \$26,000
- The Stevens family gave about \$25,000 over many years plus innumerable contributions for improvements and large annual contributions.
- Late 1950s - Construction of White Wing was enabled by a \$10,000 gift from Mabel Chandler, a \$56,360 gift from Sadie Kenny and large portions of proceeds of the sale of the Universalist church building and parsonage.
- Large contributions to the Universalist Church endowment, before the merger, included George Wilber \$35,000; Fred Burke \$14,795;
- 1960 - Mary Ober gave the church \$90,000, \$70,000 for the endowment



- 1965 - P. E. and Edith Fletcher, \$10,000, and Ethel Babbitt gave \$10,000
- 1970 - Mabel Chandler \$5,000, George Melcher, gave \$12,000 for a sprinkler

And I would like to mention the gift from Florence Lyon of \$5,000, for flowers to decorate the church during services.

The general fund consists of a balance of fixed income bonds and stocks. It is designed to generate a balance of investment income and asset growth. This fund also provided the mortgage for our minister, Steve Edington's home. Monthly payments are one source of monthly income for this fund.

Prior to April 1981, the two biggest funds, the cemetery fund and general fund, were managed separately. The original cemetery fund came from people who paid for perpetual care for their cemetery plots over the years, dating back more than 100 years. In 1981, the decision was made to combine the general fund with the cemetery funds to get access to better investment services. After combining the two funds, the total asset value was approximately \$675,000.

And last, and certainly not least, is Anna Stearns.

In August 1988 Anna Stearns, a long time church member passed from this earth. In her will, she left a large bequest to the church - \$750,000. Anna also donated significant funds to other community programs. Anna made no stipulations as to how these funds were to be used. She saw the church struggle though the depression when many church members were unable to contribute to the annual canvass; Anna and the Stevens family largely financed the Unitarian Church in those years, as Mabel Chandler did the Universalist Church. Mabel was usually described as the richest woman in New Hampshire, and she had her own stock ticker in her study. Her home is now the Chandler Library.

The church set up a separate investment fund for Anna's donation. The church decided to use the income for outreach and other good works, the definition of which included capital improvements to the church property.

I'm sure another two minutes of this and I'll have everyone completely asleep, but I ask your forgiveness - I think it is important for us to consider - and be grateful to those who have given to us this wonderful gift; this troublesome endowment; and to consider their faith and commitment to the church when they did so.

And I want to express a big thank you to contributors of this history of the endowment to Bob Sampson and Rick Spitz.

Where are we now?

Simply stated, the past few years we have been taking more money from the principal than is fiscally prudent. Why?

During the mid to late 1990s the stock market, where we have a considerable percentage of the principal invested, was going like a rocket. Thinking we had plenty, we did not press on the membership to pledge more generously and we expanded spending. Everything was wonderful.



Today, the stock market is in the tank, our annual pledging is still quite low for a church of our size but the spending need is still there. And the past couple of years the treasurer & the Ex board have struggled to balance actual spending vs. our resources to meet the many needs desires of the church. And to explain just a bit further, we have a rather uneven cash flow through out the fiscal year. Most of our money is spent in during the summer months. If and when the money runs short in the winter, the only source of money available to the treasurer is, you guessed it, the endowment. We must maintain our good name in the community, so we dip into the principal to stay current with our commitments. Each year, for the past few years, the dipping has been getting deeper and deeper.

Clearly, this can not continue. So last year we adopted the five year plan to wean ourselves off of funding yearly operational expenses such as salaries, utilities and the like with endowment income. We restarted the every member canvass as part of our annual pledge drive. And we developed a fair simple giving guideline to help members determine their pledge. We now ask all who were able to pledge, to pledge by the end of April so that the Ex Board knew what would be available for annual meeting.

A personal vision - Preserving and Growing the Endowment

I deeply believe there are only two conditions in life - you are either growing or you are shrinking. There is no standing still. And if you are not sure about your condition, it probably means you are in a decline.

I believe we need a written policy, approved, adopted and embraced by the church, that defines the purpose of the endowment and how we will manage it with respect to our overall church mission and vision. We all make a commit to stick to it.

We should define, in writing, the spending priorities for the income of the endowment. It could take the form of a certain percentage that will be earmarked for outreach and another percentage earmarked for buildings or membership growth or salaries or whatever. But it needs to be defined, written and adhered to - every year. If we run short in any particular year, we appeal to the congregation for supplemental funding help or we make cuts. And we ought to define what cuts will be made if the appeal falls short.

This of it this way - if the endowment were the buildings, we would not think of taking parts from the Parish house to fix the auditorium: soon we will have no buildings at all. Why do this with the endowment?

And last but not least, we need to develop a plan to ensure the growth of the endowment by inviting additional Perpetual Gifts. The vision, faith and generosity of the years have provided us with these magnificent buildings and resources. As members, we have a responsibility to pass this along to our children.

Our most important church mission: preservation and propagation of liberal religious values of personal tolerance and acceptance, combined with responsible community action and the building of a civil society are as important to day as they have ever been.

Questions to ponder:



- Why do people give to an endowment? To endorse the vision and mission of a church they deeply believe in!
- Is what we are doing with our endowment inspiring potential donors to leave a portion of their life's work in our care?

Ellen Barr, Executive Board

Last year this church completed a wonderful exercise. We went through a period of discernment and we reached deep inside to define what our values are as a congregation. What ideas, feelings, goals and commitments bind us in a common faith? And the statements we came out with, I think, can truly resonate with most every member of this congregation. (I'd like to encourage you to go to our church web site to read the full text):

I'm going to give just a few examples of these value statements (somewhat shortened for the sake of brevity), and I ask you if they are not a reflection of what draws us to this church and defines what we want our church to be.

Here goes...

- We are a caring community and ensure that members have the support of people who connect them to the church.
- We provide a place where members feel free to question their beliefs and find support in seeking their own personal insights into life's meaning and value.
- We give our children opportunities to develop and be appreciated for their individual interests and strengths...and to value and celebrate diversity.
- We are a strong and generous presence in our community, and we contribute funding and church member involvement to outreach programs.
- We participate fully in the UU denomination and join with and support other UU churches.

Are these values we can all support?

You've heard a lot about the "five year-plan." We presented it at the Annual Meeting last year. You've seen it in the newsletter, and again at our Congregational Meeting in February. What is it and why is the Executive Board being so persistent about it?

In basic terms, it's a plan that calls for an increase in membership and pledging each year for 5 years, so at the end.... the full income from the endowment is left available for other kinds of expenditures.

I don't want to give the idea that I know what the endowment income should pay for vs. what our pledge dollars should pay for. That's an accounting discussion that will take place in other corners. I just feel that we are an exceedingly fortunate congregation to have an endowment that provides us a significant amount of income every year. Extra income. Why not look for special ways to spend it?

Living out our values is multi dimensional. It has to do with the ways we teach our children, the generosity and kindness we extend to others, and the voice we raise in our community. But our



choices around money are also a reflection of our values. I believe that the money we can make available from our endowment income can enable us to give action to our values and deepen our congregational connections.

- What about a wonderful new program in RE? A specialized teacher on loan. It comes highly recommended, but there is a fee, outside the RE budget. We could bring the program to our church, enriching our RE classes, and getting the word out in the community to attract new children (and their families) to our church.
- This is not a new theme, but what about our “less than ideal” piano? What value does music have in our congregation and how does it contribute to our presence in the community? We could have the money to purchase a new piano to fill this great sanctuary and open our church to many new visitors.
- What can we do if we learn of a new or struggling UU congregation? We could offer dollars and guidance to help it get established and develop a close relationship with another UU community. We might even partner with a UU church abroad.
- What about responding to a social or economic need in the community? What if we have an opportunity to make a significant difference in the lives of people in our community? Consider a local affordable housing project that’s lacking the last 10% of the needed funding to get off the ground. UU Church of Nashua makes up the difference. Maybe we learn of a program need at a healthcare clinic, and decide to sponsor it. My vision is that we are “tapped into” the needs of the community and are able to respond generously and creatively.

Social Outreach may be our most deeply felt value. And our church has a long history of generous giving. We partake every Sunday through the collections we take for many different needs in the community.

But there are outreach projects such as those mentioned before that we cannot accomplish through Sunday collections, projects that really make a difference in the community. We may have the opportunity to save an important organization or project from failing. We may be able to provide a group the ability to expand into a new area of need. We may even initiate a project of our own.

Transformational outreach where we can give significant dollars and member involvement, which makes a difference in our community, which gives us presence in the community, strikes at the heart of our values as a congregation.

We are a congregation of creative, engaged folks. When we set our minds on ways to tangibly express our values, ways to build on and promote those ideals we share among us, we will surely deepen our connections, strengthen our values, and attract new and like minded people into our congregation.

Mike Wilt, Assistant Treasurer

“They never talk about God, they don’t have any bibles, and they are *really rich*.”

This was the first description of our church I heard about fifteen years ago. I was really intrigued and drawn to this place like all of you. My children grew up here and this church has become increasingly important to me.



But, one thing that I have learned is that this church is not rich – at least not in terms of money. We are more like a lottery winner. The endowment money creates lots of confusion and new problems. We can pretend we are rich, and spend this money in various ways until it is gone, but I really don't think we should do that. Unfortunately, this has been our default course of action. We cut outreach first, then we cut our fair share contributions to the UUA and the district, then we dip into the principal of the endowment to balance our budget.

Our capital projects take on an eerie feeling of inevitability because everyone knows we can take money from the endowment. We don't have to think and act like this. When I was a child my church needed an organ. We were a much smaller church, with a full-time minister and no other staff. We raised one hundred thousand dollars for a new organ. The sense of anticipation was electric as we got closer and closer to our goal. This was a wonderful feeling, and this was the one thing I can think of that the Episcopal church of my youth did better than the UU church of Nashua.

We don't actually have an endowment, as the word is normally defined. An endowment is a financial structure that preserves the principal indefinitely, and generates income through investment activity. Most colleges have an endowment and the proceeds are used primarily to finance scholarships for students who can't afford the normal tuition cost. People like to leave money to an endowment because it has a lasting positive impact.

Here is how an endowment is typically created. Farsighted people first write a document describing how the endowment is to be managed, and how the proceeds will be computed and distributed. Then they conduct a capital campaign to raise some principal. In these early years, all the investment proceeds are typically fed back into the principal to help it grow large enough to generate useful income.

A conservative endowment will distribute only the income generated by its investments. The appreciation of the investments is retained and the principal value grows over time. This growth eventually results in more income, but it requires a lot of patience. A less conservative endowment will distribute some of the appreciation as well, with the goal of maintaining the principal but not necessarily encouraging it to grow.

We don't have any infrastructure defining how our endowment is managed. We don't have a policy that specifies what to do when we receive money through a bequest. This is why I compare our church to a lottery winner. Without a clear definition of what we should do with this money, we agonize over it *every single year*. Some people want to save it. Some people want to spend it. There are good arguments for every position, so we debate endlessly as good UUs will.

I love this old building, but it requires a lot more care than a modern building this size. I think the endowment could be a wonderful resource to not only preserve this building, but to generate income that future generations of UUs can use in accordance with their liberal religious values. I also think that as much as we love debating, our endless debate over the endowment has been draining creative energy that could be put to much better uses.

So, I think we should write a document, approve it at the annual meeting, and put the endowment in its place. This document will specify how the endowment is to be managed, how proceeds will be computed and distributed to the church. People who are thinking of leaving us money



will be assured that their money becomes an enduring asset, not an enduring distraction and temptation.

Finally, I think it is very important that we behave in accordance with our values when we act as an institution. The five-year plan formulated by the executive board is a vision of how we should behave as an institution, using our resources in accordance with our values. It really doesn't matter where our money comes from. What matters is how we spend it. I believe we should use our annual budget process to fund major outreach opportunities, in addition to the collection plate outreach that we do every Sunday. According to the five-year plan, next year will be the first year we can put outreach back in our annual budget.

This church belongs to the whole congregation, not just the leadership and staff. Please help us conduct business in accordance with our values. Help us formulate a budget for next year that makes the best use of our resources. Help us leave this church in good financial shape for the benefit of our children and the future UUs of Nashua.

Thank you.