

The Endowment Funds of Heart of Longmont United Methodist Church

2018 Annual Report



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Endowment and Planned Giving Committee

Keith Watson (Chair)

Paul Johnston

Ray Allison (Vice Chair)

Mark Vancura

Rod Edmonds (Secretary)

Butch Howard

Reverend David Burt



2018 Focus and Accomplishments

Three committee meetings and two meetings with Mountain Sky United Methodist Foundation (“MSUMF”)

Endowment Fund Charter (revised) approved in February

‘Will Power’ seminar held in May (2nd year)

Submitted and awarded a \$2,500 matching grant to implement a program to grow the endowments



Celebrations

Endowment funds principal grew \$25,000 as a result of two gifts

Award of seven scholarships in August totaling \$6,500



Endowment Funds Overview

Undesignated...Permanent Endowment Fund

Designated...Parsonage, General Scholarship, Margaret Patterson Scholarship, Paula Johnston Children's Fund, Library

All funds are in accounts at Mountain Sky United Methodist Foundation

Note HOL also has a savings account at MSUMF that is outside the purview of the Endowment and Planned Giving Committee



Endowment Funds Descriptions

Permanent Endowment Fund: Funds received and not otherwise designated; invested for long term capital growth; income available to support special projects as the need arises pursuant to direction from Trustees and Church Council

Designated

- **Parsonage:** Funds derived from the sale of the Church parsonages; income used to offset the Pastor housing allowance; use of principal governed by Book of Discipline
- **Scholarships (general and Margaret Patterson):** Income used to support HOL's scholarship programs
- **Paula Johnston Children's Fund:** Established to provide scholarships to families with documented financial needs to attend a church sponsored before or after school child care program
- **Library:** Income used to support HOL library activities

NOTE: The Charter for the Endowment and Planned Giving Ministry can be found at <https://heartoflongmont.org/charter-documents/>



Endowment Funds Activity and Performance

Name	2018										
	Year-end Principal	Market Value		2018			Investment Strategy			YTD Effective Return	Benchmark Performance (C)
		1-Jan	31-Dec	deposits	withdrawals	Short Term	Equity	Fixed	Balanced		
1153 Parsonage (A)	\$38,729	\$42,526	\$38,835	-	997	1%	0%	0%	99%	-6.33%	-5.62%
1154 Foundation Scholarship	120,905	157,797	124,497	-	22,799	1%	0%	0%	99%	-7.60%	-5.62%
1519 Margaret Patterson Scholarship (A)	39,509	-	37,625	39,509	756	0%	0%	0%	100%	-2.90%	-5.62%
1155 Paula Johnston Children's	25,948	22,884	25,916	5,000	526	20%	0%	0%	80%	-6.30%	ST = .58%/Balanced (5.62)%
1156 Savings	60,135	50,855	66,986	20,000	1,002	30%	0%	1%	69%	-4.71%	ST = .58%/Balanced (5.62)%
1253 Endowment (C)	93,021	185,355	168,700	-	-	0%	100%	0%	0%	-8.99%	-8.10%
1256 Library Endowment	10,000	10,167	9,135	-	326	3%	0%	0%	97%	-6.94%	-5.62%
	\$388,247	\$469,584	\$471,694	\$64,509	\$26,406					-6.99%	

(A) Deposits include an additional contribution of \$20,000 plus the funds transferred from account 1154 in the amount of \$19,509.

(B) Deposits include \$20,000 from the settlement of the loan with the Lillies.

(C) Balanced Fund Benchmark = blend of Barclay's Capital US Govt. Inflation Linked Bond Index, Barclays Capital US Universal Index (excluding mortgage backed securities), Russell 3000 Index, Morgan Stanley All Country World Index (excluding USA).

Equity Growth Fund Benchmark = Russell 3000 Index and Morgan Stanley Capital All Country Workd Index (excluding USA).



Investment Opportunities as Published by Mountain Sky United Methodist Foundation*

* As published in December 2017



Investment Fund Opportunities

Strategy: The Foundation has selected Wespath Investment Management as its primary investment manager. Wespath Investment Management is a division of Wespath Benefits and Investments, formerly known as the General Board of Pensions and Health Benefits of the United Methodist Church. Through the Foundation's investment in a mix of funds provided by Wespath Investment Management, investors with the Foundation benefit from the management styles of more than 40 different investment management firms selected by Wespath Investment Management. Additionally, through the underlying funds, there are positive social purpose, private equity, and private real estate investments.

From the investment offerings of Wespath Investment Management, the Foundation's Investment Committee has created three investments: **Balanced**, **Fixed Income** and **Equity Growth** Funds. These are funds of funds and represent various levels of risk and return based on the needs of the churches and agencies, their time frame for investing, and their tolerance for risk.

A fourth investment category is the **Short Term Cash Fund** which is managed by the Foundation and is comprised of cash investments from the Texas Methodist Foundation, the Foundation's own Methodists Helping Methodists Fund, and ANB Bank.



Balanced Fund

The Balanced Fund was created to address the needs of the most endowments; this fund is in alignment with the investment strategy of the Uniform Prudent Management of Investment Funds Act (UPMIFA).

Objective

The Balanced Fund investment objective is to maximize long-term investment returns, including current income and capital appreciation, while reducing short-term risk by investing in a broad mix of investments. The fund is a “fund of funds” and holds a pre-specified allocation of units of domestic and international stocks, bonds, commodities, and cash.

Fund Holdings and Comparative Benchmarks

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Benchmark</u>
US Equity Fund		
Wespath Investment Management	35%	Russell 3000 Index
Davidson Investment Advisors	10%	Russell 3000 Index
International Equity Fund		
Wespath Investment Management	20%	Morgan Stanley All Country World Index, excluding USA
Fixed Income Fund		
Wespath Investment Management	25%	Barclays Capital U.S. Universal Index, excluding mortgage-backed securities
Inflation Protection Fund		
Wespath Investment Management	10%	Barclays Capital U.S. Government Inflation Linked Bond Index



Equity Growth Fund

This fund is intended to provide an opportunity for the maximum growth of assets invested in it. It also has the highest risk, or volatility, of any of the funds offered by the Foundation. Investors should expect more variation in returns in this fund.

Objective

The Equity Growth Fund Investment objective is to earn long-term capital appreciation from a broadly diversified portfolio that includes domestic and international stocks. Additionally, the Fund will hold an interest in publicly traded real estate investment trusts, private real estate, and private equity (e.g., buyout funds and venture capital) and other diversified asset classes.

Fund Holdings and Comparative Benchmarks

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Benchmark</u>
U.S. Equity		
Wespath Investment Management	55%	Russell 3000™ Index
Davidson Investment Advisors	15%	Russell 3000™ Index
International Equity		
Wespath Investment Management	30%	Morgan Stanley All Country World Index, ex USA



Fixed Income Fund

The Fixed Income Fund was the first offering of the Foundation. Originally, endowments were established in such a way that only the income from the investments could be spent. The Fixed Income Fund provided a reliable, predictable source of income for spending policies. Today the Fixed Income Fund still provides interest income, and is used to provide broader diversification to an investment committee's portfolio by providing downside protection from the higher risk in the equity markets.

Objective

The Fixed Income Fund investment objective is to invest in a broad mix of investment-grade fixed-income securities, both U.S. and international, as well as some inflation-protected government fixed-income securities. Additionally, the Fund will hold privately placed loans originated by Wespath Investment Management's Positive Social Purpose Lending Program (e.g., affordable housing and community development loans).

Fund Holdings and Comparative Benchmarks

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Benchmark</u>
Fixed Income Fund (Wespath Investment Management)	80%	Barclays Capital U.S. Government Inflation-Linked Bond Index
Inflation Protection Fund (Wespath Investment Management)	20%	Barclays Capital U.S. Universal Index (excluding mortgage-backed Securities)



Short Term Cash Fund

This fund was established to provide the liquidity necessary for interest and dividend deposits, and the purchases and sales of the other investment funds.

Objective

The Short Term Cash Fund investment objective is to provide an investment alternative for cash investment that would otherwise be invested in money market accounts and short term certificates of deposits. Eligible Participants can invest money in an investment pool to achieve current income consistent with the preservation of capital and the maintenance of liquidity through investments in short term investments.

Fund Holdings

The Short Term Cash Fund pools invested funds and purchases cash equivalents, money market funds, and certificates of deposits. In addition, the Foundation may direct investments of up to 33% of Short Term Fund assets in the Methodists Helping Methodists Fund (described below). All investments are made pursuant to the Investment Policy.

Asset Classes and Selected Investment Institutions

American National Bank interest bearing demand (checking) accounts. Texas Methodist Foundation Fixed and Variable Rate Investments Methodists Helping Methodists Loan Fund Fixed Rate Investments.

Terms of Investment

There is no minimum investment* and no suggested minimum retention period. Investors may request a withdrawal requests, the Foundation historically has processed withdrawals within two business days of receipt of written request. The foundation receives reimbursement from the Short Term Fund to support the costs incurred by the Foundation in operating the Short Term Fund.

*All accounts must maintain a minimum of \$1000 market value, but this could be a combination of different investment classes.

Returns

The Short Term Fund has historically provided a stable rate of return on investments comparable to that of money market accounts. The Investment Committee sets and modifies the rate of return paid to investors in the Short Term Fund. This could potentially change on a monthly basis. Current rates are determined by the Investment Committee and may be changed without notice. The rate of return paid is based in large part on changes in interest rates and changes in the broader financial markets. Earnings at the applicable rate of return on investments in the Short Term Fund are credited monthly and paid at the times requested by each individual investor (e.g., quarterly, annually, or compounded indefinitely). Earnings are prorated for partial periods and computed daily based on the amount invested.

Fund Stability

The overall stability of the Short Term Fund is dependent on the nature and quality of its assets. The Foundation does not make any representation regarding the stability of the Short Term Fund. Historically, the rate of return paid on investments in the Short Term Fund has been higher than that of money market accounts maintained at for-profit financial situations. However, future performance is not guaranteed.

Suitability

The Short Term Fund is suitable for Eligible Participants who desire a short term investment for cash management purposes.

