

The Calvary Council and Endowment Committee recommend a change to the Calvary Bylaws. Distributions from the Endowment Fund are currently limited to the **lessor of** the prior year income or 5 percent of beginning of the year assets. As a result, distributions are subject to the fluctuating market conditions. This can result in short-term planning for investments and distributions and results in fluctuating support from the Endowment Fund.

To address these challenges and to be in line with the distribution policies of many other endowments, the following changes to the distribution calculation are proposed.

CURRENT LANGUAGE

PART XIV – CALVARY LUTHERAN CHURCH ENDOWMENT FUND

9. Distribution of Income (from other than Donor Advised Funds):

- a. When Fund assets (excluding donor-advised assets) reach \$100,000 the committee shall recommend annual distributions. The distribution for any year is limited to the lesser of prior years' Fund income or 5% of beginning of the year Fund assets. In no event shall annual distributions reduce the Fund asset balance below \$100,000.

PROPOSED LANGUAGE

9. Distribution of Income (from other than Donor Advised Funds):

- a. When Fund assets (excluding donor-advised assets) reach \$100,000 the committee shall recommend annual distributions. **Effective January 1, 2025, the distribution for any year is limited to 3% of beginning of the year Fund assets. In no event shall annual distributions reduce the Fund asset balance below Principal defined as cumulative contributions.**

LANGUAGE CHANGE IN EDIT MODE

9. Distribution of Income (from other than Donor Advised Funds):

- a. When Fund assets (excluding donor-advised assets) reach \$100,000 the committee shall recommend annual distributions. **Effective January 1, 2025, the distribution for any year is limited to ~~the lesser of prior years' Fund income or 5~~3% of beginning of the year Fund assets. In no event shall annual distributions reduce the Fund asset balance below ~~\$100,000~~ Principal defined as cumulative contributions.**

Proposed Change to Bylaws for the Endowment Fund Distribution
Calvary Annual Meeting, February 2, 2025
Frequently Asked Questions

1. Why is this change being proposed now?
 - a. The Endowment Committee has recognized the issue for several years and led the 2018 change to the Bylaws which allowed for the carryover to the current year of any unspent distributable amounts from the prior year. While this change was helpful, it did not resolve the underlying issue with investment earnings.
2. How does the change impact the distributable amount?
 - a. The elimination of the lessor of with respect to investments allows for a distributable amount when the investment market is down and allows for a longer-term outlook for both investments and distributions under the Mission Statement.

Below is the calculation of the distribution amount under the current wording and the proposed wording. It illustrates the consistency achieved with the new wording.

Distribution Calc - CURRENT LANGUAGE	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Lessor of PY Net Inc or 5% of BOY Net Assets	17,765	-	22,577	12,350	28,525	2,195	8,977	29,677
Distribution Calc - PROPOSED LANGUAGE								
3% of BOY Net Assets	10,659	10,490	13,546	13,698	17,115	17,183	17,118	17,806

PY = prior year; BOY = beginning of the year

3. Why is this effective January 1, 2025?
 - a. The Endowment Committee and Calvary Council approved the change in 2024 for vote at the next congregational meeting. The Committee wanted to be clear that the change is effective for 2025 even though the next congregational meeting wasn't until the Annual Meeting in February.
4. What is the Principal balance for the Unrestrictive Fund?
 - a. The principal balance of the Unrestrictive Fund as of January 1, 2025, is \$253,053. This represents the cumulative contributions to the Endowment Unrestrictive Fund since inception. This change lines up with the Bylaws "Section 10: Distribution of Principal" which allows for the distribution of principal only in dire circumstances with an approved vote.