

## **GEORGIA BAPTIST FOUNDATION, INC. FAQ's From Institutions and Churches**

- How are our funds invested?

Funds are invested in units of a common investment. This pool is made up of a balanced portfolio of stocks and bonds. Professional investment advisers actively manage the investments under guidelines imposed by the Foundation. The unit price of the pooled investment varies and reflects changes in the value of the underlying stocks and bonds held by the pool. **This is a long-term investment strategy.**

- How and when is our trust account valued?

The common investment pool is revalued once each month as of the last business day. You buy and redeem units of the common investment pool based on the unit market value of the last month-end. The month-end unit value is updated by the eighth business day of the following month. As soon as the unit value is updated, your trust statement reflects the updated value. You can view your trust account value on-line at any time. Please ask about our PAL – Portfolio Account Link service so we can set up your on-line access.

- What options do we have for income payments?

If a donor establishes a trust with the Foundation for the benefit of your organization, the donor is the party to determine the plan for income payments.

If your organization establishes an agreement with the Foundation your organization selects one of four options for the income payment.

Option One: A regularly scheduled periodic distribution of the income on a quarterly, semi-annual or annual basis. The income is automatically credited to your organization's bank account and no additional action is needed. Between payments, accumulated endowment pool income is invested in a temporary cash investment and earns additional income.

Option Two: Income is retained and accumulates until requested. Requests for non-routine income distributions are submitted to the Foundation on the organization's letterhead and must be signed by authorized organization representatives. Accumulated endowment pool income is invested in a temporary cash investment and earns additional income.

Option Three: Income is reinvested into the endowment pool through the purchase of additional units of ownership. Units are purchased at the market value determined on the last day of the previous month. Please note: As

disclosed in other Foundation information, the endowment pool value is expected to both increase and decrease over the short-term time period.

As a result, *the endowment pool is not appropriate for short-term re-investments of income (less than 5 years)*

Option Four: A stated percentage of income is distributed on a regular basis. Remaining income is reinvested into the endowment pool.

- Should we be reinvesting a portion of the endowment pool income?

You do not need to reinvest a portion of income because we have taken investment appreciation into consideration. We plan the level of income that is paid out from the pool so that a constant amount is distributed (approximately 5%) and the balance of the return is retained to grow the endowment.

- What do the terms “**investment cost**”, “**market value**” and “**re-invested income**” mean?

The **investment cost** is the amount of money invested in the endowment pool. It includes the original investment plus additions and less withdrawals from the account.

The **market value** is the value of the investment on the report date. In other words, if the account was closed on the report date, the market value shows the money available to the organization. The market value changes. It increases or decreases, depending on the value of the stocks and bonds held in the endowment pool.

An organization creates **re-invested income** when it uses its pool payout to purchase additional units of the pool. The Foundation maintains a record of re-invested income balances. Please call our office if your organization needs that information.

- What reports do we receive?

Statements are prepared quarterly and are available immediately through on-line account access or later through traditional mail. The statements are simple – a cover page, a statement of asset holdings and a statement of account activity. Interim account activity is also available between quarterly reports through on-line account access.

The asset holdings include undistributed income cash and the investment in the endowment pool. Undistributed income is invested in a temporary cash asset. The temporary cash investment earns short-term interest and the cost basis and the market value are the same.

The endowment pool is the **long-term** investment. The statement shows the number of units owned, the unit value, the total investment cost, and the total market value.

- How do we measure investment return?

You can do an informal measure of investment return by adding together the two components of return – one, the income distributed to the organization and two, the change in the investment market value.

- What figures should we be reporting to our finance committee?

A simple record of the investment cost is generally the best approach for bookkeeping. When financial reports are prepared for committees, the market value of the investment should also be disclosed as additional information. Both of these pieces of information are reported on the quarterly statements and are available through on-line account access.

- How do we record this investment in our books?

The investment cost increases with additions of new money, or re-invested pool income, and decreases with withdrawals of money. You can use the quarterly statement of activity or on-line transaction data to record the change in cost of the endowment pool investment on the organization's books.

- How long does it take to receive our statements?

The statements are available as soon as the financial processing is completed at the Foundation. Each month we receive reports of investment activity from the banks that hold and safeguard your assets. Those reports are delivered six business days after month-end. They are summarized and processed so that the endowment pool value can be updated. Along the way we have checks and balances to make sure that the processing is complete and accurate. We generally complete the process ten days after month-end. Then your statements are immediately available through on-line access or paper statements are shipped to the Foundation and prepared for mailing. All this is done as a top priority so you will receive your reports as soon as possible.

- Can donors make contributions directly to the Foundation for our account and how will we know when contributions are made?

Yes, donors can make contributions directly to your account. Checks are mailed to the Foundation with a note of instruction on the benefiting trust. The trust account number is important if you have multiple accounts with the Foundation. The gift date, donor name, and amount of the contribution appear on your quarterly statement. The Foundation sends contribution receipts directly to the donor.

- When can we expect to receive our income distribution?

Income will be electronically deposited to the church's account within 30 days of each month-end. Quarterly distributions are made by April 30<sup>th</sup>, July 31<sup>st</sup>, October 31<sup>st</sup> and January 31<sup>st</sup>.

- How do we request a principal withdrawal and how long does it take to receive a check?

Submit your requests for principal withdrawals on your letterhead. Make sure that the appropriate persons have authorized the withdrawal. We will compare the request to the names and/or titles of persons we have record of establishing the account or having access to account information. Endowment pool withdrawals are made on the first business day of the month and the 15<sup>th</sup> (or closest day) day of the month. Also, remember that we make the check payable to your organization and you can redirect the funds as needed.

- What fee does the Foundation charge?

All trust accounts pay the Foundation's **Cost Recovery Fee**. The fee structure is determined by the Board of Trustees and it exists to cover some of the trust administration costs. Each fee rate reflects the service required to provide for the needs of the trust and its beneficiaries. The fee schedule is published at our website: [www.GBFoundation.org](http://www.GBFoundation.org).