

April 10, 2009

TO: Members of the Pacific Coast Theological Society

FROM: PCTS Executive Committee – Andrew Porter, Secretary; Herman Waetjen, Immediate Past Secretary; Sharon Burch, Treasurer.

(Disclaimer: Sharon composed this letter. She had help from Porter, Waetjen, Graves, Erisman and WilliamsCraig as well as officers Frank, Holder, and Argyris. Any mistakes, however, are hers.)

RE: Patricia Codron Memorial Endowment for Pacific Coast Theological Society

Attached or enclosed please find three documents for your information and perusal: 1) a description of the process undertaken to found the Patricia Codron Memorial Endowment for PCTS; 2) a pledge/gift form; 3) the current Treasurer's Report.

I would like to call your attention to the particulars of the endowment arrangements. Many questions that were posed at our last meeting are answered in these details.

Also, please note that the Society is again on firm financial footing due to the generosity and largesse of members who have made generous donations to the Society and/or graciously paid dues that were in arrears. I would like to thank each of you for your gifts. I also appreciate the good will of travelers who came to meetings even after the Society was unexpectedly unable to reimburse them for their travel expenses the meeting before last. Thank you for your forbearance.

### **HISTORY OF ENDOWMENT CONVERSATION**

Over the course of my tenure as Treasurer, several PCTS members have asked me about giving tax deductible gifts to the Society. They expressed their conviction that the Society represented a valuable resource to the GTU community and promoted the highest standards of intellectual discussion and interchange. They were concerned that without a secure financial base, the existence of the Society could be jeopardized.

Their hope was to stabilize the Society's costs so that we wouldn't run short (as we actually did the meeting before last.) They also expressed concern about the effect of the inevitable increases in dues and fees over time and reminisced with me about the Hazen bequest that helped establish the Society and made it possible to become as strong as it has been in the past.

There are two ways that donations to the Society could become tax deductible. One would be to become an independent 501(C)(3) and the other would be to become a program of the GTU. The history of the Society has been closely intertwined with the GTU since its inception, so the first choice was to investigate what it would take to formalize that relationship.

I talked with Dean Arthur Holder and Dr. Linda Frank, Vice-President of Advancement for the GTU. I learned that all restricted endowments were required to maintain a balance of \$25K to permit the Society to have

disbursements from the fund. As a result of this conversation, the Executive Committee, at that time composed of Herman Waetjen and me, determined that we should present the idea of establishing an endowment at the Society's November meeting. The discussion about this idea was mixed, and no conclusion was reached. It was decided that a sub-committee would be formed with the express purpose of reviewing the Society's financial situation, program content, and membership recruitment. The sub-committee was made up of Immediate Past Secretary, Herman Waetjen, Secretary, Andrew Porter, Treasurer, Sharon Burch, plus volunteer members Mark Graves, Daren Erisman, and Brandon WilliamsCraig.

## **PRECIPITATING CAUSE OF CURRENT SITUATION**

This group was in the process of carrying out its commission for the Society at the time Patricia Codron, a treasured member of PCTS, lost her long and arduous battle with cancer on March 11, 2009. Her express wish was that PCTS receive donations made in her name.

Donations began to come in. To date, about \$4300 has been received. Some of them came directly to PCTS, and others were made out to the GTU. This created an immediate problem because the GTU has no relationship with the Society that allows it to handle money for it, and gifts to the GTU cannot be transferred to the Society because they are made out to the GTU, entitling the donors to tax deductions. Initiating a restricted endowment is the appropriate way to establish the necessary relationship. I received an email with an "Instrument of Gift" attachment from the GTU about this matter on Friday, March 27 at about 7 p.m.

I contacted the committee on Monday, and we had a conversation about the situation in which we found ourselves. The committee came up with a number of quite specific questions that had to be answered. I began an inquiry into the details of what it would mean to establish an endowment with the GTU.

## **SALIENT FACTS ABOUT A PCTS ENDOWMENT**

### **How much is needed?**

As I mentioned above, PCTS could become a program of the GTU by establishing an endowment. There is a \$25K minimum for any restricted endowment fund at the GTU. If we raised \$25K this month, we would need to wait a year before any disbursements could be made. This would allow the fund to get established and grow. If the fund fell below \$25K (as is of course conceivable in the kind of volatile market situation we are currently experiencing), it would be "underwater" and no money would be disbursed until it had again reached the \$25K threshold.

Thus prudence would dictate that while \$25K is the necessary minimum, the Society might want to set its sights on amassing somewhat more than that so that the endowment would be protected from vacillations in the market. In this

past downturn, the worst since the Depression years, other GTU endowments lost about 25%. In order to protect the endowment from dropping below the minimum, and thus insure that it remain eligible for the disbursement of funds, the Society would have had to have had a bit more than \$31,000 in the fund.

### **How confident could we be that such an amount could be raised?**

Using the memorial gifts for Patricia as the base of the endowment, we would have to raise \$20,700 to reach \$25K and approximately \$28K to reach \$32K. The Society has 46 active members. If 25 of those members pledged \$50 a month, the endowment would be increased by \$15,000 in 12 months. If the same 25 people were willing to give the same amount for 17 months, we would reach \$25K. At \$50 per month, an individual would commit \$600 per year to the endowment. It is not inconceivable that some people would be able to give more, and it is all but inevitable that some would give less. Some would want to donate monthly, and others would find it easier to give a lump sum. The point is that the endowment could reach the minimum amount in a relatively short time. These figures do not reflect the possible investment return on the investment.

All donations to the fund are tax deductible as allowable by law. In addition, any investment return would be placed in the fund. The Society would receive a statement each year that stated the fund balance, the return on investment, and disbursements (when applicable). The GTU does not charge any administrative fees.

All GTU endowment funds are pooled together for investment purposes. The funds are held at the CommonFund ([www.commonfund.org](http://www.commonfund.org)), a not-for-profit investment company specializing in endowment investment for institutions of higher education. The GTU funds are invested in a portfolio consisting of 70% of equity-like investments and 30% of fixed income-like investments. In the recent economic downturn, the GTU endowments, like those at other institutions, have suffered losses as a result of the collapse of the credit markets and subsequent decline in the stock markets. Specifically, as mentioned above, the funds have lost about 25% of their value, thus my suggestion that the Society fund the endowment for about \$32K.

There are a number of ways to maintain and grow the endowment once it is established. Further gifts would be welcome, of course. I recommend that the Society continue to require dues and payment for the banquet dinner. These dues and fees would be augmented by endowment funds, assuring that they would remain relatively stable rather than increasing regularly. Any excess amounts from these sources could be added to the endowment. Also it is likely that investment returns on the endowment would also grow the total amount over time.

### **How long does the Society have to raise these amounts?**

I asked if there was a time limit on how long it took us to reach \$25K. Dr. Frank said it depended on intentionality. If we established the fund and no further

deposits were made in the next year or two, the GTU would begin to question how long it was going to take to fund the endowment. If, however, regular contributions were made and it was clear that the intention of the Society was to fund the endowment, we would have five or more years to reach the \$25-\$32K. However, if it became obvious that the Society was going to be unable to meet the challenge of amassing a minimum of \$25K, the monies collected up to that point would be placed in the GTU's unrestricted endowment.

### **What happens once the minimum has been reached and maintained for a year?**

The PCTS endowment fund would be administered as a program from the Dean's Office. The GTU Board of Trustees establishes the annual draw rate (currently 5%) for the whole endowment, based on the value of the endowment over the last three years (a 12-quarter rolling average). It is possible that the Board could change that draw rate, but Dean Holder has stated that is not at all likely. The idea is that a 5% draw is sustainable over the long run, so even if there is a year when the market returns 12%, the draw down rate is still only 5%.

That means that every May (after the Board approves the budget for the next fiscal year that begins in July), the Dean would tell us how much money is available for the coming fiscal year. If the endowment is at \$25K, then the funds available at a 5% draw rate would be \$1250, giving the Society about \$625 per meeting to meet expenses. Right now, that is a bit more than we actually spend each time that we meet.

In order to use that money, the Society would present to the Dean an itemized budget listing what we spent for the caterer, the wine and coffee, the appetizers and breakfast and travel reimbursements. All expenditures (whether for reimbursement to individuals or for payment to a vendor) would have to be authorized by the Dean since federal regulations and GTU auditors require that an officer of the institution approve all expenditures. After receiving and approving the receipts and invoices, the Dean would submit them to the GTU business office for payment on the next scheduled day for writing checks.

### **BENEFITS TO THE SOCIETY OF BEING A PROGRAM OF THE GTU**

To sum up, having an endowment with the GTU offers the members and donors a way to make a tax deductible donation to the GTU for the benefit of the Society ; have the opportunity to have a return on investment that is accrued to the fund; avoid any administrative fees; and be managed by the Common Fund that invests money in a diversified portfolio, thereby maximizing growth and minimizing risk.

Also, by becoming a program of the GTU, the Society assures that it will be considered an integral part of the consortium. When Claude Welch was Dean at the GTU, and Secretary and/or Treasurer of the Society, PCTS was sponsored by his office. I am under the impression that the Society has rather assumed that every Dean would continue that sponsorship, and that the Society would

continue to have the privileges that this relationship provided such as free use of the Dinner Board Room and access to that space at the convenience of the Society.

As time passed and the GTU Library was required to strengthen its security measures, increase its insurance coverage, and curtail costs by changing its hours, it became evident that the accommodations made for the Society as a matter of course were no longer possible. I would like to express my personal appreciation for the courtesy that the GTU has extended to the Society in making the Dinner Board Room available to the Society even though (at least on one occasion) it meant that President Donahue himself facilitated our use of it. And PSR has allowed us to use the Bade without charge – in my awareness, the Society has never been charged for the use of space for its meetings. Formalizing our relationship as a part of the GTU increases the likelihood that we will not be considered to be an independent entity that should be charged usage fees.

In addition, as a program of the GTU, we have access to communications that are disseminated to the consortium at large, such as the GTU website and the Dean's Newsletter, a monthly publication. This would help keep the faculty and students of the GTU informed about topics discussed by the Society, allow us to issue invitations to people to attend, and help with recruiting new members from the faculties and student bodies of the constituent schools, centers and institutes.

### **BENEFIT TO THE GTU OF HAVING THE SOCIETY PART OF THE CONSORTIUM**

We have been meeting at the GTU since before there was a GTU -- sometime in the 1940's. When the Society meets we have in the room people who have spent the past 50+ years engaged in the theological endeavor. They have seen trends emerge and disappear, morph into new ideas and grip the field with pertinent analysis, only to in turn become the grist for the next set of ideas that are germane to the situation in which we find ourselves. Our members have a rich and erudite repository of knowledge, a lifetime of personal dedication and an unusually perspicacious understanding of the theological endeavor. The conversation and comments on the papers that are presented at meetings is some of the richest available.

There are scholars at the GTU and in other schools on the Pacific Coast that are winning prizes from their guilds for their forward-thinking work in a number of areas. The Society learns a great deal from them; and they, in turn, receive perceptive comments and conversation all too rarely available. This is of great value to the consortium.

## **ESTABLISHMENT OF THE ENDOWMENT**

The Executive Committee of the Society, Herman Waetjen, Andrew Porter and Sharon Burch, have carefully considered all the aspects of this situation. We concluded that the alternatives to executing the Instrument of Gift were not viable. We have elected to establish this endowment fund with the GTU. We are suggesting that the fund be named the "Patricia S. Codron Memorial Endowment for the Pacific Coast Theological Society." We are keenly aware of how much this would mean to Patricia and her family and friends. Because of the timing of the bequests for Patricia received by the GTU, it was necessary to enact this before the April 17 meeting of the Society as a whole.

Cordial Regards,

Andrew Porter, Secretary  
Herman Waetjen, Immediate Past Secretary  
Sharon Burch, Treasurer