



HAWAII CONFERENCE FOUNDATION

UNITED CHURCH OF CHRIST

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Questions and Answers About Opening a Custodial Fund for Your Church

Background – Hawaii Conference Foundation

The Hawaii Conference Foundation (“Foundation”), which manages assets of over \$40 million for the Hawaii Conference United Church of Christ, offers investment services for UCC churches, associations, and related church organizations in Hawaii.

Local churches may place permanent or long term funds in to what are known as custodial funds. Such funds remain the sole property of the local church, and decisions about draws on funds are entirely up to the local church. Over fifty Hawaii Conference churches currently have active custodial funds.

What are the advantages to the local church of maintaining a custodial fund within the Hawaii Conference Foundation?

By setting up a custodial fund with the Foundation, the local church:

- Receives the advantages of both greater earnings and investment diversification, which are possible when a larger pool of money is available for investing;
- The congregation is freed of the direct responsibilities associated with the actual investing of funds;
- Scarce and valuable congregational time and talent can be used for ministries that directly relate to the church’s mission;
- Potential conflicts within congregations are avoided when the church does not have to choose between two or more investment management options connected with church members;
- Fees to the congregation are extremely low (currently 10 basis points or 0.10%); and,
- Donors can feel secure knowing that their gifts will be managed prudently and consistently.

At the same time, the church:

- Retains full ownership and control of its funds;
- May choose how and when to draw on funds;
- Receives quarterly reports showing current market value and earnings of its funds; and,
- Receives the advantages of an annual independent audit of all Foundation funds, including custodial funds.

Which local church funds can or should be placed in a custodial fund?

Only long-term funds, such as endowments or restricted funds, should be considered for placement in a Foundation custodial fund. If the church believes the funds will probably be needed within a few years, shorter term investment options are advisable.

How does a local church begin a custodial fund?

Starting a custodial fund is easy. Simply request a Custodial Account Agreement, complete and return it to the Foundation. Once the Custodial Account Agreement has been signed by both local church representatives and Foundation officials, send a check from your local church with a cover letter. If applicable, provide instructions on how frequently and how much the church would like to withdraw.

How do custodial accounts work?

Your church's funds are pooled for investment purposes with the funds of the Foundation and other local churches that have elected to establish custodial funds. Your fund will be assigned a certain number of shares of the total monies being invested from all sources, and earnings are then assigned based on the number of shares your church has, similar to a mutual fund.

Additions to custodial funds may be made at any time, and flexible withdrawal guidelines allow a local church's funds to be available without penalty with a minimum of formal notice.

Regular withdrawals from custodial funds can be scheduled up to four times a year. Reports to the local church are also issued quarterly.

Who oversees the investments of the Hawaii Conference Foundation?

The 11-member Foundation Board of Trustees is responsible for the Foundation's investment activity. These members include: three members of the Conference Council of the Hawaii Conference United Church of Christ; the Chair of the Hawaii Conference; the Conference Minister of the Hawaii Conference; four persons nominated by the Board of Trustees of the Foundation and elected by the Conference Council; and two persons nominated by the Conference Council and elected by the members of the Conference at an annual meeting of the Conference.

The Foundation Trustees approve the Statement of Investment Policy for the investment portfolio and hire an investment monitor to insure compliance with the policy.

How do I contact Hawaii Conference Foundation?

The Executive Director is Sherman S. Hee. He would be happy to answer any further questions, provide current information on the investments or to visit your church to explain the custodial account benefits to your members. Sherman may be reached at the HCF office at 1848 Nuuanu Avenue, Honolulu, HI 96817. His direct phone number is 808-791-5638. Neighbor islands may also phone toll free at 1-800-734-7610, extension 638. You may also contact Sherman by email at shee@hcucc.org.