

United Church Funds

An Associated Ministry of the United Church of Christ

Endowment Policy Statement

Template for Local Churches

Introduction

- A. The congregation of <insert church name>, in accordance with our mission and/or vision statements for the long-term growth, mission, and ministry of our church, has developed this Endowment Policy Statement (EPS) to guide our church's management of the <insert Fund name> (hereafter known as the "Fund") with regard to the Fund's spending policy, investment management, and gift acceptance procedures in accordance with generally recognized accounting and management practices for non-profit organizations, including but not limited to, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and other applicable state and federal laws and guidelines.
- B. Policies set forth in this document are intended to be used as guidelines with regard to the general management of the Fund, consistent with the long-term and short-term objectives of the Fund while providing sufficient flexibility to meet changing market conditions or changes to the overall objectives of the Fund.

Mission and/or Vision Statement

- A. <Insert Church's Mission and/or Vision Statement>
- B. <Insert the Mission and/or Vision Statement for the Committee>

Governance

- A. The <insert name of governing committee> (hereafter known as the "Committee") acts in a fiduciary capacity as an Investment Steward for the overall management of the Fund, including spending guidelines, investment management, and gift acceptance procedures.
- B. The Committee is accountable to the Church Council <or insert other governing body>, and is required to submit reports to the governing body on a regular basis with regard to the activities of the Committee, gifts and distributions, and performance of the Fund.
- C. The Committee will be made up of volunteers from within the Church who perform their duties prudently, and solely for the benefit of the Fund in accordance with UPMIFA. Any conflicts of interest by an Investment Steward or other party should be avoided when possible, and always when required by law. Conflicts should be immediately disclosed to the Committee in writing.

- D. The Committee requires each service provider to provide a written disclosure of services to be provided which includes details on compensation. These agreements will be reviewed annually to ensure consistency with the objectives of the Committee.
- E. Changes to any part of the Endowment Policy Statement may be made by written recommendation of the Committee to the governing body, and voted upon as required by the Church's constitution, bylaws, or other governing document.

Gift Acceptance Policy

The Fund will accept a variety of types of gifts which shall be utilized for the benefit of the Church, and managed in accordance with the distribution and investment policies set forth in this document. A copy of this Endowment Policy Statement will be given to each prospective donor to educate the donor on the policy guidelines. While the Committee will work with all parties to accept all gifts, the Committee reserves the right to reject a gift that is deemed to not be in the long-term best interests of the Church.

- A. **Donor-Specified Purpose** - If a gift is given with the donor-specified intent to be used to fund a specific ministry or use, the Committee will honor the request of the donor and manage the gift based upon the guidelines put forth in this document. If a gift is given without a donor-specified purpose, those funds will be deemed to be un-restricted, and therefore the Committee and the governing body will determine the use of funds as required or dictated by the needs of the Church.
- B. **Gift of Stock, Bonds, or Financial Instruments** – A gift of stock, bonds, mutual funds, or other security, whether in certificate or book form, will be liquidated within 180 days from receipt by the Church or Fund. After liquidation, the proceeds from the sale of the security will be invested based upon the guidelines in the Investment Policy.
- C. **Gift of Real Estate or Ill-liquid Assets** – A gift of real estate or like ill-liquid asset will be liquidated in a suitable timeframe based on market conditions. Upon liquidation, the proceeds from the sale of the real estate or like asset will be invested based upon the guidelines in the Investment Policy. If the governing body of the Church determines that the sale of the asset is not in the long-term interests of the Church, the Committee will not be required to manage the asset or act in a fiduciary capacity with regard to the asset.

Investment Policy

The objective of the investment policy of the Fund is to preserve the long-term real purchasing power of the net assets of the Fund, while allowing for predictable distributions in support of the Church's mission and ministry. The invested assets of the Fund will be managed solely for the benefit of the Fund and Church, and will be administered by prudent professionals as outlined by UPMIFA.

- A. **Asset Allocation Strategy** – The Committee seeks to invest the assets of the Fund to achieve returns consistent with the investment objectives, risk tolerance, and time horizon of the

Fund. As such, an Investment Manager may invest assets over a diversified portfolio of asset classes with varying degrees of historical risk and correlation attributes. Any asset class selected for investment must include an appropriate process and tools for selection and monitoring of the asset class over time.

- B. **Definition of Asset Classes** – The Fund may include equities, including both domestic and international, as well as fixed income securities. Investments in cash or cash equivalent instruments will be utilized only in the short term or as temporary holdings. If the portfolio holds any assets which do not fall into the broad categories of equities, fixed income, or cash instruments, these assets will be considered alternative investments.
- C. **Allocation Flexibility** – To the extent that a target allocation summarizes the risk/return profile of the Fund, the Committee understands that shorter-term changes in market conditions may dictate short-term target allocations. Therefore, the Committee recognizes that the Investment Manager may deviate from a target allocation from time to time, which will require re-balancing to remain consistent with the investment objectives of the Fund.
- D. **Return Objectives** – The expected return objectives for the portfolio should be consistent with the distribution guidelines as defined in this document, in addition to other factors such as Fund expenses and inflation as generally defined, in order to protect the long-term real purchasing power of the Fund.
- E. **Socially Responsible Investment (SRI) Strategy** – In covenant with the United Church of Christ and broader Christian community, the Committee recognizes its role in promoting an investment strategy that is consistent with the values of the Church. Therefore, the Investment Manager is required to employ SRI strategies that includes both screens and active engagement.
- F. **Manager Selection** – The Committee will select a manager(s) for day to day portfolio management of the Fund, in alignment with the obligations of care. This manager will be selected after substantial due diligence is performed with regard to the general capabilities and experience, investment strategy, historical performance, and fees of the manager, among other attributes. No contract will be signed by the Church or Fund with respect to the services of the manager, and the Church and/or Fund reserves the right to terminate its relationship with a manager at will.
- G. **Manager Reports** – The manager is required to send quarterly reports on performance and strategy in a timely manner to the Committee. The Committee will review the reports, and if necessary, contact the manager for clarification or further discussion. Performance reports from the manager will include performance of holdings against a comparable allocation benchmark, peer groups, and/or investment policy statement objectives.
- H. **Manager Review** – In the absence of gross negligence or significant change in services, the Committee will review the performance and strategy of the Manager on a three-year basis, which will include both quantitative and qualitative measures. If the Committee decides to terminate its relationship with the Manager, it will make a written recommendation to the governing body and if approved, act on its termination request within 180 days, during which diligence will be performed to find a new Manager.

Spending Policy

- A. The goal of the Fund will be to make periodic distributions, in accordance with the capital requirements of the Church and any mandates of the Fund, based on a total real (net of fees) return basis.
- B. The committee defines this spending policy as the end of year account balance, including principal and gains/losses from investment income and realized and unrealized capital gains on the 5-year historical average annualized basis (see example, below), not to exceed 5.00% (or other percentage as directed by the Committee, within the bounds of UPMIFA) of the average ending-year balance of the Fund.
- C. This spending policy is set forth to promote the long-term viability of the Fund, reduce annualized volatility of available distributions to due adverse market conditions in a given year, and to limit the erosion of the Fund's real assets over time.
- D. The Committee shall review the Spending Policy guidelines on an annual basis, and report to the governing body with their recommendation for the upcoming year in a timely manner.

Example Spending Policy Guidelines:

Ending Year Balances:

2008: \$780,000

2009: \$950,000

2010: \$1,100,000

2011: \$1,250,000

2012: \$1,400,000

Five-Year Average Ending Net Balance: ***\$1,096,000***

Maximum (5.00%) Spending Policy Distribution for 2013: ***\$54,800***