

# **Endowment Policies and Operating Rules**

*Approved by the Endowment Committee April 25, 2016*

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## **I. Spending Rate, Disbursable Income, and Contingent and Residual Commitments**

### **A. Spending Rate**

The annual spending rate of the endowment is 5% of the average net asset value (NAV) of the endowment for the latest 20 trailing quarters. When applied, this spending rate calculates the amount available to be spent during the calendar year. The calculation of the annual spending amount is done as soon as the NAV for the quarter ending December 31 is known. Typically, this is done within the first quarter of the new year and is approved by the Committee at its first meeting of the new year.

The number of trailing quarters used in the computation may be changed if deemed advisable.

The Committee decided that the NAV of the endowment for any given quarter would include new contributions when received. An exception may be made if a very large contribution was received that would significantly skew the spending calculation.

### **B. Disbursable Amount**

*Unrestricted funds:* The “disbursable amount” is computed in accordance with the spending rate calculation. Unspent allocations from the disbursable amount revert to principal.

*Restricted Funds:* The “disbursable amount” is computed in accordance with the spending rate calculation. The Committee will ordinarily use the same spending rate used for unrestricted funds as a maximum, as permitted by the Articles. Unspent allocations from the disbursable amount revert to principal of the respective restricted fund(s).

### **C. Contingent and Residual Commitments**

The spring distribution is set at  $\frac{2}{3}$ s of the authorized amount per the spending rate calculation. The spring distribution is generally unaffected by carryover obligations and contingencies to supplement restricted fund commitments (e.g., purchases of Bibles if there is any shortfall in the Boyd Bible Fund allocation). However, if such accommodations are necessary, they may be taken from the spring or the fall allocations when either the actual figures on expenditures will be available or reasonable estimates can be made. Thus, the new funds available for the spring allocation could be less than  $\frac{2}{3}$  of the total or the fall allocation could be less than  $\frac{1}{3}$  of the total.

## **II. Donor Recognition Policy**

### **A. Recognizing and Honoring Major Donors**

All major donors, unless they request anonymity, may be recognized on a plaque, framed printed document, or other appropriate display that lists their name (or family name) and the year of the gift/recognition. Ordinarily, major donors are defined as those who give \$10,000 [amount to be determined] or more to the endowment. The Committee may also recognize other donors through annual or special publications.

### **B. Honoring Major Restricted or Designated Funds**

As set out under the Articles, funds may be named to recognize major donors who make restricted or designated gifts in addition to other recognition given. A minimum donation of \$25,000 is required for a named restricted gift, per the Articles.

### **C. Naming Projects, Facilities, or Programs**

The general practice of the endowment is not to name projects, facilities, or programs to honor or recognize donors. However, in appropriate circumstances and with the concurrence of the Session, projects, facilities, or programs may be named for donors (a) who have been particularly generous in their contributions to the endowment or to the endowment and to University Church and (b) whose particular interests or concerns in the Church coincide with that of the project, facility, or program to be named.

### **III. Endowment Fund Management, Investment Objective and Principles, and Investment Policy Statement**

#### **A. Management of Investments**

The management of Endowment Fund investments is the responsibility of the Endowment Treasurer. Reports of portfolio status are made to the Endowment Committee quarterly, and to the Session and general membership on an annual basis.

The Endowment Treasurer, along with the UPC Controller, maintains endowment fund balances and adjusts each balance to reflect actual market value on at least a quarterly basis.

The Endowment Treasurer, with agreement of the Committee, may assemble an advisory investment committee to assist with investment decisions. The Endowment Treasurer, with the agreement of the Committee, may delegate all or part of the investment decisions to professional money management.

#### **B. Investment Objective**

The investment objective for the Endowment Fund is to provide a long-term appreciation of the principal of the fund and to generate sufficient income to carry out the stated purpose of the fund. This broad objective is articulated in the endowment's investment policy statement, a formal and separate document

#### **C. Investment Principles**

**Safety:** Recognizing that systemic risk is inherent in all investments, the fund seeks to limit overall portfolio risk by broad diversification in publicly traded investments. An annual review of investments should assess overall portfolio risk and compare it to predetermined benchmarks.

**Liquidity:** Cash held in the Endowment's money-market fund sufficient to meet all annual expenses should be made available as soon as the Committee determines the spending for the year. Sufficient cash is defined as up to 110% of the annual projected spending for the calendar year. Annual projected spending includes amounts for both the *unrestricted* and *restricted* funds. (See minutes of April 27, 2015.) Cash funds are typically on deposit in a money-market fund.

**Diversification:** A prudent level of diversification should be maintained in order to manage risk exposure and encourage growth. This can be attained through one or more mutual funds, a broadly diversified portfolio of stocks and bonds, or a combination of funds, ETFs, and individual investments.

Real Estate: Real estate donated directly to the Fund will ordinarily be liquidated when practicable, but may be retained with Session approval. The use of fund resources to purchase additional real estate is discouraged. Real estate investment trusts and REIT mutual funds are, however, allowed.)

Asset Allocation: An investment policy statement determines asset allocation. An annual review insures that the portfolio is rebalanced as needed.

#### **IV. Investment Policy Statement (*See separate investment policy statement*)**

#### **V. Gifts, Contributions, and Solicitations (*See separate Gifts Acceptance Policy*)**