Endowment Policies and Operating Rules

Approved by the Endowment Committee October 14, 2013

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

A. Spending Rate

The Committee adopted 20 trailing quarters as the appropriate number. We determined that the number of trailing quarters used in the computation could be changed in the future if deemed advisable.

The Committee decided that the Net Asset Value would include new contributions when received. Exception would be appropriate if a very large contribution was received that would significantly skew the figure.

B. Disbursable Amount

For Unrestricted Funds: The "Disbursable Income" will be computed in accordance with the spending rate calculation. Any unspent allocations under the spending rate will revert to principal.

For Restricted Funds: The "Disbursable Income" will be 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. Any unspent allocations under the spending rate will revert to principle of that fund.

C. Contingent and Residual Commitments

The spring distribution, set at 2/3s of the spending rate calculation, will generally be 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). Those accommodations will be taken from the fall allocation when either the actual figures on expenditures will be available or reasonable estimates can be made. Thus, the new funds available for the fall allocation will typically be less than 1/3 of the total.

II. Donor Recognition Policy

A. Recognizing and Honoring Major Donors

All major donors, unless they request anonymity, shall 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 Not Determined] or more (2004 dollars) 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.

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's Treasurer. Reports of portfolio status will be made to the Endowment Committee quarterly, and to the Session and general membership on an annual basis.

The Endowment Treasurer will maintain Endowment Fund balances and adjust each balance to reflect actual market value on 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.

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: Liquidity sufficient to meet all annual expenses should be made available as soon as the Committee determines the spending for the year.

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 donated directly to the Fund will ordinarily be liquidated when practicable, but may be maintained (with Session approval). The use of Fund resources to purchase additional real estate is discouraged. (REITS and REIT mutual funds are, however, allowed.)

Asset Allocation: An investment policy statement will determine asset allocation. The annual review will insure that the portfolio is rebalanced as needed.

D. Investment Policy Statement

Our intent is to pursue a long-term investment objective of moderate growth and to provide up to 5% of the principal amount for annual designated gifts from the Endowment

1. The asset mix to be maintained should include:

    a. Between 30%-40% bonds and/or cash

    b. A minimum amount of cash or short-term bonds to cover one year of anticipated expenses.

    c. Of the remaining liquid assets: stocks in the following allocations:

        60-75% Large cap (growth & value)

        25-40% Mid & small cap (growth & value)

    d. Up to 20% of stocks or bonds investments may be outside the U.S.

2. With this portfolio we expect to earn over time an average of 7% <u>before</u> inflation.

3. Overall risk for the stock portfolio will be no more than the risk of the S&P 500 (as measured by standard deviation); risk for the bond portfolio will be no more than that of the total US bond market.

4. An annual evaluation of the portfolio will be made, followed by rebalancing, as needed.

5. The plan will have an investment horizon of 10 or more years.

IV. Gifts, Contributions, and Solicitations *(Section superseded by separate Gifts Acceptance Policy)*