

Unitarian Universalist Church of the Restoration

ENDOWMENT POLICY

The following is the basic text of the Endowment Policy, as approved by the Finance Committee on January 11th, 2008, the Board on January 13th, 2008, and the congregation on April 6th, 2008.

The congregation and board desire that the endowment of the church be stable, free of unreasonable risk, and that the principal be perpetually maintained and managed to increase in value. We desire that the donors feel secure that their contributions will be used for the ongoing benefit of the church and the community from the time the bequest is made and for the indefinite future.

MANAGEMENT OF THE ENDOWMENT

The Investment Committee, as specified in the By-Laws, shall monitor and manage all endowment accounts so that the total endowment investments conform to the following policies:

- A.** Our endowment investments should be guided by the UUA Investment Policies for socially responsible investing.
- B.** Our endowment investments should be a blend of income and growth instruments.
- C.** There should be a number of sectors in the equity part of our investment portfolio, and no one sector should exceed 30%.
- D.** The Investment Committee should be prudent in the selection of investments, and all equity and bond investments should be publicly traded securities on a major U.S. exchange.
- E.** The amount held as cash should be minimized.

USE OF CAPITAL

The congregation is both entrusted with the protecting of endowment funds, and the beneficiary of the funds. In order to keep faith with the donors and ensure the longevity of their donations, the following binds the congregation:

- F.** Every effort should be made to preserve the capital base of the endowment.
- G. 1.** Capital funds may be used as collateral for a commercial loan to the congregation, or directly to the congregation on the same terms and conditions and repayment plan as would be available from a commercial loan, only upon recommendation by the board and approval by the congregation during a congregational meeting.

Commentary. If capital is loaned to the congregation, the congregation must provide appropriate principal and interest payments for the loan. Furthermore, there must be (1) a formal loan document, (2) an appropriate repayment schedule, and (3) a clear plan specifying the source of funds to repay the loan. As with any other loan, immediate payment in full should be made if the church fails to maintain its payment schedule.

- G. 2.** There will be a standing open Line Of Credit (LOC) of up to a maximum of \$17,500 total outstanding, including accrued interest, at any one time. This LOC is for emergencies only. It is not to be used for operating shortfalls or other operating uses. The use of the LOC for emergencies will be only upon recommendation of the Finance Committee and approval of the Board.

Commentary: The Wall Street Journal Prime Rate at the time the funds are borrowed will be used to begin accruing interest immediately. Repayment begins with the next fiscal year. LOCs are variable rate loans, thus a new repayment schedule will be calculated each year during

budget preparation for the upcoming fiscal year. This will use the WSJ Prime Rate as of March 31st and the total outstanding balance of all funds borrowed.

USE OF EARNINGS DISTRIBUTIONS

The investment and finance committees believe that a stable and predictable distribution of funds from the endowment is a key goal to the longevity of the endowment and its effective utilization by the congregation. Furthermore, the allocation of the distributed funds should be moved away from operating expenses to more discretionary uses, including the building funds, community investments, and expansion of church activities.

H. The distribution from the endowment in any year shall not exceed 5% of the average of the market values of the endowment on March 31 of the prior three years for the following church budget year from July 1 through the following June 30th. These funds will be allocated as follows: 3.5% will be used for discretionary uses such as those described above; 1.5% will be placed in a Contingency Fund in the church's savings account to accumulate for emergencies only.

I. The use of the endowment distribution will be approved by the Congregation during the annual budget meeting.

J. Any changes to this policy will require a congregational vote.

Please Note. The full endowment policy contains various commentaries following the major sections. This version excludes the commentaries except for the one that relates to Section G, which is of substantive importance. The others are merely explanatory and have been omitted for the sake of brevity.