

Amended and Restated Endowment Fund Policy

We, the Unitarian Universalist Congregation of Green Valley Arizona, establish the Unitarian Universalist Congregation of Green Valley Endowment Fund (hereinafter referred to as "The Endowment Fund") as the permanent fund of the Unitarian Universalist Congregation of Green Valley Arizona (hereinafter referred to as "The Church")

The Endowment Fund shall be subject to the laws of the State of Arizona, the Articles of Incorporation of The Church and the Board and Membership of the Church, and the following covenants:

1. The Endowment Fund is created and exists solely for the charitable purposes of the Church, with its principle objectives being the promotion and development of religious, charitable and educational activities as well as non-recurring expenses not regularly budgeted by the Church. Use of the funds is determined by the Board of the Church. Examples regarding possible uses for the funds include the following:
 - Capital improvements or repairs to the building and grounds not included in the Operating Budget or the Capital Fund
 - Outreach to the community such as grants to UU camps and conferences; theological schools; local social service agencies or institutions to which our congregation relates i.e. Border Issues, Food Bank, etc
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 - The wider mission of Unitarian Universalism such as grants to the UUA for new church development; professional leadership; world missions; etc
 - UU related leadership conferences or other such training that allows members of this congregation to grow in faith and service to Unitarian Universalism
 - Ministerial and staff training and development
11. The Endowment Fund shall receive and hold all gifts made to the Church from sources such as bequests, gift annuities, insurance policies, trusts, or other planned or deferred arrangements, as well as specific cash gifts, which are not otherwise designated.
- III. The principal of the Endowment Fund shall not be expended.
- IV. Each year, distributions can be made available to the Church at the discretion of the Endowment Committee, the Finance Committee and the Board. Possible uses for the funds would likely initiate from the Finance Committee or the Board. Either would

confer with the Endowment Committee regarding the availability of monies. Distributions will be limited to the annual interest, dividends and capital appreciation of the Endowment Fund, to be calculated by determining the difference between the current value of the fund and the total accumulated contributions to the fund. The principal will be left intact.

- V. The Endowment Fund shall exist under the authority of the Board, which shall create an Endowment Committee to administer the fund. The Endowment Committee will report to the Board of the Church. The Endowment Fund Committee will consist of at least 3 but not more than 5 members and the Chairperson will be appointed by the Board of the Church. Other members of the Endowment Fund Committee may be selected by the Chairperson with the approval of the Board. One of the members will be an ad hoc member of the Church Finance Committee.
- VI. The Endowment Fund Committee is empowered to act as follows:
- a. Be the fiscal agents for the Endowment Fund
 - b. Accept and acknowledge un-restricted, un-designated gifts to the Endowment Fund or other gifts as specified in Para c. below
 - c. Review any gifts with restrictions or designations that are proposed to be placed in the Endowment Fund with regard to their compliance with the goals of the Church and the tax exempt status of the Church. The recommendation of the Endowment Fund Committee to accept or decline a gift for inclusion in the Endowment Fund shall be reported to the Board of the Church.
 - d. Invest the monies of the Endowment Fund in such a way as to achieve a "reasonable" growth of the fund while not incurring "significant" risk to the principal of the fund. In this regard, a maximum of 65% of the fund will be invested in equities, i.e. stocks. Conversely, at least 20% of the fund will always be invested in equities. Capital growth of the Endowment Fund will not be considered part of the principal of the fund. Investment categories deemed to be unacceptable would include: Collectibles; Limited Partnerships; Futures Contracts; Annuities, Real Estate and Artwork. Margin accounts will not be used.
 - e. Maintain a record of all gifts to the Endowment Fund: the value, the donor, the date and the type of each gift, as well and any formal expression by the donor(s) of the use to which the gift might be put.

f. Maintain a complete accounting of all investments, including investment vehicles used, the principal of the fund and performance of the fund, both income and capital appreciation.

g. Report activities of the Endowment Committee and investment results to the Board at least annually. This should include a statement of distributions made from the fund and the amount of money currently available for distribution.

h. Promote and advertise the Endowment Fund frequently and consistently throughout the Church and its membership. Costs for this activity may be charged to the Endowment Fund and paid out of current income.

VII. The Finance Committee will recommend to the Board of the Church to which projects/purposes funds are to be distributed.

VIII. Any portion of the annual distributable funds not distributed in any given year will be retained in the Endowment Fund for expenditure in future years.

IX. None of the monies of the Endowment Fund will be used to support the following:

- a. Political campaigns on behalf of any candidate for public office
- b. The programs of the Church regularly funded by pledges and contributions of members, except in cases of extreme emergency determined jointly by the Endowment Committee, the Finance Committee and the Board

X. The Board of the Church shall be responsible for an annual audit of the Endowment Fund.

XI. These guidelines of the Endowment Fund may be amended by a two thirds vote of the Church with a minimum of fifty percent of the members present.

XII. The Church may borrow from the principal at a rate of interest determined by the Endowment Committee. Both the principal and interest shall be repaid on a fixed payment schedule determined by the Endowment Committee, set forth in writing and approved by the Finance Committee and the Board.

XIII. SIGNED THIS Day of , 2014

NOTES

The following notes are to be used in evaluating the intent of the provisions of the Endowment Fund of the Unitarian Universalist Congregation of Green Valley, as that may be necessary from time to time.

Introduction:

The opening statement assures that the Board and Membership will be the ultimate authority for the direction of the Endowment Fund. It also assures that the Fund will operate within the structure of the Church and the laws of the State of Arizona.

Article I:

The language regarding "religious, charitable and educational expenses" provides that the fund may support a variety of ministries for which the Church is organized by law. This language is usually a part of the Articles of Incorporation, which each church has submitted to the State of Arizona. The "non-recurring expenses" item is designed to ensure that the Endowment Fund will not support the current operating budget of the Church. It is generally understood that an endowment fund should not be used to fund the ordinary operations of the Church.

Article II:

This paragraph sets forth the policy for the Church that planned and deferred gifts such as wills, gift annuities, insurance policies, trusts, etc. will come to the Endowment Fund. Such gifts should not be used immediately for the Church's operations or capital needs. They should be placed in the Endowment Fund so that the principal of the gift remains whole while only the income is used. All such non-restricted gifts should be placed into the Endowment Fund. Funds set up by donors or by church leaders for restricted purposes, such as scholarship funds, should not become part of the Church's Endowment Fund, even though such restricted funds may subsequently be invested alongside the monies in the Endowment Fund.

Article 111:

An endowment fund's purpose is to provide funds for special and "over-and-above" uses within the life of the Church. Any invasion of principal is therefore, contrary to the generally accepted purpose of endowment. Spending any of the principal of the Endowment Fund breaches the trust of those who have already contributed to the Endowment Fund and may deter subsequent gifts by undercutting the trust and confidence of church members in the integrity of the Endowment Fund. A key question is "What is principal?" Is capital gains principal? How do we treat capital gain when it comes to distributions? If we distribute only

income i.e. dividends and interest, then we must invest a majority of the funds in income producing instruments such as bonds and high dividend stocks and possibly forfeit the opportunity of investing in growth investments which offer better long term results.

Article IV:

Under this philosophy, there is a greater latitude in allocation between income-producing instruments such as bonds and equities or stocks, which can produce capital gains as well as dividends. Limiting investments to income producing vehicles can limit the ability of the fund to grow.

Article V:

Article V sets up a direct and simple procedure for the selection and accountability of the Endowment Fund Committee. A small group can be flexible and can act quickly when needed, and can meet with a quorum present. Persons with financial or investment expertise might be good candidates for the Endowment Committee.

Article VI:

The Endowment Fund Committee has the authority to make the necessary financial decisions, such as opening accounts with brokers, trust companies, banks and other investment houses

Sometimes a donor may ask that the proceeds of their gift be used for a particular church program such as "missions , capital improvement", etc. Such a gift that bears even the most general restriction or designation must be reviewed by the Endowment Fund Committee for inclusion in the Endowment Fund. It may be preferable to place these gifts in a restricted category separate from the Endowment Fund. Again, the recommendation of the Endowment Fund Committee will be reviewed by the Board.

The "prudent investor rule" states that when an individual has the responsibility to invest funds that do not belong to themselves, but for which they are given responsibility in a trustee relationship, care, skill and caution should be the approach. A reasonable return from the sum of interest, dividends and capital appreciation should be targeted that keeps the funds purchasing power considerably ahead of inflation. A balanced investment strategy is likely best, one that includes income generating securities and equities for capital appreciation. A fund invested only in CD's and passbook savings would give the Endowment Committee poor marks. They would receive poor marks as well if they only invested in high-risk stocks or bonds.

A complete and thorough accounting of all gifts is critically important for the historical continuity of the Endowment Fund throughout changes in time and leadership. These records

are not only useful in promoting the fund but are also even more valuable for the administration of the Endowment Fund by future generations of Church leadership.

A complete accounting of all investments and their results needs to be maintained by the Endowment Fund Committee, regardless of the type and extent of the investments. These records must be ready for an audit ordered by the Finance Committee.

This establishes a regular reporting system and prevents the "hiding" of the amounts of money in the Endowment Fund. How much money is in the fund, and what kind of investment vehicles are currently being employed by the Endowment Fund Committee is information that must be readily available to all Church members. Reports to the Church members should be made regularly.

The fund and its availability must be consistently and persistently held up before the members of the Church. Every available means should be used to accomplish this task. Costs associated with the promotion and advertising of the Endowment Fund are appropriately taken from the income of the Fund before any distributions are made. Thus, the Endowment Fund is not made to compete with other church programs for operating budget dollars.

Article VII:

The Finance Committee has overall responsibility for the finances of the Church, so it has a vested interest in the distributions of the Endowment Fund. Yet, the Board has overall responsibility with creating and maintaining overall church programs. All of these groups need to act together on the matter of how distributions from the Endowment Fund should be used in the life of the Church. It is important to clearly specify the purpose, program or project for any distributions. This will safeguard against Endowment Funds being used as a substitute for the pledges and contributions of church members in funding the ongoing operating budget.

Article VIII:

Sometimes all the monies available will not be spent in any given year. Income that is "left over" from a particular project, or that hasn't been allocated in a given year, should be held in the pool of income that is spendable by the Church in future years.

Article IX:

There are times when current expense emergencies may occur. These may result from changes in the Church's membership or in the nature of the surrounding community. In such cases, the whole congregation as well as the Board, Finance Committee and Endowment Committee need to be involved. The Board will need to make the decision on whether monies from the Endowment Fund are appropriately used in a given emergency and what constitutes an "emergency".

Article X:

This provision ensures that the financial records kept by the Endowment Fund Committee are accurate and up-to-date, and in a condition that allows maximum understanding by the congregation about the state of the Endowment Fund.

Article XI:

Changes to the Endowment Fund structure, purpose, policies and procedures as spelled out in this document should be clearly and precisely explained in writing so that all those present understand the nature and resulting consequences of any such changes.

Article XII:

The borrowing of funds, or "serving as ones own banker", may be a helpful, short term financing measure for major capital projects such as additions, renovations, acquisitions or buildings. Major concerns arise however, when churches borrow money from their endowment fund and never get around to paying it back. Unfortunately, the temptation to use funds without repaying has proved too strong for some congregations. When borrowing from the Endowment Fund, an appropriate capital campaign and pledge drive should be carried out to repay the Endowment Fund completely and within the time specified in the document that sets forth the loan terms. The Endowment Fund should be treated as the Church would treat any commercial loan institution. Borrowing from the Endowment Fund should be approached only with the greatest of caution and the clearest of prudent, fiduciary responsibility.