

Westside UU Church
Endowment Investment and Distribution Policy
(June 2014 Annual Meeting)

I. Introduction

The Westside UU Church Endowment Fund (hereafter referred to as the “Fund”) was created to provide perpetual financial support to Westside UU Church (the “Church”). The purpose of Endowment Distribution and Investment Policy (the “Policy”) is to establish guidelines for the Fund’s investment portfolio (the “Portfolio”). The Policy also incorporates accountability standards that will be used for monitoring the progress of the Portfolio’s investment program.

II. Role of the Endowment Committee

The Endowment Committee (the “Committee”) is acting in a fiduciary capacity with respect to the Fund and is accountable to the Board of Westside UU Church and its membership, for overseeing the investment of all assets owned by, or held in trust for, the Fund.

A. The Policy sets forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the Committee and any other parties to whom the Committee delegates investment management responsibility for fund assets.

B. The investment policies for the Fund contained herein have been formulated consistent with the Church’s anticipated financial needs and in consideration of the Church’s tolerance for assuming investment and financial risk, as reflected in the majority opinion of the Committee.

C. Policies contained in this statement are intended to provide guidelines, where necessary, for ensuring that the Fund’s investments are managed in a manner consistent with the short- and long-term financial goals of the Fund. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the Church.

D. The Committee will review the Policy at least once per year, prior to the Annual Congregational Meeting. Changes to this Policy can be made only by affirmation of a minimum four members of the Committee, approval of the Board, and ratification by the Church membership. Written confirmation of the changes will be provided to all church members and to any other parties hired on behalf of the Portfolio as soon thereafter as is practical.

E. Individuals with access to the funds within the Endowment must have passed a background check with the Church.

III. Investment Objective

A. The Fund is to be invested with the objective of preserving the long-term, real purchasing power of assets while maintaining financial flexibility.

B. The Committee shall invest the assets of the Fund in a responsible manner. It is intended that reasonable restrictions placed on any gift by the donor will be faithfully followed, subject to the Committee's determination of the integrity and best interests of the Fund.

IV. Contribution Management Policy

- A. Contributions will be divided into three categories.
 - 1. Perpetual Fund – Principal will never be subject to distribution as long as the Church remains a Going Concern.
 - a. Income over inflation from the previous year can be distributed.
 - b. Any previous year income that is undistributed in the subsequent year will be added to the principal amount.
 - c. Income includes capital gains, dividends, and interest over inflation, as measured by Consumer Price Index (CPI) as published by the Bureau of Labor Statistics.
 - 2. Building and Land Fund – Principal and income can only be used for building and land purposes
 - 3. Flexible Fund – Principal and income can be used for distributions.
- B. The Committee will be responsible for tracking restrictions attached to contributions or bequests..
- C. The initial \$30,000 bequest from Bob Conti will be designated for the Perpetual Fund.
- D. Future undesignated contributions and bequests to the Endowment Fund will be placed in the Flexible Fund.

V. Distribution Policy

- A. The Committee is permitted to transfer assets between Church accounts and financial institutions in the management of the Fund.
- B. The Committee is permitted to pay fees associated with the management of the Fund out of Fund assets.
- C. The Committee will distribute the funds currently in the Endowment Fund associated with KIVA plus interest.
- D. Any additional distributions or loans of the Fund assets require a majority approval of the Church membership at a regular or emergency meeting of the Church membership.

VI. Portfolio Investment Policies

- A. Asset allocation policy

1. The Church, Church membership, and Committee recognize that the strategic allocation of Fund assets across broadly defined financial asset and subasset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and Fund asset value stability.

2. The Church, Church membership, and Committee expect that actual returns and return volatility may vary from expectations and return objectives across short periods of time. While the Committee wishes to retain flexibility with respect to making periodic changes to the Portfolio's asset allocation, it expects to do so only in the event of material changes to the Fund, to the assumptions underlying Fund spending policies, and/or to the capital markets and asset classes in which the Portfolio invests.

3. Fund assets will be managed as a balanced portfolio composed of three major components: an equity portion, fixed income portion, and a preferred stock portion. The expected role of Fund equity investments will be to maximize the long-term real growth of Portfolio assets, while the role of fixed income and preferred stock investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of Portfolio equity investments.

4. Cash investments will, under normal circumstances, only be considered as temporary Fund holdings, and will be used for Fund liquidity needs or to facilitate a planned program of dollar cost averaging into investments in either or both of the equity and fixed income asset classes.

5. Outlined below are the long-term strategic asset allocation guidelines, determined by the Committee to be the most appropriate, given the Fund's long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated across broad asset and subasset classes in accordance with the following guidelines:

Asset/Subasset class Target allocation:

Equity (Stocks) 25%
 Fixed Income (Bonds) 65%
 Preferred Stock 10%

B. Diversification policy

1. Diversification across and within asset classes is the primary means by which the Committee expects the Fund to avoid undue risk of large losses over long time periods. To protect the Fund against unfavorable outcomes within an asset class due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations.

Specifically, the following guidelines will be in place:

No more than 10% of the Fund will be invested in any one company other than Treasuries, FDIC insured CD's, FDIC insured Money Market, or FDIC insured Savings deposits.

C. Rebalancing

It is expected that the Fund's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset and subasset classes. The Fund will be rebalanced to its target normal asset allocation under the following procedures:

1. The Committee will use incoming contributions or outgoing disbursements of the Portfolio to realign the current weightings closer to the target weightings for the Portfolio.
2. The Committee will review the Portfolio semiannually to determine the deviation from target weightings. During each semiannual review, the following parameters will be applied:
 - a) If any asset class (equity or fixed income) within the Portfolio is ± 5 percentage points from its target weighting, the Portfolio will be rebalanced.
 - b) If any security within the Portfolio has increased or decreased by greater than 20% of its target weighting, the fund will be rebalanced.

D. Monitoring

1. The Committee will provide monthly statements to the Church membership by placing them in the church office and giving them to the treasurer.