# Endowment Funds
# Investment Policy Statement

## Background

The First Unitarian Society of Ithaca has had endowment funds for many years that have been managed by an Endowment Committee approved by the Board of Trustees. The funds fall into two categories; designated and undesignated.

Designated funds carry the wishes of the donor for a special interest or purpose and remain segregated.

Undesignated funds are free to be accumulated and used as the committee sees fit, although every effort is made to grow the principal and distribute only income to the Society's operating budget. The Society has and may enter into a loan agreement for a portion of the undesignated fund principal with the approval of the Board of Trustees.

The names of the present funds are:

1. Unrestricted
2. Minister Challenge Pledge
3. Capital Improvement Fund – restricted
4. Chamberlain Trust – restricted
5. Hazel's Backyard – restricted
6. Perry Estate – restricted mutual fund
7. Piano fund – restricted.

Other pertinent information is as follows;

Bank – Tompkins Trust Company
Financial Advisors – Tompkins Financial Advisors
Fund Treasurer – Patrick Jordan.
Total Fund Assets: $583,921 as of January 2012.

Gifts to the endowment are tax deductible under the Society's 501(3)c status and will, if accepted, be assigned as requested by the donor. The committee reserves the right to not accept restricted gifts and gifts other than cash and readily negotiable securities. The committee's policy is to sell all gifted securities upon receipt unless they happen to be ones the committee was planning to purchase. The tax value of a gift is the average of the high and low market prices on the day of the gift. For further guidance see the Society's Policy on Gifts.

## Purpose

The purpose of this policy statement is to establish a clear understanding of the investment policies, guidelines, and objectives and restrictions pertaining to the funds.

This policy statement and changes thereto must be submitted to the Board of Trustees for approval.

This statement will outline an overall philosophy that is sufficiently specific for the Endowment Committee to oversee the management of the funds taking into account changing economic and market conditions. All investments should be in accord with this policy. The committee should not hesitate to seek investment advice from qualified professionals if conditions warrant it.

The policy covers the nature and amount of risk the committee is authorized to assume, the desired rate of return, how much of any income is to be expended and to what extent investment decisions will be guided by social responsibility. It will specify the types of investments that may be bought.

Efficient and ethical management of the funds should stimulate additional gifts and endowments. Any sign of inefficient or unethical management will stifle further giving.

**Investment Policy and Objectives**

The objective is to provide total return through appreciation, dividends and interest from each fund's assets. The careful management of the assets is aimed to insure a return necessary to preserve and, it is hoped enhance in real terms the principal of each fund, and at the same time support the designated recipient or the activities of the society. The committee shall monitor progress against objectives quarterly.

The management philosophy is to be disciplined and consistent taking into account economic and market events. Extreme positions and opportunistic styles are not acceptable within this philosophy. The committee must comply with all applicable laws, rules and regulations and has full discretion in managing the funds within this investment statement.

Within these investment guidelines and constraints the portfolios should be diversified so that no single stock or bond shall have a disproportionate impact on the total portfolio. No-load mutual funds, broad-based Index funds and T-bills are an acceptable strategy to meet this criterion..

The committee shall take into account the cost of trading when considering investments and frequency of investment balancing. This expense will be borne by the endowment.

**Investment Guidelines**

For Restricted Funds the committee must decide based on the interest rate environment how to take minimal risk to the principal while trying to achieve at least a 3% average annual rate of return over a five-year period to be re-invested unless used as designated.

For Restricted Funds where a payout for the designated purpose is to be achieved (e.g., annual tuning from the piano fund), earnings in excess of 3% may be so designated and a higher rate of return sought through a judicious apportionment of risk to principal. With the approval of the committee and the Board of Trustees, a portion of the principal of such funds may be paid out for planned needs where permissible under the terms of the endowment gifts (e.g., purchase of a piano).

For the Undesignated Fund the goal will be to achieve an average annual rate of return on the funds assets sufficient to protect the principal and generate a payout.
The distribution of the income, after costs and after recovery of any loss of principal, will be decided by the committee at mid-church fiscal year meeting for the coming fiscal year but shall not exceed the payout achieved as described in the preceding paragraph. Distribution of income shall only be made on an as needed basis to the operating budget or to a special new program.

In exceptional circumstances an additional distribution may be made if authorized by action of the congregation in a meeting assembled for that purpose.
Any income not distributed shall be re-invested to increase the total value of the funds assets.

To avoid risk the committee should adopt built-in disciplines to recognize risk, both internally and externally.

**Asset Allocation**

Asset mix is the primary determinant of the different fund portfolios performance. The asset mix may be changed from time to time strategically based on changes in political and economic conditions. Such asset balancing can be achieved through a strategic mix of mutual funds, ETF's, equities and bonds that can be modified at mid-year reviews.

The overall risk level of the assets in terms of potential for price fluctuation should not be extreme. To pursue the foregoing objectives at an acceptable risk level the allocation shall be determined between equities, fixed income and cash at the mid-fiscal year committee meeting for each fund.

No privately held stocks or letter stocks shall be included. Alternatives such as derivatives, options, commodities, hedge funds and ForEx speculation are specifically banned. The committee should not engage in short term trading in an attempt to anticipate market swings, but assets may be liquidated when showing a significant profit or re-invested when necessary to avoid major losses.

To the extent feasible, the committee will endeavor to avoid equities including mutual finds and ETF's that are known to invest in companies engaging in practices that a broad spectrum of the congregation would find unacceptable, including egregiously unfair labor practices, human rights violations, environmental degradation or exploitation of indigenous populations. The committee at the suggestion of the congregation may invest in specific socially acceptable investments

**Equities Guidelines**

Equity investments should be in dollar denominated stocks (including ADR's) available on the NYSE, NASDAQ or other reputable exchange. They should be of investment grade as ranked by Morningstar.

**Fixed Income Guidelines**

The credit rating of fixed income investments should be at least BBB by S&P or Baa2 by Moody's.
Preferred stocks must be rated a minimum of A by S&P or A3 by Moody's.

**Cash Guidelines**

Cash reserves should be invested in money market funds or the equivalent that are readily saleable.
Certificates of deposit shall be limited in principal amount to FDIC or FSLIC insurance ceilings.