

Mission Hills United Church of Christ Endowment Fund Policy Statement

Mission Statement of the Church

The purpose of Mission Hills United Church of Christ (the “Church”) shall be to worship God; to preach the gospel of Jesus Christ and to celebrate the sacraments; to realize Christian fellowship and unity within this Church and the Church universal; to render loving service toward all people and to strive for righteousness, truth, justice and peace.

Purpose of the Endowment

The MHUCC Endowment Fund (the “Fund”) is held for the sole benefit of the Church, and its purpose is to provide income to supplement the current revenues of the Church while preserving the principal to support the Church for years to come.

Governance

A. The Stewardship and Investment Ministry of the Church (the Committee) acts in a fiduciary capacity, and as an investment steward for the overall management of the Fund – including spending, investment management, and gift acceptance procedures.

B. The Committee is accountable to the Church Council (governing body), and is required to submit reports to the Council semi-annually with regard to the activities of the ministry, gifts, distributions, and performance of the Fund.

C. The Committee will be made up of members of the Church, elected to the Stewardship and Investment Ministry by vote of the congregation. They will perform their duties prudently, and solely for the benefit of the Fund.

D. Conflicts of interest by an investment counselor, or other party, should be avoided when possible, and always when required by law. Conflicts should be disclosed to the Committee in writing.

E. At the expense of the Fund, the Committee may provide for professional counseling on investments or legal matters, as it deems to be in the best interest of the Fund.

F. The Committee will require each counselor to provide a written disclosure of services, which includes details on compensation. These agreements will be reviewed annually to ensure consistency with the objectives of the Committee.

G. Changes to the Endowment Policy may be made by written recommendation of the Committee to the Church Council.

H. Invasion of principal of the Fund can only be made by a vote of three quarters (75%) vote of the members attending a congregational meeting.

I. The Committee will annually assess the Church's financial reserves and operating funds and will recommend to Council if a transfer should be made from the Pilgrim Fund to the Endowment Fund. Any such amount approved by Council greater than \$25,000 will require the approval of the congregation.

Gift Acceptance Policy

The Fund will accept a variety of types of gifts, which shall be utilized for the benefit of the Church, and managed in accordance with the distribution and investment policies set forth in this document. A copy of the Policy Statement will be given to each prospective donor, to educate the donor on the policy guidelines. While the Committee will work with all parties to accept all gifts, the Committee reserves the right to reject a gift that is deemed to not be in the best long-term interest of the church. Those gifts considered inconsistent with this policy will be brought to the Church Council for discussion.

A. Donor-Specified Gifts

If a gift is given with a donor-specified intent to fund a specific ministry, the gift will be added to the Designated Fund to support that ministry. A gift given without a donor-specified purpose will be considered unrestricted, and will be added to the Fund if it is \$25,000 or more. Undesignated gifts less than \$25,000 will be added to the Pilgrim Fund.

B. Endowment Gifts

Gifts to the Endowment Fund will be added to the Unrestricted Endowment Fund. Named gifts within the Fund may only be established by a gift of \$50,000 or more.

C. Gifts of Stocks, Bonds, or Financial Instruments

A gift of stocks, bonds, mutual funds or other security will be liquidated within 180 Days from receipt by the Church. After liquidation, the proceeds from the sale will be invested according to the guidelines in the Investment Policy (see below).

D. Gifts of Real Estate or Illiquid assets

A gift of real estate or other illiquid asset will be liquidated in a suitable timeframe based on market conditions. The proceeds from the sale will be invested according to the guidelines in the Investment Policy. If the Church Council determines that the sale of the asset is not in the long-term interests of the church, the Council will determine the management of the asset or act in a fiduciary capacity with regards to the asset.

Investment Policy

The objective of the investment policy of the Endowment Fund is to maintain the long-term growth and stability of the Fund, while aligning with the values of the United Church of Christ on environmental, social and governance issues.

In addition, it is to preserve the long-term real purchasing power of the net assets of the Fund, while allowing for a competitive return that permits a target spending policy of four per cent (4%) annually in support of MHUCC's mission and ministry.

The invested assets of the Fund will be managed solely for the benefit of the Fund and MHUCC, and will be administered by prudent professionals as outlined by the Uniform Prudent Management of Institutional Funds Act (UPMIFA.) (See Addendum)

A. Asset Allocation Strategy

The Committee seeks to invest the assets of the Fund to achieve returns consistent with the investment objectives as stated above. The risk tolerance and time horizon of this strategy will be determined upon consultation with Investment Manager(s), so that the Committee can choose funds consistent with MHUCC's long-term financial objectives.

Investment Manager(s) may invest assets over a diversified portfolio of asset classes with varying degrees of historical risk and correlation attributes. Any asset class selected for investment must include an appropriate process and tools for selection and monitoring of the asset class over time.

B. Definition of Asset Classes

The Fund may include equities, including both domestic and international, as well as fixed income securities. Investments in cash or cash equivalent instruments will be utilized only in the short term or as temporary holdings.

C. Allocation Flexibility

To the extent that a target allocation summarizes the risk/return profile of the Fund, the Committee understands that changes in market conditions may dictate short-term target reallocations. Therefore, the Committee recognizes that Investment Manager(s) may deviate from a target allocation from time to time, which will require re-balancing to remain consistent with the investment objectives of the Fund.

D. Return Objectives

The expected return objectives for the portfolio should be consistent with the distribution guidelines as defined above, in addition to other factors such as Fund expenses and inflation as generally defined, in order to protect the long-term real purchasing power of the Fund.

E. Socially Responsible Investment (SRI) Strategy

In covenant with the United Church of Christ and the broader Christian community, the Committee recognizes its role in promoting an investment strategy that is consistent with the values of the Church. Therefore, the Investment Manager is required to employ SRI strategies that includes both screens (for example: excluding gambling, military weapons, coal and tar sands companies and human rights violators) and active engagement with organizations including the Interfaith Center on Corporate Responsibility (ICCR), Principles for Responsible Investment (PRI) and The Forum for Sustainable and Responsible Investment (USSIF).

F. Annual Review

The Committee will perform an annual review of the endowment's performance, and recommend changes to the investment policy and asset allocations as needed.

Spending Policy

A. As stated above, the goal of the Fund will be to make periodic distributions, in accordance with the capital requirements of the Church and any mandates of the Fund, based on a total real (net of fees) return basis, of 4% annually.

B. The committee defines this spending policy as the end of year account balance, including principal and gains/losses from investment income and realized and unrealized capital gains, not to exceed 4.00% of the rolling five-year average of the year-end account balances. (See Addendum)

C. This spending policy is set forth to promote the long-term viability of the Fund, reduce annualized volatility of available distributions due to adverse market conditions in a given year, and to limit the erosion of the Fund's real assets over time.

D. The Committee shall review the Spending Policy guidelines on an annual basis, and report to the Church Council with their spending recommendation for the upcoming year in a timely manner.

ADDENDA

United Church Funds

The Committee has initially selected United Church Funds (UCF) as the manager of the Fund. UCF offers professional investment management services exclusively for churches and faith-based ministries in a not-for-profit structure, reducing costs and providing more money for the ministries of their investors. UCF is a trusted investment partner of over 1,000 local churches and ministries of the United Church of Christ, with approximately \$775 million in assets under management. They have experienced leadership in the development, management and governance of endowments. UCF contracts with an objective outside consultant to provide due diligence and research on investment managers, as well as how their portfolios compare to their peers. Committed to keeping expenses low and to transparency in reporting, UCF maintains full-inclusive expense ratios for all funds. In addition to quarterly statements, UCF also hosts quarterly investment webinars to update their investors on performance, markets and strategies. To insure complete transparency, the Committee will periodically review the manager's performance and retain a new manager at the Committee's discretion.

Example of Spending Policy Calculation

Year	Balance	Draw Amount	
2017	\$300,000	N/A	Starting Year
2018	\$325,000	\$12,000	4% of prior year
2019	\$295,000	\$12,500	4% of prior two years average
2020	\$320,000	\$12,267	4% of prior three years average
2021	\$370,000	\$12,400	4% of prior four years average
2022	\$425,000	\$12,880	4% of prior five years average
2023		\$13,880	4% of prior five years average