

Policy for Endowment Fund Background

The congregation's resolution at the annual meeting in 2008 directs the Board of Trustees to establish an Endowment Fund as an asset of the Church, to be called initially the Wendte Endowment Fund, in which the principal shall be maintained in perpetuity, and income may be used for operating budget and capital improvements.

The Board establishes the structure and criteria for the governance and uses of endowment principal and income. The Board will communicate the structure of the Endowment Fund to the Congregation in a forum on September 20, 2009.

This draft has been developed by Mark Savage, Gail Schulz, and Scott Weiss, with review and input from Ingrid Mittermaier. It is based on work done in 2007 and 2008 by Scott, Tom Haw, Robert Olson and Diane Schweitzer.

POLICY FOR ENDOWMENT FUND

A. STRUCTURE

--The Board establishes an Endowment Fund to enable First Unitarian Church of Oakland (the "Church") to fulfill the ideals set forth in its Mission Statement by creating resources to support the operating budget and capital improvements of the Church.

Operating budget is the annual financial operating plan as approved by the Board and presented at the Annual Meeting of the members. Capital improvements include any spending to preserve, enhance, renovate or replace the building; physical plant; furnishings; and technical systems or other assets with FASB recognized depreciable life.

--The Endowment Fund is an asset of the Church.

--The account(s) holding the Endowment Fund shall be separate from the accounts holding other funds of or donations to the Church (e.g., core checking account for annual pledging and operational expenses).

--An internal audit or review of the Endowment Fund will occur annually.

--The initial name of the Endowment Fund is the Wendte Endowment Fund. The Board may change the name of the fund in its discretion.

--Should the Church ever dissolve and given the Endowment Fund is an asset of the Church, all assets in the Endowment Fund will be distributed in accordance with the provisions governing dissolution in the Church's articles of incorporation and bylaws with no further restriction on spending of principal.

B. GOVERNANCE

1. Endowment Committee

--The Board establishes the Endowment Committee as an Advisory Committee of the Board consistent with Article V, Sec. 2(b) of the Church's Bylaws.

--The committee comprises three members, along with the Treasurer acting as an ex officio non-voting committee member. The Treasurer serves to enable effective communication between the Board of Trustees and the Endowment Committee. All appointed members must

be and remain Church members in good standing consistent with Article III, Sec 3 of the Church's Bylaws. At least two members of the committee shall have financial, executive management or accounting experience.

--The Board of Trustees will appoint the members of the Endowment Committee, upon recommendation from the Endowment Committee. The Board may also remove members of the Endowment Committee before the expiration of term.

--The initial members of the Endowment Committee will be named by the Board of Trustees by December 31, 2009.

--Members serve a term of three years, at which point the Endowment Committee may recommend and the Board may appoint the existing member or a new member to assume another 3-year term. Endowment Committee members are not precluded from successive appointment given the generally recognized benefit of continuity in financial management.

--Terms are staggered, so that institutional memory and experience are always present. At the outset the three members will draw straws for who has the first one-year term, who has the first two-year term, and who has the first three-year term. Drawing a one-year or two-year term does not diminish the opportunity to serve and guide in the initial years, because members may serve additional terms upon recommendation to the Board and appointment by the Board.

2. Investments:

----The Endowment Fund will be deposited and invested in accordance with investment policy to be recommended by the Endowment Committee and adopted by the Board of Trustees. In making its recommendation, the committee must include consideration of principles of socially responsible investing. Any funds received before the Board adopts said investment policy must be deposited in an insured deposit account with no or insignificant risk to principal (e.g. certificate of deposit, money market).

--In managing and investing the Endowment Fund, all of the following factors, if relevant, must be considered:

- (A) General economic conditions.
- (B) The possible effect of inflation or deflation.
- (C) The expected tax consequences, if any, of investment decisions or strategies.
- (D) The role that each investment or course of action plays within the overall investment portfolio of the Endowment Fund.
- (E) The expected total return from income and the appreciation of investments.
- (F) Other resources of the Church.

(G) The needs of the Church and the Endowment Fund to make distributions and to preserve capital.

(H) An asset's special relationship or special value, if any, to the charitable purposes of the Church.

--Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the Endowment Fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Endowment Fund and to the Church.

3. Committee's Duties

--In general, the Endowment Committee has the following responsibilities:

- a. recommend to the Board the initial investment policy to apply to investment of the Endowment Fund;
- b. regularly review the investment policy and recommend to the Board changes as appropriate;
- c. recommend to the Board the structure of investment management for the Endowment Fund and appointment of such management;
- d. regularly review the performance of the investment management in conjunction with the investment policy, and report quarterly to the Board;
- e. recommend to the Board a regular annual date for distributions from the Endowment Fund, if any;
- f. identify for the Board and the Executive Team the amounts available for distribution consistent with the criteria and policies governing the Endowment Fund;
- g. recommend new members of the Endowment Committee for the Board's consideration;
- h. recommend to the Board what forms of donation (cash or cash equivalent, stock or securities, real property, etc.) the church will accept, and whether the church will keep assets in the form donated or sell and convert to cash or cash equivalents to minimize market risk;

- i. recommend and implement a regular effort to educate members and friends of the church about the Endowment Fund and possible investments therein.

4. Meetings

--Meetings of the Endowment Committee shall require a quorum of two of the three appointed members, and votes to make recommendations to the Board of Trustees shall require the affirmative vote of a majority of the committee members.

--The Endowment Committee shall meet at least three times per year.

C. DONATIONS TO ENDOWMENT

--All gifts intended by a donor to be added to the endowment will be deposited in the Endowment Fund.

--For clarity, all major unrestricted gifts (gifts not otherwise designated, restricted or specified, in an amount over \$5,000) will be deposited in a separate Reserve Account and will not be added to the Endowment Fund.

D. Disbursements from Endowment Fund.

--The intent of the Endowment Fund is to provide a permanent source of income to support the purposes set forth in Section A above by, on a long-term basis, spending only a portion of the earnings of the Endowment Fund every year and adding the excess to principal for growth over time. Accordingly, each year the Church may spend up to an amount (the "Annual Amount") from the Endowment Fund equal to five percent (5 %) of the average net fair market value of the Endowment Fund's assets for the twelve calendar quarters ending December 31 of the previous year. If the Endowment Fund has not been in existence for twelve full calendar quarters, the Annual Amount shall be equal to five percent (5 %) of the average net fair market value of the Endowment Fund's assets for as many complete calendar quarters as the Endowment Fund has been in existence. The spending policy set forth above may be amended by the Board of Trustees from time to time, but only in a manner consistent with the endowment intention expressed above.

--Notwithstanding the spending policy set forth above, except in the case of an emergency as set forth below, Endowment Fund distributions only may be made after the following conditions have been met:

- a. The value of the Endowment Fund exceeds \$250,000, as measured on the previous December 31;
- b. All currently due investment management and fund administration expenses have been paid by the Endowment Fund.

--Expenditures of principal, loans from principal, or encumbrance of principal that could result in loss of principal, may occur only in the following circumstances under the following conditions:

- a. Using the principal as collateral or security for a loan requires approval by the Board of Trustees;
- b. Loaning a portion of the principal itself, requires a vote of the Congregation at meeting of the Congregation, with 2/3 of those present approving. Loans from the principal itself may only be made to the Church;
- c. In the event of an emergency, the Board of Trustees may declare an emergency at a meeting of the Board of Trustees, with 2/3 of those present approving, and may vote without additional Congregational approval to spend no more than 25 percent of the value of the Endowment Fund (as measured on the previous December 31) during a calendar year in addition to the Annual Amount for such year for the Church; provided, however, that once an emergency withdrawal has been made under this paragraph, no further withdrawals shall be made from the Endowment Fund until the value of the Endowment Fund has reached \$250,000 again. The Board shall notify the Congregation of such action forthwith.