

FINANCIAL POLICY
First Congregational Church (UCC), Boulder, Colorado
Proposed Changes October,2018

SECTION A: PURPOSE AND ORGANIZATION

1. This Financial Policy of the First Congregational Church (UCC), Boulder, Colorado ("the Church") establishes financial principles that provide oversight for the operations of the church.

2. This policy is subordinate to the Church Constitution.

3. The document includes nine sections:

- Section A: Purpose and Organization
- Section B: General Operating Fund
- Section C: Special Non-Operating Funds and Accounts
- Section D: The Endowment Fund
- Section E: Endowment Fund Investment and Management
- Section F: Other Undesignated Receipts
- Section G: Accounting Review
- Section H: Amendment Procedures
- Section I: FCC UCC of Boulder Foundation

Appendix A: New Endowment Account Agreement Template

SECTION B: GENERAL OPERATING FUND

1. Budget Process

- a. The Fiscal Year for the Church is to be determined by the Board of Management.
- b. Annual budgets shall be prepared in such manner and detail as to facilitate accounting and comparison.
- c. Prior to the beginning of the Stewardship Campaign, the Board of Management shall present a proposed budget at a Congregational meeting.
- d. The proposed budget is the responsibility of the Board of Management. Members of the Church Council shall have input into the proposed budget. The budget process shall be chaired by the Moderator-Elect.-The income section of the Proposed Budget will conform to the following rules:

(1) Pledge Income shall not exceed the total of all pledges received as of the date of the Congregational Meeting at which the final budget is approved.

(2) The pledge income in the final budget shall include a 5% pledge shrinkage allowance.

(3) Contribution Income shall not exceed the actual amount received during the previous year.

(4) Building Use Income shall not exceed the actual amount received during the previous year plus any additional income to be received under existing building use contracts.

e. The proposed budget shall include a major maintenance allocation adequate to maintain the quality and safety of Church facilities.

f. The budget approved at the Congregational meeting shall be called the "Adopted Budget".

No financial commitments outside the Adopted Budget shall be made without prior approval by the Board of Management or a vote of the Congregation.

2. Deficits and Surpluses

The Board of Management shall restrict operating expenditures to avoid a year-end loss by reducing budgeted allocations to any General Operating Fund category or by other actions.

SECTION C: SPECIAL NON-OPERATING FUNDS AND ACCOUNTS

1. General Provisions

a. Money not in the General Operating Fund or the Endowment Fund is called Special Non-Operating Funds and Accounts (in this section "Accounts").

b. Money in these accounts is managed by the Board of Management pursuant to the Financial Procedures.

2. Staff Sabbatical and Relocation Reserve Account

The Board of Management shall determine the funding requirements for this account and fund to that level.

3. Reserve Account

(1)The Church must maintain a reserve fund that is a minimum of \$25,000.

(2)The Board of Management is responsible for maintaining this minimum amount in the fund.

(3) This reserve account may be used at the discretion of the Board of Management.

4. Pastor's Purse

(1) This account is intended for benevolence purposes as determined by the pastors.

(2) The account is funded by the Benevolence Endowment disbursement (see section D 4c2) and designated contributions.

(3) The Financial Procedures shall specify an amount to be allocated from the Benevolence Endowment disbursement.

(4) The disbursement of these funds is confidential.

5. Undesignated Memorials

This account contains gifts without designated use given to the Church in memory of individuals. Undesignated memorials may become designated by vote of the Board of Management, as recommended by the Endowment Committee.

6. Designated Memorials

This account is made up of gifts for designated purposes given to the Church in memory of individuals. Acceptance of Designated Memorials is subject to approval as provided by the Church Constitution.

7. United Church of Christ Special Contributions

The Church may solicit contributions for NIN, OGHS, Just Peace and similar programs that are administered by the Rocky Mountain Conference of the United Church of Christ or various national instrumentalities.

8. Flow Through Accounts

These accounts may be maintained as flow through accounts for temporary projects that have incoming and outgoing funds.

SECTION D: THE FIRST CONGREGATIONAL CHURCH ENDOWMENT

1. General Provisions

a. The First Congregational Church Endowment includes gifts designated for the Endowment, that are received by the Church, and all returns thereon.

b. The First Congregational Church Endowment consists of three separate Endowment Funds:

1. Capital Needs Fund to support the maintenance and capital needs of the physical plant of FCC.
2. Benevolence Fund for the FCC's work in the area of benevolence, missions and social action.
3. Programs Fund consisting of individual accounts established to benefit specific programs of the church (music, arts etc.). Use of these funds is specified in the specific Endowment Accounts Agreement established at the time of the initial gift creating the account.

c. Principal of the Endowment Funds, beyond that applied to annual disbursements, is not to be used for Church operating expenses or as collateral for loans. The Board of Management shall not disburse or encumber the principal of the Endowment Funds, beyond that applied to annual disbursements, held by the church.

d. The Endowment Funds shall be invested and managed separately from other Church assets.

e. The status of the Endowment Funds shall be reported quarterly as provided in E.6, below.

f. The Endowment Committee will annually provide a budget to the Board of Management for fund raising efforts. The Board of Management will designate up to \$10,000, as needed, of the annual Endowment disbursement for this budget.

2. Receipt of Endowment Funds Assets

a. A Church representative shall acknowledge each gift or bequest in writing upon its acceptance by the Board of Management.

b. If the Board of Management, in consultation with the Endowment Committee, determines that any use requirement, restriction, or request imposed by a donor or the donor's family is unacceptable, that bequest shall be refused and returned with the Moderator's written explanation of the refusal.

c. All Endowment gifts will be placed in one or more of the three established Endowment Funds.

d. A new Endowment Account may be established within one of the three Endowment Funds. The minimum amount required for establishment of a new account is \$25,000.

e. When a new account is established within one of the three funds, the Endowment Committee shall draw up an Endowment Account Agreement specifying the details of the new Endowment Account. Conditions that must be specified in the agreement include:

- i. The purpose of the account.
- ii. The entity (committee, board, staff member) responsible for determining the use of the distribution from the endowment account.
- iii. The established Board of the Church, or Church Council that will have ultimate responsibility for ensuring expenditure of the endowment distribution as specified in the agreement.
- iv. Stipulations for disbursement of these funds.

f. The Clerk of the Church shall keep a record of each bequest, including the Endowment Account Agreement, a copy of the will, deed, or other instrument conveying ownership, and written recital of any use requirement.

3. Distribution Amounts

Each year, using a formula that preserves the purchasing power of the Endowment Funds against inflation, the Investment Committee shall determine an amount for distribution for the defined purpose of each Endowment Fund that is at least 3 percent but not more than 6 percent of Endowment Funds assets.

4. Disbursements from the Endowment Funds

a. The Investment Committee shall inform the Church Council of the current year distributions available from each of the Endowment Funds.

b. The Investment Committee shall transfer these disbursements to an Investment Operating account as specified for each Endowment Fund or Account.

c. Funds disbursed to the Investment Operating Account shall be distributed according to the following procedures.

1. Capital Needs Fund

- a. The Board of Management is responsible for the use of the monies.

2. Benevolence Fund

- a. The Investment Committee shall transfer the distribution to the Investment Operating account for the Benevolence Fund as requested.

- b. Funds deposited into the Investment Operating account for the Benevolence Fund shall be distributed as benevolences according to the following procedures:
 - a. The Church Council shall be engaged in the overall envisioning of the program of mission activities of the Congregation. The Council shall set annual goals for the distribution of the Benevolence-Account and oversee its distribution by the Board of Spiritual Life and the Board of Missions and Christian Social Action as follows.
 - b. The Board of Spiritual Life shall be responsible for:
 - i. The distribution of tuition stipends to those seminary students under the supervision of the Board according to its In-Discernment policy.
 - c. The Board of Missions and Christian Social Action shall be responsible for:
 - i. The distribution of an annual grant to the Pastor's Purse account, the management of which is outlined in Section C.6.
 - ii. Distributions to the local, national or international mission activities of the Congregation, as determined by the Board in consultation with Church Council.
 - iii. Distributions to the mission activities of the UCC denomination, as determined by the Board in consultation with Church Council.
 - iv. Distributions to local community non-profits, as determined by the Board.
 - d. Throughout the year (in a timetable to be determined by each Board) recommendations for grants shall be presented to the Church Council for approval.
 - e. Funds not distributed in the current calendar year shall be carried into the subsequent calendar year for distribution.

3. Programs Fund

Each Account established in the Programs Fund has an Endowment Account Agreement (Appendix A). The agreement specifies the drawing account to which the distribution shall be transferred and the body responsible for use of the funds.

5. Termination Procedures

In the event the Church goes out of existence, the Church Council will designate the endowments funds to one or more 501c3 charities.

SECTION E: ENDOWMENT FUNDS INVESTMENT AND MANAGEMENT

1. General Policy

- a. The goal in the management and disbursement of the Endowment is to preserve the value of the assets on an inflation-adjusted basis and to produce money for disbursement, by maintaining a balanced portfolio of suitable investments.
- b. The Investment Committee shall manage the investment of the Endowment Funds and shall report its status quarterly to the Board of Management for review and approval (see E.6.b.) and annually to the Endowment Committee for review.
- c. The Investment Committee has authority to buy and sell investments within the Endowment Funds and may retain external management, which can have specific and limited investment authority. Selection and management of external manager(s) is described in 7 below.

2. Investment Committee

- a. The Investment Committee shall designate a Chair. The Chair shall have authority to execute decisions of the Investment Committee, including buying and selling assets.
- b. The Investment Committee shall meet at least quarterly or more often as required. Normally action shall be by majority vote of members present at a meeting attended by at least four Investment Committee members. If action is required at a meeting attended by only three members the vote must be unanimous.
- c. Investment Committee members may serve two (2) three year terms, subject to re-nomination and approval.
- d. Vacancies shall be promptly filled and confirmed by the Congregation at the next Congregational Meeting.

3. Endowment Funds Investments

a. Investments of the Endowment Funds shall be limited to seven "Investment Categories":

(1) Bank Deposits insured by the FDIC.

(2) Mutual Funds (including Exchange Traded Funds) meeting one of three requirements:

a) in existence for more than seven(7) years;

- b) total assets under management exceeding \$100 million; or
- c) affiliation with a family of Funds managing more than \$500 million.

(3) U.S. Government Treasury Instruments and Other Securities guaranteed by the U.S. Government.

(4) Corporate Stocks.

(5) Corporate Bonds with ratings no lower than Moody's "A" or Standard and Poor's "A."

(6) Other Professionally Managed Investment Funds that meet the requirements of Mutual Funds, above.

(7) Mortgage(s) to assist a minister to purchase a home. Interest, principal, and/or other payments from said mortgage(s) shall be deposited to the Benevolence Fund. The terms of any mortgage must be reviewed and approved by the Board of Management.

b. The Endowment Funds shall be distributed within said investment categories as follows:

(1) At least two of the investment categories (1) - (6) must always be represented.

(2) At least 35%, but not more than 65%, of the assets must be in debt instruments or Fixed Income Mutual Funds

(3) No more than 5% of the assets may be maintained in the securities of any one corporation.

(4) No more than 25% of the assets may be maintained in any single mutual fund, any single portfolio within a mutual fund, or in the "Other Professionally Managed Investment Funds" category.

(5) No more than 15% of the Endowment Funds can be used for Mortgage(s) to minister(s). The 15% test applies at the time of origination of any new mortgage.

c. The Investment Committee shall consider acquisition, holding, and termination costs in relation to long term return when selecting investments.

d. The Investment Committee may maintain as many demand accounts as it deems necessary. All accounts shall be managed to minimize total cost.

4. General Restrictions and Conditions

a. Assets managed by the Investment Committee may not be pledged, mortgaged or otherwise encumbered.

b. The Church may not borrow to purchase Endowment Fund investments.

c. Endowment Fund investments must be identifiable at all times.

d. Liability Insurance, Bonding, or other surety for protection for the Church or individuals granted Discretionary Authority shall be the same as the Church provides for its officers.

e. Annual cost of all direct management fees advisory fees and annual trading commission costs shall not exceed 1.5% of the portfolio value at the beginning of the fiscal year.

5. Socially Responsible Investment Procedures

The Investment Committee (the "Committee") aspires to align and harmonize the Church's investment portfolio with the Church's covenants. The Church, through its boards, committees, small groups, and individuals, is welcome to provide information to assist the Committee in meeting its goals. In its annual report to the Congregation in connection with the Annual Congregational Meeting, the Committee shall explain how the Church's investment portfolio is becoming aligned with its covenants.

6. Regular Reporting of the Endowment Funds

a. Within the first sixty days of each quarter, the Investment Committee shall present a "Quarterly Report" of the status of the Endowment Funds assets to the Board of Management.

b. Each Quarterly Report shall include:

(1) The Market Value of the Endowment Funds at the beginning and end of the quarter;

(2) Total disbursements for the quarter;

(3) The amount of fees and commissions paid by the Endowment Funds to External Manager(s);

(4) The total investment gain (or loss) on the Endowment Funds assets including dividends, interest, and realized and unrealized capital gains and losses;

(5) The amount of Endowment Funds assets which are available for disbursements during the current year, broken down according to each of the three Funds.

c. At the annual congregational meeting the Investment Committee shall make a presentation regarding the Endowment Funds, answer questions about the Year End Report and the manner in which the Endowment Funds is being managed, and to receive suggestions regarding Endowment Funds asset management.

7. External Asset Management

a. If the Investment Committee elects to engage External Manager(s) (who are granted Discretionary Authority), or wishes to change an existing External Manager, the selection and contractual arrangement shall conform to the provisions of this section. These terms do not apply to Mutual Funds or Other Professional Managed Investment Funds, or to Professional Advisors granted no Discretionary Authority.

b. The External Manager shall be selected based on competitive written proposals submitted by a minimum of three (3) Candidates.

c. Prospective bidders shall be provided with a Request for Proposal that indicates the type of response required, and copies of Section E of this Financial Policy.

d. The Investment Committee shall require proposals to contain the following sections:

(1) The responder's understanding of the investment goals for the management of the Endowment Funds, including a discussion of any changes the responder believes should be made to the existing portfolio;

(2) An itemized statement of all fees and commissions that would be incurred in making any suggested changes;

(3) A statement agreeing to the proposed provisions in the contract, set forth in E.7.h. For any proposed provision objected to, the responder should state the reason for the objection and provide suggested alternative language;

(4) The qualifications of the responder to provide the External Management services for the Endowment Funds; and

(5) Any other information the responder believes would assist the Investment Committee in making its decision including investment philosophy.

e. The Investment Committee shall select the most favored candidate using the following criteria, listed in the order of importance:

(1) Compliance with the Request for Proposal;

- (2) Level of Long term Asset Management Experience;
- (3) Realism of Cost and Long-term performance projections;
- (4) Institutional Stability.

f. Selection of an External Manager must be ratified by the Board of Management.

g. Once engaged, the External Manager must be reviewed each year by the Investment Committee.

h. The Investment Committee shall negotiate, and the Board of Management shall execute, a contract with each selected External Manager which shall contain the following provisions.

- (1) An acknowledgment of receipt of Section E of this Financial Policy, and a statement that the External Manager will comply with all provisions contained therein;
- (2) Assignment of fiduciary responsibility and Discretionary Authority to manage the assets;
- (3) Provisions for the External Manager to provide suggestions and modifications to the Investment Eligibility List;
- (4) A schedule of fees, including those for management and advisory services and trading commission rates;
- (5) Restrictions forbidding the External Manager from granting Discretionary Authority to anyone;
- (6) Requirement for Bonding or Insurance against criminal fraud to the total value of the Endowment Funds assets under management by the External Manager;
- (7) Designation of the Chair and one other member of the Investment Committee as representatives of the Church for the Endowment Funds asset management;
- (8) Provision for termination of the contract by the Church upon 30 days notice (including possible penalties); and
- (9) Any other provisions deemed necessary by the Investment Committee.

SECTION F: OTHER UNDESIGNATED RECEIPTS

1. Assets received by the Church that are not allocable under the annual operations budget or received with designated purpose, shall be directed to the Board of Management.
2. The Board of Management, in consultation with the Endowment Committee, and with Church Council approval may make a distribution to the Endowment Funds.

SECTION G: Accounting Review

All funds and accounts of the Church shall be reviewed at least once every three years in manner, scope and nature to be determined by the Board of Management. Procedures to enhance internal financial control shall be set and reviewed annually by the Board of Management.

SECTION H: AMENDMENT PROCEDURES

This Financial Policy is in force until modified or revoked by a two-thirds vote of present voting members at a meeting of the Congregation conducted according to the Church Constitution on a motion communicated to all members at least fourteen days in advance.

SECTION I: FCC of Boulder Foundation

1. General Provisions

- a. While a separate legal entity, the First Congregational Church UCC of Boulder Foundation exists for the benefit of the First Congregational Church of Boulder.
- b. Foundation Assets are not to be used for Church operating expenses or as collateral for loans. The Board of Management shall not disburse or encumber the Foundation Assets held by the church.
- c. The Foundation's mission is to provide supplemental funds for use by First Congregational Church of Boulder including building maintenance and improvement.
- d. Foundation Assets shall be invested and managed separately from other Church assets.

ADOPTED AS AMENDED BY A VOTE OF THE CONGREGATION, CONDUCTED IN ACCORDANCE WITH THE CHURCH CONSTITUTION, ON October 21, 2018.

APPENDIX A

NEW ENDOWMENT ACCOUNT AGREEMENT Template

First Congregational Church, UCC Boulder

Endowment Account Agreement - Template

- This document must be completed prior to establishment of any **new** account in the First Congregational, UCC Boulder Endowment.
- The Endowment Committee has responsibility for drafting this document.
- This document must be approved by the Board of Management and the Board that has oversight for this account before the account is established in the Endowment.
- A copy of this agreement will be held by the Clerk of the Church and will be included as an appendix to the Financial Policy.
- In this document “*distribution*” refers to the monies generated through the Endowment by this account. As per the Financial Policy, the Investment Committee determines the distribution.
- “*Investment operating account*” refers to the name of the FCC expenditure account into which the distribution will be deposited for use by the designated committee or staff member.

Account Name:

Date of Establishment:

Endowment Fund (check one):

Capital Needs Benevolence Program

Investment Operating Account:

To what *Investment operating account* will the distribution from these monies be deposited?

Purpose, Mission or Vision of the Account: (This section specifies for what purposes the distribution from the account shall be used. Be specific about any wishes of the donor and attach any pertinent documentation.)

Initial \$ Amount:

Source of Funds: (e.g. bequest from xxx, gift from xxx, church fund drive etc.)

Committee, Board, Staff Member that will determine the use of the distribution from this account.

(This group is expected to inform and, as necessary, work collaboratively with the oversight Board or Church Council as designated below. Use of the distribution funds must be determined by at least 3 individuals unless the expenditures are the sole purview of a paid staff member.)

Oversight Board or Church Council: (check one): (This Board or CC is responsible for ensuring that the use of the distributions remain true to the purpose, mission and vision as stated in this agreement.)

- Spiritual Life Missions and Social Action Management
 Parish Life Christian Education Church Council

Rules of Disbursements:

- Frequency of distribution
- Restrictions etc.

Name, Signature and Date:

Chair, Endowment Committee _____

Chair, Oversight Board or Church Council _____

Chair, Board of Management _____

Moderator _____

Treasurer _____