

**UNITARIAN UNIVERSALIST CHURCH OF THE DESERT**  
**ENDOWMENT FUND POLICY STATEMENT**  
**AND ENDOWMENT INVESTMENT MANAGEMENT POLICY**  
  
**For The**  
  
**MACLEAN ENDOWMENT FUND**

**I. SCOPE AND PURPOSE AND MISSION**

The purpose of these policies is to provide the framework for the administration and investment management of the restricted, long-term held assets of the Unitarian Universalist Church of the Desert Endowment Fund (hereinafter referred to as “UUCOD Endowment Fund”).

This policy sets for the UUCOD Endowment Fund administrative structure and investment management policy as developed by the UUCOD Endowment Committee, approved by the UUCOD Finance Committee, and adopted by the UUCOD Board of Directors. It also establishes guidelines and parameters for achieving those objectives. The objectives, guidelines and parameters are not intended to be a blueprint for day-to-day investment management operations, but are designed to focus on the investment strategy for these assets. This investment strategy reflects the long-term nature of the UUCOD Endowment Fund and the resulting need for its protection and growth.

The mission of the Endowment Fund is to establish and maintain an endowment fund in perpetuity to sustain, and augment the UUCOD.

The purpose of the Endowment Fund is to augment the future financial base of the church.

**II. NAME**

The name of the UUCOD Endowment fund is the **MACLEAN ENDOWMENT FUND** (hereinafter referred to as the “Endowment Fund”). The Endowment Fund is named after our former minister, Rev. Kenneth Torquil MacLean, to honor his many and generous efforts as he guided the UUCOD congregation from its early beginnings to its present form as a thriving and growing group of like-minded and free-thinking individuals committed to our values of social justice and diversity.

**III. ENDOWMENT**

The Maclean Endowment Fund is a “true endowment” and a permanent charitable fund whose principal is preserved in perpetuity. The Endowment Fund is to be classified as a permanently restricted asset on the financial records of UUCOD.

#### **IV. AUTHORITY**

- A. Authority for implementation of the Endowment Fund Policy and the Endowment Investment Management Policy is delegated by the UUCOD Board of Directors to the UUCOD Finance Committee and its sub-committee, the Endowment Committee. The Endowment Committee is composed of at least three members. The Chair of the Finance Committee shall nominate a person to serve as the Chair of the Endowment Committee, subject to approval by the UUCOD Board of Directors. The chair of the Finance Committee and the current UUCOD Treasurer shall be standing members of the Endowment Committee.
- B. The Endowment Committee may employ outside financial management to implement the following Endowment Investment Management Policy with the approval of the UUCOD Finance Committee and the UUCOD Board of Directors. The Endowment Committee will make recommendations for modifications and implementation of the investment policy to the Finance Committee as needed. The Finance Committee will then submit recommended changes to the UUCOD Board of Directors for approval.
- C. Except as specifically stated otherwise, all changes and/or amendments to this Endowment Fund Policy Statement and Endowment Investment Management Policy require a two-thirds majority vote approval by the UUCOD Board of Directors.

#### **V. DISBURSEMENT POLICY**

- A. Until the market value of the assets of the Endowment Fund reaches \$300,000, no distributions shall be made, and all income and market value increases will be accumulated and reinvested.
- B. Consistent with the restriction in paragraph V-A preceding, and with the guidelines contained in UPMIFA (see NOTE under Section VI below), and consistent with the Investment Policy (see Section VI below), an annual draw may be made from the 3 Endowment Fund based on a percentage of the average market value of the endowment investments over the previous twelve quarters.
- C. The annual draw percentage of the Endowment Fund will not exceed 5% without approval of the UUCOD Board of Directors. The annual draw percentage (between 0% and not above 5%) and the suggested allocation of the use of the funds will be recommended to the UUCOD Board of Directors each year by the UUCOD Finance Committee (after recommendations of the Endowment Committee) and reviewed by the UUCOD Board of Directors annually as part of the church’s budget process.

- D. The recommended annual draw percentage is multiplied by the average market value of the endowment investments over the previous twelve quarters (i.e., a rolling three year average).
- E. Although the recommended annual draw percentage may be 5% or less for a year, the annual draw percentage may not exceed 5% without a two-thirds majority vote of the UUCOD Board of Directors. ***In no event will the annual draw percentage exceed 7%.***
- F. Prudence and other reasons (e.g., sharp and sudden decrease to market value) may also dictate that no annual disbursement be made for a particular year. The Board of Directors, by a two-thirds majority vote, may override this recommendation.

## VI. INVESTMENT OBJECTIVES AND INVESTMENT MANAGEMENT POLICY

**NOTE – The Endowment Fund will be managed and administered so that it is in compliance with the California Probate Code and the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted by California in January 2009 as the same may be amended from time to time.**

- A. **Overall Investment Objective.** The overall investment objective of the Endowment Fund is to support the annual operating needs of UUCOD by simultaneously investing in a way that upholds Unitarian Universalist values and preserving the future purchasing power of the assets by achieving capital appreciation and growth of income.
- B. **Total Return Basis.** Investment Management of the Endowment Fund will be on a total return basis. The goal of the investment manager(s) will be to achieve a competitive total rate of return for a balanced investment account over a full market cycle with no greater than average market risk.
- C. **Standard of Care.** When investing or administering the Endowment Fund, the Endowment Committee and any outside financial management it employs must consider the following factors, if relevant:
  - 1. General economic conditions;
  - 2. The possible effect of inflation or deflation;
  - 3. The expected tax consequences, if any, of investment decisions or strategies;
  - 4. The role that each investment or course of action plays within the overall investment portfolio of the Endowment Fund;
  - 5. The expected total return from income and the appreciation of investments;
  - 6. Other resources of UUCOD; and
  - 7. The needs of UUCOD and the Endowment Fund to make distributions and to preserve capital.

- D. 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 UUCOD. An individual investment must be analyzed in the context of the total return portfolio and the overall risk-reward objectives, and the Endowment Fund can invest in any property that is not inconsistent with the standard of care.
- E. In all decisions and matters with regard to the Endowment Fund, the UUCOD Board of Directors, the Endowment Committee and the Finance Committee shall always consider the charitable purpose of UUCOD, and the purposes of the Endowment Fund. This requires the Board of Directors, the Endowment Committee, and the Finance Committee (and any other responsible for managing and investing), to act in good faith and with the care of an ordinary prudent person. Further, UUCOD may incur only appropriate and reasonable costs.
- F. **Preferred Investments.** UUCOD Seeds to emulate the Unitarian Universalist Association of Congregations practice of investing or avoiding specific companies or aggregates according to their performance in the areas of environmental, social and corporate governance conduct. The Endowment Committee shall endeavor to invest the assets of the UUCOD Endowment Fund in a socially responsible manner.
- G. **Asset Mix.** Assets of the Endowment Fund are to be broadly diversified in order to minimize the risk of a large loss. The following asset ranges should provide enough flexibility to meet both the long range and short-term objectives subject to periodic review
 

1. Equities*	35%-50%
2. Fixed Income	20%-30%
3. Alternative Investments	30%-40%
4. Cash and Cash Equivalentents	0%-10%

  - \* Within the equity class there will be further appropriate diversification among domestic and international equities, among industries and sectors, and among market capitalization.
- H. Unless specifically stated otherwise in this document, the Endowment Committee may follow the Investment Committee Guidelines of the UUA Unitarian Universalist Common Endowment Fund in the investment management and oversight of the MacLean Endowment Fund.

**VII. INVESTMENT & EXTERNAL MANAGEMENT REVIEW**

- A. The Endowment Committee may recommend to the Finance Committee for its approval and then to the UUCOD Board of Directors for approval, managers for a specific investment style or strategy provided that the overall objectives of the Endowment Fund are satisfied. UUCOD must act prudently in selecting an external investment manager, establishing the scope of the delegation, and periodically reviewing the manager’s actions, performance and compliance with the scope and terms of the delegation.
- B. External investment management firms are expected to be profitable and demonstrate proven earnings, a strong relative performance against style-based benchmarks, demonstrate commitment and competence at socially responsible investing, and provide a monthly statement of assets and transactions and at least quarterly investment performance evaluation statements. External investment managers shall be measured against the designated benchmark noted below.
- C. Because the Unitarian Universalist Common Endowment Fund managed and administered by UUA, Boston, is managed in a manner consistent with Unitarian Universalist values (including socially responsible investing), as well as the achievement of return and risk objectives, the Endowment Committee is permitted (but not required) to utilize the investment management services of the UU Common Endowment Fund.
- D. **The target return objective is 5% plus inflation.** The Endowment Committee shall review investment performance quarterly, utilizing the appropriate benchmarks. Results are evaluated over a three to five year time horizon. The Endowment Fund’s objective is a real return of 5% after management fees and adjusting for inflation. The endowment portfolio is expected to meet or exceed the total return of the following indices over a complete market cycle.

<b>Assets Class</b>	<b>Benchmark</b>
Domestic Equities	S&P 500
International Equities	MCSI ACWI ex USA
Fixed Income	Barclays Aggregate
Total Global Asset Association	65% MSCI ACWI (net) / 35% BC Aggregate
Hedge Funds	HFRI Fund of Funds Composite Index
Cash	91 Day T-Bills
Community Development	91 Day T-Bills

There may be periodic deviations from the performance targets.

Within 75 days after the fiscal year end, the Endowment Committee will report to the Finance Committee and the UUCOD Board of Directors on the Endowment Fund’s performance for the preceding year. The report will describe the extent to which each of

the Endowment Fund's investment objectives and guidelines were accomplished. This report will be published and available to all members of the UUCOD Congregation.

#### VIII. OTHER RESPONSIBILITIES OF THE ENDOWMENT COMMITTEE

The primary objectives of the Endowment Committee are (1) to manage and administer the MacLean Endowment Fund, (2) be a source of charitable giving information with regard to estate planning and charitable planned giving strategies, and (3) encourage contributions to the Endowment Fund.

- A. The Endowment Committee shall endeavor to inform and educate the church congregation about all types of gifts and bequests that may benefit the church. The Committee can utilize different ways of informing the Congregation: articles in church bulletins, newsletters, and other publications; information dinners; occasional speakers; and informational tables during the church coffee hour after/between services.
- B. The Endowment Committee shall encourage contributions to the Endowment Fund.
- C. The Endowment Committee shall identify, through individual and small group discussions, those members who may be interested in making a planned gift or a bequest by Will or Trust document.
- D. **MacLean Endowment Circle**—The MacLean Endowment Circle serves as a means of donor recognition for those individual(s) who have (1) made a minimum contribution of \$1,000 to the MacLean Endowment Fund in cash or stock, or (2) have shown evidence of such a gift of at least \$1,000 in their residuary estate plans, by Will or Trust, or other planned giving arrangement.
- E. The Endowment Committee will maintain a donor recognition board entitled "The MacLean Endowment Circle" to recognize and list the names of those individual(s) who have met the contribution and bequest minimum noted in paragraph D, preceding. Requests for anonymity will, of course, be honored. This donor recognition board will be placed in a prominent location in the church building.
- F. The Endowment Committee will maintain a listing of all individuals who have contributed any amount to the Endowment Fund. This listing will also identify those who have met the minimum criteria to become a member of the MacLean Endowment Circle per paragraph D, preceding.
- G. Every person who makes a contribution to the Endowment Fund must, prior to such donation, be given a copy of this Endowment Policy Statement, and be asked to sign an acknowledgment of the same substantially in the form set forth in Exhibit "A" attached hereto.

**MANAGEMENT POLICY FOR THE MACLEAN ENDOWMENT FUND**

**APPROVED BY THE BOARD OF DIRECTORS**

\_\_\_\_\_  
**Kevin Brandt, President**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Joaquin Galeano, Secretary**

\_\_\_\_\_  
**Date**