

**Investment Policy Statement for the  
Heritage Universalist Unitarian Church  
General Fund  
December 2020**

**BACKGROUND**

Heritage Universalist Unitarian Church (HUUC or “the church”) General Fund uses a simple bank checking account for day-to-day operations and routine transactions. Pledge donations, general donations, rent receipts, fund-raising proceeds, and other miscellaneous receipts are deposited into the account. Salaries, utilities, routine maintenance expenses, and other operating expenses are paid from this account, as well as distributions for the “minor” funds, such as the music fund, garden fund, outdoor chapel fund, and others.

Cash balances tend to ebb and flow, with cyclical needs. Occasionally, when bank interest rates are worth the trouble, some funds are set aside in FDIC insured bank savings accounts, fixed maturity certificates of deposit, or a money market account for anticipated budgeted expenses.

The finance committee recommends that a certain level of cash be kept in liquid accounts, and any excess be invested. In the past, excess funds have come from gifts, bequests, or sale of property. These funds have been used for furnace upgrades and, recently, used to replace the storage shed.

We recommend calculating excess cash on July 1 by subtracting projected total year pledges, assuming the historical 95% realization rate, from the total expense budget for the year. Anticipated rent and other income is not a part of this calculation. No adjustment is made for distributions from the “minor” funds. This calculation retains about 15% of the expense budget in liquid cash, allowing the rest to be invested. Note that the Unitarian Universalist Association recommends that a congregation have cash reserves of 6%, so our recommendation is very conservative.

The invested funds are to be held for future needs, such as maintenance requirements, or for unexpected needs, such as storm repairs, new programming, or technology upgrades or other unexpected, Board approved expenditures. In the past, excess funds have come from gifts, bequests, or sale of property. These funds have been used for furnace upgrades and, recently, used to replace the storage shed.

Generally, the excess funds are not needed on short notice.

**PURPOSE OF INVESTMENT POLICY STATEMENT**

This Investment Policy Statement (IPS) provides guidance to the Board of Directors of the Church, and more specifically, to the Finance Committee of the Church.

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This policy covers all the Restricted, Named, funds of the Church (Outdoor Chapel Fund, Garden Fund, Care Committee, Music Fund, etc.) except the Endowment Fund which has its own Investment Policy in keeping with its distinct mission.

It should be noted that no part of the income or principal shall inure to the benefit of or be distributed to any member, director, or officer of the Church Board of Directors or the Finance Committee or any private individual, but reimbursement for expenditures or the payment of reasonable compensation for services rendered shall not be deemed to be a distribution.

The Committee will review the IPS from time to time and make changes as the Committee sees fit.

This policy is designed to align with the Ohio Uniform Management of Institutional Funds and Standard of Care (ORC 1715.51-1715.52).

This IPS is composed of Investment Principles and Practices.

- **Investment Principles** provide broad guidance for the formulation of specific investment decisions made by the Committee, even if Committee membership does not include qualified investment professionals. Investment Principles are general and require infrequent revision.
- **Investment Practices** are more specific recommendations for executing a portfolio investment strategy consistent with the Investment Principles. It is recognized that Investment Practices may require updating from time to time as investment vehicles/technology, product providers, measurements and market structure evolve.

## **OBJECTIVES**

This investment policy will be guided by the following objectives:

1. To preserve and protect the original investment.
2. To seek conservative growth and income in recognition of the effects of normal inflation.
3. To provide easily accessible additional liquidity to the church during times of economic stress, or unexpected facility needs, or for special projects as approved by the Board of Directors.

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In light of the historical sources and uses of the excess funds, and in keeping with the Objectives of the fund, the Finance Committee has established the following Investment Policy Statement:

**Investment Principles**

The Committee affirms the following Investment Principles:

- 1) Prices of publicly traded securities (stocks and bonds) are assumed to reflect all available information. Therefore, investment strategies designed to generate returns in excess of broad market averages are unlikely to succeed and are not recommended.
- 2) Both stocks and bonds are assumed to provide long-term appreciation above the rate of inflation. The Church's investment objective is to preserve capital and purchasing power, which requires a reasonable amount of long-term appreciation. Investment allocation decisions should never be predicated on expectations of short-term market outcomes.
- 3) Portfolio investment results should match as closely as possible the short- and long-term results of public markets as measured by broad market indices.
- 4) Broad diversification across stock and bond markets should be relied on to maximize returns while minimizing risk. Therefore, equity investments should be made primarily in corporate stocks across all capitalization weightings. Allocations to bonds should be made to reduce portfolio volatility and reduce risk through diversification, and thus all corporate bonds owned should maintain an investment grade status.
- 5) As the Church Board uses short-term cash (bank) deposits for short-term cash management, funds allocated to the Finance Committee for management, and covered by this IPS, have an investment horizon of three to five years. Cash and cash-like investments should be kept to a minimum and generally held only for short-term liquidity and distribution needs.
- 6) Investment costs should be minimized as much as possible, consistent with fulfilling all other Investment Principles established in this policy statement.

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**Investment Practices**

The Church affirms the following Investment Practices:

- 1) A mix of investment vehicles with a time horizon of three to five years is appropriate. The committee may review and change the mix and/or time horizon, after discussion, as they see fit.
- 2) The Committee should review the investment portfolio and this IPS on a regular basis, but decisions will not be made based on expectations for short-term market outcomes, in keeping with the Investment Principles previously outlined. A quarterly review is preferred.
- 3) The Church's investments should be split between stocks and bonds with a target asset allocation as follows:
  - a. 50% stocks (Range 45%-55%)
  - b. 49% bonds (Range 44%-54%)
  - c. 1% cash (Range 0 - 3%)

If the ranges are exceeded, the Committee should rebalance to within the range for each asset class at its next scheduled meeting. The Committee may also hold additional meetings to address the portfolio's asset allocation as desired.

- 4) For purposes of evaluation of performance, the portfolio's investment results will be compared to an index that is calculated in the following way:
  - a. 50% MSCI US Broad Market Index (US Stocks)
  - b. 49% Core US Aggregate Bond (US Investment-Grade Bonds)
  - c. 1% US 30 Day T-Bills (Cash)
- 5) Investment vehicles employed should be highly liquid, that is easily sold and converted into cash.
- 6) Less than 4% of the portfolio should be held as individual stocks. Individual stock shares contributed to HUUC are expected to be sold promptly.
- 7) Dividends and Interest should be paid to the money market account.
- 8) Two signatures shall be required on any checks drawn on the investment account. Persons authorized to sign on the account, or to execute trades, must be HUUC members, active and in

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good standing and approved by the Finance Committee. They must have been members of HUUC for at least three years.

9) All trades are to be agreed upon, in advance of execution, by the finance committee at an announced meeting. A person authorized to sign on the account may execute trades on-line.

10) While the Committee has a moral and ethical calling to be socially responsible stewards by following suggestions of the Unitarian Universalist Association's Socially Responsible Investing Committee, the Committee recognizes that stocks of individual companies cannot cost effectively be segregated within the Church's portfolio.

Approved \_\_December 10, 2020\_\_\_\_\_