1. **Establishment of Legacy Funds Program titled Live Forward-Give Forward for First United Presbyterian Church (FUPC).**

This program hereinafter referred to as the **Program** is hereby established effective December 31, 2021. This program will create four separate investment funds for gifts that can be made in the present and in the future. The Program will be administered day-to-day by the Finance-Stewardship Committee with oversight by Session.

Policy Statement: This is a policy document that outlines guidelines, procedures, processes and rules for administration and general oversight and decision-making of the Program. It is not intended to nor can it serve as any guarantee or predictor of future events and returns.

2. **Objectives**

a. To offer a designated giving plan for church family members and the community at large. The Program will accept present gifts and gifts from wills, estates, trusts, and other financial means today and in the future to sustain and grow FUPC. The gifts can be to all areas or designated to specific areas of our church. We will actively encourage and invite gifts to FUPC.

b. To establish a system for management of these assets contributed in accordance with a set of guidelines. The funds and administration will be reviewed every six months (or more if deemed necessary) by Session and the Finance Committee.

c. To provide direction for use of the principal, earnings or appreciation of the gifts as agreed to and set forth in this document and any succeeding documents.

d. To administer the outright and deferred gifts of assets which require special administration and processing to fully carry forth the intent of donors, consistent with the agreed-to conditions of the gifts.

e. To protect the mission of the church by reviewing and analyzing the subject matter of any intended gift, and if necessary, to decline the acceptance of any gift deemed as not being in the best interest of FUPC.

3. **How the Legacy Funds Work in relationship to the yearly finances of FUPC**

At the end of each year, Session will determine the amount of money available from the Program for the next fiscal year. The amounts will be determined by Session with recommendations from the Finance committee. Specific FUPC needs and special projects will be considered and reviewed by Session and pertinent committees.

Any Session meeting where funds' allocations are discussed must have in attendance at least 75% of active session members and an affirmative vote by 75% of this group to spend the amount voted on. Two readings of the proposed spending allocation is required with a minimum of two weeks in between those readings. The first reading shall be conducted at Session's regularly scheduled (stated) meeting. The first reading of proposed spending shall be presented to the Finance committee for their review and recommendations. The second reading and vote thereon shall be conducted no sooner than two weeks after the first reading or at the next regularly scheduled meeting. Session may determine minimal or no money is needed.

4. **Gifted Legacy Funds Definitions and Operational Structure**

There are three reserve funds and one endowment fund into which a person may donate:

A. **Capital Facilities Reserve Funds:** This money will be used for upgrading, replacing, or improving our physical building, equipment, property area, and general physical assets. Money to be spent may be from the gifted principal amounts, earnings, and capital appreciation. This may be used for special or capital projects. Both the principal, capital appreciation, and income/interest may be spent if needed to supplement the annual budget.

B. **Operations Reserve Funds:** This money will be used to supplement the operating budget, programs, and ministries if needed. The money to be spent may be from the gifted principal amounts, earnings, and capital appreciation. Both the principal, capital appreciation, and income/interest may be spent if needed to supplement the annual budget.

C. Mission and Benevolence Reserve Funds: This money will be used for special programs, extended missions and extraordinary benevolence. The money to be spent will be from the gifted principal amounts, earnings, and capital appreciation. Both the principal, capital appreciation, and income/interest may be spent if needed to supplement the annual budget.

D. Term Endowment Funds: These can be either general (un-designated) or a specific designation by the donor or his/her administrator. The principal amount may not be used. These gifts will generate long-term income for FUPC. The net income will be earnings and capital appreciation, less an add-back to compensate for inflation. This net-income (earnings + capital appreciation - add-back) will be calculated annually at the end of each fiscal year. The add-back will be based on the most recent Consumer Price Index (CPI) figure multiplied by the Term Endowment principal (annual CPI x endowment principal = add-back.)

1. The available funds (net-income) for the new fiscal year will be split between designated and general use. The net-earnings on the designated use portion, will be transferred to the appropriate reserve fund for use as specified by the donor. The net-earnings of the general (un-designated) portion will be transferred to each of the reserve funds, per the percentage formula determined by Session, as provided in paragraph six below. Donors choose how their gifts will be used when making their gifts; general use (undesignated) or specific use (designated).
2. The principal amounts, including add-backs to the principal, cannot be spent, and will be invested in perpetuity. The exception will be if FUPC is merged, leaves PCUSA or is liquidated; then the Session can determine the use and distribution of any remaining amounts, including principal, in the endowment funds on a timely basis.
3. There will be a minimum initial funding requirement for each designated use within the term endowment fund of $5,000. Any later gifted additions to a designated donation shall have no minimum.

5. Donor's choice of a fund's use for their donation (gift)

A. A donor may choose to have their un-designated gifts be given to any one or more of Reserve Funds and/or the Term Endowment Fund.

B. Designated gifts can be made to any of the four funds the donor designates, and the donor may designate a specific area of support or mission they choose to contribute to. In all cases, every attempt will be made to honor the wishes of the donor, however some limits on specificity of donor designated funds may be necessary.

C. The Finance Committee and Session will work with the prospective donors to explain to them fully the different funds and choices and help guide them in this decision. Session shall assign the Finance Committee responsibility for the administration and accounting of the various funds and sub-accounts. Reports should be made semi-annually or more often by the Finance Committee to Session. Individual fund reporting can be made, if requested, to the donors or their heirs.

6. **Un-designated Endowment Annual Money Allocation** The amount of annual money allocated from the Term Endowment Fund to the Reserve Funds will be the net-earnings as defined above. If there are no net earnings, then no distribution of money can be made in order to preserve the accumulated principal amount. Any deficit in net earnings from a prior year must be made up before any distribution can be made. If a distribution can be made, then the allocation formula will be 40% to the Capital Facilities Reserve Fund, 40% to the Operations Reserve Fund, and 20% to the Mission/Benevolence Fund. After the first three years of distributions, the formula may be changed by Session with recommendations from the Finance Committee.

7. **Minimum Fund Amount Balances**

Before any money can be transferred to the operating accounts, the following minimum amounts shall be established.

a) Capital Facilities Reserve Fund- $20,000

b) Operations Reserve Fund- $20,000

c) Mission and Benevolence Reserve Fund - $20,000

d) Term Endowment Fund- $150,000 plus annual addbacks

After any money has been distributed from a specific fund, the same minimum amounts need to be reestablished before further distributions can be made.

8. **Annual Audits** There will be annual audits of all the funds similar to FUPC's operating accounting system.

9. **Exceptional Donor Amount Use** In the event that an unrestricted bequest is greater than the average of the previous three-year's church operating budget, then that bequest will be divided 50% into the Term Endowment Fund and 50% into a new **Quasi Term Endowment Fund**. The purpose of the Quasi-Endowment Fund is to provide a period of up to three years during which time the congregation and Session can plan, pray and make the best long-term decisions regarding an unusual blessing. Ultimately, the Session has the authority to determine the distribution of the Quasi-Endowment Fund.

10. **Gifts** As used herein, the term "gift" shall extend to and include *intervivos* transfers and testamentary dispositions.

11. **Gift Review By Session** Although it is contemplated that the majority of gifts made through the Program will be in the form of cash or other liquid assets, the Session realizes that some gifts may be in the form of real property, or an interest in real property. The Session reserves the right to determine if such real property, or an interest in real property, or other non-liquid asset, may carry with it liability which may include, but not necessarily be limited to, environmental issues, lien issues, property tax issues or other matters which might or could create liability for the Church. For these reasons, and possibly others, the Session reserves the right to decline any such gift or accept the gift with conditions imposed by Session.

12. **Church Consolidation, Merger or Dissolution** If at any time the First United Presbyterian Church of Loveland, a non-profit corporation, shall be lawfully merged or consolidated with any other church, all of the provisions hereof in respect to the Program shall be deemed to have been made for and in behalf of such merged or consolidated church which shall be entitled to receive all of the benefits of said funds and shall be obligated to administer the same in all respects in accordance with the terms hereof.

If the merged church rejects these requirements, then Session may employ the following dissolution steps: In the event of the dissolution of First United Presbyterian Church, a non-profit corporation, the Term Endowment Funds terminate and become non-permanent funds. The Session with recommendations and guidance of the Finance Committee shall have the responsibility for the final disposition of any remaining assets of the Program (from the Term Endowment and all three Reserve Funds) in keeping with all rules, policies and guidelines of the Presbyterian Church. (U.S.A.). One possible distribution could be to the Presbyterian Foundation.

13. **Administration** This Program will be administered by the Session and the Finance Committee and upon receipt of initial funds a Legacy Funds Ministry committee will be established.

14. **Amendments:** The provisions of this plan will be reviewed at least annually and may be amended by a meeting of Session which shall consist of at least 75% of active session members present and an affirmative vote by 75% of those present. Amendments will be affected by such a vote after two readings of the proposed amendments and a minimum of two weeks in between those readings. The first reading shall be conducted at its regularly scheduled (stated) meeting. The first reading of proposed amendments shall be presented to the Finance Committee for their review and recommendations. The second reading and vote thereon shall be conducted no sooner than two weeks after the first reading or at the next regularly scheduled meeting. Any amendments shall not affect any gifts made to the program prior to such amendment.

Session Formally Adopted on ____________________

Clerk of Session Verification Name and Date

____

Addendum #1 to Legacy Fund Policy Document

Investment Policy and Guidelines

Goal:

1. Protect the funds received, create reasonable earnings, and support FUPC for both the short and long term in its needs and special projects.

General Non-Profit Investing Guidelines:

1. Non-profit 501(c)(3) status- earnings are not taxable. US tax laws require that a donor's charitable gifts be irrevocable and unconditional to receive tax benefits of a charitable deduction.
2. Investments will be subject to Prudent Investor and the Uniform Management of Institutional Funds Act.

Guidelines Specific to FUPC:

1. Socially Responsible Investments: FUPC will follow the investment guideline as defined by the PCUSA.
2. To avoid any conflict of interest: Any Investment Advisor should not be a member of FUPC. Also disallowed would be a close relative of a member.
3. Assuming the Legacy Funds will grow with donations, FUPC will evaluate possible choices for holding and investing our fund money with the advice of an Investment Advisor. Session will assign this responsibility to the Finance Committee.

Investing Goals:

1. To support FUPC with short-term Reserve Fund income and principal availability.
2. To provide long-term income from the Term Endowment Fund. The principal will remain intact (adjusted with annual amount to offset any inflation erosion).

Types of Investments:

~~1.~~ Money will be in regulated markets (cash, equities, bonds) and managed with vetted investment companies or individuals.

2. FUPC will not invest in real estate, hedge funds, private equity funds, SPACS, commodities, unregulated markets, cryptocurrencies, junk bonds, collateralized debt obligations, or derivatives~~-~~. However, any such assets as may be donated can be retained until liquidated at such time as will maximize the value thereof. Donated real estate may be retained if it can be easily sold.
3. The different fund types will have different earnings/risk rewards, different liquidities, and may be modified over time.
4. Fund costs (asset percentage fees, management fees, and trading costs) will be analyzed by the Finance Committee for reasonable, net effects on earnings.
5. Performance Measurement: Total returns shall be compared to weighted benchmark composites by the Finance Committee. This includes recommendations/adjustments made accordingly with the Investment Advisor.
6. The investment management company or individual chosen as the Investment Advisor must have a good track record for stable performance and credit worthiness.

Monetary Dispersal from Funds:

1. Per the Policy Document, no money can be disbursed from the funds until a minimum amount is reached for each fund --$20,000 each for the Capital, Operations and Mission Reserve Funds and $150,000 for the Term Endearment Fund.
2. These minimum fund balance requirements will be maintained via further donations as money is spent from the fund.
3. When FUPC receives its first Legacy Fund donation, the Finance Committee will select the Investment Advisor who meets the criteria set by FUPC's Session and Finance Committee.

Accounting Needs:

1. All four donor funds (general and specific use) need to be segregated and accounted for separately. This will be FUPC's responsibility. The Finance Committee, Treasurer, and Accounting Firm will set up the process and necessary records.
2. The Finance Committee, Treasurer, and Accounting Firm will continually monitor and approve and/or improve the records.
3. The Investment Advisor shall manage the three Reserve Funds and the Term Endowment Fund.

Risk-Return Tolerance:

1. **Reserve Funds:** Since these monies will be used for mostly short-term needs (0-5 years), the group of investments will be invested with a low risk tolerance. The recommend cash should be 10% of the total; short-term bonds 70%; and equities 20%. The variance range should not be more than +- 5%. (Cash 5-15%; Bonds 65%-75%; and Equities 15-25%)
2. **Term Endowment Funds:** Since the principal amount and the add-back amounts will not be expended, this portfolio will be invested with a higher risk tolerance than the Reserve Funds. The equities could be 60% and the bonds could be 40% of a diversified portfolio. The variance allowed will be +-10% variation. It is recommended a cash account be kept with a minimum of $2,000 (plus earnings for the quarter if desired).

Annual Audit:

1. There will be an annual audit of all the Funds' accounting records, transactions, and balances. The audit will be conducted in a manner like other reviews and audits of the Church's funds.

Investment Advisor:

1. This may be an Investment Company or Presbytery, with a Personal Advisor to FUPC.

Addendum #2 to Legacy Fund Policy Document

Definitions Page

Term Endowment Fund(TEF): Monies invested in perpetuity. These monies include both the starting principal donations and the Add-back amounts. Net income will be available for use (other than any reinvestments into the Corpus), after $150,000 total of all endowments has been donated. Corpus cannot be touched, except as described in #12 of the Legacy Funds Ministry Financial Program plan document, dated December 11, 2021, subject to Session voting requirements and subject to applicable law.

Reserve: Donations invested for future use. Cannot use until $20,000 is in this fund but then all money, proceeds and principal is available for distributions. After any money has been deducted from a specific fund , the same minimum requirements need to be re-established .

Corpus: Original donated monies (principal) plus other added monies donated over time, plus the annual Add-backs, may not be used; these original assets regardless of when donated , plus the Add-backs cannot be touched. Net income(see definition) can be spent up to the formula amount with a recommendation from the Finance Committee and approval of Session. See#3 of the Legacy Funds Ministry Financial Program plan document, dated December 11, 2021.

Net Income: The annual source of income: earnings(interest and dividends) + capital appreciation of the invested assets in a Term Endowment Fund(TEF), less an adjustment for inflation, called the add-back.
Formula: Net Income= Earnings+ Capital Appreciation-Add-back.

Add-back: The annual adjustment to the Term Endowment Fund(TEF) income to compensate for inflation. The Add-back will be calculated by multiplying the year end Term Endowment Fund (TEF) balance (all original principal donations made over time+ the accumulated Add-backs+any accumulated retained net income approved by Session) and less that year's dividend and interest payments multiplied by the Consumer Price Index(CPI) (see definition) .
Formula: Year end TEF Balance-Dividends/Interest payments x annual CPI=Add-back

CPI: The consumer price index measures the price of a weighted average market basket of consumer goods and servies purchased by typical households. Changes in measured CPI track changes in prices over time.

Undesignated donation : Donor gives to a fund without any specifications attached to the donation.

Designated donation: Donor specifies where donation to a Reserve Fund is to be applied/spent, or if a donation to the Term Endowment Fund(TEF) where the net income will be applied/spent.