

# **CHRIST PRESBYTERIAN CHURCH LEGACY FUND POLICY STATEMENT**

## **Mission Statement**

The Christ Presbyterian Church Legacy Fund is a vital component of the ministry of Christ Presbyterian Church (CPC) in Madison, Wisconsin. It exists to accept and invest legacy gifts from members and friends of the church and will be used in support of the life and ministry of the congregation during and/or beyond the lifetime of the donor.

## **Governing Board**

The CPC Finance Committee will oversee investment of Legacy Fund assets and efforts to make the Congregation aware of the benefits of gifts to the Legacy Fund. The CPC Finance Committee will consist of at least three members of Christ Presbyterian Church, and will include the Chair of the Finance Committee, the Treasurer, and at least one active member of Session (for example, the Stewardship Commission Chair).

## **Management**

Legacy Fund resources will be used to further the goals expressed in the Mission Statement. Gifts to the church will be held and invested in the Legacy Fund and assumed to be for unrestricted use unless expressly designated otherwise by the donor. Gifts designated as Memorials will be invested in the Memorial Fund and subsequently committed according to the Memorial Fund Policy. For details of the Legacy Fund Investment Policy, refer to Appendix A. For details of the Memorial Fund Investment Policy, refer to the Memorial Fund Policy.

It is intended that Legacy Fund resources not be used to subsidize the church-operating budget. As of 2018, the Session is still committed to reducing use of the Legacy Fund to subsidize the church-operating budget by \$15,000 per year. This \$15,000 reduction will continue until CPC's church-operating budget requires no Legacy fund draw in 2025.

Christ Presbyterian Church Session is responsible for the overall direction and use of Legacy Fund resources. In any one fiscal year, Session access to Fund resources beyond the prescribed, annual operating budget allocation shall be capped at the lesser of \$200,000 or 20% of the Fund's average monthly closing value for the immediate preceding two years. These decisions will be documented in writing and Session will provide notification to the congregation on a timely basis regarding such use of Fund resources.

Use of the Legacy Fund in excess of \$200,000 or 20% cap discussed above must be;

1. discussed with the Congregation in listening sessions before a decision is made, and
2. explained to the Congregation at a duly constituted congregational meeting.

## **Application of Resources**

The Legacy Fund is not an Endowment Fund where the principal is sacrosanct and only the interest can be spent. Rather, it is a fund that the Session, subject to the limits described above, should use to invigorate CPC through efforts like those discussed below:

1. Significant Mission Partnership initiatives when recommended and overseen by the Christian Witness Commission and approved by Session.
2. Grants\* to special programs which are not included in the annual church budget but may represent emerging directions for the church's future ministry (e.g. the International Ministry, new ministries to families and/or children, etc.).
3. Donor specified projects, provided that they meet management guidelines and the mission of the church and are approved by the Session. Following the last use of such designated funds; any unused portion of the gift shall revert to the Legacy Fund by action of the Session. For a list of existing Memorials refer to the Memorial Fund Policy.
4. Major capital investments in the acquisition or repair/replacement of buildings, grounds, furniture, fixtures, and like expenditures beyond the scope of the annual operating budget of the church. Use of the Legacy Fund and operating funds for buildings, grounds, furniture, and fixtures and like expenditures is covered in Appendix B (Property & Equipment Policy).
5. Other worthwhile efforts to carry out the work and mission of the church.

\*Legacy Fund grants are defined as "starter grants" to provide funding for a maximum of a five year maturation period, after which the ministry will find funding either with another independent source or as part of the annual Christ Presbyterian Church operating budget, unless determined otherwise by Session.

### **Reporting Requirements**

CPC's Finance Committee will report to Session in a timely manner with respect to all substantive changes contemplated for investment of resources and any plans for solicitation of donations to the Legacy Fund. It will report formally to Session twice during the fiscal year, at mid-year and year-end, detailing the current condition of the Fund. Session will report to the congregation once each year, at the annual meeting, including a financial accounting of Legacy Fund activities for the year.

### **Review Requirements**

This policy is subject to change and revision at the request of Session. To ensure relevance and continuity, the Legacy Fund Policy Statement will be reviewed and re-approved by Session every third year, at a minimum, commencing January 2022.

Approved: By CPC Session August 2018

Reviewed with CPC Congregation: January 2019

## **APPENDIX A – LEGACY FUND INVESTMENT POLICY**

### **General Information**

The name of the sponsor organization is Christ Presbyterian Church, Madison, Wisconsin.

Fund name: Christ Presbyterian Church Legacy Fund (portfolio)

Purpose: The purpose of the Legacy Fund Investment Policy is to provide support to the programs and mission of Christ Presbyterian Church (CPC) on an ongoing basis as guided by the Session and the donors.

The information contained herein pertains to the entire investment portfolio.

### **Delegation of Authority**

The Session of Christ Presbyterian Church, as Trustee, is a fiduciary and is responsible for directing and monitoring the investment management of the portfolio. As such, the Session of Christ Presbyterian Church is authorized to delegate certain activities to an investment committee (for example the CPC Finance Committee) and/or professional experts in certain fields. The following professional experts may be employed for the management of fund assets: Investment Management Consultants(s), Investment Manager(s), Custodian(s), and Co-Trustee(s).

### **Investment Horizon and Tolerance for Risk**

The investment horizon for the portfolio is to be consistent with CPC's long-term financial plan, which considers multiple scenarios for revenue and expenses over a ten-year period. Investments should be made so liquidity is available for annual operational support and in case negative scenarios materialize.

### **General Investment Objectives**

The portfolio should emphasize total investment return (capital appreciation plus investment income). The top priorities are long term growth of capital and returns greater than inflation.

### **Specific Investment Performance Goals**

CPC will judge investment results based on two tests:

1. Return should meet or exceed an applicable market index over at least a three-year period. Determination of the appropriate market index will be done in conjunction with the Investment Manager(s)
2. Absolute real annualized return should be consistent with the risks CPC's Finance Committee authorizes for its Investment Management Consultants(s), Investment Manager(s), Custodian(s) and Co-Trustee(s).

## **Asset Allocation Guidelines**

The preferred allocation of the aggregate portfolio values to each of the following asset classes is as follows: Equities – up to 90%; Fixed Income and other assets that provide liquidity – at or higher than 10%. A review as to rebalancing shall be made at least annually. In a multiple manager strategy, asset allocation guidelines for each Investment Manager shall be stated separately when those guidelines differ from the above. The portfolio's total allocation must still conform to these guidelines.

Total fund equity investments will be no more than 50% of the Legacy Fund if the Legacy Fund market value is less than one million dollars. If this threshold is hit, Investment Advisors will work with the CPC's Finance Committee to bring the Legacy Fund into compliance within a year.

## **Prohibited Assets/Transactions**

For the long term, the portfolio shall maintain no more than 5% of the fund's total assets in illiquid securities. The following assets are not allowed for the portfolio: direct real estate investments; venture capital investments; and private placements. Prohibited transactions include short selling, margin transactions, and derivative investments.

## **Diversification for Equity Investments**

In order to achieve a prudent level of diversification, the securities of any one company should not exceed 5% of the total market value of the portfolio and no more than 25% of the portfolio should be invested in any one industry as defined by Standard & Poor's.

## **Guidelines for Fixed Income Investments**

Minimum quality requirements for fixed income investments are "BB" or better, as rated by two major rating services. Investments made in fixed income investments rated below "A" must carry with them additional return to justify the risk, be part of a fund that diversifies risk by investing in many fixed income instruments, and be of duration no longer than six years.

## **Investment Performance Review and Evaluation**

Portfolio performance evaluation reports should be prepared by the Investment Manager and presented to CPC's Finance Committee, as designee of the Trustee (Session), on a regular basis (at least quarterly written reports and annual in-person reports).

At least every five years, the CPC Finance Committee will share with the Session its choice of Investment Management Consultants(s), Investment Manager(s), Custodian(s), and Co-Trustee(s). CPC's choice of these advisors will be based on performance results and fees charged in comparison to other options available in Madison. Members of CPC's Finance Committee who have a business relationship (employee/employer or Board Member) with any of the advisors that are being considered in the evaluation will recuse themselves from the evaluation.

## **APPENDIX B – P&E POLICY**

Property & Equipment (P&E) expenditures are expenses related to all Christ Presbyterian Church (CPC) physical assets including CPC's land, land improvements, buildings, and other types of equipment utilized at CPC.

P&E expenditures are recorded on CPC's books at cost and depreciated over their useful life. CPC capitalizes all items over \$5,000 with a useful life of greater than one year.

The following guidelines are used to determine how to finance CPC's P&E expenditures:

### **Annual P&E Expenditures**

The Building and Grounds Committee shall maintain a schedule of planned P&E expenditures and shall update this plan on an annual basis. Based on this schedule, predictable maintenance of CPC's P&E assets should be incorporated into the annual budget of the church. When deemed necessary by Session, larger planned expenditures should be financed using the Legacy Fund and/or ad hoc fundraising efforts among the congregation and friends of CPC.

### **Unplanned P&E Expenditures**

From time to time, unplanned P&E expenditures arise which need immediate attention and cannot be easily funded through the CPC annual budget. For these instances, Session shall authorize all such P&E expenditures greater than \$5,000 with a useful life greater than one year to be funded from Legacy Fund assets. In a one-year period, the total funds withdrawn from the Legacy Fund for such expenditures shall not exceed \$20,000 without approval from Session. When faced with such an unanticipated P&E expenditure, every effort should be made to engage the Session and the Finance Committee before a contract is signed with a vendor or contractor. If, however, there is an immediate crisis that prevents Session disclosure before the work is initiated, the Building and Grounds Chair will notify Session and the Finance Committee as soon as possible.

Concerning unplanned P&E expenditures less than \$5,000 or with a useful life less than one year, every effort should be made to use the church's annual budget to finance such expenditures.

The \$5,000 threshold for unplanned P&E expenditures shall be reviewed by the Finance Committee on an annual basis and adjusted by Session as needed based on generally accepted accounting principles.

Approved: By CPC Session 2018

