

Broadway United Methodist Church

Invested Funds Policies

Introduction

Broadway's Mission Statement

God calls Broadway United Methodist Church to be a faith community embracing the diversity of our Chicago neighborhood and larger community. We welcome all persons – celebrating the human family's God-given diversity of race, age, gender, sexual orientation, and physical or mental capacity. We also welcome persons of all social and economic classes and faith backgrounds. At Broadway, we are accepted into God's nurturing family, which invites us into spiritual growth through worship, study, mission, and social action. We are grateful for the opportunities God gives us to experience and share the love of Christ.

With a mission statement grounded in God's justice-love, Broadway's commitments as an anti-racist and open and affirming congregation compel us to understand how money and finance (and discussions about them) reveal points of privilege and uncover pain; that is: culturally we come at money from different perspectives. When we acknowledge that personal, cultural, racial, and gender backgrounds contribute to our understanding about what money means – to live into our mission of radical inclusion and diversity – we have to think about access: the lack of access and generational financial resources; the privilege of resources. We are hopeful to re-frame and re-think our relationship with money with a heart toward justice, in light of the legacy of funds bequeathed to Broadway for ministry, meant to be invested and used responsibly. This policy seeks not only to encourage wise savings and earnings, but also to invest in Broadway's ongoing identity, mission, and ministry.

As Jesus demonstrates in the parable of the talents, burying treasure – and not investing it – is not faithful stewardship (Matthew 25:14-30). "There is a spiritual dimension to money," writes Rosemary Williams in *A Woman's Book of Money and Spiritual Vision* (2001); she writes to help us change our way of looking at money "from a material base to a spiritual base, from consumption to generosity." She references spiritual leader Pema Chodron: "to undo our very ancient and stuck patterns of mind requires that we must turn around our most basic assumptions."

The following proposal for an Invested Funds Policy leaning into the future seeks to honor Broadway's legacy while also shifting funds to the stewardship and care of the United Methodist Foundation, trusting their commitment to socially responsible investing (a United Methodist Resolution) that attends to economic justice (fair trade and a living wage for workers; equity; divestment from harmful regimes; etc.)

The goal of Broadway United Methodist Church's invested funds is to provide long-term sustainable financial support for the mission of Broadway United Methodist church that maintains or increases purchasing power of Broadway's investments relative to inflation and, secondarily, to provide a reserve for emergencies or one-time priorities that require substantial cash outlays beyond the other immediately available resources and credit of the church.

All invested assets are to be managed in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), “in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.”

The policies consist of a Gift Acceptance Policy for gifts to be invested, an Investment Policy to establish parameters for investment methods and allocations, and a Withdrawal and Spending Policy to establish a framework for use of invested funds to support Broadway United Methodist Church. While these policies govern different activities related to Broadway’s invested funds, they are inter-related and a change in or variance from one policy could have implications on the others.

This policy is recommended by the Money Ministry Team (Finance Committee, United Methodist *Book of Discipline*, ¶ 258) and the Property Caregivers (Board of Trustees, United Methodist *Book of Discipline*, ¶ 2524-2550) of Broadway United Methodist Church to the Charge Conference on 11/29/2014.

Invested Funds Gift Acceptance Policy

This is relevant only to gifts that are to be invested, and should not be understood to govern gift acceptance for tithes and offerings or other operating gifts contributed for immediate use by Broadway United Methodist Church.

Permanently or Temporarily Restricted Gifts

If a donor makes a contribution to Broadway with the stipulation that the gift itself is not to be spent, but only the investment gains on the gift, Broadway will treat this gift as permanently restricted, and it will be included in invested funds. Broadway will maintain thorough records that will support gift-by-gift accounting, over time, to ensure that the original value of the gift has not been spent. If the restriction is for a limited period of time, Broadway will also maintain thorough records that will support a clear accounting of when the gift becomes unrestricted.

Purpose Restricted Gifts or Designated Gifts

Broadway United Methodist Church will endeavor to maintain flexibility and honor the decision-making authority of future Broadway congregations and leadership, by avoiding donor restrictions on gifts that are overly prescriptive as to the use of the donation or the investment gains from those donations. Whenever possible, Broadway pastoral staff and lay leadership will work collaboratively with donors, including during estate planning, to ensure that the donor’s convictions are honored and that Broadway’s flexibility with regard to financial management is maintained. It is recommended that restrictions be limited whenever possible to broad categories such as Programs, Staff Compensation, and Facilities. If the donor insists on a more specific restriction, e.g. to a particular program or staff position, then this must be approved by Co-Lay-Leaders (Church Council, United Methodist *Book of Discipline*, ¶ 252) before the gift can be accepted. When purpose restricted gifts are accepted, Broadway will maintain thorough records to support a clear accounting of the use of these gifts, on a gift-by-gift basis, over time.

Co-Lay-Leaders (Church Council, United Methodist *Book of Discipline*, ¶ 252) may choose to accept a gift that supports a specific staff *position* or title. But in no situation will a restricted gift be accepted that is tied to compensation or benefits of a named individual person, institution or company or other entity,

whether that person or entity is a staff member or consultant or otherwise receives any payment whatsoever from Broadway.

This does not prevent Broadway from providing recognition for a gift in a way that would celebrate a more specific connection between a donor and Broadway. E.g., this does not prevent Broadway from stating that a particular classroom or activities are named or conducted in recognition of a donor.

Bequests

The policy of Broadway United Methodist Church regarding bequests, estate gifts and planned gifts that are made without any restriction by the donor is that they are to be invested and treated *for investment and spending purposes* as Property Caregivers (Board of Trustees, United Methodist *Book of Discipline*, ¶ 2524-2550)-restricted or Money Ministry Team (Finance Committee, United Methodist *Book of Discipline*, ¶ 258)-restricted assets, though Generally Accepted Accounting Principles (GAAP) require that these gifts be accounted for as unrestricted assets. Broadway will maintain thorough records to support a clear accounting of these gifts, on a gift-by-gift basis, over time.

Memorial gifts equal to or greater than \$2,000 fall within this category. The Co-Lay-Leaders (Church Council, United Methodist *Book of Discipline*, ¶ 252) and/or Congregation may determine from time to time whether memorial gifts of less than \$2,000 are to be subject to this policy or treated as regular operating contributions.

Gifts of Stock or Other Portfolio Gifts

Broadway United Methodist will sell gifts of stock or other portfolio gifts as quickly as is reasonably possible upon receipt, and will value the gift in accordance with Internal Revenue Service guidelines. This function may be delegated to an investment manager who will execute the sale of the asset as quickly as is reasonably possible and forward the funds generated by the asset sale to Broadway Money Ministers (Finance Committee, United Methodist *Book of Discipline* ¶ 258), or direct deposit them into Broadway's investment accounts as directed by the Money Ministry Team (Finance Committee, United Methodist *Book of Discipline*, ¶ 258) or Pastoral Staff.

Investment Policy

The primary investment objectives for Broadway United Methodist Church's invested funds are to:

- Generate a total return in excess of the withdrawal of annual operating support according to the Withdrawal and Spending Policy;
- Maintain the purchasing power of investments over time (i.e., keep pace with or exceed inflation, even after operating funds are withdrawn);
- Maintain accessibility of a significant share of invested funds within 30 days as a source of emergency cash when other immediately available resources, insurance policies, and credit available to Broadway are insufficient to support Broadway's financial needs in an unforeseeable crisis (for example, significant fire, weather or crime-related damage to facilities).
- Manage risk such that invested funds in aggregate are not exposed to excess volatility beyond that required to meet the other objectives;
- Fulfill the role of Christian stewardship by investing in socially responsible investments, institutions and companies, as defined by the "Social Principles" from the United Methodist

Church's Book of Discipline, and the "Investment Ethics" from the United Methodist Church's *Book of Resolutions*.

The first four objectives are expected to be served by a target allocation of approximately 60% to equities and 40% to fixed income securities. The Money Ministry Team (Finance Committee, United Methodist *Book of Discipline*, ¶ 258) will work with investment managers (as defined below) to ensure accessibility of funds for emergency needs.

Investment Management

Broadway recognizes that the investment objectives are challenging to achieve without the use of professional investment managers. Further, Broadway recognizes that fees for individualized professional investment management may not be cost-effective for the amount of money Broadway has under investment.

Therefore, it is the policy of Broadway United Methodist Church to pool its invested funds with those of a community investment management organization, The United Methodist Foundation of the Northern Illinois Conference (UMF-NIC), which pools the investments of multiple organizations for more cost-efficient and professional management, and which is committed to socially-responsible investing.

The Money Ministry Team (Finance Committee, United Methodist *Book of Discipline*, ¶ 258) has considered the ability of the UMF-NIC to meet all of the objectives stated above, as well as the clarity of the organization's own investment policies and objectives, and historical performance compared to those objectives.

The Money Ministry Team (Finance Committee, United Methodist *Book of Discipline*, ¶ 258) will review the performance of the UMF-NIC at least annual and report to the Co-Lay-Leaders (Church Council, United Methodist *Book of Discipline*, ¶ 252) and/or Charge Conference.

The investment policies of The UMF-NIC are to be considered an addendum to this policy.

Withdrawal and Spending Policy

Broadway United Methodist Church will withdraw funds from the invested funds on an annual basis to support the mission and operations of the church. This withdrawal is to be calculated on a formula as set forward below and should be considered revenue in Broadway's operating budget.

Annual Withdrawal in Support of Operations

In alignment with a total return investment strategy, the withdrawal in support of operations is not based on dividends, but rather on a percentage of the total invested funds value. In order to smooth out the impact of sudden spikes or drops in investment value, Broadway will calculate its annual draw as 5% of the rolling average balance over 12 preceding quarters. In order to facilitate budget planning, the last of the twelve quarters included in the calculation will be the June 30th balances in the year immediately prior to year of withdrawal. For example, the withdrawal in support of operations for 2015 is calculated as 5% of the average of the total fund balances on the following dates: Sep 30, 2011; Dec 31, 2011; Mar 31, 2012; Jun 30, 2012; Sep 30, 2012; Dec 31, 2012; Mar 31, 2013; Jun 30, 2013; Sep 30, 2013; Dec 31, 2013; Mar 31, 2014; Jun 30, 2014.

The Money Ministry Team (Finance Committee, United Methodist *Book of Discipline*, ¶ 258) will work with UMF-NIC to determine appropriate and practical timing for the withdrawal to support operations as part of annual budget and cash flow planning. If cash flow permits, it is preferred to spread the withdrawal out over the year, in quarterly or monthly increments.

If the full 5% withdrawal is not required to balance the budget, Broadway is not obligated to withdraw the full amount. If the unrestricted balance (not including restricted bequests) is lower than the calculated withdrawal, only the remaining unrestricted balance can be withdrawn.

Other Withdrawals

Broadway may need to make emergency or special withdrawals from time to time as defined above, for situations where immediately available resources or credit are insufficient to address an unforeseen cash need or other one-time priority of Broadway. These withdrawals must be approved by Co-Lay-Leaders (Church Council, United Methodist *Book of Discipline*, ¶ 252) if the needed withdrawal is less than the total assets categorized as unrestricted at that time. For this purpose, *unrestricted* does not include Property Caregivers (Board of Trustees, United Methodist *Book of Discipline*, ¶¶ 2524-2550)-restricted or Money Ministry Team (Finance Committee, United Methodist *Book of Discipline*, ¶ 258)-restricted assets. If the withdrawal needed exceeds the unrestricted funds balance as described here, then a 7/8ths majority vote of the Congregation is required, in accordance with prior invested funds policy. The Co-Lay-Leaders (Church Council, United Methodist *Book of Discipline*, ¶ 252) and/or Congregation will decide if future replenishment of the withdrawn invested funds is required, preferably at the same time the decision is made to make the emergency withdrawal.

Broadway United Methodist Church
Invested Funds
Investment & Withdrawal Scenarios

Projected Annual Return after Expenses **7.0%**
Withdrawal Percentage of 12-qtr average **5.0%**

Total Investments Balance	Withdrawal	12-qtr average	Next Yr Draw	Note
9/30/2011	\$460,391.54			
12/31/2011	\$492,136.00			
3/31/2012	\$539,888.21			
6/30/2012	\$515,774.09			
9/30/2012	\$537,646.61			
12/31/2012	\$525,728.30			
3/31/2013	\$558,684.46			
6/30/2013	\$558,271.56	-12,000		
9/30/2013	\$589,646.20			
12/31/2013	\$625,147.06			
3/31/2014	\$576,244.20	-56,262.89		
6/30/2014	\$600,127.27		548,307	27,415 for 2015
9/30/2014	\$602,489.00			
12/31/2014	\$608,032.56			
3/31/2015	\$611,819.29	(6,854)		
6/30/2015	\$615,672.29	(6,854)	584,126	29,206 for 2016
9/30/2015	\$619,592.71	(6,854)		
12/31/2015	\$623,581.75	(6,854)		
3/31/2016	\$627,192.85	(7,302)		
6/30/2016	\$630,867.16	(7,302)	610,868	30,543 for 2017
9/30/2016	\$634,605.76	(7,302)		
12/31/2016	\$638,409.79	(7,302)		
3/31/2017	\$641,946.12	(7,636)		
6/30/2017	\$645,544.33	(7,636)	624,979	31,249 for 2018
9/30/2017	\$649,205.51	(7,636)		
12/31/2017	\$652,930.76	(7,636)		
3/31/2018	\$656,544.80	(7,812)		
6/30/2018	\$660,222.09	(7,812)	640,054	32,003 for 2019
9/30/2018	\$663,963.74	(7,812)		
12/31/2018	\$667,770.86	(7,812)		
3/31/2019	\$671,456.18	(8,001)		
6/30/2019	\$675,205.99	(8,001)	654,817	32,741 for 2020
9/30/2019	\$679,021.42	(8,001)		
12/31/2019	\$682,903.63	(8,001)		
3/31/2020	\$686,669.23	(8,185)		
6/30/2020	\$690,500.72	(8,185)	669,700	33,485 for 2021
9/30/2020	\$694,399.27	(8,185)		
12/31/2020	\$698,366.05	(8,185)		

Net Annual Growth After Draw
2.3%