

Appendix A

FAMP and Policy on MSF if all Proposed Changed are Adopted

Financial Asset Management Policy¹

Purpose

To provide formal and sophisticated financial management controls in cash flows and investments for the First Unitarian Universalist Church of Austin.

Financial Asset Management Guidelines

To realize long-term capital appreciation and generation of income, the financial asset management guidelines shall be the following:

- To invest in mutual funds or Exchange Traded Funds (ETF) not individual securities;
- To seek professional (independent) assistance on investments;
- To give weight to avoiding investing in companies ineligible for investment by the Unitarian Universalist Association's endowment fund;
- To establish an Investment Committee that will work with independent advisors, but retain with the Board of Trustees the responsibility for overall financial asset management policies.

These Guidelines specifically mandate the development and implementation of a membership approved Financial Asset Management Policy.

Financial Asset Management Policy

The following Financial Asset Management Policy shall be the operational document for carrying forth the Memorial Savings Fund² Resolution, the Permanent Endowment Fund Resolution and the Financial Asset Management Guidelines. Such policy has been approved by the Board of Trustees and is recommended to the membership for approval. Because of its importance, the Board of Trustees recommends that this policy statement be reviewed and approved by the Church membership at two consecutive regularly scheduled Congregational Meetings.

Financial Assets and Records

The majority of income received by the Church is contributed or donated by its members and friends. Though most often made in the form of cash or check, these donations have been and could be made in many other forms, e.g., stocks, bonds, mutual fund shares, real property, life insurance policies, etc. All forms of income to the Church are subject to the controls of this Policy Statement.

¹ Incorporates Amendments creating a new Permanent Endowment Fund and adding information about the Murr Fund, approved by congregation at 12-02-2007 and 05-04-2008 Congregational Meetings.

² The Memorial Savings Fund was formerly known as the Memorial Endowment Fund.

The only other source of meaningful income for the Church has been the rental received for the use of the building and parking lot by outside organizations. All such earned, and all other, Church income is also subject to the controls of this Policy Statement.

The cash value of all contributions, rental receipts, and any other income received by the Church is to be recorded in the Church's financial records. No person may approve or agree to any form of financial transaction, receipt or disbursement in the name of First Unitarian Universalist Church of Austin without that transaction being fully and truly recorded in the Church's financial records.

If individual company securities are contributed to the Church, they shall be sold within eight weeks, with the proceeds being added to the appropriate Church accounts.

To the extent practicable, the Church's financial records shall be maintained on an accrual basis and in accordance with generally accepted accounting principles.

The Church's financial records shall be subject to an independent audit no less frequently than once every two years.

Assignment of Income

The cash value of all income received by the Church, no matter the type of financial asset, must be recorded in the Church's financial records as designated for one of the following:

Operations Fund: the normal day-to-day income and expenditures fund for the continuing operation of the Church. Pledged and Sunday plate contributions and rental receipts comprise most of the income for this Fund, but there are other lesser income sources as well. The Church's annual Operations Fund Budget approved by the membership at the fall semi-annual meeting controls the expenditures from this Fund.

Restricted Funds: any of a number of special funds through which contributions are sought and expenditures made for specific designated purposes, e.g., Facilities Enhancement Fund, Religious Education Fund, Senior High Fund, Social Action Fund, etc.. The establishment of a new Restricted Fund can only be authorized by the Board of Trustees. The Board of Trustees shall review annually the status of each Restricted Fund and close any such fund which is no longer needed or has been inactive for two consecutive years. The Board of Trustees shall designate where any balance remaining in a Restricted Fund that is being closed shall be credited.

Memorial Savings Fund: a Restricted Fund established by Resolution of the Church membership for the purpose of providing a growing foundation of financial stability for the long term financial health and continuity of the Church, the principal and income from which **may** be used to supplement the annual operating budget or for other purposes as set forth in the Resolution creating the Memorial Savings Fund and in this Policy.

Murr Fund: a Restricted Fund established from a donation by a member for the benefit of the Church music program, as follows: the fund balance is reviewed on December 31 each

year and 3% of the balance at that time is computed and may be used by the music program at the discretion of the Director of Music at any time during the following year.

Permanent Endowment Fund: a Restricted Fund established by Resolution of the church membership for the purpose of providing a permanent and growing foundation of financial stability for the long term financial health and continuity of the Church, the principal of which **may not** be used to supplement the annual operating budget of the church except under extreme circumstances as set forth in the Resolution creating the Permanent Endowment Fund and in this Policy, and the income and appreciation from which may be used only as set forth in the Resolution creating the Permanent Endowment Fund.

Typically, contributors to the Church indicate which of the above funds their contributions are for. In all cases, these designations shall be honored.

From time to time, contributions without designation or with an imprecise designation are received. It shall be the responsibility of the Church Treasurer, or the Treasurer's representative, to decide which fund, or funds, will be credited with these contributions. In the case of relatively large such contributions, or if there is a reasonable basis for uncertainty, the Treasurer shall consult with the contributor and/or the Board of Trustees before making a final determination. All contributions indicating that the contribution is for an "endowment" fund shall be deposited to the Permanent Endowment Fund, whether or not the designation uses the precise name of the Fund.

Distributions from the Memorial Savings Fund

Since the purpose of the Memorial Savings Fund is to assure the long range financial future of the church and to help the church manage and survive financial emergencies, the Church shall have policies and procedures in place to limit annual distributions to a set percentage of total reserves. Church policies and procedures shall also make clear that other distributions or loans from the Memorial Savings Fund would occur only in rare and extreme circumstances and that any such distribution or loan would require a two third affirmative majority vote of members present and voting at a properly authorized meeting of the Congregation.

Distributions from the Permanent Endowment Fund

Since the Permanent Endowment Fund is established as a fund to preserve the principal of permanent gifts made to the Church, and to further the mission of the Church, apart from the general operation of the congregation, through distributions only of income and appreciation of fund assets, distributions from the Permanent Endowment Fund shall be governed according to the Resolution to Implement the First Unitarian Universalist Church of Austin permanent Endowment Fund and the policies and procedures enacted pursuant to that Resolution.

Operations Fund Reserve

Twelve-month forecasts of income and expenditures cannot reasonably be expected to be precisely accurate predictors. Therefore, it shall be the practice of the Church to record and carry forward each fiscal year an Operations Fund Reserve. (This is a calculation, not a balance sheet line item.) This carried forward reserve is the cumulative difference between

actual Operations Fund receipts and actual Operations Fund expenditures for all prior years. Note: using accounting terminology, the Operations Fund Reserve is defined as "Total Operations (and Restricted) Fund assets, less any Restricted Fund Equity Balances, less Fixed Assets (net of Accumulated Depreciation), less Liabilities (other than those secured by Fixed Assets), less other major known encumbrances or obligations which are not yet recorded in the financial statements, net of liabilities, excluding fixed assets and mortgage."

When adopting a budget for a new fiscal year, it shall be the policy of the Church not to allow the Operations Fund Reserve projected for the end of the new year to exceed, either positively or negatively, one-twelfth of the new year's Operations Fund expenditure budget. If the projected Reserve is positive and exceeds one-twelfth of the proposed new year's budget, the excess shall be transferred in the Church's financial records to the Memorial Savings Fund during February of the new fiscal year. If the projected Reserve is negative and greater than one-twelfth of the proposed new budget, then next year's budget must be revised such that this limit will not be exceeded.

If the projected Reserve is negative and less than one twelfth of the operating budget, then the upcoming budget must eliminate the negative balance within the next two years.

Restrictions on Operations Fund Budget

A deficit budget can only be adopted by a vote of three quarters of the present and voting members of the congregation, at a congregational meeting.

Unanticipated expenses: The Board after receiving recommendations from the Finance Committee may allocate up to \$10,000 per year for unanticipated expenses.

Unanticipated Budget Shortfalls: If during the year the Board as advised by its designee(s) estimates that a shortfall is projected to be greater than one twelfth of the proposed budget, then the designee(s) shall make recommendations to the Board for specific actions to address the shortfall. The Board has full authority to take unilateral actions to address the shortfall to bring the Operations Fund Budget back into alignment.

Church Accounts with Financial Institutions

All Church financial assets other than real property shall be deposited with reputable financial institutions which provide regular, clear, informative, and auditable reports. The Treasurer shall maintain for the Church one or more checking accounts and one or more investment accounts. These accounts must provide convenient and auditable electronic funds transfer services amongst them.

The primary checking account shall be the day-in, day-out account for receiving deposits and against which authorized expenditure checks are written. The cash balance in this account shall be maintained between one-quarter and three-quarters of one month's average expenditure as forecast in the current year budget. All other financial assets, except the assets of the Murr Fund and the Permanent Endowment Fund, shall be retained as an investment pool in the Church investment account or accounts. The assets of the Murr Fund and the

Permanent Endowment Fund shall be held in separate investment accounts, invested pursuant to the guidelines set forth in this Policy for the investment of other church assets.

The Church Board of Trustees shall, from time to time, promulgate procedures and signature authorizations required for making approved Church expenditures, transferring Church funds between accounts, and investing Church funds in accordance with this Policy.

Investment Guidelines for Investment Pool, Murr Fund and Permanent Endowment Fund

The fundamental objective in managing the Church's investment pool shall be to realize income and growth at rates commensurate with overall United States of America financial marketplace performance. The Church shall not expend money or effort attempting to outperform average marketplace results.

To achieve this fundamental objective, marketplace history makes it clear that a substantial portion of the Church's investment pool will, much of the time, be invested in equities. However, it shall be the policy of the Church not to hold stock in individual companies. If individual company stocks are contributed to the Church, they shall be sold within eight weeks with the proceeds being added to the appropriate Church accounts. All equity investments shall be made through mutual funds and Exchange Traded Funds. The church shall not sell any investment instruments short, purchase hedge funds, or deal in options.

It shall be the policy of the Church to work with and through an experienced, professional broker/advisor/money manager who shall provide market analyses, investment pool allocation recommendations, and specific investment vehicle recommendations that are in accord with this Policy Statement. The intent here is to work with a professional who will provide long-term continuity and stability in overseeing and protecting the Church's investments. Members of the Church are specifically prohibited from filling this professional advisor role.

It is anticipated, but not required, that the Church Board of Trustees will delegate responsibility for working with the professional advisor and overseeing the investment pool management to an Investments Subcommittee of the Finance Committee. However, the Board of Trustees bears the ultimate fiduciary responsibility for assuring that this Policy is adhered to in all its particulars.

Assignment of Investment Pool Interest/Dividends & Gains/ (Losses)

The investment pool will earn interest and dividends, and, at any point in time, will have realized and/or unrealized gains/ (losses). As specified in the Resolution Establishing A Memorial Savings Fund, it shall be the policy of the Church to credit in the Church's financial records all such interest, dividends, gains, and losses to the Memorial Savings Fund. This policy results in all investment pool monies from the Operations Fund and Restricted Funds being included in the investment pool on a "no risk, no gain or loss" basis. (Note: interest earned in the checking account, if any, shall be credited to the Operations Fund.)

Murr Fund and Permanent Endowment Fund Interest/Dividends & Gains (Losses)

The Murr Fund and the Permanent Endowment Fund will each earn interest and dividends, and will have realized and/or unrealized gains/losses. It shall be the policy of the Church to credit all interest, dividends and gains and losses gained by a Fund to that particular Fund.

Amendment of this Policy

This Financial Asset Management Policy may be amended by action initiated by the Church Board of Trustees, in consultation with the Finance Committee and approved by a two-thirds majority voting at a properly authorized meeting of the Congregation.

Appendix: Background and History of the F.A.M.P.

The Financial Asset Management Policy (F.A.M.P.) was created in the mid-1990s to establish a strong investment strategy with adequate and appropriate oversight.

The F.A.M.P. was originally approved by the Board of Trustees on February 3, 1998. Amendments were approved by the Board of Trustees on February 15, 2005, and were approved by the congregation on May 1, 2005 and December 11, 2005.

The F.A.M.P. has been revised Jan14 1997; Feb 3 1997; Feb17 1997; Nov 3 1997, May 1 2005, Nov 11 2005, Dec 11 2005, May 6 2007, October 11, 2009.

The latest Final Congregational Revision Approval was October 16, 2007.

The current revisions to this policy were completed October 11, 2009 and will be considered for a Congregational vote in December 2009.

Investment Fund History

On May 4, 1997, and December 7, 1997, the membership of the First Unitarian Universalist Church of Austin adopted a Resolution Establishing a Memorial Endowment Fund – since renamed the Memorial Savings Fund – which formalized a long-standing Church practice of setting money aside in a memorial fund.

In addition to the Memorial Savings Fund, the church added a Long Range Fund specifically to serve as seed money for a Capital Fund Campaign to enlarge and update the church building. Other funds have been created specifically to provide funds for specific purposes.

At duly called meetings in December 2007 and May 2008, the Congregation approved creation of a new fund entitled the Permanent Endowment Fund, to function as a true endowment fund, of which the principal is held virtually inviolate. To avoid confusion, the Congregation approved renaming the original Memorial Endowment Fund to the “Memorial Savings Fund”.

Memorial Savings Fund³

Date of Original Board Approval: May 4, 1997

Date of Latest Revision Approval: October 11, 2009

Purpose of the Memorial Savings Fund

The purpose of the Memorial Savings Fund is to provide a growing foundation of financial stability for the long-term financial health and continuity of the Church.

Contributions to the Memorial Savings Fund

- As of the date this Resolution is formally adopted, all financial assets shown in the Church's official financial records as being restricted to, or designated for, the prior Memorial Endowment Fund, shall be instantly incorporated within the financial records of the Memorial Savings Fund established by this resolution.
- Any property of any kind left, given or conveyed to the church for its Memorial Savings Fund, or transferred by its governing bodies to its Memorial Savings Fund, shall be held as part of the Memorial Savings Fund and managed and used as herein provided.
- The Church Board of Trustees may refuse to accept any property offered as contributions to the Memorial Savings Fund that are considered by them to be of a burdensome character.

Management of the Memorial Savings Fund

- Consistent with its purpose, the primary intent in managing the Memorial Savings Fund is to have it grow over time through contributions, wise investment, and limited withdrawals.
- The Board of Trustees shall recommend to the Church membership a Financial Asset Management Policy (FAMP), outlining general objectives to be used in managing and investing the Memorial Savings Fund and other church assets. Upon approval by a majority of the church membership attending a regularly scheduled membership meeting, this FAMP shall be official church policy.
- To aid in accomplishing the purpose of the Memorial Savings Fund, and in its management, the Board of Trustees may from time to time, appoint such committees from their own membership or the membership of the church as the trustees deem desirable.
- For investment management purposes, the Board of Trustees may combine the Memorial Savings Fund assets with the other Church assets available for short- or long-term investment. However, all dividends interest and realized or unrealized gains or losses generated by the investment pool shall be credited to the Memorial Savings Fund.
- Accurate accounting records must be kept, showing all transactions relating to the Memorial Savings Fund. At the Fall semiannual membership meeting of the Church, the Board of Trustees shall furnish a written statement showing the content and market value of the Memorial Savings Fund assets as of the last business day of the preceding September, and all Memorial Savings Fund receipts, disbursements and realized or unrealized gains/losses, for the preceding year through the end of September.

³ Formerly the Memorial Endowment Fund

- The Board of Trustees may hire counsel, agents, brokers or consultants as in the judgment of the Trustees may be necessary to manage properly the Memorial Savings Fund assets. Costs for any such professional assistance shall be borne by the Memorial Savings Fund.

Use of the Memorial Savings Fund

1. With the approval of the Church membership at its Fall annual meeting, the Board of Trustees may budget the transfer of money from the Memorial Savings Fund into the Operations Fund of the Church for the succeeding fiscal year. However, the amount that maybe transferred under this provision is limited to a maximum of 5-1/2 percent (5.5%) of the Memorial Savings Fund market value on the last business day of September preceding the fiscal year in which the transfer is to take place. An approved budget transfer of Memorial Savings Fund money into the Church Operations Fund shall be made in the Church's financial records during January of the budgeted year.
2. To expend for any purpose any amount from the Memorial Savings Fund greater than provided by Section 1 above, the approval of a two-thirds majority voting at a properly authorized meeting of the Congregation.
3. In no case may the value of the Memorial Savings Fund be reduced through withdrawals permitted by Section 2 above, to less than two hundred fifty thousand (\$250,000.00).

Final Disbursement of the Memorial Savings Fund

The membership of the Church intends that the Memorial Savings Fund will be irrevocable and perpetual. In the event the First Unitarian Universalist Church of Austin is merged into or consolidated with any other body, or if its name or organizational structure shall be changed, such successor or continuing organization or body shall control the Memorial Savings Fund created hereby. In the event the First Unitarian Universalist Church of Austin ceases to exist, the Memorial Savings Fund shall be distributed as directed by the Church's Bylaws. In all such cases, it shall be distributed consistent wit the requirements of Section 501-c-3 of the Internal Revenue Code.

Amendment of this Memorial Savings Fund Resolution

This Resolution must be adopted and may be amended by two-thirds majority vote of the Church membership attending and voting at a properly authorized meeting of the Congregation, provided that no amendment shall be made which shall in any manner affect the general purposes of the Memorial Savings Fund as provided herein, and provided that no such amendment shall in any manner adversely affect the tax exempt status of the Memorial Savings Fund and the First Unitarian Universalist Church of Austin under the laws of the United States of America or the State of Texas.