

First Presbyterian Church of Cedar Rapids Endowment Spending Policy

PURPOSE

The purpose of this Policy is to set forth the principles and guidelines for spending the First Presbyterian Church of Cedar Rapids' endowment and quasi-endowment fund(s) to achieve the following goals:

- Safeguard the Fund(s) for future generations
- Enable the maximum amount of spending that can be maintained over the long term.
- Ensure that Fund income is as stable and enduring as possible.
- Ensure that the stated wishes of donors are honored.

SPENDING OBJECTIVES

A. Generational Neutrality

The First Presbyterian Church of Cedar Rapids Endowment Fund is considered to be permanent, and its benefit to future generations should be equal to its benefit to the current generation. The key is that the amount spent annually should remain as close to constant as possible, when measured over time on an inflation-adjusted ("real") return basis. Investments and spending are to be coordinated in a manner so that the Fund's income will maintain its real purchasing power into the future.

B. Maximum Sustainable Spending

Income from an endowment is to be spent, not hoarded. Until income is spent, it achieves nothing to undertake the great commission given to us by Jesus Christ. It is the First Presbyterian Church of Cedar Rapids' policy to use the earnings and asset growth of the Endowment Fund on generation-neutral basis, to help meet the needs of the First Presbyterian Church of Cedar Rapids and fulfill its mission.

C. Minimize Volatility of Amount Available for Spending

Because many of the needs and uses of the First Presbyterian Church of Cedar Rapids' are recurring, or ongoing in nature, the Endowment Fund asset management policies and spending strategy are structured in a way that attempts to minimize the year-to-year volatility of the amount available for spending.

D. Donor-Imposed Restrictions

Those who manage and spend endowment funds exercise those duties in a special position of trust and responsibility, both to the beneficiaries and to the donors. When the First Presbyterian Church of Cedar Rapids accepts endowment gifts that are restricted by the donor (either time restrictions or use restrictions), those restrictions will be honored to the extent permitted by law.

Spending Strategy

A. Total Return

Funds available for distribution will be determined by using a total return principle, i.e., return derived from dividends and interest as well as realized and unrealized capital gains. The funds

available for distribution during any one year will be limited to 4.5% percent of the market value that is based on a (3) year rolling average, with measures taken at the end of each of the preceding 12 quarters. The market value for this purpose will be taken net of the fees for investment management.

B. Any unexpended funds from those available for distribution in a given year will be accrued and will continue to be considered available for distribution in subsequent years unless otherwise designated by action of the Endowment Committee with the approval of the Session. Expenses related to the management and administration of the FUND will be deducted from the funds available for distribution. Disbursements to the church shall be made quarterly, or otherwise as approved by the Session.

C. Honoring Donor-Imposed Restrictions

In order to monitor ongoing adherence to donor-imposed restrictions, the Session is to periodically review a report of endowment disbursements. This Policy recognizes that there may be cases where a restricted use becomes obsolete or overfulfilled or becomes inconsistent with the First Presbyterian Church of Cedar Rapids' needs or mission.

Note: A true endowment is established if a donor makes a gift and restricts it to an "Endowment" Fund, often defining its use. If the First Presbyterian Church of Cedar Rapids promotes its Endowment Fund and receives gifts of any size for the Fund, those funds are equally restricted. If a purpose is announced and donors give to an Endowment Fund for a named purpose, the funds are restricted as to purpose as well. If the First Presbyterian Church of Cedar Rapids receives an unrestricted bequest that is placed in the Endowment Fund, or if the Session decides to put excess funds into the Endowment, those funds remain unrestricted. This part of the Endowment Fund can be spent down by the Session within the established distribution rules. This is considered a "quasi" or unrestricted endowment. FPC administers the endowment as if all funds are true endowment.