North Presbyterian Church Investment Policies

Introduction

North Presbyterian Church (NPC) is entrusted with monies for a variety of purposes. This document sets forth the general policies and investment guidelines to be followed by the Finance Committee, the Investment Advisory Committee and investment managers retained by NPC in administering these funds whereby the Church's investment activity may serve its mission objectives.

Premise

The premise of this policy statement is that we are stewards, not owners, of property and wealth given by God, and that investments have an ethical dimension. As stewards, it is our responsibility to prudently manage the Fund. We recognize that the benefits gained will allow us to enhance the mission and ongoing policies of North Church.

Goals

Our primary goal is to match effective investment management with imaginative and efficient allocation of resources to programs that positively contribute to a Christian concept of humanity's well-being. Faith-based investing or socially responsible investing involves thinking about financial resources and investments as part of a faithful life and is the stewardship of God's resources as entrusted to the church. Church investments should take into consideration the pursuit of peace; racial, economic and social justice; equality of opportunity for all; and establishment of environmental responsibility. We will seek out investment opportunities that support our criteria and enhance the quality of life in some way. It is understood that a balance must be maintained between fiduciary responsibility of the church to receive a reasonable return on invested funds, as well as a social responsibility to seek out socially effective investments.

Every effort will be made to follow the General Assembly of the Presbyterian Church (U.S.A.) recommendations for divestment and/or proscription of some corporations due to their involvement in military-related production (MR), tobacco (TO) or human rights violations (HR). See the current General Assembly Divestment List.

Delegation of Authority

The Session of North Presbyterian Church has delegated the responsibility and authority to manage and invest the funds to its Finance Committee. The Finance Committee shall establish an Investment Advisory Committee to administer the funds.

The Investment Advisory Committee will retain external investment management to carry out the actual investment of the funds. It is the responsibility of the Investment Advisory Committee to establish with the Investment Manager specific investment guidelines in accordance with this policy and to monitor the Manager's compliance with them.

The Investment Advisory Committee shall have at least 4 members including a member of the Finance Committee and the Church Treasurer. The Investment Advisory Committee shall use the NPC Investment Policy as an investment guideline. As needed, the Investment Advisory Committee should recommend changes and additions to this policy. The Investment Advisory Committee should communicate to the Investment Manager the recommendations of the General Assembly of the Presbyterian Church (U.S.A) in order to maintain a socially responsible investment.

The Investment Advisory Committee shall meet at least quarterly. It shall meet as a committee with the Investment manager at least every six months.

Conflict of Interest

In order to maintain a completely impartial execution of the investment guidelines, the Investment Manager shall not be a member of North Presbyterian Church. Individual members of the Investment Advisory Committee shall avoid a conflict of interest (both an appearance of conflict and actual conflict) and exercise all due caution to ensure that there is no personal gain for the member or family members in any way..

Investment Committee Responsibility and Authority

1) The Session of North Presbyterian Church has delegated the responsibility and authority to manage and invest the funds to its Finance Committee. The Finance Committee shall establish an Investment Advisory Committee to administer the funds.
2) The Finance Committee believes it can best discharge its responsibilities by:
   a) Defining investment objectives and goals;
   b) Establishing an Investment Advisory Committee
3) The Investment Advisory Committee it can best discharge its responsibilities by:
   a) Hiring competent outside investment management (the "Investment Manager");
   b) Setting investment guidelines and monitoring the Investment Manager's compliance with them; and
   c) Periodically reviewing the Investment Manager's performance.
4) The Finance and Investment Advisory Committee will not make specific investment decisions, this being the responsibility of the Investment Manager.

Investment Objective

North Presbyterian Church seeks preservation of principal and to provide a dependable and reasonable rate of long term investment return consistent with moderate investment risk. Ambitious goals of profit maximization and market timing through short-term and/or speculative investments will not be considered. Investment Managers retained will be given flexibility within the Investment Policy to use their expertise toward the achievement of investment goals.

Investment Goals

The general level of income necessary to support the Church's programs will be communicated to the Investment Manager on an annual basis. Secondary goals for the funds are (1) capital appreciation, and (2) growth of income to maintain purchasing power. Given North Presbyterian Church's tax-free status, tax considerations do not play a role in NPC's investment decisions.

Asset Allocation Ranges

Asset allocation is an investment strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio according to the investors risk tolerance, goals and investment time frame.

To attain the stated investment goals from long term investments, a Growth/Income asset allocation will be used for the funds with the following ranges:

Equities 30-70%
Fixed Income 35-65%
Cash Equivalents 0-10%

The Investment Manager may deviate from these ranges with the prior approval of the Investment Advisory Committee. In addition, if in the opinion of the Investment Manager market conditions so require, the Investment Manager may deviate from these ranges for a period of up to thirty days without prior approval by the Investment Committee.

Fixed Income Guidelines

Minimum criteria for the fixed income investment will be as follows: Par Value of the issue: $100 million

<u>Quality of Issue:</u> *Either A rated, or better, by Standard & Poor's or A rated, or better, by Moody.*

Maturity Guidelines: No single maturity may be longer than 30 years, with the average maturity of fixed income investments not exceeding 10 years.

Equity Guidelines

The minimum selection criteria for equity investment will be:
Market Value of Company $500 Million Stock: Float 25 million shares Annual Sales/Revenues $500 Million of Company

Diversification: Investment in any one company will not exceed 10% of the equity or equity-related asset. Investments in individual industries will not exceed 25% of the equity or equity-related assets.

While it is expected that most equities will be income producing, use of non-income producing equities will be permitted as long as the overall income level of the funds meets the requirements established in the Investment Goals.

Other Permitted Investments

Mutual funds or commingled funds will be permitted, especially to provide diversification in such areas as "Small/Mid Cap" or "International" equities. Mutual funds and commingled funds may be either equity, equity-related, or fixed income investments. Preference will be given to funds with no-load charges or where sales charges are waived by the supplier's company.

Prohibited Investments

Investments in the following are prohibited without the prior written approval of the Committee:

Fixed Income securities that are not denominated in U.S. dollars or Euros. Venture Capital Guaranteed Investment Contracts Commodities Precious Metals or Gems International Equities not traded on domestic exchanges or in over-the-counter markets Limited Partnerships Real Estate (other than through publicly traded REITS, or similar investment entities that satisfy the Equity Guidelines above)

Performance Management

The Investment Manager will report to the Investment Advisory Committee quarterly on the fund's performance. Such reports will compare the performance of NPC's funds to the performance of the most appropriate indices on a quarterly, one, three and five-year basis. The Investment Advisory Committee will evaluate the investment performance, and, when the Committee deems it appropriate to do so, make recommendations to the Finance Committee concerning retention of the current Investment Manager, on the basis of such performance comparisons, taking into account differences between North Presbyterian Church's investment objectives and the objectives reflected in the market indices.

Contributions

Contributions of investment assets (such as equities) to the funds shall not be subject to or considered a part of the above investment policies until such time as such investment assets are free of restrictions or other encumbrances restricting the sale or transfer by of such investment assets, as for example, restricted stock.

Reporting Requirements

The Finance Committee shall report to the Session at least quarterly on the performance of the funds and other assets.

The Investment Manager will meet with the Investment Advisory Committee a minimum of twice a year to review investment performance and compliance with the Investment Policy. More frequent meetings may be scheduled at the discretion of either the Committee or the Investment Manager. At a minimum, the investment manager shall provide written quarterly updates.

New York Prudent Management of Institutional Funds

NYPMIFA – New York's version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") – governs the management and investment of funds held by not-for-profit corporations and other institutions. It replaces and updates key provisions of the Uniform Management of Institutional Funds Act ("UMIFA"), which was adopted in New York in 1978.

NYPMIFA makes important changes to the rules governing the spending of endowment funds – funds that are not wholly expendable on a current basis due to donor-imposed restrictions on spending. In particular, and unlike prior law, it allows institutions to spend endowment funds below their original dollar amount ("historic dollar value") without court approval or Attorney General review, if the institution's board of directors concludes that such spending is prudent. NYPMIFA also provides standards for the prudent management and investment of institutional funds, the delegation of management and investment functions to outside advisors, and procedures for lifting or modifying donor-imposed restrictions on the management, expenditure or use of institutional funds.

The Act provides that each person responsible for managing and investing an institutional fund "shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances."

For endowment gifts made after September 17, 2010, the Act creates a rebuttable presumption of imprudence if an institution appropriates more than 7% of the fund's fair market value (averaged over a period of not less than the preceding five years) in any year. The presumption of imprudence does not apply to appropriations permitted by law or by the gift instrument. An appropriation of more than 7% of an endowment fund's value in any year is not presumptively prudent.

NYPMIFA sets forth legal standards that govern the delegation of management and investment functions by boards of directors to agents outside of the institution (external agents). The Act requires that boards use prudence in selecting, continuing or terminating an agent, and that they consider, among other things, the agent's independence including any conflicts of interest that such agent has or may have. The Act provides that, subject to any specific limitation set forth in a gift instrument or another law, an institution may delegate to an external agent the management and investment of an institutional fund to the extent that such a delegation is prudent under the circumstances. In order to delegate prudently, an institution must act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.

In performing a delegated function, an external agent owes a duty to the institution to exercise reasonable care, skill and caution to comply with the scope and terms of the delegation. The Act continues to require that any contract that delegates a management or investment function to an external agent must provide that the contract may be terminated at any time, without penalty, with up to 60 days prior notice.

Accordingly, The Session of North Presbyterian Church and its designees will exercise good faith efforts and prudence to manage endowment institutional funds in accordance with NYPMIFA.

Spending Policy

The Session of North Presbyterian Church will monitor any endowment funds and funds acting like endowment funds performance and establish a spending policy based on the endowment funds' past appreciation performance, not to exceed 7% of the fund's fair market value. Invested general funds will be used as established when the funds were collected or at the discretion of the Session. The Session will re-evaluate the Church's spending policy on an annual basis.

Conclusion

The aforementioned guidelines are intended to ensure that a responsible balance is maintained between fiduciary, ethical and mission responsibilities of North Presbyterian Church.