

**Effective Date:
November 15, 2016**

**River Road Unitarian Universalist
Congregation**

ENDOWMENT COMMITTEE CHARTER

PREFACE

This Endowment Committee Charter (“Charter”) has been approved by the Board of Directors (“Board”) of the River Road Unitarian Universalist Congregation (“Congregation”) and is effective as of the date indicated above to govern the Congregation’s Endowment Committee established pursuant to Section 7.7(d) of the Congregation’s Bylaws (as amended June 7, 2015). This Charter may be amended from time to time by affirmative vote of a majority of Board members. To the extent there are any inconsistencies between this Charter and the Bylaws or Maryland law now or in the future, the Bylaws or Maryland law (as applicable) shall govern.

The Congregation has established an Endowment Fund, the purposes of which are specified in Section 7.7(a) of the Bylaws:

- “1. To expand the mechanisms by which individuals, groups, and organizations can contribute to the Congregation.
2. To provide a fund the income from which may be used to promote liberal religion in special ways as appropriate and to meet extraordinary expenses of the Congregation, as defined by the Board; and
3. To provide financial resources for the Congregation in the event of an extreme financial crisis”

Section 7.7(c) states that principal from the Endowment Fund “shall not be distributed or used other than to produce income,” except that “in circumstances of extreme financial crisis” the Board and Congregation may approve expenditure of principal and further that principal from a specific gift may be expended if the terms of the gift allow it.

The Endowment Fund has been funded, in whole or in part, through donor-restricted gifts of past or current members of the Congregation. The Board acknowledges that, because the Congregation is a not-for-profit religious organization and the Endowment Fund has been sourced at least in part through donor-restricted

gifts, the Endowment Fund is an “endowment fund” within the meaning of Section 15-401(C) of the Maryland Uniform Prudent Management of Institutional Funds Act (“UPMIFA”).¹ Although some gifts to the Endowment Fund may have come from the Congregation’s own assets or from non-restricted gifts, all gifts to the Endowment Fund shall be treated as donor-restricted and, therefore, the entire Endowment Fund shall be deemed subject to UPMIFA. All future gifts to the Endowment Fund similarly shall be treated as donor-restricted and subject to UPMIFA. It is the intent of the Board not to attempt to segregate restricted from unrestricted gifts within the Endowment Fund.

The Board acknowledges that it has legal duties to the Endowment Fund under Section 15-402 of UPMIFA, including duties of loyalty and care and to “manage and invest the [Endowment Fund] exercising ordinary business care and prudence.”² In accordance with UPMIFA Section 15-404(E), the Board hereby delegates to the Endowment Committee, and the Endowment Committee accepts, authority to act on the Board’s behalf to administer and manage the Endowment Fund and to undertake such other duties and responsibilities as may be assigned to the Endowment Committee by the Bylaws, this Charter and the Board. The Endowment Committee’s mission is to oversee the investment of the Endowment Fund and encourage gift-giving for the long term benefit of the fund and the Congregation.

For accounting purposes, the value of the Endowment Fund is subdivided into two categories: Temporarily Restricted and Permanently Restricted values.³ The value of donor gifts to the Endowment Fund, including any gifts of the Congregation’s own

¹ Md. Code tit. 15 § 15-401 *et seq.*, available at: <http://law.justia.com/codes/maryland/2015/article-get/title-15/subtitle-4/>. Under UPMIFA, an “endowment fund” of a religious or other charitable organization is “an institutional fund or part of an institutional fund that, under the terms of a gift instrument, is not wholly expendable by the institution on a current basis.” UPMIFA distinguishes endowment funds (for which UPMIFA imposes legal duties) from the institution’s own financial assets (which UPMIFA does not regulate). Under Section 7.3 of the Bylaws, the Congregation’s Investment Committee is responsible for managing the Congregation’s reserves and other financial assets not subject to UPMIFA (including, potentially, other funds established by the Board pursuant to Bylaws Section 7.7(h)).

² Maryland patterned UPMIFA off a model act from the NCCUSL with the same name (*see* http://www.uniformlaws.org/shared/docs/prudent%20mgt%20of%20institutional%20funds/upmifa_final_06.pdf). Maryland’s UPMIFA statute is virtually identical to the NCCUSL’s model act (*see* <http://mgaleg.maryland.gov/2009rs/bills/hb/hb0200e.pdf>, showing changes between UPMIFA as adopted by Maryland and the NCCUSL’s model act, including with respect to the duties owed by an institution under Section 15-402). Although not binding, the Board considers guidance from the NCCUSL to be persuasive regarding the meaning of Maryland’s UPMIFA statute.

³ *See* River Road Unitarian Universalist Congregation Audited Financial Statements for the Year Ended June 30, 2015, Note 7.

assets, are treated as Permanently Restricted.⁴ This is the Endowment Fund's "principal." The value of the Endowment Fund over and above this principal amount is "accumulated income," which is Temporarily Restricted. The Congregation's bookkeeper shall maintain records of the Endowment Fund's Permanently Restricted and Temporarily Restricted values over time.

SECTION 1: GENERAL

1. The Endowment Committee shall be composed of three members of the Congregation in good standing.⁵ Each member shall be accorded one vote. The Treasurer shall be a non-voting member of the committee. Additional non-voting members may be appointed at the Board's discretion. Voting members shall serve for three-year terms, with one voting member appointed every year. The Board must approve each voting or non-voting member, and may remove a member for malfeasance or negligence, in the Board's discretion. The Board shall promptly fill any vacancies.
2. No decision of the Endowment Committee is valid unless approved by at least two voting members. In the event two voting members cannot agree (or if the committee is possessed of only one voting member), the committee may not act and instead shall present all issues to the Board for decision or other resolution.
3. The Endowment Committee shall appoint one voting member to be Chair. The Chair shall be responsible for: (i) representing the Endowment Committee to the Board and to the Congregation; (ii) presenting reports to the Board; (iii) presenting an annual report to the Congregation; (iv) convening committee meetings; (v) issuing trading instructions for the Endowment Fund portfolio to the Treasurer or other individual appointed by the Board; and (vi) such other duties as may be assigned by the Board, Bylaws or other Congregation policy. The Endowment Committee shall appoint one voting member (who may not also be Chair) to be Secretary. The Secretary shall be responsible for: (i) keeping records of Endowment Committee meetings as outlined in this Charter; (ii) maintaining quarterly account statements of the Endowment Fund; (iii) maintaining records of gift-giving to the fund; and (iv) such other responsibilities as may be assigned by the Endowment Committee Chair, the

⁴ It is the determination of the Board that any Congregation gifts to the Endowment Fund should be treated as Permanently Restricted along with donor gifts. Congregation gifts thus would lose their Unrestricted accounting status by virtue of being deposited into the Endowment Fund.

⁵ See Bylaws Section 7.7(e).

Board or other Congregation policy. The Secretary may maintain records in any manner that reasonably safeguards the information and shall deliver the records to his or her successor upon completion of the term as Secretary (or to the Chair, if no successor has been appointed).

4. The Endowment Committee shall hold meetings at least quarterly. Meetings must have at least two voting members in attendance. Attendance may be in-person or by telephone. Endowment Committee meetings shall be open to any member in good standing of the Congregation, though meetings need not be publicized.
5. The Secretary (or another committee member in the absence of the Secretary) shall keep a record of each meeting, which may, but need not be, recorded as formal minutes, to document the date of the meeting, attendees (including whether in-person or telephonic), issues discussed, and votes taken. For every vote taken, the Secretary shall record each voting member's decision: Yes, No, or Abstain. After each meeting, the Secretary shall circulate his or her completed record of the meeting for review by the other voting and non-voting committee members in attendance. The record of the meeting shall become final upon approval by a majority of voting members present at the meeting (with any dissenting vote noted).

SECTION 2: THE ENDOWMENT FUND

1. As outlined in the Preface to this Charter, the Endowment Committee shall administer and manage the Endowment Fund on behalf of the Board in accordance with this Charter, the Bylaws and UPMIFA. The members of the Endowment Committee shall do so with loyalty, in good faith, and with at least ordinary business care and prudence. In accordance with UPMIFA Section 15-402(E)(7), any Endowment Committee voting or non-voting member with special skills or expertise (or who represents himself or herself as having special skills or expertise), shall exercise such skills or expertise in administering and managing the Endowment Fund.
2. The voting and non-voting members of the Endowment Committee shall be indemnified and held harmless to the maximum extent permitted by law in connection with their execution of their duties to the Endowment Fund.
3. The Endowment Fund shall be maintained at one or more registered financial institutions authorized by law to custody financial assets.

4. The Endowment Committee may, but need not, rely on the advice of an external financial adviser in administering and managing the Endowment Fund. The Endowment Committee may not retain an adviser itself, however; only the Board may do so. If the Board retains an external financial adviser, it shall do so in accordance with UPMIFA Section 15-404. (In accordance with UPMIFA Section 15-404(C), though, retaining an external financial adviser shall not abrogate or otherwise limit the Board's and the Endowment Committee's duties and responsibilities with respect to the administration and management of the Endowment Fund.)
5. The Endowment Committee is authorized to invest the Endowment Fund in any of the following types of securities or financial instruments: bank deposits; certificates of deposit; money market funds; open-end management investment companies ("mutual funds"); closed-end management investment companies ("closed-end funds"); a common endowment fund such as the Unitarian Universalist Common Endowment Fund; business development companies ("BDCs"); non-levered exchange traded funds ("ETFs") or exchange-traded notes ("ETNs"); common or preferred corporate equities that trade on a national securities exchange; government or corporate debt securities, including convertible securities; and exchange-traded real estate investment companies ("exchange-traded REITs") or master limited partnerships ("exchange-traded MLPs"). These permissible investments may be domestic or foreign in nature. All other financial instruments or assets may be held by the Endowment Fund only with Board approval. For the avoidance of doubt, the following types of investments require Board approval (though it is not anticipated the Endowment Fund would hold these types of assets): stocks traded over-the-counter on the "pink sheets"; leveraged ETFs, ETNs or funds; options; futures; forwards; swaps or other derivatives; mortgage-backed securities, collateralized debt obligations, or other structured products; commodities; collectibles; real property; intellectual property; interests in a general partnership; or interests in an unregistered fund, such as a hedge fund, private equity fund or venture capital fund.

SECTION 3: ENDOWMENT FUND INVESTMENT PLANS

1. The Endowment Committee shall prepare an Investment Plan for the Endowment Fund at least annually. The Investment Plan shall be developed in accordance with the diversification and other considerations outlined in UPMIFA Section 15-402(E) and shall contain at least the following components:
 - (i) A narrative overview of the Endowment Committee's assessment of current economic conditions and an investment outlook;

- (ii) Recommended asset allocation ranges for the Endowment Fund across four basic asset types – Cash (or cash-equivalents), Common Stock, Fixed Income, Other Assets – and a fifth, Diversified Investments; and,
 - (iii) A portfolio of planned investments, including target allocations thereto, within each of the five asset types.
- 2. All assets in the portfolio of planned investments must be categorized into one of the five asset types (Cash (or cash-equivalents), Common Stock, Fixed Income, Other Assets, or Diversified Investments). The Endowment Committee has discretion to categorize investments into these five asset types, subject to the following guidance. Money market funds will be treated as Cash. A mutual fund, ETF, ETN or other pooled investment vehicle that is ordinarily invested at least 80% (or that tracks an index allocated at least 80%) to stocks, bonds, or another asset class is: Common Stock, Fixed Income, or Other Assets, respectively. Contrarily, a fund or pooled investment that is allocated across multiple asset classes such that none of stocks, fixed income or other assets ordinarily constitutes at least 80% of the fund’s assets is a Diversified Investment. With respect to diversification of the Investment Plan for purposes of UPMIFA Section 15-402(E)(5), Diversified Investments will be treated as *per se* diversified. It is anticipated that Investment Plans ordinarily will not allocate more than 60% of the Endowment Fund’s non-diversified assets to any one of the remaining four asset types (Cash, Common Stock, Fixed Income, or Other Assets).
- 3. Upon the Endowment Committee’s completion of a proposed Investment Plan, the Chair shall present the plan to the Board for consideration. The Board may approve, approve with modification, or disapprove the proposed Investment Plan. If the Board disapproves, the Endowment Committee shall reconvene and prepare a new Investment Plan for presentation to the Board. Upon the Board’s approval of an Investment Plan, the Endowment Committee shall administer and manage the Endowment Fund in accordance with the Investment Plan until such time as the Board approves a new Investment Plan.
- 4. The Endowment Committee is authorized to buy, sell or hold Endowment Fund assets in the committee’s discretion consistent with the terms of a Board-approved Investment Plan and this Charter. The Endowment Committee may invest in an asset not named on an Investment Plan’s portfolio of planned investments, though if the Endowment Committee does so the Endowment Committee Chair shall notify the Board Chair. The Endowment Committee shall

ensure the Endowment Fund's investments remain within the asset allocation ranges specified by an Investment Plan. The Endowment Committee may not depart from the asset allocation ranges in an Investment Plan without approval of the Board.

5. It shall be the responsibility of the Treasurer or, in the Treasurer's absence, another person duly appointed and authorized by the Board to issue appropriate trading instructions to execute the transactions approved by the voting members of the Endowment Committee under this Charter. It is anticipated that securities trades will ordinarily be executed pursuant to market orders or limit orders. Trading instructions should seek to minimize transaction costs, though this Charter imposes no duty to seek best execution. The Treasurer or other duly appointed and authorized person shall be indemnified and held harmless to the maximum extent permitted by law in connection with their execution of transactions under this policy.
6. It is the expectation of the Board that, in preparing and executing an Investment Plan, the Endowment Committee will be guided by issues of socially responsible investing. For purposes of administering and managing the Endowment Fund, socially responsible investing means avoiding investments from issuers that, whether in the U.S. or abroad, violate human or animal rights, engage in unfair labor practices, violate environmental laws, or operate in the alcohol, tobacco, firearms, defense or gambling industries.

SECTION 4: ANNUAL EXPENDITURES OF INCOME FROM THE ENDOWMENT FUND

1. The Board has authority under Section 7.7(f) of the Bylaws to determine the amount of income to expend from the Endowment Fund and the specific uses to which such expenditures shall be made. Section 7.7(a)(2) states income must be used "to promote liberal religion in special ways as appropriate and to meet extraordinary expenses of the Congregation, as defined by the Board." UPMIFA enforces these purposes. Pursuant to UPMIFA Section 15-405(C), the Board will not change, or seek to change, the purposes of the Endowment Fund expressed in the Bylaws without notice to the Maryland Attorney General's office and approval of a Maryland court of law.
2. UPMIFA Section 15-403(D) specifies how annual expenditures from the Endowment Fund shall be computed. In accordance therewith, the Chair of the Endowment Committee shall annually, at such time as the Board may request, notify the Board Chair of the Fair Market Value of the Endowment Fund. The

Fair Market Value of the Endowment Fund shall be calculated as the average of the ending market values of the Endowment Fund for the twelve most recently completed quarters. The Board may in its discretion then determine a percentage of this Fair Market Value to assess for annual expenditure from the Endowment Fund. In accordance with UPMIFA Section 15-403(A), the Board shall ensure its decision is prudent and consistent with the uses, benefits, purposes and duration of the Endowment Fund.

- a. It is anticipated that the Board will ordinarily assess no more than 5% of the Endowment Fund's Fair Market Value annually for expenditure.
 - b. In accordance with UPMIFA Section 15-403(D)(3), the Board shall notify the Maryland Attorney General's office if the Board assesses more than 7% of the Endowment Fund's Fair Market Value for expenditure within one year.
 - c. The Board may not assess an amount for annual expenditure that would result in the Endowment Fund's accumulated income falling below \$0.
3. Upon the Board's assessment of annual expenditure from the Endowment Fund, the Endowment Committee shall execute such asset sales from the fund as may be necessary. The Treasurer shall then arrange for the transfer of cash in the amount assessed by the Board from the Endowment Fund to a Congregation account for expenditure at the Board's direction.

SECTION 5: EXPENDITURES OF PRINCIPAL FROM THE ENDOWMENT FUND

1. In accordance with Section 7.7(c) of the Bylaws, the Endowment Fund's principal may be expended only if (i) the terms of specific gift allow it, or (ii) the Board and the Congregation approve the expenditure in circumstances of extreme financial crisis.
 - a. If the terms of a specific gift allow for expenditure of principal, the Board must authorize any such expenditure. The Endowment Committee has no authority on its own to expend principal from the Endowment Fund.

SECTION 6: GIFT GIVING

1. The Endowment Committee shall encourage gift giving to the Endowment Fund and to the Congregation's reserves as directed by the Board or other Congregation policy. The Endowment Committee shall maintain records of gift giving, and the Chair shall present reports, as may be requested by the Board.

SECTION 7: ADDITIONAL ENDOWMENT FUNDS

1. The Board may in its discretion assign or establish additional institutional funds to be managed as endowment funds by the Endowment Committee.⁶ (The Board might do so, for instance, if a gift required funds to be managed in accordance with UPMIFA but the funds could not be consolidated into the Endowment Fund.)
2. If additional endowment funds are established, the Endowment Committee shall administer such funds in accordance with the standards outlined in this Charter to the maximum extent possible consistent with any purposes, covenants or other restrictions that may be imposed upon such funds. In accordance with UPMIFA Section 15-402(D), additional endowment funds may be incorporated into the Endowment Fund's Investment Plan, though assets and income from the Endowment Fund and every other fund shall always remain separate.

⁶ See Bylaws Section 7.7(h).