

PRESBYTERY OF EAST IOWA FINANCE, INVESTMENT AND FUNDING POLICIES

INTRODUCTION

It is the intent of the Presbytery of East Iowa that these policies replace and supplant any and all previously enacted policies, procedures or guidelines relating to finance, investments, and asset management of the Presbytery, and upon the adoption of this consolidated policy documents, such previously-enacted policies, procedures and guidelines are repealed and shall be null and void.

In the event of any conflict or inconsistency between this consolidated policy document and the current version of the *Book of Order of the Presbyterian Church, U.S.A.* or applicable Iowa Code, the provision of the *Book of Order* or state law shall take precedence. Specific instances of possible conflict, inconsistencies or of previously enacted policies, procedures or guidelines not expressly addressed in this consolidated policy document shall be brought to the attention of the Presbytery Coordinating Commission in writing. The PCC shall direct the Stated Clerk to report any such occurrences to the Presbytery, together with its recommendation as to any necessary response or action to be taken.

All presbyters (Ruling and Teaching Elders) are encouraged to periodically remind the sessions of the churches with which they have association of the policies contained herein and of the polity and financial principles which lie behind these policies by which the Presbytery regulates its financial practices within covenant community.

A. PRESBYTERY FUNDING POLICIES

THE PRESBYTERY BUDGET

1. The Trustees shall develop a draft of the Presbytery budget with full contribution from all commissions, committees, task forces, officer and staff. The draft budget shall be submitted to the Presbytery Coordinating Commission, which shall review the budget in the context of the Presbytery's strategic priorities, after which it shall recommend a proposed

budget document to the Presbytery for consideration and approval according to the requirements stated in the *Presbytery of East Iowa Bylaws*. The adopted budget shall be considered the first priority for mission funding from member churches in their individual budget deliberations.

2. Funding for annual budgets come from two sources: per capita and mission funding.

Per Capita: What it is and what it funds

The Westminster Confession of Faith says, “All believers are, therefore, under obligation to sustain the ordinances of the Christian religion where they are already established, and to contribute by their prayers, gifts, and personal efforts to the extension of the Kingdom of Christ throughout the whole earth” (The Book of Confessions, 6.058). Per capita is a fundamental way in which all of the nearly 11,000 congregations and mid councils of the Presbyterian Church (U.S.A.) are connected and participate in the work of the wider church. Because it is rooted in the connectional and covenantal nature of the Presbyterian Church, as affirmed by the ordination vows taken by elders and ministers of the Word and Sacrament, per capita could be called the Presbyterian Covenant Community Fund. Per capita dollars help the church be the church and are related to the functions of the Stated Clerk through actions of the General Assembly.

Per capita funding makes possible the following denominational initiatives:

- General Assembly Meetings--planning for General Assemblies and other related gatherings through the GA Meeting Service

- Permanent and special GA committees and commissions staffing, training, and meeting costs for the:

- Committee on the Office of the General Assembly
- GA Committee on Representation
- GA Nominating Committee
- GA Committee on Ecumenical and Interreligious Relations
- GA Permanent Judicial Commission
- Advisory Committee on the Constitution
- Advisory Committee on Litigation
- Presbyteries' Cooperative Committee on Examinations
- Stated Clerk Nomination Committee

- Vocational Matters--providing support in identifying and developing leadership for the PC (USA) and the whole body of Christ through the Office of Vocation, preparation for ministry and ordination exams
- Church Leadership Connection--a Web-based matching and referral system for all Presbyterian church leaders
- Immigration issues--communicates with presbyteries, synods, PC (USA) entities, and ecumenical agencies on immigration issues and policies; offers advice and counsel to presbyteries and pastors whose members have immigration issues or questions
- Presbyterian Historical Society--collects, preserves, and shares information on American Presbyterianism; encourages appreciation of the church's heritage
- Constitutional Services--maintains judicial and legislative services required by the PC (USA) Constitution; helps to interpret the Constitution
- Moderator of the General Assembly--coordinates the schedule and ministry of the GA Moderator and Vice-Moderator
- Communications--coordinates development and implementation of the electronic system used to access GA business; maintains the OGA Web site; coordinates communication from the Stated Clerk, GA Moderator, and other areas of OGA to the PC (USA) and beyond
- PC (USA) Statistics--preparation of annual statistics that include the number of congregations, number of church members, summary of finances and other related data
- Mid Council Relations--partnering with presbyteries and synods in the work of the church
- Representation--coordinating accountability for openness, working for full participation and inclusion
- GA Publications--publication and distribution of the *Book of Order* and the *Book of Confessions*, the *GA Minutes*, and other GA-related reports, studies and publications
- Leadership Development--includes national elders conference, moderators conference, polity conference, Christian educator certification, support for committees on ministry and committees on preparation for ministry
- PC (USA)'s Participation in the Ecumenical World coordinates the ecumenical responsibilities of the OGA and the Stated Clerk; extends the church's mission efforts and our work for peace and justice far beyond what we can do by ourselves; promotes Christian unity includes the National Council of Churches of Christ, World Council of Churches and the World Communion of Reformed Churches

- Office of the General Assembly--one of six agencies of the PC(USA), this agency is under the direction of the Stated Clerk; provides for the overall coordination of work of the GA between meetings and assists the Stated Clerk in carrying out the duties assigned to the Stated Clerk by the GA
- A portion of the activities of the Presbyterian Mission Agency executive director's office, including PMA board meetings, advisory and advocacy committees, task forces, legal services and communication

Pledged Giving (formerly known as Unified Mission Giving)

Annually member churches develop their budgets for supporting the operation of the Presbytery and missions of the PC (USA) through their pledges to Pledged Giving, formerly known as Unified Mission Giving (Undesignated). At the last meeting of each calendar year, the budget proposal includes the breakdown of Pledged Giving to the Presbytery of East Iowa, the Synod of Lakes and Prairies, and the General Assembly. For example, for the 2014 calendar year, the Presbytery voted to send General Assembly 20%, the Synod of Lakes and Prairies 10% and to retain 70% in the Presbytery of East Iowa. Each denominational council has historically used a portion of the monies received to fund administrative costs.

Special Offerings

The Presbytery shall continue to mark as a priority the encouragement of churches to respond with generosity to the Special Offerings of the General Assembly as opportunities for partnership, learning and witness within the covenant community of the Presbyterian Church (U.S.A.). The four designated special offerings are the Pentecost Offering, the Peace and Global Witness Offering, the Christmas Joy Offering, and the One Great Hour of Sharing. The Presbytery also encourages congregations to support other similar denominational appeals for mission and witness as these may arise.

The Presbytery may, from time to time, authorize the collection of special offerings at stated or called meetings to support ministries and agencies that are not currently supported by the mission budget. In particular, the Presbytery seeks to respond to new opportunities for mission or to emergency or special need situations in which the Presbytery may minister to others.

PRESBYTERY CAPITAL FUND AND BUILDING POLICY

The Presbytery encourages congregations that choose to enter into capital fund or building programs to prioritize the mission of the whole church in their planning processes. The *Book of Order* requires the Presbytery to approve all capital campaigns of member churches, all applications for building funds, and all property transactions. Information and applications for these initiatives are available from the Presbytery Stated Clerk. The Presbytery Trustees, who shall make a subsequent recommendation to the Presbytery for approval, will consider received applications. Since this process may require significant time to assemble necessary information, sessions should allot sufficient time in their planning process. Well in advance of beginning this process, each session should obtain a copy of the *Guidelines and Procedures for Review of Congregational Capital Development* from the Presbytery Stated Clerk for study.

B. PRESBYTERY FINANCE AND FIDUCIARY TRUST POLICY

BACKGROUND

During their audit of the Presbytery's books in 2012, the firm of Bauman Associates, Inc. strongly recommended in their Management Letter that the Presbytery adopted a written policy document governing the financial activities of the Presbytery, including Camp Wyoming. This document is intended to function as such a policy statement.

INTRODUCTION

This section establishes guidelines and policies applicable to the areas of cash management, income receipt, disbursements, payroll, tax returns, accounting, per capita, and records retention. The purpose of this section of the consolidated policy document shall be to insure that the Presbytery practices responsible stewardship of its financial resources, produces timely, complete, accurate and understandable reports of its financial status and projections, and transparency in all financial transactions.

FUND DESIGNATION

The Presbytery shall clearly distinguish all funds in one of the following fund categories: Donor Restricted Funds, Donor Specific Use Funds, Presbytery Designated Funds and Unrestricted Funds.

- Donor Restricted: The acceptance and management of Donor Restricted Funds shall be subject to the Presbytery's acceptance of the restrictions placed by the donor upon the use of such funds.
- Donor Specific Use: These funds are monies intended by their donors for use by specific groups or to fund specific events.

- Presbytery Designated: Upon action by the Presbytery, specific funds may be designated to be used only for specific purposes to advance the Presbytery's mission strategy as recommended by the Presbytery Coordinating Commission
- Unrestricted Funds: These use of these funds is not restricted by their donors or other funding sources

ACCOUNTING

The Presbytery shall use modified cash basis accounting and shall follow Generally Accepted Accounting Principles (GAAP) in all accounting processes. The General Ledger and all related financial documents shall be kept in a secure manner. The Ledger and supporting documents shall be backed up daily or after each use to prevent loss of data. A copy of the backup shall be kept off-site from the Presbytery office and shall be updated at least monthly.

The Chart of Accounts shall be established and modified by the Finance and Data Manager and the Treasurer at the direction of the Presbytery. Finance reports, such as the Balance Sheet and the Operating Statement, shall be established, formatted, and modified by the Finance and Data Manager and the Treasurer on a monthly basis. The Treasurer shall review the reconciled bank statement on a monthly basis.

To maintain full financial oversight and transparency, the Trustees shall arrange for a financial review or internal audit to be conducted annually and full external audit to be conducted by an independent CPA firm every five years. Financial reviews shall be conducted in accordance with G-3.0113 in the *Book of Order*. Further, in those years during which the Finance and Data Manager leaves employment or the Treasurer leaves office, a full audit, as opposed to the less extensive financial review, shall be conducted.

All income, interest, and dividends from all Presbytery funds and accounts shall be reported on the Operating Statement as they are received. The Presbytery may elect by official action taken at a stated or called meeting to distribute some or all of such interest or dividends to the principal of any Presbytery Investment Funds.

CASH MANAGEMENT

The Finance and Data Manager and the Treasurer will be jointly responsible for the management of all short-term (less than one year) cash needs of the Presbytery. The Finance and Data Manager and Treasurer may move funds

between the checking and savings accounts and/or any short-term cash management funds established by the Presbytery at the direction of the Presbytery through the Trustees as the need dictates. If funds are required to be withdrawn from any Presbytery Investment Funds, the withdrawal may take place only by action of the Presbytery.

PRESBYTERY RECEIPTS

The Finance and Data Manager will post all payments (cash or checks) to the Presbytery. Cash and checks may not be kept in the Presbytery office more than one week. All receipts must be opened and listed for recording the Presbytery's General Ledger by volunteers recruited and trained for this purpose.

Presbytery receipts in the form of securities that are intended to fund operating expenses and mission initiatives shall be converted to cash by the Treasurer and Finance and Data Manager as soon as is practical. The disposition of securities, land, or property donated to the Presbytery or the disposition of Presbytery Designated Funds shall be the responsibility of the Trustees in accordance with Section 9.5 in the *Presbytery Bylaws*. The Trustees shall make recommendations concerning such action to the Presbytery for approval.

PRESBYTERY DISBURSEMENTS

All disbursements from the Presbytery shall be made on-line or via checks drawn on the Presbytery checking account. Presbytery officers are authorized as signatories on vouchers or checks provided at least two different persons function as signatories for any single transaction. The Finance and Data Manager shall record all disbursements in the Presbytery's general ledger. The Finance and Data Manager shall never issue a clank check (payee and/or amount field blank) for any reason.

Recurring expenses, such as rent, utility bills, payroll, payments to Synod and General Assembly, insurance premiums, contract costs, etc. which have been approved via the annual budget process, shall be paid by the Finance and Data Manager with a recurring expense voucher.

Non-recurring expenses, such as committee expenses, travel costs, grants, legal expenses and other single occurrence expenses shall be paid only upon receipt of a voucher with all receipts including credit card receipts attached or upon receipt of invoice. Such vouchers or invoices shall be signed by two Presbytery officers, provided that no officer shall sign an invoice for his or her own expense. Reimbursement for officer and staff mileage will be paid at the IRS business rate.

Reimbursement for committee mileage will be paid at the IRS charitable organization rate.

Blank checks shall be stored in a locked, fireproof file or cabinet.

With the approval of the Trustees and Personnel Committee, Presbytery officers and staff shall be issued a Presbytery credit card to be used for Presbytery business only. Annually, the Trustees will review limits for all Presbytery credit cards and recommend to the Presbytery any changes in limits. Officers and staff shall provide to Finance and Data Manager receipts for all purchases made with Presbytery-issued credit cards.

REPORTS

At the end of each month, the Finance and Data Manager and the Treasurer shall jointly prepare a Balance Sheet and an Operating Statement to be provided to the Trustees for their report to the Presbytery Coordinating Commission. The Finance and Data Manager and the Treasurer are jointly responsible for preparing a full financial report to be communicated to the Presbytery at each stated meeting.

In addition, the Finance and Data Manager jointly with the Treasurer shall prepare monthly reports of all expenditures incurred by Presbytery commissions, committees, and task forces to be provided to the moderators of these groups. On a periodic basis or upon request, the Finance and Data Manager may provide member churches with financial statements related to their mission giving, per capita giving and loan repayments, if applicable.

PRESBYTERY ANNUAL BUDGET PROCESS

For budgeting and reporting purposes, the Presbytery's fiscal year shall be the calendar year.

The Trustees, in consultation with the Finance and Data Manager and the Treasurer, shall prepare a draft of the Presbytery Annual Budget. This draft budget shall be composed from budget proposals submitted to the Trustees from the moderators of each Presbytery commission, committee and task force. The Trustees shall share the draft budget for the upcoming fiscal year with the PCC no later than November 1 of each calendar year for the PCC's recommendation to the last stated meeting of each calendar year for approval by the governing body. As a part of the budget process, the Finance and Data Manager and the Treasurer shall provide the PCC with all current financial information, projected

trends, and any historical data necessary for budget preparation. The Finance and Data Manager will also prepare member church per capita and mission giving calculations to assist the PCC and the Presbytery with the budgeting process. The PCC will include recommended per capita and mission giving amounts in each year's budget proposal.

RECORD KEEPING AND RETENTION PROCESSES

The permanent financial records of the Presbytery shall be kept in secure, fireproof files or cabinets in the Presbytery office. To aid in disaster recovery, the original copies of the following records should also be kept in a secure, off-site location, preferably a lockbox in a financial institution:

- All Federal and State Tax ID numbers
- The Presbytery's incorporation documents and Federal Tax Exempt Status letter
- Account numbers along with the names, addresses, and phone numbers for financial institutions at which the Presbytery has active bank accounts, mutual fund investments and other investment accounts.
- All software version numbers, serial numbers, installation passwords, vendor tech support phone numbers—i.e., all data needed to reinstall software after a disaster
- Copies of major equipment invoices, including serial numbers, date of purchase, and warranty information
- Any other irreplaceable essential documents

RESPONSIBILITIES

The Finance and Data Manager and the Treasurer are responsible for compliance with these policies. The Stated Clerk is responsible for records retention maintenance and for the provision of financial records upon request. The Trustees are responsible for recommending to the Presbytery Coordinating Commission any necessary financial policies and provisions. All financial policies and provisions are placed in effect by vote of the Presbytery.

RECORDS RETENTION GUIDELINES
RECORDS TO KEEP PERMANENTLY <ul style="list-style-type: none">• Articles of Incorporation• Audit Reports• Bank Statements• Brokerage Statements• Stock and Bond Reports• Canceled Checks for significant payment or purchases

<ul style="list-style-type: none"> • Contracts and Mortgages • Correspondence—legal • Depreciation Schedules • Employee Expense Reports • Employee Records • General Ledger • Insurance Policies—current • Insurance Records, Claims, Accident Reports • Minutes Books • Property Appraisals • Property Records • Retirement and Pension Records • Tax Returns and Worksheets • Training Manuals
<p>RECORDS TO KEEP FOR 7 YEARS</p> <ul style="list-style-type: none"> • Canceled Checks for routine transactions • Contracts and Mortgages—expired • Insurance Policies—expired • Invoices from Vendors • Purchase Orders • Stock and Bond Certificates—expired • Subsidiary Ledgers—if any • Telephone Logs • Time Cards
<p>RECORDS TO KEEP FOR 3 YEARS</p> <ul style="list-style-type: none"> • Bank Deposit Slips • Bank Reconciliations • Budgets, Capital Budgets • Correspondence--routine • Internal Reports

C. PRESBYTERY ASSET DISPOSITION POLICIES

INTRODUCTION

The purpose of this investment policy statement is to establish a clear understanding of the investment policy, guidelines and objectives for the invested monetary assets of the Presbytery of East Iowa (PEIA). Such a policy statement is needed to document the rationale for investment decisions, ensure consistency of procedures and practices, and assist with the education of those serving in Presbytery leadership roles about agreed-upon procedures to be employed in the investment of PEIA funds.

ASSET MANAGEMENT GUIDELINES

This comprehensive policy document addresses the management of all PEIA monetary assets, but this specific section focuses upon those assets invested for

long-term growth rather than on that part of the total monetary assets of PEIA managed to provide for short-term or immediate cash needs. Short-term cash investments are defined as those funds contained in checking accounts, savings accounts, money market accounts and short-term bond funds of spanning 12 months or fewer. Funds invested in short-term accounts should total \$200,000 or less and will be regarded as funds to address regular operating needs and to provide emergency cash for unforeseen needs. The Trustees will evaluate short-term funding annually and provide information to the PCC to inform that body's strategic planning.

CAPITALIZATION AND DEPRECIATION POLICY

IRS rules covering asset capitalization and depreciation apply to not-for-profit corporations in the same manner as they apply to for-profit corporations. In response to these rules, the Presbytery of East Iowa affirms the following capitalization and depreciation policy. The Presbytery of East Iowa shall capitalize any item, equipment, or software costing more than \$1,000 and expected to last at least three years. Capitalized items shall be depreciated over their estimated useful lifetimes. The Trustees shall monitor the application of this policy and make appropriate recommendations through the PCC to the Presbytery.

ACQUIRED ASSETS POLICY

This policy shall apply to any assets received by the Presbytery including, but not limited to, assets received by the dissolution of congregations, bequests to the Presbytery, or undesignated gifts to the Presbytery. "Acquired Assets" may include, but shall not be limited to, the proceeds of the sale of real and/or tangible and intangible property, personal property, bank accounts, pledges receives, securities and other investments, cash on hand, and notes and loans receivable.

Any use of Acquired Assets governed by this policy shall be approved by vote of the Presbytery upon recommendation from the Presbytery Coordinating Commission. The PCC shall consult with the Trustees in the formation of this recommendation. In making such a recommendation, the PCC shall take into account the wishes of a dissolving congregation with regard to the use of the particular church assets, and the intention of donors of designated bequests and major gifts in so far as these may reasonably be honored. Further, in making such recommendations, the PCC shall give first consideration to the mission goals of the Presbytery including but not limited to Presbytery-approved mission, redevelopment and revitalization of the ministries of churches within the bounds of PEIA, new worshipping and missional community development, and

Presbytery budget support.

Any expenses incurred by the Presbytery in order to acquire assets shall be reimbursed to the Presbytery funds from which they were taken before any acquired assets are distributed. The assets received under this policy shall be reserved in a fund entitled "Acquired Assets Fund" until the Presbytery approves specific uses of such funds. The Acquired Assets Fund shall be included in the professionally managed Investment Portfolio and shall share in the income and capital gains/losses of these invested funds.

INVESTMENT POLICY

The purpose of this investment policy statement is to establish guidelines for the Presbytery's Investment Portfolio (the "Portfolio"). The statement also incorporates accountability standards to be used for monitoring the progress of the Portfolio's investment program and for evaluating the contributions of the manager(s) hired on behalf of the Presbytery to manage the Portfolio.

This Investment Policy Statement sets forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the Presbytery and any other parties to whom the Presbytery has delegated investment management responsibility for Portfolio assets. The investment policies for the Portfolio contained herein have been formulated consistent with the anticipated financial needs of the Presbytery, and in consideration of the tolerance for assuming investment and financial risk, as reflected in the mission strategy of the Presbytery expressed by the Presbytery Coordinating Commission.

Policies contained in this statement are intended to provide guidelines, where necessary, for ensuring that the Portfolio's investments are managed consistent with the short-term and long-term financial goals of the Presbytery. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the Presbytery. The Trustees will review this Investment Policy Statement at least once per year. Changes to this Investment Policy Statement can be made only by approval of the Presbytery, and written confirmation of the changes will be provided to the Stated Clerk and Presbytery Trustees and to any other parties hired on behalf of the Portfolio as soon thereafter as is practical.

ROLE OF THE INVESTMENT MANAGERS

Investment managers hired on behalf of the Presbytery to manage the Portfolio are acting in a fiduciary capacity with respect to the Portfolio and are accountable to the Presbytery for overseeing the investment of all assets owned by, or held in trust for, the Portfolio.

INVESTMENT OBJECTIVES AND SPENDING POLICIES

The Trust is to be invested with the objective of preserving the long-term, real purchasing power of the assets while providing a relatively predictable stream in support of the Presbytery of East Iowa.

- For the purpose of making distributions, the Portfolio managers shall make use of a total-return-based spending policy, meaning that the Portfolio will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.
- The distribution of Portfolio assets will be permitted to the extent that such distributions do not exceed a level that would erode the Portfolio's real assets over time. The Presbytery will seek to reduce the variability of annual distributions by factoring past spending and Portfolio asset values into its current spending decisions. The Presbytery Trustees will review spending assumptions annually for the purpose of making recommendation to the Presbytery Coordinating Commission concerning whether any changes therein necessitate amending the Portfolio's spending policy, its target asset allocation, or both.
- Periodic cash flow, either into or out of the Portfolio, will be used to better align the investment portfolio to the target asset allocation outlined in the Portfolio Asset Allocation Policy herein.
- Principle funds from the Portfolio may be disbursed only upon recommendation of the Presbytery Coordinating Commission and affirmative vote of the Presbytery in accordance with Presbyterian Church (U.S.A.) polity.

PORTFOLIO INVESTMENT POLICIES AND PRINCIPLES

- The Trustees will review this Investment Policy Statement at least once per year. Changes to this Investment Policy Statement can be made only by approval of the Presbytery, and written confirmation of the changes will be provided to the Stated Clerk and Presbytery Trustees and to any other parties hired on behalf of the Portfolio as soon thereafter as is practical.
- The Presbytery recognizes that the strategic allocation of Portfolio assets across broadly defined financial asset and subasset categories

with varying degrees of risk, return and return correlation will be the most significant determinant of long-term investment returns and Portfolio asset stability

- The Presbytery expects that actual returns and return volatility may vary from expectations and return objectives across short periods of time. While the Presbytery wishes to retain flexibility with respect to making periodic changes to the Portfolio’s asset allocation, the body expects to do so only in the event of material changes to the Portfolio, to the assumptions underlying Portfolio spending policies, and/or to the capital markets and asset classes in which the Portfolio invests.
- Portfolio assets will be managed as a balanced portfolio composed of two major components: an equity portion and a fixed income portion. The expected role of Portfolio equity investments will be to maximize the long-term real growth of Portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of Portfolio equity investments.
- Cash investments will, under normal circumstances, only be considered as temporary Portfolio holdings, and will be used for liquidity needs or to facilitate a planned program of dollar-cost averaging into investments in either or both of the equity and fixed income asset classes.
- Outlined below are the long-term strategic asset allocation guidelines, determined by the Presbytery to be the most appropriate, given the long-term investment objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated across broad asset and subasset classes in accordance with the following guidelines:

Asset Class	Target Allocation
Equity (stocks)*	25-45%
Fixed Income (bonds) and cash equivalent*	55-75%
Individual bonds at investment grade only Scope of portfolio will be comprised of funds with income rather than speculation as the primary goal	

NOTE: For all investments, there will be no more than a 10% presence on the listing within the mutual funds list for any single corporation or corporate entity on the MRTI Divestment List (Presbyterian Church (U.S.A.))

DIVERSIFICATION POLICY

Diversification across and within asset classes is the primary means by which the Presbytery expects the Portfolio to avoid undue risk of large losses over long time periods. To protect the Portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Trustees through the investment managers will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

- For all investments, as noted above, there will be no more than a 10% presence on the listing within the mutual funds list for any single corporation or corporate entity on the MRTI Divestment List (Presbyterian Church (U.S.A.).
- At least 60% of equity (stock) assets must be placed in U.S. (domestic) investments.
- No more than 5% of the total portfolio may be invested in venture capital, real estate, or similar high-risk investments
- With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total Portfolio assets.
- With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or mutual fund shall comprise more than 30% of the total Portfolio assets.
- With respect to fixed income investments, for individual bonds, the minimum average credit quality of these investments shall be investment grade.

REBALANCING POLICY

It is expected that the Portfolio's actual asset allocation will vary from its target asset allocation as a result of varying periodic returns earned on its investments in different asset and subasset classes. The Portfolio will be rebalanced to its target normal asset allocation under the following procedures:

The investment manager will move funds within trust fund families to realign the current weightings closer to the target weightings for the Portfolio. The investment manager will review the Portfolio on a quarterly basis to determine the deviation from target weightings. During these reviews, the following parameters will be applied: If any asset class

(equity or fixed income) within the Portfolio is +/- 5 percentage points from its target weighting, the Portfolio will be rebalanced.

The investment manager may provide a rebalancing recommendation at any time. The investment manager shall act within a reasonable period of time to evaluate deviation from these ranges.

PROCEDURES TO MONITOR PORTFOLIO PERFORMANCE

The Presbytery through its Trustees will monitor the Portfolio's investment performance against the Portfolio's stated investment objectives. At least once per calendar year, the Trustees will formally assess the Portfolio and the performance of its underlying investments by using as a standard the Portfolio's absolute long-term real return objective referenced against a composite benchmark of market indexes weighted according to the expected target assets allocations stipulated in the Portfolio's Investment guidelines.

The Presbytery through the recommendation of its Trustees will evaluate the performance of professional investment managers hired on behalf of the Portfolio using a market-based index appropriately selected or tailored to the manager's agreed-upon investment objective and the normal investment characteristics of the manager's portfolio. In keeping with the Portfolio's overall long-term financial objective, the Trustees will evaluate Portfolio and manager performance over a suitably long-term investment horizon, generally across full market cycles or on a rolling five-year basis. The investment manager(s) shall provide investment reports to the Trustees on a quarterly basis or more frequently as requested by the Trustees on behalf of the Presbytery. The Trustees shall provide the information contained in these reports to the PCC at the next scheduled meeting as a part of their financial report. Each investment manager is expected to be available to meet with the Trustees and/or the PCC once per year to review portfolio structure, strategy, and investment performance.