

PRESBYTERY OF DENVER

Investment Policy

As adopted by Presbytery March 28, 2006

BACKGROUND AND PURPOSE

This statement shall specify the basic investment policy and objectives for the Presbytery of Denver and to establish direction for the management of the portfolio by the Finance and Property Workgroup. It identifies the broad investment strategy to be followed in the investment of the portfolio's assets and any specific limitations on the discretionary authority to be given to the Finance and Property Workgroup. Our investment policy reflects the Presbytery's objective of achieving a significant real return on investments while maintaining a reasonable level of portfolio risk. Another objective of the Presbytery is to treat investment as more than a practical question, but also as "an instrument of mission [that] includes theological, social and economic considerations." (183rd General Assembly, UPCUSA, 1971). As a witness to those considerations, the Presbytery will strive to conform to the General Assembly Divestment List in its investments.

In accordance with the Book of Order and the Articles of Incorporation, the Presbytery of Denver is authorized to receive and administer funds and to invest and reinvest these funds, with absolute discretion, in real or personal property, stocks, bonds or other securities. Such administration shall be consistent with the objectives and purpose for which the Presbytery is organized.

OVERSIGHT OF INVESTMENTS

Oversight of the investment policy shall be delegated to the Finance and Property Work Group of Council, which shall report on investment activities to Council at least annually, or more frequently if needed. This Investment Policy grants the Finance and Property Work Group broad discretion in implementing Presbytery investment strategy and, in order to ensure adequate safeguards are in place to protect Presbytery assets, provides the following limits and restrictions on activities:

1. All investments shall be within bounds of the "prudent person rule".
2. The approval of any two of the following: Treasurer, Chair of Property & Finance Workgroup, Stated Clerk, Presbytery Moderator, Presbytery Pastor are required for any action that would;
 - a) move more than \$25,000 from an investment account and into a more liquid account
 - b) move more than \$50,000 between investment accounts,
 - c) commit funds to an investment for more than 12 months, unless rolling over a prior commitment.
3. New investment accounts may be established only on approval of the Finance & Property Workgroup.

TYPES OF INVESTMENTS

- **LOANS, LOAN GUARANTEES AND SECURITY DEPOSITS TO AND FOR CONGREGATIONS AND PRESBYTERY RELATED AGENCIES**

An important function of Presbytery is to support churches within the Presbytery that are in transition or are new church development projects. Frequently this involves financial support and generally takes one or more of four forms; grants, loans, loan guarantees and security deposits. While gifts are not investment vehicles and, therefore, are not subject to this policy, the other three vehicles are integral parts of our overall investment strategy for Presbytery.

Loans: The Presbytery is not a bank. Commercial loans are the best way for congregations to finance repairs and a combination of commercial loans and loans available from Synod of the Rocky Mountains and the Presbyterian Investment and Loan Program are the best way for congregations to finance expansions or relocations. The Presbytery is however, often the best source for bridge loans or other circumstances where the loan terms would not exceed 12 months. As with all Presbytery investments, these loans must meet prudent investment standards. Among these standards are:

- 1) that any request must come with a current balance sheet and a minimum of two years of financial reports, and
- 2) that the ability to repay is key to any potential approval from the workgroup.

Loans to congregations always require Session approval and a promissory note signed by the Session Moderator and Clerk of Session. Loans are normally executed using market interest rates.

Loan Guarantees: Since loan guarantees can put the Presbytery at considerable financial risk, these requests are processed in a similar manner and carry the same standards for approval as outlined above for loans.

Security Deposits: On occasion, Presbytery entities may be able to obtain more favorable interest rates on loans provided the Presbytery will make a deposit that provides regular interest payments to Presbytery (i.e. The Presbyterian Investment Loan Program). These agreements are generally favorable to the Presbytery, but still carry the basic risk of the loan they are securing and again must be evaluated as loans.

In addition to loans to other Presbyterian institutions, the Presbytery may also make commercial investments:

- **SHORTER TERM COMMERCIAL INVESTMENTS**

The purpose of shorter-term commercial investments is to provide market returns while maintaining the liquidity necessary to run the Presbytery, including all current financial obligations. All these investments should be made with utmost concern for quality. To that end, investments can be made in insured money market funds, savings accounts, repurchase agreements, short-term US Government and agency obligations, and insured bank certificates of deposits. Shorter term investments should be limited to six months budgeted expenditures of the Presbytery.

- **LONGER TERM COMMERCIAL INVESTMENTS**

The Presbytery has a number of reserve accounts where monies may be available for investment for periods in excess of two years. The primary objective for investing these monies is to enhance and preserve the principal value and at the same time take advantage of higher rates of return that may be available. These monies may be invested with the New Covenant family of mutual funds owned and managed by the PC(USA) Foundation or in other similar commercial products.

PERFORMANCE EVALUATION

To evaluate the progress of the Portfolio, investment performance will be reviewed annually. Each portion of the portfolio should be evaluated against comparable commercial products (i.e. the Shorter Term Commercial Investments to the Lehman Brothers Govt/Credit Bond Index and the Longer Term Commercial Investments to the Russell 3000 Index or the Dow Jones Wilshire 5000 Composite (Full Cap) Index). The exception to this formula is the LOANS, LOAN GUARANTEES AND SECURITY DEPOSITS TO AND FOR CONGREGATIONS AND PRESBYTERY RELATED AGENCIES, where favorable interest rates may be given in special circumstances or where the primary reason for the selection of an investment is to secure a loan, not to maximize returns. These investments must be measured with those factors in mind.

ADOPTION

These policies were adopted by the Council of the Presbytery of Denver at its March 07, 2006 meeting and by the Presbytery of Denver at its _____ Assembly.