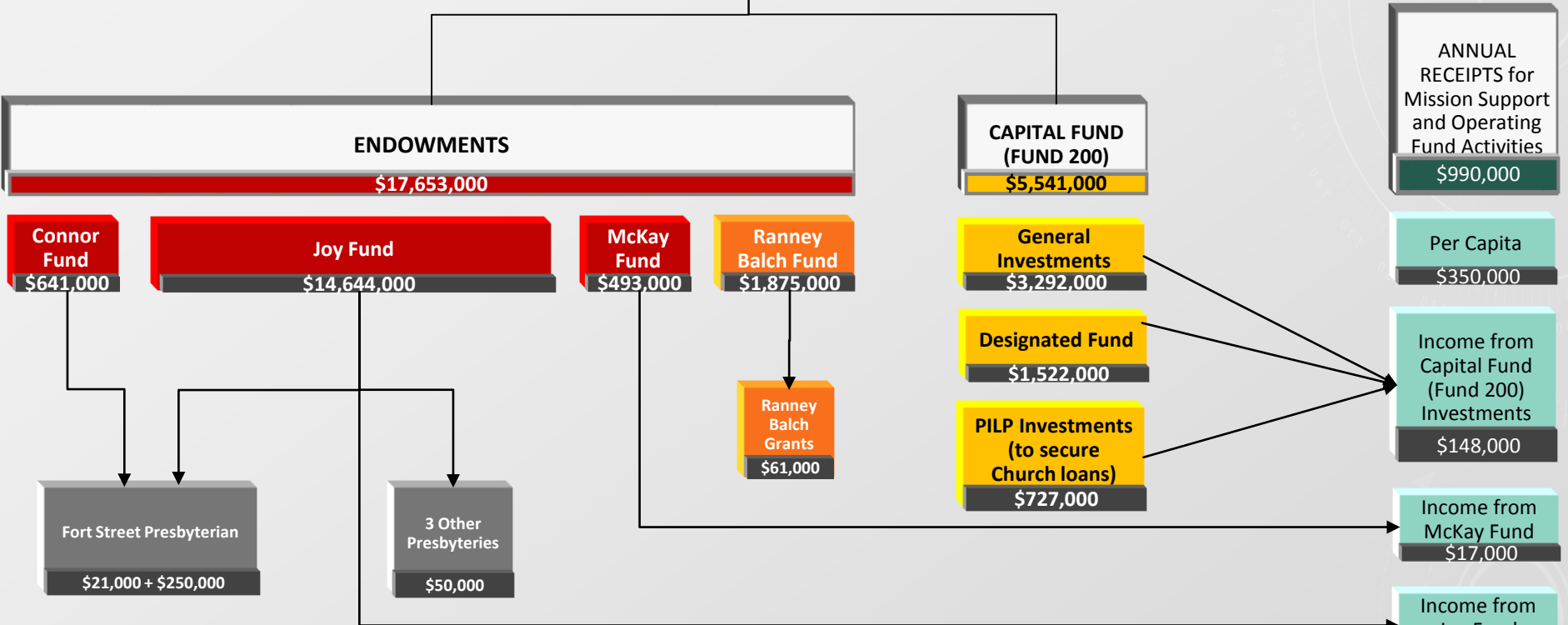


Presbytery of Detroit  
 Total Invested Assets\* (as of 2018-09-30)  
**\$23,194,000**



- Restricted to income only by Will
- Restricted to income only by Trustee Policy
- Presbytery Assets (Fund 200)
- Operating Fund (Fund 100)
- Mission Support (Fund 100)

\* Total POD Assets of \$27,324,000 includes Invested Assets of \$23,194,000 as above, Churches & other Notes Receivables of \$3,781,000 and Cash/cash equivalents of \$349,000.

# **Presbytery of Detroit**

# **Policies and Procedures Manual**

*EXCERPTS FOR PRESBYTERY OF DETROIT FINANCIAL  
OVERVIEW PRESENTATION AT PRESBYTERY MEETING  
ON 2018-11-17*

**Adopted 4/22/03**

**Version 2. 1/28/14 (renumbering and reformatting)**

**T-7. STATEMENT OF INVESTMENT OBJECTIVES, POLICIES AND GUIDELINES.**

*Amended by substitution 6/14/16*

**Statement of Investment Policy - T7**

**Article I. Purpose**

This Investment Policy Statement adopted by the Presbytery of Detroit ((POD) (a tax exempt 501(c) 3 corporation)) Trustees establishes a clear understanding of the values, philosophy and investment objective to be applied to the Investment portfolio (Portfolio(s)). The purpose of the Investment Policy statement is as follows:

- a. To document governance responsibilities and operational policies established for the management of the Portfolio’s assets.
- b. To establish objectives and guidelines for the investment of the Portfolio assets that meet the overall goals of the Presbytery of Detroit.
- c. To outline timing, criteria and procedures to assess on an ongoing basis the Portfolio’s asset management.

**Article II. Definition of Assets to Invest**

- a. Restricted investments are defined as those funds commonly called: #410, James Joy Fund; #430, Connor Fund: # 440 McKay Fund , #420 Ranney-Balch Fund and #200, Designated Fund.
- b. Investments from the above named funds are combined for efficient investment management purposes and are further defined by the following percentages.

**Table 1 – Designated Funds**

<b>Fund Name &amp; Account</b>	<b>Percentage of Total *</b>
• James Joy Fund # 410	76.842%
• Ranney Balch Fund # 420	9.349%
• Connor Fund # 430	3.324%
• McKay Fund # 440	2.584%
• Designated Fund (Capital) # 200	7.901%

\* Based on the agreement (Appendix III) between POD and Fort Street Presbyterian Church (FSPC) the percentages above reflect the asset allocation as of August 17, 2009

- c. Income from the above funds are further defined for purposes of investment income distribution and protection of principal following the formula, below;

**Table 2 – Income Distribution from the above funds**

<b>Fund Name</b>	<b>Fort Street Church</b>	<b>Presbytery of Detroit</b>	<b>Use of Principal</b>
• James Joy #410	50%	50%*	Restricted
• Ranney Balch # 420	0%	100%	Restricted
• Connor # 430	100%	0%	Restricted
• McKay # 440	0%	100%	Restricted
• Designated(Capital) # 200	0%	100%	Unrestricted

\*Presbytery of Detroit distributes, per covenant, to designated beneficiaries.

- d. These investments are also governed by the covenants as originally described by the donors and or the Trustees based on the wishes of said donors. Further, the investments are defined by the State of Michigan, as restricted, or unrestricted as it pertains to distribution of principal.

### **Article III, Additional Unrestricted Investment Assets**

- a) Surplus cash beyond operational needs in fund accounts is also available for investment. The cash includes funds from committee escrow accounts #510 and Shared Mission & per Capita #600. (See the Presbytery of Detroit, Cash Policy T-17 for the definition of surplus cash).
- b) These general funds may be needed for the Presbytery of Detroit funding requirements and therefore the investment style of these funds may differ from the other investment strategies in this policy to enable these operational requirements.
- c) The Investment Committee is also encouraged to invest funds directly into the Presbyterian Investment Loan Program (PILP) for the general benefit of churches of the Presbytery of Detroit.

### **Article IV, Duties/Responsibilities: Board of Trustees**

- a. Under the bylaws of the Presbytery of Detroit (Article II, Section 5, subsection 5bv) The Board of Trustees has the responsibility for managing Presbytery temporarily and permanently restricted funds, in consultation with the Treasurer and the Staff.
- b. The Board of Trustees assigns this management duty to the Investment Committee. The Investment Committee reports in writing at minimum on a quarterly basis to the Board of Trustees regarding performance of the investment funds.
- c. The Investment Committee is composed of a minimum of three current Trustees and the Presbytery of Detroit Treasurer (ex officio). In addition two Elders are appointed by the session from Fort Street Presbyterian Church. The Fort Street representatives have voice and vote in all matters concerning the management of the Connor and Joy Estate Funds. See Appendix III for a copy of the agreement which outlines the relationship between Fort Street Presbyterian Church and the Presbytery of Detroit.
- d. The Investment Committee is empowered to employ the services of an Investment Manager to direct and conduct the daily investment activities as directed and governed by the policies and procedures listed below.
- e. The Investment Committee shall conduct a review of the Investment Manager on an annual basis and at its discretion may choose to issue a Request for Proposal (RFP) for new investment manager.
- f. The Investment Committee shall review annually compliance with the covenants of the donors.

### **Article V. Objectives**

Investment Objective: The objective of the investment policy is to maximize income (dividends and interest) given a level of risk consistent with the preservation of capital and anticipated future cash flow requirements. This objective will be accomplished utilizing an investment strategy of equities, fixed income securities, mutual funds, REITS and money market investments and other approved instruments to participate in rising markets while allowing for adequate protection in falling markets.

### **Article VI. Investment Guidelines**

- a. Management: Management of the asset mix among classes of investment is both necessary and desired. To the extent possible, allocation and diversification of investments among asset classes that are not subject to geopolitical events are desired to limit volatility. Therefore, the goal is to provide an appropriate return to enhance growth of the portfolio and enhance income production. In addition, concentration in single asset classifications and categories is to be avoided.
- b. Funds deposited in FDIC insured accounts may not exceed the current maximum standard insurance per depositor, per bank and for each account ownership category.
- c. All commercial paper investments are limited to A1/P1 rated paper.
- d. Fixed income securities held directly by the portfolio and not via a mutual or common fund **must have** an investment grade credit rating assigned by Moody's and or Standard & Poor's rating services.
- e. Mutual Funds or Common Funds held in the portfolio are subject to the overall risk measurement for the portfolio.
- f. If a rating of any individual security held directly by the investment account is lowered after initial purchase, the Investment Manager will notify the Investment Committee, with an explanation of the credit downgrade and recommended action.
- g. Guiding principles of our organization discourage investing directly in 1.) Tobacco and Liquor companies; 2.) Gambling enterprises; and 3.) Defense contractors. (See Appendix I for specific PCUSA listing).
- h. Turnover – There are no specific guidelines regarding turnover of the portfolio. The Investment Manager is given the flexibility to alter the asset mix and selection adjusting to changing market conditions.
- i. See Appendix II for definitions of financial terms.

**Article VII. Asset Allocation**

The Investment Manager will allocate assets within the following ranges and in consideration of the following target positions:

Target Ranges

Equity Investments	40%-60% (Includes REITS up to 15% of the total)	Fixed
Income Investments	40%-60%	
Cash Equivalents	0% - 5%	

*Amended 3/10/18*

- j. Assets expressly **approved**:
  - 1. Money Market Funds
  - 2. Certificates of Deposit

3. Commercial Paper
  4. U. S. Government Securities
  5. U.S. Agency Securities.
  6. Mortgage Backed Securities
  7. Floating Rate Notes
  8. Real Estate Investment Trusts (REITS)
  9. Asset-backed securities
  10. Corporate Bonds
  11. Mutual Funds (open or closed end)
  12. Preferred Stock
  13. Zero Coupon Bonds
  14. Convertible Securities
  15. Common stock
  16. International equity or fixed income securities
  17. U.S. dollar denominated issues of international agencies, foreign governments and foreign corporations
  18. Foreign Securities or American Depository Receipts(ADR) listed on U. S. Stock Exchanges
  19. Exchange Traded Funds (ETFs)
  20. Common Trust Funds
- k. Assets expressly **prohibited**:
1. Derivatives
  2. Margin or Lending securities
  3. Non-Marketable securities
  4. Private placements
  5. Selling short or short against the Box
  6. Venture Capital

### **Article VIII: Portfolio Performance & Measurement**

- a. **Time Horizon:** The Investment Committee seeks to achieve the objectives stated above over a full market cycle. To that end, investment objectives may be achieved each year. The committee recognizes that the portfolio may significantly over or under perform relative to broad market measures. Consequently, long term investment returns will be measured annually, over a 3 year moving period and a 5 year moving period.
- b. **Benchmarks**
1. Composite: 50% Russell 3000 Index/45% Barclays Int. Gov./Credit Index/5% 90 Day US Treasury Bill
  2. Equities: Russell 3000 Index, MSCI ACWI (ETF benchmark)
  3. REITS: FTSE NAREIT Index
  4. Fixed income: Barclay's Aggregate. *Amended 9/26/17*
- c. **Risk Parameters:** A Beta (as a measure of volatility) no greater than 1.2 as a general guideline for the overall performance of the portfolio.

### **Article IX: Duties/Responsibilities: Investment Manager**

The Investment Manager is responsible for all aspect of managing and overseeing the Investment Portfolio. On an ongoing basis the Investment Manager shall:

- a. Implement the overall investment strategy, including the selection/termination of securities and/or investment managers within these investment policy guidelines:
- b. Monitor the asset mix and allocate assets as of each investment strategy within these investment policy guidelines:
- c. Distribute monthly income pursuant to standing instructions to the Presbytery of Detroit and Fort Street Presbyterian Church.
- d. Provide the Investment Committee with quarterly performance reports:
- e. Assist the Investment Committee at its discretion, with a review of the Investment Policy Statement, including an assessment of the current investment objectives and current asset allocation: and
- f. Supply the Investment Committee with reports and information as reasonably requested.

### **Article X: Reporting/Guidelines/Restrictions**

#### **The Investment Manager shall:**

- a. Have full investment responsibility commensurate with the above policy.
- b. Immediately notify the Investment Committee members via email and in writing of material changes in the economic / financial outlook, portfolio structure, ownership of the investment firm, or senior personnel.
- c. Vote proxies and share tenders in a manner that is in the best interest of the Investment portfolio and consistent with the investment objectives contained herein.
- d. Advise the Investment Committee on the payment of investment fees and have an annual vote by the committee on how fees are to be paid either out of realized gains and or investment income or some combination of both.
- e. Report at a minimum on a quarterly basis to the Investment committee the following:
  1. Market value of funds under management.
  2. Percent return: quarterly, 1 year, 3 year and 5 year annualized: Total and by asset type.
  3. Asset allocation by market relative to ranges specified in the policy
  4. Income payments: quarterly, YTD to POD & FSPC
  5. Current year income estimate and previous year actual income.
  6. Fees: YTD directly invoiced, % of total assets, including fees charged by mutual funds.

**T-11. PRESBYTERY BUDGET PROCESS; USE OF CAPITAL OR ENDOWMENT FUNDS FOR OPERATING EXPENSES.**

- a. General. As a general rule, the Board of Trustees recommends that the Presbytery operating budget be met from operating revenues and income from investments, rather than from the principal of restricted net assets and designated net assets.
- b. Budget Process. In preparing budget submissions, each council or subcommittee shall indicate the source of all funds, which it expects to spend in the next fiscal year. If funding of the subcommittee's activities is expected from a source other than general operating revenues, the council or subcommittee shall consult with the Board of Trustees by no later than September 15 in advance of final approval of the budget as to whether the anticipated endowment or other capital fund will be available for the proposed use for the fiscal year in question.

**T-17 Policy Statement for Cash and Line of Credit**

In the normal business operations of the Presbytery of Detroit cash and cash equivalents are kept in Bank checking and money market accounts.

A minimum cash balance of \$200,000 or as determined by the Treasurer and the Financial Manager for normal business transactions should be kept at all times. (Seasonal requirements may vary)

When cash balances exceed these minimum requirements for a minimum of 30 to a maximum of 60 days these excess funds shall be invested in the general investment funds of the Presbytery of Detroit, as governed by the Board of Trustees Investment policy, (T-7).

The general investments funds will be held in a separate existing account for this purpose and will seek out high quality high yield investment vehicles with low fees.

When it is determined by the Financial Manager and the Treasurer that short term cash will be needed to fund near term cash transactions the bank line of credit will be the first account to be considered to provide short term funds.

If it is determined by the Finance Manager and The Treasurer that the better choice is to sell general investments to raise cash this shall also be permitted with consultation and review of the Investment Group. The total of the general investment fund shall not fall below \$715,000 (to comply with the loan agreement). Transaction costs versus opportunity costs to be minimized where possible.

The Bank Line of Credit will be paid down as cash is received in the normal operations of the Presbytery of Detroit or if required by the sale of investments in the general investment funds.

*Reported to the Presbytery 9/27/16*