

INVESTMENT POLICY OVERVIEW

The Investment Policy of the Presbytery of Prospect Hill (PPH) is adopted to clarify and direct the restricted and unrestricted investments for the PPH. This is directed to support the Mission and Vision of the PPH as prescribed in the most recent publication of the P.C. (U.S.A.) Book of Order, PPH and PPH Counsel direction. In furtherance of this the Investment Policy is enacted to preserve the mission of Christ in the PPH to serve and support the initiatives and sustainability of the PPH.

The Investment Policy of the Presbytery of Prospect Hill (PPH) shall apply to all operating funds and all investment transactions accounted for in the financial statements of PPH. Each investment made pursuant to this Investment Policy must adhere to this written Investment Policy.

INVESTMENT CONTROLS

The PPH Treasurer, in cooperation with the Stated Clerk of PPH, Synod, PPH Budget and Finance (B&F) Committee shall establish a written system of internal control and investment practices. The controls shall be designed to document in B&F minutes fund balances, fund investments and responsibility for follow up to direct specific investment actions. The controls shall provide for receipt and review of the annual financial statements and related reports on internal control structure of all outside persons/entities performing any of the following for this organization:

1. Investing funds
2. Advising on the investment of funds
3. Directing the deposit or investment of funds
4. Acting in a fiduciary capacity for this organization

A Bank, Credit Union or related advisor providing only depository services for cash and/or fully collateralized funds (Certificates of Deposit) shall not be required to provide an audited financial statement and related report on internal control structure.

INVESTMENT OBJECTIVES

The primary objectives are to meet the liquidity and growth, income, or value preservation goals that the presbytery maintains for financial resources allocated across the following purposes:

1. Operating support: Safety and preservation of principal with ready liquidity, transactional control, and immediate accessibility of balance and transactional information.

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2. Dedicated accounts: Safety and preservation of principal with ready liquidity for anticipated use and value preservation against inflationary expectations for funds whose use is not immediately anticipated.
3. Operating reserves: Preservation of value against inflationary expectations with near-term liquidity (3-12 month or laddered).
4. Restricted investments: Growth and income or value preservation as outlined by individual donor or PPH/PPH Counsel-directed fund.
5. Longer-term reserves: Income generation or sustainable capacity for distribution as needed to support anticipated presbytery cash flow or mission and ministry needs. For funds beyond those necessary to support income generation or distribution needs, growth in real (post-inflationary) value over horizon tranches 3-years or greater.

The Treasurer, Stated Clerk, or B&F designee when investing or depositing funds, shall exercise the care, skill, prudence, and diligence under the circumstances when prevailing that a person acting in a like capacity and familiar with such matters would use to attain the investment objectives. This standard requires that when making investment transactions, the Treasurer or B&F Designee shall assure consideration of the role that the investment or deposit plays within the portfolio of assets of the PPH and the investment objectives.

INVESTMENT OF ASSETS

Assets of HFCC may be invested in the following:

1. Interest bearing savings accounts, interest bearing money market accounts, interest bearing checking accounts and checking accounts at any bank providing Federal Deposit Insurance Corporation (FDIC) coverage of deposits or credit union providing National Credit Union Administration (NCUA) coverage of deposits. Such bank/credit union shall be a properly declared depository by the Counsel of PPH. Deposits in any financial institution shall not exceed the depository limits by the FDIC and/or NCUA coverage unless approved by the PPH Counsel.
2. Investment using fund companies or portfolio management based on agreed upon investment management strategies that follow generally accepted socially responsible investing practices.

Currently the fund company of choice for PPH mid-term and long-term investments is “New Covenant Funds” (www.newcovenantfunds.com). The fund investment company can be changed only with action by the PPH Counsel recommendation approved at a properly called meeting of the Presbytery of Prospect Hill.

All instruments eligible for investment are further qualified by all other provisions of this Investment Policy, including investment maturity limitations and diversification requirements.

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Assets of PPH shall not be invested in the following:

1. Reverse repurchase agreement
2. Futures and options contracts

Assets of PPH shall not be invested pursuant to the following investment practices:

1. Trading of securities for speculation or the realization of short-term trading gains, or speculative holdings of non-financial assets.
2. Pursuant to a contract providing for the compensation of an agent or fiduciary based upon the performance of the invested assets.
3. If a fiduciary or other third party with custody of investment transaction records of PPH fails to produce requested records when requested by PPH within a reasonable time, PPH shall make no new investment with or through the fiduciary or third party and shall not renew maturing investments with or through the fiduciary or third party.

Operating Funds must be identified and distinguished from all other funds available for investment. Operating Funds are defined as those funds which are reasonably expected to be expended during the current budget year or within eighteen (18) months of receipt.

INVESTMENT MATURITIES

All investments authorized are further subject to the following investment maturity limitations unless or until otherwise recommended by PPH Counsel and properly approved by the presbytery:

1. The Treasurer or B&F Committee may invest funds of PPH that are not identified as Operating Funds in investments with maturities longer than 18 months. However, all investments of PPH shall have maturities that are consistent with the needs and uses of PPH.
2. Midterm Investments (greater than one but less than 3 years):
 - a. At the time of purchase, no more than fifty percent (25%) of the investment portfolio of PPH allocated to Midterm investments shall be invested in the "New Covenant Income Fund" or its equivalent with the balance of seventy five percent (75%) invested in the "New Covenant Balanced Income Fund or its equivalent.
3. Long Term Investments (greater than 3 years):
 - a. At the time of purchase, no more than sixty percent (60%) of the investment portfolio of PPH allocated to Long Term Investments shall be invested in the "New Covenant Balanced Growth Fund" or its equivalent with the balance of forty percent (40%) invested in the "New Covenant Growth Fund" or its equivalent.

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DIVERSIFICATION OF INVESTMENTS

Where possible, it is the policy of PPH to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In establishing specific diversification strategies, the following general policies and constraints shall apply:

1. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide stability of income and reasonable liquidity.
2. Liquidity practices to ensure that the next disbursement date and payroll date are covered through maturing investments, marketable Certificates of Deposit, U.S. Treasury bills or cash on hand shall be used at all times.

ETHICS AND CONFLICT OF INTEREST

The PPH Treasurer, all PPH officers and members of the PPH B&F Committee of PPH involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Any personal investment or loan in excess of \$250,000 in or with the entity that PPH has declared as a depository or regularly conducts investment business with shall be disclosed to the B&F Committee of PPH. To further preserve and avoid a conflict of interest the investment of funds shall only occur pursuant to action by the B&F Committee and disclosed to the Counsel of PPH.

REPORTING

The Treasurer, Stated Clerk or B&F Committee Chair shall submit quarterly an investment report to the B&F Committee that summarizes recent market conditions and investment strategies employed since the last investment report. The investment report shall set out the current portfolio in terms of maturity, rates of return, and other features and shall summarize all investment transactions that have occurred during the reporting period and compare the investment results with the budgetary expectations.

INVESTMENT POLICY REVIEW

This Investment Policy shall be reviewed every two (2) years, or more frequently as appropriate.