

**UUA GOVERNANCE MANUAL**  
**SECTION 2: LEADERSHIP COVENANT AND EXPECTATIONS**  
**[EXECUTIVE LIMITS]**

**2.8 POLICY TITLE: FINANCIAL CONDITION AND ACTIVITIES**

The President shall not cause or allow ~~situations conditions~~ that would jeopardize the Association's fiscal health ~~or alignment with the Shared Vision (ENDS)~~.

**Comment [DSB1]:** How would this phrase be monitored?

Further, without limiting the scope of the foregoing by this enumeration, the President shall not:

1. Fail to follow Generally Accepted Accounting Principles (GAAP) and the applicable rules of the Financial Accounting Standards Board in the financial reporting and procedures of the Association.
2. Fail to document all financial ~~policies and~~ procedures, or fail to establish clear staff responsibilities for carrying them out.
3. Fail to receive, ~~process, invest,~~ hold, and disburse Association funds in a prudent ~~and timely~~ manner.
4. ~~Fail to follow the Board "INVESTMENT POLICY, UU Common Endowment Fund (UUCEF)" as established by the Board, and shown in Appendix 2.B.~~
5. ~~Fail to follow applicable law, trust documents, and prudent financial management practices in the administration of funds held in trust by the Association for the benefit of member congregations and other entities~~ Fail to follow the Board "TRUST PAYOUT POLICY", as established by the Board, and shown in Appendix 2.C.
6. ~~Establish lines of credit or incur~~ Incur secured debt over ~~\$25,000~~ \$50,000 without prior Board approval.
7. Use donor-restricted funds, including all ~~income and appreciation therefrom,~~ in a manner inconsistent with the terms of the donation-, ~~except that, to offset the costs of providing administrative services that support programs funded with restricted gift and endowment income,~~ the President may charge an overhead fee of ~~not more than 15% on all spending from restricted gift and endowment funds.~~
8. Use Board-restricted funds for purposes other than those established by the Board.
9. ~~Accept or use major donations or special fundraising in a way that compromises the Shared Vision (ENDS).~~
10. ~~Fail to provide timely and transparent financial reporting at an appropriate level for the audience, including:~~
  - A. ~~reports on the use of any budget surplus, including one due to unrestricted gifts and bequests that exceed the budgeted level.~~
  - B. ~~reports on the number of employees on the Association's payroll, and~~
  - C. ~~reports on income, expenses, and balances in restricted gift funds.~~
11. Fail to meet all financial obligations ~~(including payroll taxes) and debt obligations~~ in a timely manner.
12. Fail to monitor revenues and expenses against the Board-approved budget.
  - A. ~~In the current operations budget segment, Should projected revenues be less than budgeted,~~ the President shall ~~make every reasonable effort to avoid~~ not allow an operating deficit. ~~In addition, the President shall not allow spending to exceed 101% of the amount authorized in the Board-approved budget without Board approval of a~~

**Comment [DSB2]:** See 2.8.12.D

**Comment [DSB3]:** I think we can remove the Appendix and leave the details to the discretion of the President, subject to monitoring.

**Comment [DSB4]:** Clarifies that the endowment earnings must be used for the specified purpose of the endowment.

**Comment [DSB5]:** This new phrase eliminates the need for Appendix 2.L.

**Comment [DSB6]:** This duplicates 2.8.13.B.

**Comment [DSB7]:** Assign to Financial Advisor to monitor compliance?

**Comment [DSB8]:** Replaces prior proposal to set FTE limits

**Comment [DSB9]:** Deletion of this phrase makes the policy apply to spending as well as revenue problems.

**Comment [DSB10]:** The "not allow" language would appear to require mass layoffs to avoid a deficit.

**Comment [DSB11]:** This says that spending of large (i.e., over \$250K) unbudgeted gifts needs Board approval. ~~No agreement has been reached with Administration concerning this proposal.~~

**UUA GOVERNANCE MANUAL**  
**SECTION 2: LEADERSHIP COVENANT AND EXPECTATIONS**  
**[EXECUTIVE LIMITS]**

budget amendment.

B. In the Beacon Press budget segment, the President shall follow the Beacon Press Financial Policy (Appendix 2.F).

C. In the General Assembly budget segment, the President shall make every reasonable effort to avoid an operating deficit (after taking into account the surplus or deficit carried forward from the prior year).

D. In the UU Common Endowment Fund budget segment, the President shall follow the Investment Policy (Appendix 2.B) and the Endowment Spending Policy (Appendix 2.H).

E. In the Congregational Properties and Loan Fund budget segment, the President shall make every reasonable effort to avoid an operating deficit, and shall follow the Congregational Loan Policy (Appendix 2.A).

13. ~~Permit the Association to accept gifts of tangible or intangible property that expose the Association to financial or legal risk, or whose acceptance would be inconsistent with the Shared Vision (ENDS) a gift of tangible or intangible property that:~~

A. exposes the Association to financial, legal, or other risk, or

B. is inconsistent with the Shared Vision (ENDS), or

C. commits the Association to spend unbudgeted Association funds as a condition for receiving the gift.

14. ~~Acquire, encumber, or dispose of any real property without prior Board approval, except that the President — Such limitation shall not limit the President's ability to accept and promptly dispose of real property donated to the Association, in accordance with the established gift policy.~~

15. ~~Fail to report the financial activity of General Assemblies in a separate budget segment beginning in fiscal year 2010.~~

A. The President shall not fail to transfer any surplus existing in the GA reserve account at the close of fiscal year 2009 into the GA budget segment.

16. ~~Fail to obtain an~~Fail to cooperate fully with the annual audit of the Association's financial statements reports by a certified public accounting firm with experience conducting audits of organizations of comparable size, or to sign the financial statements and certify that they fairly represent the financial condition and operations of the Association.

17. ~~Fail to follow the policies for payout from the Endowment Trust, as described in Appendix 2.H Endowment Payout Policy.~~

18. ~~Fail to serve as fiduciary for the UUA Employee Benefit Trust, in conjunction with the UUA Financial Advisor and Treasurer (Board Motion 19 April 2009).~~

19. Receive, hold, or disburse any funds that are not reported in the consolidated financial statements of the Association or the UUA Employee Benefits Trust.

20. Allow UUA resources, including staff time, to be used in such way as to be of primary benefit to a private purpose rather than to the Association and its mission.

21. Incur expenses for travel by the President or the President's spouse or partner that:

A. are not submitted to the Financial Advisor for review,

B. include Business Class travel (except on transcontinental or transoceanic trips) or

**Comment [DB12]:** This is new language

**Comment [DSB13]:** See 2.8.12.C

**Comment [DSB14]:** See 3.2.5. Engaging the auditor is a responsibility of the Board, acting through the Audit Committee.

The Section 3 language should also include the substance of this new policy, adopted by the Board in June 2009:

That the Board of Trustees will meet in executive session via Persony in November to receive a report of the Audit Committee that discusses the Association's annual financial audit and the auditors' management letter. Prior to this meeting, the Audit Committee will provide the Board with a written report, for publication on the UUA website, containing the key findings of the audit, including any finding of a serious accounting or management weakness.

**Comment [DSB15]:** The Sarbanes-Oxley law requires corporate CEO's to sign and certify their financials. This is good practice for nonprofits, also.

**Comment [DSB16]:** See 2.8.12.D.

**Comment [DSB17]:** Move 2.8.18 to Section 4, as part of a new policy that I'd call "Delegation of Authority." The Board delegates to the President, the Financial Advisor, and the Treasurer the authority to act as fiduciaries over the UUA Employee Benefit Trust.

**Comment [DSB18]:** Source of this new section is a January 2006 Board motion. This motion also applied the 25% rule to travel by the Moderator. We should have corresponding policy in Section 3.

**UUA GOVERNANCE MANUAL**  
**SECTION 2: LEADERSHIP COVENANT AND EXPECTATIONS**  
**[EXECUTIVE LIMITS]**

First Class travel, or  
C. cause more than 25% of the President's travel budget to be spent for travel by the  
President's spouse or partner.

22. |

**Comment [DB19]:** Prior proposal for a limit on FTE employee count is now replaced with a reporting requirement in 2.8.10.B

**UUA GOVERNANCE MANUAL**  
**SECTION 2: LEADERSHIP COVENANT AND EXPECTATIONS**  
**[EXECUTIVE LIMITS]**

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**APPENDICES**

- **APPENDIX 2.A** ~~Policy on loans for building-related purposes~~[Congregational Loan Policy](#)
- **APPENDIX 2.B** Investment Policy, ~~UU Common Endowment Fund (UUCEF~~
- **APPENDIX 2.C** ~~intentionally left blank (language no longer needed; see 2.8.5)Trust payout policy~~
- **APPENDIX 2.D** ~~intentionally left blank (language no longer needed)~~
- **APPENDIX 2.E** ~~intentionally left blank (replaced by Board Motion Oct 2008)~~
- **APPENDIX 2.F** Beacon Press ~~budgeting policy~~[Financial Policy](#)
- **APPENDIX 2.G** ~~intentionally left blank (moved to ENDS)International vision and policy~~
- **APPENDIX 2.H** Endowment Payout Policy
- **APPENDIX 2.I** Benefit Plan [Eligibility](#) Policy
- **APPENDIX 2.J** Conflict of Interest Policy
- **APPENDIX 2.K** Whistleblower Policy

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**APPENDIX 2.A ~~CONGREGATIONAL LOAN~~ POLICY ON LOANS FOR BUILDING-RELATED PURPOSES**

Full Name of Policy: ~~Board Policy on Loans, Loan Guarantees, and Grants to Congregations for Building-Related Purposes~~

**BACKGROUND:** This Policy was drafted by the work of staff and the Congregational Properties and Loan Committee (CPLC) in 2007, and subsequently adopted by the Board as policy Oct. 2007, and revised in January 2008.

**~~The POLICY~~**

The President is authorized to make loans, issue loan guarantees, and make grants to congregations seeking to buy land for a new building, to build a new building, or to make major improvements to an existing building.

The President shall establish all terms of these programs, subject to the restrictions stated in this policy.

The President shall report to the Board of Trustees annually on these programs.

**Loans**

**UUA GOVERNANCE MANUAL**  
**SECTION 2: LEADERSHIP COVENANT AND EXPECTATIONS**  
**[EXECUTIVE LIMITS]**

The maximum amount of that may be loaned to any congregation is \$900,000.

**Loan Guarantees**

The maximum amount of any loan guarantee is the smaller of \$450,000 and 50% of the principal amount of the loan being guaranteed.

**Grants**

In any fiscal year, the President ~~may not~~shall not expend more money for building grants than the total amount specified in the UUA annual operating budget for this purpose.

**Sources of Funds**

The President may use the following funds for the loan, loan guarantee, and grant programs:

- Payments of interest and principal by congregations on existing or future loans
- Money contributed in the past or future to the New Places of Worship fund, including earnings on this fund
- Borrowings on a bank line of credit of not more than \$6,000,000
- Other assets held by the Treasurer in the Congregational Properties and Loan segment of the UUA's accounts as of the date of adoption of this policy. The funding sources listed above may be used for administrative costs of the programs, subject to approval in the UUA annual operating budget.

**Terms of Loans** The President shall develop and consistently apply policies to assure that loans:

- are granted without prejudice for or against any congregation,
- have security adequate to protect the Association's financial interests,
- carry an interest rate that provides a reasonable return on the Association's funds, and
- are granted only for projects that are affordable by the congregation.

~~**Prior Policy** This policy supersedes all prior policy concerning the Congregational Properties and Loan Commission and related building loan, loan guarantee, grant, and award programs.~~

==== end APPENDIX 2.A ~~CPLC CONGREGATIONAL~~ LOAN POLICYS =====

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~~**APPENDIX 2.B INVESTMENT POLICY, UU Common Endowment Fund, UUCEF**  
**———— (adopted Jan. 2008)**~~

~~**Unitarian Universalist Association Investment Policy**~~

The Unitarian Universalist Association (UUA) is a religious association incorporated in the

**UUA GOVERNANCE MANUAL**  
**SECTION 2: LEADERSHIP COVENANT AND EXPECTATIONS**  
**[EXECUTIVE LIMITS]**

Commonwealth of Massachusetts. In the course of its activities, the UUA receives gifts, trusts, and endowments that require investment management. These funds, managed on behalf of the beneficiaries, are an important source of income for the beneficiaries and are managed collectively in the General Investment Fund, known as and referred to hereinafter as the Unitarian Universalist Common Endowment Fund (UUCEF). The successful management of this fund is vital to the current and future success of the UUA and its constituencies.

The UUCEF accepts investments from the following:

1. UU congregations in good standing;
2. UUA districts;
3. UU Related Organizations, specifically Associate Member Organizations, **Sponsored Organizations**, Professional Organizations, Theological Schools, **Independent Affiliate Organizations (and their member organizations)**, and International Organizations;
4. Other UU organizations approved by the Board of Trustees **after recommendation of the President following application to the Treasurer.**

**Comment [DSB20]:** Is it possible for one of these to have endowment assets, or are they really part of the UUA for financial purposes?

**Comment [DSB21]:** This category isn't on the list for benefit plan eligibility. Should it be on both lists, just this one, or neither?

The "Target Return Objective" of the UUCEF is to generate, through investments consistent with UU values, long-term returns that exceed inflation by 5% per annum (net of all expenses), while minimizing volatility.

### **I. Governance Responsibility and Authority**

The Board of Trustees of the UUA has ultimate responsibility for the management and safekeeping of all funds entrusted to it, including the UU Common Endowment Fund. To fulfill this responsibility, the Board appoints two committees: The Investment Committee (IC) is responsible for the management of the UUCEF within this document's policies. The Committee on Socially Responsible Investing (CSRI) is responsible for implementation of the UUA's commitment to embody socially responsible investing practices, as set forth in this document.

Each committee is authorized to adopt procedures for the implementation of its responsibilities. The Treasurer is responsible for providing the necessary support services for the committees.

#### **Investment Committee**

The responsibilities of the Investment Committee (IC) are as specified in this document. The composition of the IC is stated in Section 7.8 of the UUA By-laws. The Investment Committee has the responsibility to review and approve the Investment Information Memorandum and other materials used by the UUA in connection with the UUCEF.

#### **Committee on Socially Responsible Investing**

The mandate of the Committee on Socially Responsible Investing (CSRI) is to maintain and uphold the UUA's commitment to invest its funds in alignment with UU values. The responsibilities of the CSRI are as specified in this document. The composition of the

**UUA GOVERNANCE MANUAL**  
**SECTION 2: LEADERSHIP COVENANT AND EXPECTATIONS**  
**[EXECUTIVE LIMITS]**

CSRI is stated in the committee's charge, which is approved by the Board of Trustees.

**Committee Operations**

The IC and the CSRI are responsible for establishing the frequency, duration, and agenda of their respective meetings, including periodic joint meetings, and their procedures for the recording and publication of minutes, in the context of UUA practices of transparency and accountability. The Board of Trustees requires good faith efforts for the highest possible level of cooperation between the IC and the CSRI.

**Reporting**

At least once every two years, the IC and the CSRI shall report jointly to the Board of Trustees and UUCEF investors. The report shall discuss the performance of the UUCEF, including its success in meeting its return, risk, and SRI objectives. The report shall include the current SRI Guidelines and the current IC Guidelines.

The Treasurer shall post on the UUA web site an annual report on the performance of the UUCEF, as well as a schedule of UUCEF investments (including UUA community investments) as of the end of each fiscal year.

The Treasurer shall post the current SRI Guidelines and the current IC Guidelines on the UUA web site.

**Conflict of Interest Policy**

See the Association's Conflict of Interest Policy (Appendix 2.J).

**II. Incorporation of UU Values**

The UUCEF shall be managed in a manner consistent with UU values as well as the achievement of return and risk objectives. The IC and the CSRI are responsible for balancing these occasionally competing objectives in the best interests of the UUCEF. The UUA is committed to an investment program which utilizes tools of socially responsible investing (SRI) to optimize the alignment of its financial assets with its values.

Unitarian Universalist values that shall inform investment decisions have been expressed in General Assembly resolutions and Statements of Immediate Witness, Board resolutions, and the UUA's Principles and Purposes.

The CSRI shall develop an ongoing process to assess the effectiveness of the UUA's SRI policies and practices. The CSRI shall also work to broaden coalitions (within the UUA and among like-minded faith-based organizations) to achieve SRI goals, and to expand services to member congregations and individual UUs regarding SRI practices that embody UU values.

**Stock Selection**

The CSRI shall develop and periodically update Socially Responsible Investing Guidelines (the "SRI Guidelines") that maximize the extent to which the UUCEF is invested in companies that have environmental, social, and governance practices that

**UUA GOVERNANCE MANUAL**  
**SECTION 2: LEADERSHIP COVENANT AND EXPECTATIONS**  
**[EXECUTIVE LIMITS]**

are in accord with UU values, and that minimize the extent to which the UUCEF is invested in companies with poor records in these areas. If the SRI Guidelines prohibit all investment of UUCEF funds in any particular industry, then the guidelines shall include criteria to determine the threshold of a company's involvement in such industry that precludes investment by the UUCEF. These criteria shall indicate whether the UUCEF may be invested in mutual funds or other commingled investment vehicles that currently or in the future may hold investments in any prohibited industries. The IC and the CSRI shall work collaboratively to implement the SRI Guidelines. When applying these guidelines, the IC and the CSRI shall collaborate in the context of the entire fund, adapting to the characteristics of differing asset classes and investment vehicles, and responding to developments in the field of socially responsible investing.

**Community Investment**

The Board of Trustees recognizes that community investing in areas underserved by traditional sources of financing is a meaningful component of a socially responsible investing program. The Treasurer shall invest the maximum practicable portion of the UUA's cash and cash equivalents in short-term community investments. In addition, the Treasurer shall invest approximately 1% of the total assets of the UUCEF in community investments. The Treasurer and the CSRI shall encourage congregations and districts to adopt a similar policy. As an incentive, a portion of the UUCEF's community investing assets may be used to match congregational and district community investments of up to \$10,000 per congregation or district.

The CSRI shall develop guidelines for determining which community investing institutions are eligible for UUA matching investments. The Treasurer, after consultation with the CSRI, shall implement procedures for approving requests for matching investments. A portion of the community investments may be made to support advocacy and witness, as recommended to the Treasurer by the President of the UUA. The CSRI shall develop and implement a plan to a) monitor the financial health of the community investing institutions in which UUA invests, as well as their social efficacy, and b) encourage congregations and districts to remain vigilant in monitoring the social efficacy of their matched investments.

**Shareholder Advocacy**

The CSRI shall encourage corporations to engage in ethical and sustainable business practices. UUA shareholder advocacy includes proxy voting, engaging in dialogue with management, filing and co-filing shareholder resolutions, coordinating Unitarian Universalists to present shareholder resolutions at annual meetings of corporations, and collaboration with others active in the socially responsible investment movement. To permit the UUA to engage in shareholder advocacy, the Treasurer shall establish a shareholder advocacy fund to hold shares in companies that the CSRI anticipates will be the subject of shareholder advocacy. No more than one-fourth of one percent (0.25%) of the UUCEF may be held in the shareholder advocacy fund.

**UUA GOVERNANCE MANUAL**  
**SECTION 2: LEADERSHIP COVENANT AND EXPECTATIONS**  
**[EXECUTIVE LIMITS]**

**III. Investment Policies**

The Investment Committee shall develop Investment Committee Guidelines (the "IC Guidelines") covering the subjects of this section.

**Asset Allocation**

The UUCEF's asset allocation is designed to maximize the probability of achieving the Target Return Objective, while minimizing volatility. Asset allocation targets and allowable ranges shall be established by the IC and may change as long-term expectations and market conditions change. The actual asset allocation shall be reviewed by the IC on a quarterly basis and the UUCEF shall be rebalanced when an asset class weighting is outside of its target range.

**Risk Controls**

As a diversified investment fund, the UUCEF is exposed to a wide variety of risks including losses and illiquidity. The IC is responsible for working with UUCEF service providers to manage risks within the UUCEF.

**Investment Management**

All UUCEF funds shall be managed by professional investment manager organizations, with the exception of community investments and shareholder advocacy investments, which are managed by the Treasurer in consultation with the CSRI.

The IC is responsible for the appointment of the investment managers to assure that objectives are being met, and that UUCEF investment policies and procedures are being followed. The ability to manage funds in alignment with UU values shall inform the IC's assessments of all managers. As practical, every search for professional investment managers shall include at least one firm with expertise in SRI in the asset class under review.

**Investment Support Services**

The IC is responsible for the selection of providers of the following services to the UUCEF: investment management, asset custody, investment consulting, and communications. The CSRI is responsible for the selection of providers of the following services: community investment evaluation, proxy voting, and SRI training. Providers of the following services shall be contracted by the IC and the CSRI working in collaboration: assessment of company compliance with UU values and social auditing.

**Expense Management**

The UUCEF shall be charged for its expenses, including expenses incurred by the UUA on the UUCEF's behalf, such as legal, audit, and other miscellaneous expenses. UUA expenses include the appropriate portion of the costs of such staff as the Treasurer and the Endowment Fund Manager.

The Board of Trustees has determined that the UUCEF's reimbursement of UUA expenses shall be based on an estimate of the UUA's actual costs. For fiscal years beginning after June 30, 2006, the reimbursement is 0.2% of the beginning market value of the UUCEF. The UUA Finance Committee shall review the reimbursement calculation as needed, but at least once every five years, and shall recommend to the Board of Trustees if a change is warranted.

**UUA GOVERNANCE MANUAL**  
**SECTION 2: LEADERSHIP COVENANT AND EXPECTATIONS**  
**[EXECUTIVE LIMITS]**

Cost minimization makes an important contribution to the UUCEF's ability to achieve the Target Return Objective. The IC and the Treasurer are responsible for including cost minimization within all applicable policy and process decisions, while recognizing that costs are to be measured within the context of UUA values, the investment program structure, and the need to maximize net returns while minimizing risk.

==== END APPENDIX 2.B INVESTMENT POLICY, UUCEF =====

**APPENDIX 2.C TRUST PAYOUT POLICY**

~~———— (adopted Jan 2007)~~

**Trust Payout Policy**

~~The UUA holds funds in trust for the benefit of member congregations and other related entities. Unless otherwise directed in the donor's trust instrument, it shall be the policy of the UUA to make payments to trust beneficiaries as follows:~~

- ~~a) Trust beneficiaries shall receive distributions calculated as a percentage of value of the trust assets.~~
- ~~b) All current trust beneficiaries will continue to receive distributions calculated at the same rate that they were receiving as of December 31, 2006, if such rate is not above 5.5%. Unless a higher rate is authorized by the trust instrument or by the process established in (d) below, trusts paying in excess of 5.5% as of December 31, 2006 will receive distributions based on a 5.5% payout rate beginning with the distribution for the period ending June 30, 2007.~~
- ~~c) Trusts received by the UUA after December 31, 2006 will initially receive distributions based on a 5% payout rate unless otherwise instructed in the trust instrument.~~
- ~~d) Any trust beneficiary may receive distributions based on a payout rate of up to 7%, which is the maximum deemed prudent under Massachusetts law (MGL Chapter 180A "Management of Institutional Funds"), by making a duly authorized request in writing to the Treasurer. The request for a change in the payout rate must be made by formal vote of the governing body of the beneficiary congregation or organization. Such request must be renewed annually and submitted by May 31, otherwise the payout rate will revert to 5%.~~

~~----- END of APPENDIX 2.C TRUST PAYOUT POLICY -----~~

**Comment [DSB22]:** Replaced by broad language in 2.8.5. Deleting this detailed policy would leave these decisions to the President's discretion, within the constraints of state law and the trust documents. Is that OK?

**APPENDIX 2.F BEACON PRESS BUDGETING POLICY FINANCIAL POLICY**

**UUA GOVERNANCE MANUAL**  
**SECTION 2: LEADERSHIP COVENANT AND EXPECTATIONS**  
**[EXECUTIVE LIMITS]**

(Adopted Jan 2008)

~~In any fiscal year from 2009 through 2013, if Beacon Press is charged for the use of space in UUA buildings, then the Press shall receive an equal, offsetting support payment from the UUA current operations budget.~~

~~When comparing Beacon Press operating results to the one-year and three-year targets established by the Board of Trustees, the Treasurer shall include in the calculation both the space use charge and the offsetting UUA support payment.~~

~~The targets are as follows:~~

- ~~•Losses shall not exceed \$600,000 over three years-~~
- ~~•Losses shall not exceed \$300,000 in any one year-~~

~~If either loss metric is exceeded the Board of Trustees will immediately reconsider the alternatives for Beacon Press.~~

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1. The President shall manage Beacon Press to avoid an operating deficit of more than \$300,000 in any one fiscal year or of more than \$600,000 in any three-fiscal-year period.

2. If either deficit limit is exceeded, the President shall present to the Board within 90 days a plan to prevent future deficits.

3. In each fiscal year from 2009 through 2013, the Beacon Press budget segment shall receive from the UUA current operations budget a support payment equal to the amount that Beacon is charged for the use of space in UUA buildings.

4. The President, without prior Board approval, shall not permit Beacon Press to:

a) spend or commit to spend on any single project an amount that exceeds 3% of Beacon's total expenses in the prior fiscal year, or

b) spend or commit to spend on one or more projects amounts that would cause Beacon's liquid assets (defined as cash, cash equivalents, and investments) or its unrestricted net assets to fall below 20% of Beacon's total expenses in the prior fiscal year.

==== END of APPENDIX 2.F BEACON PRESS BUDGETING POLICYFINANCIAL POLICY = = =

**UUA GOVERNANCE MANUAL**  
**SECTION 2: LEADERSHIP COVENANT AND EXPECTATIONS**  
**[EXECUTIVE LIMITS]**

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**APPENDIX 2.H ENDOWMENT SPENDING POLICY**

The amount made available for expenditure from the Association's endowment in a fiscal year shall be a weighted average of:

- the prior year's spending adjusted for inflation (weighted at 70%), and
- 5.5% of the trailing four-quarter average market value of the endowment as of the previous December (weighted at 30%).

However, the spending rate must be at least 4.5% and not more than 6.25% of the trailing four-quarter average market value of the endowment as of the previous December.

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==== end of APPENDIX 2.H ENDOWMENT SPENDING POLICY ====