

**CHRISTIAN  
STEWARDSHIP  
SERVICES**



**INVESTMENT  
LOAN & DEPOSIT**

**GUIDELINES**

(updated April 2011)

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## **INTRODUCTION**

The following pages contain information that has been formulated to assist CSS and its Board, committees and staff to clearly understand and define its policies and guidelines with regards to the investment and management of the funds entrusted to its care.

### **PURPOSE OF CHRISTIAN STEWARDSHIP SERVICES**

Under its charter and constitution Christian Stewardship Services is able to receive all types of GIFTS & INVESTMENTS for charitable purposes.

The governing documents read that the “objects” of CSS are as follows:

**A. “to promote, encourage, and educate in Christian principles of giving and stewardship,**

**B. to set up a fund or funds for the purposes of and to promote, establish, conduct, and maintain charitable works and activities of every nature either on its own behalf or by way of contribution and assistance to other corporations, organizations, and institutions carrying on such works or activities or any thereof and for such purposes to solicit and receive funds and other property real, personal and mixed, and interests therein by gift, loan, transfer, devise or bequest, and invest, re-invest, hold, manage, sell, administer, expend and apply such funds and property, subject to such conditions, and limitations if any, as may be expressed in any instrument evidencing such gift, loan, transfer, devise or bequest.**

**C. to act generally as consultant, manager, financial and general advisor, agent, and supervisor to manage all types of property, real and personal, movable and immovable, and investments for charitable corporations, organizations, and institutions.”**

### **BIBLICAL REFERENCES FOR STEWARDSHIP**

The Scriptures faithfully and unfailingly express God’s love for His people and convey to mankind God’s will for them. As a timeless testimony it is not to be considered a rulebook, dictionary or encyclopedia. Even in the area of theology, the perception on the part of mankind about God’s will varies tremendously, witness the thousands of denominations and variations in existence.

In the area of investment, stewardship, and the Christian life style, perception also varies tremendously. Nevertheless, hereby follow some passages from the Scriptures that elucidate some very basic principles of life; justice, love, equality, and responsibility.

**Genesis 1: 24-31**  
**Genesis 9:3**  
**Exodus 23**  
**Leviticus 19:13**  
**Leviticus 19:35-37**  
**Deuteronomy 24:14-22**  
**Proverbs 11:1**  
**Psalms 8**  
**Psalms 82**  
**Psalms 104:24-35**  
**Jeremiah 22:13-17**  
**Malachi 3:5**  
**Matthew 6:24-34**  
**Matthew 15:32**  
**Matthew 25:14-30**  
**Mark 12:41-44**

**Luke 10:7**  
**Romans 8:19-23**  
**Romans 11: 36**  
**Romans 12:1-2**  
**Ephesians 6:5-20**  
**I Timothy 5:18**  
**1 Timothy 6: 1-21**  
**Hebrews 2:5-9**  
**James 5**

## **STEWARDSHIP PRINCIPLES**

Christian Stewardship is a fundamental aspect of our relationship to God, our neighbour and the creation. It embodies two key Biblical principles:

1. God's ownership of all things: "The earth is the Lord's....." Ps 24.
2. People's accountability to God to manage and care for God's creation: "You have made man ruler over the works of your hands." Ps 8.

From this we acknowledge Christian Stewardship as:

- a) God's Ownership and People's Accountability; Praise and Blessing.
- b) We are created as stewards
- c) Loving our neighbour.
- d) Embracing all aspects of our lives.
- e) Going beyond finances.
- f) Making choices in obedience to God's rule for our lives.
- g) Focusing on restoration and preservation.
- h) Following the example of Jesus in his sacrificial giving of himself to restore us and the creation.

## **GUIDELINES FOR STEWARD-LIKE INVESTMENT**

An investment should clearly reflect and actually encourage Biblically-obedient stewardship.

Therefore, all Christian agencies, institutions, organizations, enterprises and other causes and persons should confirm, in writing, how the funds they wish to borrow from and/or via CSS will be used for a responsible project that purposefully promotes such Biblically-obedient stewardship.

Biblically-obedient stewardship:

- (a) Respects God's very good creation and creational resources as His gracious gifts, which should be developed and conserved with genuine love and care and in harmony with their creational intents, and
- (b) Honours all people as God's image-bearing creatures, who should be treated with genuine love and concern and who should be enabled to live and labour in freedom and with dignity in fulfillment of their creational calling.

Accordingly, Biblically-obedient stewardship is reflected and encouraged by investment projects which, among other things, are found to be:

- (a) wise in the use of creational resources;
- (b) responsible in the treatment of the environment;
- (c) just in the employment of the workers;
- (d) sensitive to the needs of the people;
- (e) careful in the utilization of technology;
- (f) frugal in the consumption of energy;

- (g) vigilant in the disposition of waste;
- (h) fair in the determination of price;
- (i) honest in the promotion of sales; and
- (j) equitable in the earning of profit.

In other words, a financial investment project can be justified, if it “scores” well, if it does optimum justice to biblical criteria, that is, if it is:

- (a) humanly responsible;
- (b) resource-wise;
- (c) environmentally sensitive;
- (d) socially just;
- (e) ethically fair;
- (f) technologically meaningful;
- (g) economically equitable;

We believe that financial investments, too, should be weighed in the balance of the Biblical scales which invite us always to do justice, love kindness and walk humbly with our God in the service of humanity and the creation for which Christ gave His life so that we may have it more abundantly. In short, all investments are meaningful when they concretely contribute to the coming of Christ’s kingdom of righteousness in all of its dimensions.

The Biblical Guidelines drawn up and adopted by CSS are basic principles. Just as the Bible does not discuss nuclear energy and radiation, and it does not prescribe acceptable and unacceptable levels of this or that in parts per million, so also the Bible does not set interest rates in the economies of our time.

Let us each strive to read and understand the Word of God, and in love apply what we understand. May His Kingdom come, and come and come.

(Taken from the Stewardship Principles- Approved 1994).

## **MANAGEMENT OF GIFTS & INVESTMENTS**

The gifts & investments received by CSS could be of the following varieties.

### **1. Cash Gifts:**

- A. Annuities
- B. Endowments
- C. Immediate flow-through gift(s) – cash, bequests.
- D. Future distribution(s) subject to direction by donor – cash, bequests

### **2. Other Gifts:**

- A. Gifts in kind

### **3. Revocable Deposit Agreements:**

- A. Deposit agreements with charitable income component

### **1. A. Annuities**

CSS has a Variable Rate Gift Annuity program (approved 1981) whereby the annuity schedule at the effective date of the annuity shall be maintained without alteration at the guaranteed rate for life.

New rate schedules will be reviewed from time to time, pending economic conditions, and new rates established will apply only to new annuities signed. CSS will not exceed the rate schedules published by the CANADIAN CHARITABLE ANNUITIES ASSOCIATION (CCAA).

### **Reserve Fund and Fees:**

CSS will establish a reserve fund of 5% of all fixed annuities (approved Jan 2006) as follows:

- a) CSS will take an amount equal to 1% of the annuity capital from either the surplus income, if any, or from the capital of the annuity, on a yearly basis and create a reserve fund which would be drawn upon to continue payments on any gift annuity that had been depleted.
- b) The reserve would be limited to a minimum of 5% of the total capital in all fixed annuities.
- c) Once the minimum of 5% of capital reserve is reached, the 1% yearly charge, and any surplus beyond the 5% of capital, may be allocated to the administration expenses of CSS. In determining the advisability of allocating funds to administrative expenses management will be guided by the Actuarial Reports

Variance from this policy may occur as per the recommendation of the Investment Committee. Any such variance will take into consideration the Actuarial review report. The Actuarial review will be done every three years.

## **1. B. Endowment Funds**

### **The CSS Endowment Fund:**

Pursuant to a Resolution adopted by the Board of Directors of Christian Stewardship Services at its meeting of March 30, 1983, there is hereby created and established an Endowment Fund to be administered and governed as hereinafter set forth, namely:

#### ARTICLE I

##### Name

This Fund shall be known as the Christian Stewardship Services Endowment Fund.

#### ARTICLE II

##### Types of Gifts

**A** "Gifts" are real or personal property received by Christian Stewardship Services for Endowment Fund purposes made by donors in one or more of the following ways, or any combination thereof, namely:

- a. Gifts of cash.
- b. Gifts of securities or real property. Gifts of real property may be subject to provision of a suitable environmental assessment report.
- c. Gifts of the remainder interest in Charitable Remainder Trusts.
- d. The gift portion of a Charitable Gift Annuity.
- e. Life insurance policies wherein the beneficiary has been designated to an endowment .
- f. Any other gifts or bequests that donors may designate to an endowment
- g. Gifts of the remainder of a Trust

#### ARTICLE III

##### Gifts

The following gifts received by Christian Stewardship Services shall become subject hereto:

- (a) Any Gift made by a donor with the condition that the income only shall be used for the purpose specified by the donor so long as the purpose is compatible with the Articles of Incorporation and/or by-laws of Christian Stewardship Services.
- (b) Any Gift made by the donor with the condition that the income only shall be used by a partner of Christian Stewardship Services named by the donor.
- (c) Any "Gift" designated by the donor to be added to an Endowment Fund.

- (d) Any “Gift” which Christian Stewardship Services or any Christian Stewardship Services Partner by resolution adds to an Endowment Fund.

#### ARTICLE IV

##### Term

In keeping with the regulations and allowable uses of Endowment Funds by CRA the term of Endowment funds may be flexible:

- a. Perpetual. This is a permanent fund set up to hold gifts in perpetuity. The investment income only is distributed.
- b. The Capital Resource Fund. Capital and income are distributed when authorized for a specified purpose only:
- c. Scheduled Distribution Fund Both the capital and interest accruing to this account will be disbursed according to a predetermined schedule written into the Endowment Agreement
- d. Existing Endowment Funds with ten year rule applicable – the capital will be held until the ten year restriction is removed by the donor OR the ten years expire.

#### ARTICLE V

##### Investments

The assets of the Endowment Fund shall be invested at all times in a manner consistent with the goals and purposes of Christian Stewardship Services and shall abide by the Biblical guidelines and administrative investment guidelines as adopted and approved from time to time by the Board of Directors and the membership of Christian Stewardship Services. Subject thereto, this Endowment Fund may retain for a limited period of time or indefinitely any property given in kind hereto and may invest monies received from any source in stocks, bonds, mortgages, notes, savings accounts, certificates of deposit, real estate or other property of any kind, real or personal, which otherwise are considered to be prudent investments. All or part of the assets of the Endowment Fund may be invested in proper security offered by any CSS partner or other charitable organization consistent with the purposes and goals of Christian Stewardship Services whether with or without the consent of the donor.

#### ARTICLE VI

##### Income

The net income, as defined herein, shall be withdrawn from the Endowment Fund at least annually and shall be gifted to such charitable organizations as are designated by contributing donors, Board of Directors resolutions, or membership resolutions of CSS.

The term “net income” means the gross income received from the investments of the Endowment Fund, as adjusted by the following:

- (a) Less the expenses incurred in the purchase or sale of the investment.
- (b) Less one (1) percent of capital annually as an administration contribution. (Approved Jan 2005) An administration contribution of 0.75% is paid by partners and associate partner organizations. (Approved June 2009)

#### ARTICLE VII

##### Management

The Board of Directors of Christian Stewardship Services shall review regularly the investments of the Endowment Fund. The Christian Stewardship Services Investment Committee is hereby authorized to approve all purchases and

sales of assets of the Endowment Fund and to otherwise act on behalf of the Board of Directors in the management of the Fund.

## ARTICLE VIII

### Release or change of Restrictions

Certain restrictions for Gifts imposed by the donor in the use of the income and/or capital of the gift, or in the investment of the principal, may be released or modified in the following manner:

- (a) By an instrument in writing signed by the donor of the Gift and either witnessed or notarized;
- (b) By a two-thirds (2/3rds) vote of the members of CSS present at a duly called and properly constituted membership meeting in those cases where a purpose designated by the donor cannot possibly be honoured;
- (c) By adding the Gift to that part of the Fund administered in accordance with Article III (a) if the restrictions cannot possibly be honoured because the Partner charity is not able to use the income from the Gift.

## ARTICLE IX

### Amendments

Any amendment, addition or deletion of the foregoing Articles shall be made in the following manner:

- (a) Any amendment, addition or deletion which does not alter the purpose of the Endowment Fund or the commitment of Christian Stewardship Services to donors shall be approved by a two-thirds (2/3rds) vote of the members in attendance at a duly called and properly constituted membership meeting.

## ARTICLE X

### Successor Trustee

By a two-thirds (2/3rds) vote of the members in attendance at a duly called membership meeting, Christian Stewardship Services may appoint a successor trustee to administer the Endowment Fund. Such successor trustee shall have all the powers and responsibilities of Christian Stewardship Services pursuant to this declaration of trust. This declaration of trust shall thereafter be interpreted as if the words "Christian Stewardship Services" were changed to the name of the successor trustee throughout the declaration.

## ARTICLE XI

### Miscellaneous

This Endowment Fund shall be governed by the Laws of the Province of Ontario and the Charter and by-laws of Christian Stewardship Services.

CSS can establish by agreement Endowment Funds for other partner organizations and Christian Schools or for individuals. The format of agreement will be similar to the CSS Endowment Fund as shown above, with the purpose and income distribution of each fund being clearly articulated.

#### Limitations:

CSS cannot accept Endowments Funds for organizations other than partner and associate partner organizations. (Approved Mar. 1984)

### **1.C Immediate Flow Through Gifts:**

CSS may be asked to facilitate the disbursement of a gift to several Charities as a convenience to the donor and/or because the donor wishes to remain anonymous. This would be classified as a flow through gift.

- These are gifts that we receive as gifts of appreciated securities where we are facilitating the transfer of assets from a donor to a charity by virtue of the facilities that we have to make that possible.
- Bequests through CSS with a letter of direction and which are distributed immediately fall into this category.

Flow Through Gifts or any other short term deposits do not earn interest, nor are they assessed an administration contribution.

Fees:

Distribution fees will be applied prior to the distribution of a gift as follows:

1. We recover our actual costs for handling these transactions out of the gift.
2. We do not charge the partner or associate partner Christian Reformed Churches any fees for this type of transaction.
3. We charge associate partner Christian schools a fee of 2% (Approved June 2009)
4. We charge non partner organizations a fee of 3% (Approved June 2009)

**1.D Future Distribution Subject To Direction By Donor**

CSS may be asked to accept a gift from a donor where the final recipient(s) has not yet been determined by the donor who will convey his intention sometime in the future. This type of arrangement may only be suitable in certain instances. CSS should make clear to the donor that a definite intent as to the recipient(s) must be attached to the gift. This is necessary in case of the death of the donor. A Letter of Direction should be signed to accomplish these events.

Fees:

Distribution fees will be applied prior to the distribution as described in Section 1.C above.

**2. A Gifts in Kind**

Although CSS is in a unique position to assist donors with gifts in kind which are ultimately of a financial support nature, and since it does not need to convert assets to cash for its own charitable programs, there is no pressure to effect a sale of these items to further its charitable goals.

Then CSS will:

- a) be guided by the advice and direction of the donor as to an appropriate time/price for disposition.
- b) be prepared to accept any gift of assets, provided they meet CSS's Biblical, ethical and investment guidelines, and provided that CSS is satisfied that it is assuming no undue risk or liability by accepting this gift. In the case of gifts of real estate, CSS reserves the right to request the donor to provide CSS with an environmental assessment acceptable to CSS in order to enable CSS to determine whether it can accept the gift.
- c) assess a fee if the gift requires ongoing supervision, administration or management, care etc. which will be paid from the gift's income stream or be provided by the donor.
- d) require a proper evaluation be done or obtained by the donor at their expense, which will be satisfactory to CSS's own independent evaluation to determine the marketable value of the gift for tax receipt purposes.

The following are some of the types of gifts in kind CSS may expect to receive:

- i. Real property
- ii. Private shares - **see policy following**
- iii. Publicly traded shares - **see policy following**
- iv. Bonds issued or guaranteed by governments
- v. Corporate bonds
- vi. Mortgages
- vii. Collections, work of art, antiques, etc.
- viii. Limited partnership interests
- ix. Residual interests in Real Estate
- x. Life Insurance Policies

## **ii. and iii. Private Shares and Publicly Traded Shares:**

CSS as a direct corporate strategy will not use gifted, deposited or income funds to invest in or purchase ownership-equity shares(s) whether they are publicly traded or privately owned, including those that carry with them joint and several liability responsibility as a condition of ownership or transfer. An exception may be those funds that are invested with a professional Fund Management Team and with prudent limitations as dictated by the Board of CSS.

Nevertheless: In consideration that CSS may be offered shares as gifts, or shares to be managed or have the share income assigned to CSS for the benefit of its partners ( gifts or gift-income must always contain a charitable or gift aspect in whole or in part); to be accepted as follows :

1. That we accept all types of shares as direct gifts with the following guidelines as to how to determine market value for receipting purposes:
  - a. For publicly traded shares the value will be set by the latest published end of day “sold” price.
  - b. For private or non-public shares the value will be that of the last sale, providing a sale has occurred in the last 90 days prior to the date of being gifted or, if not available, it be determined by the latest audited statements published within the last 24 months &/or other information available which will help to determine value. In case of doubt, CSS should consider giving an undertaking to the donor that upon proper determination of value a receipt will be issued.
  - c. If possible, a direct transfer of ownership through our broker will be encouraged for maximum tax refund benefits as allowed by CCRA.
2. When CSS accepts active publicly traded shares, they will be sold or actively placed for sale at market price within 30 days of acceptance. Rapidly changing prices may need to have Investment Committee input or advice to determine action, but CSS will not speculate with this type of gift for long term possible gain. Publicly traded shares which cannot be sold within the 30 days limit because they are less active and/or are sold on a “periodic” market will be accepted as in #4.
3. When CSS accepts shares which carry joint or several liability responsibility or are of a “private” classification, they will be accepted on “consignment” only and be effectively receipted only if a purchaser can be found within a reasonable period of time thereafter. If no purchaser can be found they may be returned to the donor by CSS, on the advice of the Investment Committee.
4. When only income and/or dividends from shares are gifted to CSS, there must be clear documentation indicating that the ownership has not been transferred and only the income and/or dividends have been assigned to CSS.

### **3. A Revocable Deposit Agreements**

A Revocable Deposit Agreement (RDA) constitutes an agreement by which an individual or more than one person or a couple or a business or an organization (called the “depositor(s)”) deposits a certain amount of money with CSS under terms and conditions with respect to the income and also with respect to the capital.

The depositor(s) will be advised in the Disclosure document which will be provided to them that their funds will be used to provide loans and mortgages to charitable organizations that are partners or associate partners of CSS (including churches & schools) or other Christian Organizations and that surplus funds will be invested through a professional money manager, subject to restrictions as noted under the CSS investment loan policy, as well as in long – term Provincial Bonds.

#### **Conditions of RDAs:**

1. CSS will only accept RDAs in which there is either a charitable income component (usually 50% or more of income) or a committed charitable capital component. There may also be a potential charitable capital component as described below.

2. If there is more than one agreement in force, or additional agreements are contemplated, all agreements by the same depositor(s) should be viewed in the aggregate to determine that some charitable purpose is being accomplished. Each new agreement must, on its own, or in aggregate have a charitable component as in #1.
3. The rate of return reported by the investment manager and CSS staff is monitored by the Investment Committee to assist staff in determining the appropriate level of distribution of earnings to depositors. Funds must be held for a minimum of two (2) years in order to receive the pool rate of return; funds withdrawn before this time will be subject to an adjustment of interest to CSS's short term interest rate for the duration of the deposit, which is set at the current rate posted for ING Business Investment Savings Accounts.
4. Charitable purposes with respect to capital: Donors must indicate on their Deposit Agreement form what their intentions are for this capital at their death(s). Either it should be returned to become a portion of their estate, or it can be donated to any number of charities in the percentages indicated. Some combination of these objectives can also be clarified. A capital gift results in a receipt which is issued from CSS directly to the account holder or their estate. The Account holder will be advised that this should be synchronized in their Will documents.
5. Charitable purposes for current income: The aggregate benefit to charities from current income, whether there be a planned capital gift or not, will be determined in concert with the charitable purposes in regard to the capital. This gift results in a donation receipt being issued by CSS to the holder of the RDA in the amount of the income distributed.

Fees:

To assist with the work of CSS, the depositor pledges to donate an amount equal to 1% annually, or some such other rate as the parties may agree to in writing, 0.5% of the capital is donated in June and December of each and every year and CSS is hereby authorized to deduct these pledge amounts semi-annually, in June and December, from the balance in the account A charitable receipt is issued to the RDA holder by CSS in the total amount of these fees.

*Note: It is understood that CSS will handle investments for any of its partnering organizations without reference to any other charitable intent. A reduced administration contribution of 0.75% is charged to partners and associate partner organizations. (Approved June 2009)*

### **INVESTMENTS & LOANS MADE BY CSS**

It is assumed that the determination of where and with whom to place CSS investment funds be considered on the basis of its "Biblical Investment Guidelines" together with a reliance on "maximum return with maximum security".

It will be the responsibility of the INVESTMENT COMMITTEE to apply, manage and ensure compliance with the following policies:

The funds received for management by CSS will be invested in:

1. Term Deposits or other certificates with Banks, Trust Companies or Credit Unions.
2. Government Bonds or Government Guaranteed Bonds.
3. Managed Pooled Funds with qualified Fund Manager(s) investing only in government and top rated corporate bonds and trusted public shares.
4. Loans to qualified borrowers: partners and their employees, associate partners and their employees, and Christian non-profit organizations.
5. Mortgages to qualified borrowers: partners and their employees, associate partners and their employees, and Christian non-profit organizations.
6. Loans to other than Partners or Associate Partners will bear higher interest rates.
7. A mortgage set up fee and renewal fee is charged to non partner organizations, this fee consist of 0.25% of the loan amount, subject to a \$200 minimum and \$1000 maximum. (Approved June 2009)

## Liquidity

In order to maintain adequate liquidity to meet potential demands on CSS funds held for deposit, the following will apply:

1. 20% of the aggregate value of all deposit agreements plus flow through gifts will be kept invested in readily marketable deposits or bonds (i.e. government bonds)
2. That flow through gifts be received with the understanding that CSS requires at least 60 days notice of a payout (if payout date is not specified at the time of making the gift) . Liquidity requirements on flow through gifts should be reviewed annually since CSS expects to receive more of these and therefore might have more information on liquidity needs in the future.

## Administrative Investment Guidelines

Administrative Guidelines and Criteria for investments made by the CSS are as follows:

1. CSS investment decisions shall adhere to Biblical Guidelines developed for investments.
2. The ability of the borrowing organization to repay shall be a major consideration in the decision to loan funds. Sources upon which the judgment will be based could include the following:
  - a. Current financial statements, and if more than six months old, an interim statement as well.
  - b. The previous year's financial statement, professionally prepared.
  - c. Current cash flow projections and budget, with explanations of any major changes from previous years.
  - d. Long term debt retirement schedule.
  - e. A picture, copy or description must be on file of the property or item on which the security of the loan is based.
3. Documentation on the loan application is to be complete. If an organization is the borrower, then proper authorization from their membership, Board of Directors, etc. is to be obtained. The borrower's title to security pledged must be certified by independent counsel. Fees are to be quoted or negotiated ahead of time, ordinarily payable by the borrower.
4. CSS will request annual financial statements to be received and filed. Any questionable item should be brought to the attention of the whole Investment Committee.
5. CSS shall have consistency in investment policy. The rate and terms in effect at the time a loan is made, provided other factors are similar, shall also rule other loans.
6. There should be diversity of investments to favour as many borrowers as possible. The investment loan should be judged for its strategic use, in terms of the need of the borrower and alternative sources of funding that other loan applicants may have.
7. A general rule of 10% of assets in one investment (on any one property by way of charge or mortgage) shall be a maximum. (and not more than 20% with any one entity or group). For any situation exceeding the above limit, prior CSS Board approval must be obtained if the investment committee deems the investment(s) is justified.
8. CSS shall assess the need of new enterprises for start up funds ,and possibly accept some higher risk. No more than 10% of assets should so be employed. Example: A relatively new Christian School which does not have a major track record could be requesting funds with a proper proportion of security provided in mortgages, yet they may not have a clear ability to repay the loan on a regular basis.
9. The liquidity of the investments shall be comparable to the bank requirements. Particularly to be kept in mind is the amount of investments which are callable by the deposit and trust agreements in effect.
10. Security is obtained through proper loan agreements, properly secured by mortgages, guarantees, etc. with certification prepared by professional persons. Adequate personal guarantees are to be obtained if there is no mortgage security. Where guarantees are taken, CSS should obtain participation from a broad base and not from a few wealthy members, i.e. there should be evidence of community support.
11. The Board of Directors appoints an Investment Committee and authorizes it to invest the corporation's funds. The Board members receive minutes of all Investment Committee meetings.

**Conclusion:** The staff and committee must take into account many variables. These guidelines will be applied so each represents the best consensual judgment of the Investment Committee.

## **MORTGAGE INVESTMENTS**

The following are detailed guidelines to be followed when making MORTGAGE loans:  
Rates will usually be set at residential mortgage market rates, with terms that will maximize CSS income.

1. Residential Mortgages (single family owner).
  1. the property must be owner occupied (single family residential)
  2. The individual must have a connection to and be supported in their application by a partnering organization.
  3. An appraisal is required.
  4. applicants are qualified; and
  5. interest to be at market rates for residential property;
  6. CSS will lend up to 75% of appraised value- appraisal to be within the last six months.
  
2. Institutional Mortgages (non-profit organizations, schools, retirement homes, churches etc.) are the primary agreements made by CSS under these guidelines:
  - a) New construction and/or completion bridging loans will not be considered.
  - b) For newly constructed or renovated buildings, up to a maximum of 70% of invoiced cost will be considered. An appraisal may be required.
  - c) For existing buildings, up to 70% of the lesser of the purchase price or appraised value will be considered. An appraisal may be required.
  - d) Strong community support must be evident.
  - e) Personal guarantees may be required.
  - f) Budget control measures to meet operating targets must be evident.
  - g) Phase 1 environmental assessment is expected

### Excluded Mortgage Investments:

CSS will not invest in the following types of mortgages for the reason that they are more difficult to assess and maintain.

1. Commercial mortgages or loans to be used for commercial business income, or property used by or for commercial purposes (i.e. wholesale, retail, and manufacturing)
2. Agricultural mortgages or loans (i.e. mortgages on farms and other agricultural business or properties)
3. Construction loans or construction bridging loans.
4. Vacant land.

### Mortgage Renewals:

CSS will evaluate each mortgage renewal situation to ensure they are within the present mortgage guidelines.

In General CSS will renew mortgages subject to the following:

1. CSS's interest is protected.
2. CSS's failure to renew will cause undue hardships to the mortgagee.
3. The interest charged is in line with general CSS investment returns.

## **LOANS**

Loans will be made to the following with interest at normal market Banking rates:

Institutional Loans (Schools, organizations (partners), etc)

- a. to finance operational deficit(s)
- b. for small capital-construction improvements
- c. for Leasehold or tenant improvements

Standard financial considerations will be:

- a. adequate net worth and/or guarantees and/or security.
- b. strong community connection to CSS.

- c. evidence of strong member/community support.
- d. adequate financial support to effect planned repayment.

2. Personal Loans to Partner Related Individuals

- 1. Debt consolidation loans.
- 2. Investment purposes.
- 3. Standard financial considerations as in:
  - a. *Must be co-signed by the employee's employer who must be a CSS partner or associate partner.*
  - b. Adequate net worth and/or guarantees and/or security.
  - c. Strong community connection to CSS
  - d. Ability to repay from future income.
  - e. Loan must meet CSS Stewardship Principles.

## LOAN (Mortgages) LOSSES PROCEDURES

Acceptable Accounting Method for Losses or Write Downs:

When a loss is identified or known, it must be accounted for by CSS as a re-adjustment in net realizable assets. All losses or write-down adjustments must be made in the current fiscal year, in accordance with GAAP. Any other method or deviation from GAAP policy must be determined by the Board of CSS.

CSS Administrative Review:

Each year in May and again before the annual Membership meeting (October), the Investment Committee must review all loans, mortgages etc. to determine whether a loss reserve or write down may need to be considered.

This is necessary so that CSS interest payments, which are made twice a year at December 31 and again on June 30, can be adjusted to accurately reflect the realized earnings of the pooled Investment portfolio.

Notwithstanding the above policy, each and every time a loss or write down has been identified, it must be made effective in the current fiscal period.

Criteria for Losses or Write Downs:

Any loan, mortgage, etc.

- a) that is 60 days in arrears either in principal and/or interest payments, or
- b) where security and/or guarantees have deteriorated so as to move the loan or a portion of it outside established credit policy and/or
- c) where reliance on the security pledged no longer covers or adequately secures the loan(s) balance.  
 These must be identified as a **“possible account for loss or write down”**. Unless it can be established that within the next 30 days the situation will be rectified, a full evaluation must be made to determine the loss or write-down amount for Loan Loss Reserve Account consideration.

Reserve for Loan Losses:

A Loan Loss Reserve account will be established of 1/2 % of the CSS Restricted Fund Investment assets, excluding Government Guaranteed Bonds, Bank Term Deposits and Investments Assigned by Individuals, to accommodate loan losses or write downs in loan values. If this reserve is diminished to cover a loss, it will be restored at a rate the CSS Investment Committee deems to be prudent from time to time.

## **WORK OF THE INVESTMENT COMMITTEE**

There are two aspects to the work of the Investment Committee, that of:

- 1. Accepting and managing gifts and investments from donors and others, and
- 2. Investment of gifts and other investments into income producing vehicles.

Both of these aspects are to be administered in accordance with guidelines laid down by the Board of CSS and its membership.

## **CONFLICT OF INTEREST**

The following are rules which the Investment Committee and its members must abide by for declaration and involvement re: Conflict of Interest (Adopted Sept. 1989)

### Considerations:

1. The underlying premise of any dealings by the Investment Committee should be that if any member of the Committee has any connection with an organization to which the Christian Stewardship Services is lending money or with which it is making an investment, the committee should be advised of the same regardless of how direct or indirect that member's connection might be.
2. More specifically, where a member on the Investment Committee has an interest in the organization to which Christian Stewardship Services is lending money or with which it is making an investment, the member in question shall disclose that he/she has an interest in the application and outline the nature and extent of such interest. This disclosure shall be made at the meeting at which the application is first presented or when the member in question first becomes aware of this application, whichever is earlier. In such event the member in question shall not vote on the proposed application, shall not be considered present for the purpose of establishing a quorum for the transaction of business, and shall not be present during the discussion of the application other than for strictly informational purposes and then only at the request of the Committee.
3. Furthermore, in the event that the application would result in an investment which would not fall within the definition of a "trustee investment" as defined by the Trustee Act of Ontario ( a copy of the relevant sections of which have been attached hereto), it is recommended that as an additional precaution, the information in support of the application be obtained from a third party other than the member in question or be verified by a third party.

In many cases it may be unclear whether one "has an interest" in an application or not. For example, does a member of a church have an interest in an application for a loan by that church, does a director of an organization like CLAC have an interest in an application by that organization, or does one have an interest if one's spouse, child, brother or sister is a member in one of these organizations? Given the absence of absolute lines of distinction, the Committee should draw up its own rules even though they may be arbitrary and allow for such exceptions as may be required from time to time in the circumstances.

As a matter of example, the Committee is of the opinion that a member would "have an interest" in an application in the following circumstances:

- a) If the member has a financial investment (loan or equity) in the applicant or if the member's spouse has such an investment;
- b) If the member of the Committee is a director, board member, employee, appointee or agent of an applicant;
- c) If the member or the member's spouse will gain any remuneration or direct personal financial benefit from the applicant's application being approved.

If the member in question makes only voluntary contributions to the applicant, he will not be considered as having an interest in the applicant and none of the precautions set out above will apply. If the member in question is a member of the applicant, i.e. a church, membership will be required, however, only in the event that the member and his spouse represents more than 10% of the voting power of the applicant will the member be deemed to have an interest in the application.

It should be understood that all of the applications coming before the Committee may not fall within the guidelines or examples that have been set out herein. When such a situation arises the investment committee (or if necessary the Board) can deal with the situation at that time, rather than attempt to anticipate every possible conflict of interest situation that may possibly exist.

## INVESTMENT COMMITTEE AUTHORIZATIONS

Discretionary authority is given to any two of the members of the Investment Committee together with the Executive Director to act upon the instruction of the Investment Committee as a whole in matters of purchase and sale of securities on behalf of CSS.

## INVESTMENT COMMITTEE MEMBERSHIP & TERMS

The Investment Committee is mandated by the Board of Christian Stewardship Services with making decisions about the assets that CSS manages under a variety of investments and planned giving instruments.

There are six persons on the Committee, of whom two must be members of CSS. Preference is given to people geographically close to Toronto. Two persons must be non-member financial experts to assist with the investment decisions (preferable someone in the legal or banking or other financial professions). Each member serves a term of **five** years and then rotates off the Committee. If a member resigns before completing the term of service, an appointed replacement would fill the unexpired term. The membership of CSS at its annual meeting (usually in October) appoints the members of the Investment Committee upon advice of the Board of Directors.

The minutes of the Investment Committee are restricted in circulation to the Investment Committee members and the Board of Directors. The primary reason for this is the confidential nature of some of the applications and inquiries.

The results of the Investment Committee actions can be seen in the CSS Financial Statements and the appendix, which will list the investments, held by CSS.

Meetings are held at a convenient and easily accessed location on a monthly or as required basis.

TERM EXPIRES: May	NAME	BACKGROUND/ OCCUPATION	CSS MEMBER
2008 extended	Al Romkema	Retired Banker	X Board
2013	Theo Brunsting	Businessman	
2011	John Meiboom	Advancement	
2008 extended	Leonard DeVries	Lawyer	X
2011	Frederick Wind	Economist	
2016	Don Nelson	Financial Planner	
Executive Director	Henry Eygenraam		