

American Guild of Organists INVESTMENT POLICY BOOKLET For Elected and Appointed Leaders

Approved by AGO National Council—October 2015

Over the years, generous bequests and gifts to the AGO have led to the creation of several designated funds that support Guild programs and activities. This booklet is prepared as a guide to ensure that the purposes established for each fund are maintained and that the funds are used as the donors intended and as prescribed by law.

Each year, the AGO National Council creates and approves an annual operating budget for the national organization. Because Guild leadership changes with each biennial election, institutional memory can often be short. This booklet allows all elected and appointed leaders to understand the purposes of each fund, as well as the restrictions on expenditures and limitations that protect the principal of each account.

We ask each leader to read these policies to ensure that the purposes for which each fund was established are understood and respected. In this way, we will honor the generosity of the donors. Please note that all funds, with the exception of the Emergency Fund, share one Moderate Investment Policy, which can be found at the end of this booklet.

Prepared by the Finance and Development Committee
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ENDOWMENT FUND

HISTORY/DESCRIPTION

The Endowment Fund, established in 1994, includes funds that donors have designated as permanently restricted. Thus, all contributions to this fund are permanently restricted net assets and cannot be spent.

Interest and dividends earned on permanently restricted net assets are unrestricted. All (100%) income from dividends and interest is used to support the annual operations of the Guild. Realized gains or losses on the sale of investments are recorded in the operating fund. It is the Guild's general policy to record unrealized gains or losses on investments as temporarily or permanently restricted net assets.

OBJECTIVES

The overall objective of the Endowment Fund is to generate income to support the operations of the Guild. Annual income from this Fund shall be used for this purpose. While the primary purpose is to generate income, it is also desirable that a portion of the funds be invested in a way that will provide protection against the erosion of purchasing power by inflation. Principal preservation is also an important objective. Achievement of the return will be sought from an investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility of returns.

To read the complete investment policy, please refer to "MODERATE INVESTMENT POLICY."

NEW ORGANIST FUND

HISTORY/DESCRIPTION

The New Organist Fund was established in 1993 to support Guild programs dedicated to developing a new generation of organists. Inaugural contributions to this fund were made in honor of three extraordinary leaders of the Guild: M. Searle Wright, FAGO; Roberta Bitgood, FAGO, CHM; and Leslie P. Spelman, FAGO. Today, the New Organist Fund shelters both permanently restricted gifts to named scholarships, and restricted gifts for the support and development of new organists. Contributions can be made either to the general corpus of the New Organist Fund or to any of the named scholarships.

A fully funded named scholarship requires a minimum balance of \$15,000. Scholarships are awarded annually to students attending [Pipe Organ Encounters](#). Scholarship recipients receive information about the donor or honoree, which is the AGO's way of paying tribute to the named scholarship honoree in perpetuity. A full accounting of the New Organist Fund, its individual scholarships, additions, and total value is maintained by AGO HQ staff.

The Committee on the New Organist (CONO) is responsible for reviewing applications and awarding available funds to deserving organ students who might otherwise be unable to attend a Pipe Organ Encounter (POE). Many young, aspiring organists benefit from this fund each year.

Interest and dividends earned on permanently restricted net assets are either unrestricted or temporarily restricted. Up to eighty percent (80%) of the previous year's income from dividends and interest for each named scholarship can be awarded as a scholarship; the remaining twenty percent (20%) or more is reinvested. Realized gains or losses on the sale of investments are recorded in the operating fund. It is the Guild's general policy to record unrealized gains or losses on investments as temporarily or permanently restricted net assets.

OBJECTIVES

The overall investment objective of the New Organist Fund is to generate income for scholarships for Pipe Organ Encounters and to support programs for new organists. While the primary purpose is to generate income, it is also desirable that a portion of the funds be invested in a way that will provide protection against the erosion of purchasing power by inflation. Principal preservation is also an important objective. Achievement of the return will be sought from an investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility of returns.

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NITA AKIN COMPETITION FUND

HISTORY/DESCRIPTION

The Nita Akin Competition Fund was established in 1984 to support the ongoing operations of the [National Young Artists Competition in Organ Performance \(NYACOP\)](#). Nita Akin was a devoted teacher and one of the early American pioneers in the field of organ performance. A student of Charles Courboin, she taught hundreds of students during her long and distinguished career as organist at the First Methodist Church in Wichita Falls, Tex., and as professor of organ at Midwestern University. Nita was a selfless, inspiring giver, never charging any student for the lessons she gave.

Interest and dividends earned on permanently restricted net assets are either unrestricted or temporarily restricted. Up to eighty percent (80%) of the previous year's income from dividends and interest can be used to support the NYACOP; the remaining twenty percent (20%) or more is reinvested. Realized gains or losses on the sale of investments are recorded in the operating fund. It is the Guild's general policy to record unrealized gains or losses on investments as temporarily or permanently restricted net assets.

OBJECTIVES

The overall investment objective of The Nita Akin Fund is to generate income to cover the costs of NYCOP operations. While the primary purpose is to generate income, it is also desirable that a portion of the funds be invested in a way that will provide protection against the erosion of purchasing power by inflation. Principal preservation is also an important objective. Achievement of the return will be sought from an investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility of returns.

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S. LEWIS ELMER FUND

HISTORY/DESCRIPTION

The AGO National Council instituted the S. Lewis Elmer Award to be given each year to the person who attains the highest score in either [Associateship or Fellowship examination](#). In addition to a handsome certificate affirming the honor, a cash award is presented.

S. Lewis Elmer was Warden and President of the AGO (1943–1958). He worked tirelessly to establish local chapters throughout the country. Among the many honors bestowed upon S. Lewis Elmer during his lifetime of accomplishment, his Associateship Certificate was his proudest possession. It is fitting that Dr. Elmer's many years of devoted service to the Guild are memorialized through the S. Lewis Elmer Award.

For this purpose, the S. Lewis Elmer Fund was established in 1968; the first award was given to Robert Cundick in 1970. Today, annual earnings from the S. Lewis Elmer Fund are used also in support of FAGO, AAGO, and ChM certification prize awards.

Interest and dividends earned on permanently restricted net assets are either unrestricted or temporarily restricted. All (100%) income from dividends and interest is used to support the certification prize awards. Realized gains or losses on the sale of investments are recorded in the operating fund. It is the Guild's general policy to record unrealized gains or losses on investments as temporarily or permanently restricted net assets.

OBJECTIVES

The overall investment objective of the S. Lewis Elmer Fund is to generate income for prizes awarded for the top scores of the FAGO, AAGO, and ChM certification exams. While the primary purpose is to generate income, it is also desirable that a portion of the funds be invested in a way that will provide protection against the erosion of purchasing power by inflation. Principal preservation is also an important objective. Achievement of the return will be sought from an investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility of returns.

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MARIANNE WEBB ST. CECILIA RECITAL FUND

HISTORY/DESCRIPTION

The St. Cecilia Recital Fund was established in 2007 through the generosity of Marianne Webb, Professor of Music and Distinguished University Organist at Southern Illinois University Carbondale, in gratitude to God for a lifelong career as a concert organist and educator. Miss Webb's endowment, established in perpetuity, presents world-renowned concert organists in recital during the biennial National Conventions of the American Guild of Organists.

The St. Cecilia Recital is a gift to the American Guild of Organists and takes place during each biennial AGO National Convention. It is to be held in a dramatic venue with an excellent pipe organ, with good acoustics, and capable of accommodating all convention attendees, and members of the host community, as space permits. Convention attendees are to be given priority seating.

It is desirable to schedule the recital in the evening with an artist's reception following. The reception shall be open to all convention registrants as dictated by available space for such and as endowment earnings permit. The AGO National Convention will provide complimentary convention registration, meals, lodging, and hospitality for the St. Cecilia recitalist, as well as the costs of any publicity beyond the aforementioned full-page advertisement.

Interest and dividends earned on permanently restricted net assets are either unrestricted or temporarily restricted. Up to eighty percent (80%) of the endowment's biennial earnings may be used to underwrite: the St. Cecilia Recital artist's fee and travel, an artist's reception (endowment earnings permitting), and a full-page display ad announcing each biennial St. Cecilia Recital in THE AMERICAN ORGANIST Magazine. The remaining twenty percent (20%) or more shall be returned to the endowment as principal. Realized gains or losses on the sale of investments are recorded in the operating fund. It is the Guild's general policy to record unrealized gains or losses on investments as temporarily or permanently restricted net assets.

OBJECTIVES

The overall investment objective of this fund is to generate income to cover the costs of presenting world-renowned concert organists in recital during the biennial AGO National Conventions as well as an artist's reception following the recital. While the primary purpose is to generate income, it is also desirable that a portion of the funds be invested in a way that will provide protection against the erosion of purchasing power by inflation. Principal preservation is also an important objective. Achievement of the return will be sought from an investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility of returns.

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RONALD G. POGORZELSKI AND LESTER D. YANKEE PIPE ORGAN ENDOWMENT

HISTORY/DESCRIPTION

The Ronald G. Pogorzelski and Lester D. Yankee Pipe Organ Endowment was established in 2010 with a permanently restricted gift of \$200,000 to care for the tracker pipe organ bequeathed to the AGO through Pogorzelski/Yankee estate. This instrument is currently on loan to Indiana University of Pennsylvania.

The AGO may utilize not more than 5% of the total value of the endowment on the first day of each year, during such year for the maintenance of the tracker pipe organ.

OBJECTIVES

The overall investment objective of the Pogorzelski-Yankee Pipe Organ Endowment is to provide ongoing maintenance for the R.J. Brunner tracker organ. While the primary purpose is to generate income, it is also desirable that a portion of the funds be invested in a way that will provide protection against the erosion of purchasing power by inflation. Principal preservation is also an important objective. Achievement of the return will be sought from an investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility of returns.

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RONALD G. POGORZELSKI AND LESTER D. YANKEE ANNUAL COMPETITION ENDOWMENT

HISTORY/DESCRIPTION

The Ronald G. Pogorzelski and Lester D. Yankee Annual Competition Endowment was established in 2010 through a permanently restricted gift of \$300,000 to create an annual competition to be known as the [Ronald G. Pogorzelski and Lester D. Yankee Annual Competition](#) to foster and promote the creation of original compositions which utilize the tracker pipe organ bequeathed to the AGO through the Pogorzelski/Yankee estate.

The governing board of the AGO shall establish such rules and procedures for the operation of this competition as will tend to stimulate interest and shall award a meaningful prize to the winner of the competition.

The AGO may utilize not more than 5% of the principal of the endowment on the first day of each year, during such year for the competition. No portion of the endowment's income or principal may be used to support the general overhead of the AGO.

OBJECTIVES

The overall investment objective of the Pogorzelski/Yankee Annual Competition Endowment is to generate income for the Ronald G. Pogorzelski and Lester D. Yankee Annual Competition to foster and promote the creation of original compositions which utilize the Tracker Pipe Organ. While the primary purpose is to generate income, it is also desirable that a portion of the funds be invested in a way that will provide protection against the erosion of purchasing power by inflation. Principal preservation is also an important objective. Achievement of the return will be sought from an investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility of returns.

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RONALD G. POGORZELSKI AND LESTER D. YANKEE MEMORIAL SCHOLARSHIP ENDOWMENT

HISTORY/DESCRIPTION

The Ronald G. Pogorzelski and Lester D. Yankee Memorial Scholarship was established in 2010 with the residual of the Pogorzelski/Yankee estate— after the Pipe Organ and Annual Competition Endowments were created—to provide one or more scholarships to be called the [Ronald G. Pogorzelski and Lester D. Yankee Memorial Scholarship](#).

The AGO shall utilize not less than 4% and not more than 5% of the total value of the endowment on the first day of each year, during each year. One or more scholarships is to be awarded on the basis of financial need and demonstrated enthusiasm and ability with the pipe organ, through a competition with rules and procedures established by the governing board of the AGO. Fewer, more substantial scholarships, rather than larger numbers of more modest scholarships are to be awarded per the donors' directive.

The scholarships are to be used for the purpose of paying tuition, living and school expenses for one year. Recipients must agree to commit a significant portion of the two years after graduation to teaching, performing, or conducting other serious endeavors with respect to the organ.

OBJECTIVES

The overall investment objective of the Ronald G. Pogorzelski and Lester D. Yankee Memorial Scholarship Endowment is to generate income to cover the costs of providing scholarships. While the primary purpose is to generate income, it is also desirable that a portion of the funds be invested in a way that will provide protection against the erosion of purchasing power by inflation. Principal preservation is also an important objective. Achievement of the return will be sought from an investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility of returns.

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COUNCIL-DESIGNATED FUND

HISTORY/DESCRIPTION

Any undesignated bequest given to the American Guild of Organists or any proceeds thereof not designated for any specific Guild fund (e.g., the Endowment Fund) shall be allocated as follows:

1. Seventy-five percent (75%) of such gifts shall be deposited in the Council Designated Fund as unrestricted net assets.
2. The remaining twenty-five percent (25%) of the gift shall be used to support current operations.

The Council Designated Fund shall be held separately from the Endowment Fund to assure clean bookkeeping and to allow the National Council to have monthly reports on the fund's activities. Such monthly reports will separately show additions from bequests, realized market gains and losses, unrealized market gains and losses, interest and dividend income and withdrawals.

The account shall be invested according to the objectives set by the National Council, and income generated therefrom may be used to fund special projects of the Guild. The fund principal may only be invaded for unforeseen financial emergencies of the Guild and for loans for seed money for national conventions. Any invasion of the fund principal must be approved in advance by the National Council.

Interest and dividends earned on unrestricted net assets are unrestricted. Up to eighty percent (80%) of annual income from dividends and interest may be withdrawn for projects approved by the National Council. Realized gains or losses on the sale of investments are recorded in the operating fund. For the Council Designated Fund, it is the Guild's general policy to record unrealized gains or losses on investments in the operating fund.

Projects approved by the National Council may not proceed until funding is in place. In addition to support from the Council Designated Fund, the Guild will pursue other sources of money for projects including, but not limited to, grants, specific donations for named projects, and the annual budget. The failure of such other sources to materialize or to materialize in a timely manner shall result in the project's being postponed until funding is received.

Any loans for seed money for national conventions shall be repaid from the proceeds of the convention unless other arrangements are approved by the National Council. This fund may never be used as a source of loans for Guild projects.

(Continued)

OBJECTIVES

The overall investment objective of the Council Designated Fund is to generate income for special projects as approved by the National Council. While the primary purpose is to generate income, it is also desirable that a portion of the funds be invested in a way that will provide protection against the erosion of purchasing power by inflation. Principal preservation is also an important objective. Achievement of the return will be sought from an investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility of returns.

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EMERGENCY FUND

HISTORY/DESCRIPTION

In any year in which the AGO finishes its fiscal year with a realized *surplus*, the amount of the surplus exclusive of unrealized appreciation is to be deposited in a separate Emergency Fund. The money is to be kept in a cash or money market account that is not subject to market conditions.

In any year in which the AGO finishes its fiscal year with an actual realized budget *deficit*, the Emergency Fund will be the first source of funds to tap. The full amount in the Emergency Fund may be used to offset the deficit.

The Emergency Fund may never be used to fund projects of the AGO or to balance a budget presented to the National Council for approval. Its purpose is to have a source of readily available monies to cover unforeseen deficits in operations.

If at any time during the course of the year the AGO Headquarters faces a cash shortage in its operations and needs to identify a separate source of funds from which to borrow cash temporarily in order to maintain regular operations and pay outstanding invoices, the Executive Director (or the Financial Manager if the Executive Director is not available) will review the nature of the shortage with the Treasurer/Councillor for Finance and Development, and will jointly agree upon a way to cover the shortage, whether by borrowing from the Emergency Fund or by other means. Any funds borrowed will be replenished as soon as the organization has a positive cash flow.

This fund may be used ONLY to offset budget deficits and never for unbudgeted AGO projects.

MODERATE INVESTMENT POLICY GUIDELINES

**Endowment Fund
New Organist Fund
Nita Akin Fund
S. Lewis Elmer Fund
St. Cecilia Recital Fund
Pogorzelski-Yankee Pipe Organ Endowment
Pogorzelski-Yankee Annual Competition Endowment
Pogorzelski-Yankee Memorial Scholarship Endowment
Council Designated Fund**

The above funds have the overall investment objective of providing a moderate return on investment, and to prevent the erosion of purchasing power by inflation. Achievement of the return will be sought from an investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility of returns. The investment return goal is to achieve a total annualized rate of return equal to or greater than 7.0% (Total Return Goal) over a market cycle (generally 3-5 years). The total annualized return shall consist of the sum of all dividends, interest, and other income, plus both realized and unrealized capital appreciation (or depreciation).

The Total Return Goal will be reviewed by the Investment Sub Committee of the Finance and Development Committee at least annually to evaluate whether it has been achieved, whether it provides enough current income and capital appreciation, and whether it remains relevant when considering current spending needs and the current inflation rate.

To achieve the above objectives, the funds shall:

1. Maintain a balance between asset growth and current income, using a mixture of fixed income and equity components. The use of non-correlating asset classes is permitted and encouraged. Depending on market conditions and the need for current income from the Fund, asset allocation may vary. While a corridor of 60% equity or equity surrogates/40% fixed income or fixed income surrogates may be ideal under some circumstances, market conditions may make the reverse, or even a more conservative ratio more desirable or appropriate.
2. Maintain a more long-term growth orientation in conjunction with regular income for the restricted portion of the fund, and a more income-oriented approach for the unrestricted portion of the fund because of the bifurcation of the assets. Because the proportion of restricted/non-restricted assets varies from time to time, the Executive Director shall provide to the Financial Advisor the proportions as determined by the Guild's auditor on an annual basis after the audited figures are available. Should the Guild become the recipient of a significant bequest or contribution that would materially alter the proportion between annual audits, the Executive Director will advise the Financial Advisor accordingly.

3. Include a mix of asset classes. A significant number of non-correlated asset classes is encouraged. Funds are permitted in the portfolio, however no purchases of B shares shall be allowed. Covered call options shall be permitted as a hedging strategy. All assets selected must have a readily attainable market value, and must be readily marketable. The following are asset classes that are among those approved for investment: U.S. and Foreign Common Stocks, U.S. and Foreign Preferred Stocks (A-rated or higher), Stock Index Futures, Convertible Securities, including Debentures, American Depository Receipts, U.S. Treasury and Agency Securities (Notes and Bonds), U.S. Corporate Notes and Bonds, Trust Preferred Securities, Medium Term Notes, Yankee and Global Euro Bonds, Asset-backed Securities, U.S. Treasury Bills, Money Market Accounts, Commercial Paper and Repurchase Agreements. While high ratings on fixed income securities are preferred, lower-rated, high-yielding fixed income funds shall be permitted, provided the portfolio of such funds is sufficient in number and variety of securities to provide adequate overall portfolio protection against default(s) of any security(ies) within the portfolio.

BENCHMARKS

Performance measures shall be the S&P 500 for equities and the Barclay's Aggregate Bond Index for the fixed income allocation. The effective duration of the fixed income portfolio must remain within a range of 75% to 125% of the duration of the benchmark at all times.

OVERSIGHT

The AGO Finance and Development Committee shall create a permanent Investment Subcommittee comprising the Treasurer of the Guild, at least one member of the Development committee and the Executive Director. It is this subcommittee's responsibility to:

1. Recommend a Financial Advisor/broker to the National Council for its approval and to monitor the performance of the Financial Advisor in the management of the assets of the Fund.
2. Consider rebalancing the fund at least annually, depending on market conditions.
3. Formally assess the performance of the Financial Advisor at least once every market cycle, or more often if deemed necessary or appropriate. At the time of such assessment, this policy shall be reviewed and amended as needed.