

**American Guild of Organists**  
**POLICIES FOR RESTRICTED AND UNRESTRICTED FUNDS**

Thanks to generous bequests and other gifts, the Guild has created permanently restricted, temporarily restricted, and unrestricted funds. This booklet has been prepared as a guide to ensure that the funds are used as the donors intended, and as prescribed by law.

Every two years the AGO leadership changes as the result of Guild elections. Each newly-elected and appointed leader is encouraged to read this booklet to understand the purposes of each fund, the restrictions placed on expenditures, and the limitations that protect the funds' principal. By following the policies we honor the generosity of the donors.

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**Approved by AGO National Council April 25, 2019**

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## **EIGHT PERMANENTLY RESTRICTED FUNDS**

*Permanently restricted funds are established for specific purposes through grants, contributions, pledges, and bequests. The principal of each fund may never be spent, and income may be used to support only the purpose for which each fund was given.*

### **1. ENDOWMENT FUND**

Supports Guild operations

### **2. NEW ORGANIST FUND**

Provides Scholarships for Pipe Organ Encounter students and supports programs for new organists

### **3. NITA AKIN FUND**

Supports National Young Artists Competition in Organ

### **4. S. LEWIS ELMER FUND**

Supports Awards for Top Guild Exam Scores

### **5. ST. CECILIA RECITAL FUND**

Presents Major Recital at National Conventions

### **6. POGORZELSKI-YANKEE COMPOSITION COMPETITION ENDOWMENT**

Sponsors Annual Competition for Organ Composition

### **7. POGORZELSKI-YANKEE MEMORIAL SCHOLARSHIP ENDOWMENT**

Awards Substantial Scholarships to University or College Students

### **8. POGORZELSKI-YANKEE PIPE ORGAN ENDOWMENT**

Maintains the Bequeathed Pipe Organ at Indiana University of PA

## **1. ENDOWMENT FUND (Permanently Restricted)**

**HISTORY:** The Endowment Fund, established in 1994, is a permanently restricted fund whose principal may never be invaded. Contributions to this fund arrive by bequests and other gifts that may include cash or stock. Income from this Endowment supports the operations of the Guild. All of the income from the annual Gala fundraiser, which honors the giants in our profession, is dedicated to the Endowment.

**OBJECTIVES:** The overall objective of the Endowment Fund is to generate dividend, capital gains, and interest income to support the Guild operations.

All (100%) of the annual income shall be used to support the annual budget of the Guild.

While the primary purpose is to generate income, a portion of the fund shall be invested in stocks in order to 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 a moderate investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility.

Interest and dividends earned on permanently restricted net assets are unrestricted and are recorded as income in the annual budget. The Guild's general policy is to record realized gains or losses on the sale of investments in operations.

The Financial Manager of the AGO shall prepare a monthly report of the Fund's balance, which the Treasurer shall present to the National Council.

The Financial Advisor at UBS, in conjunction with the AGO's Finance and Development Committee, determines what defines a Moderate Investment Policy.

**To read the complete investment policy, please refer to  
"MODERATE INVESTMENT POLICY" on page 20.**

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## **2. NEW ORGANIST FUND (Permanently Restricted)**

**HISTORY:** The New Organist Fund was established in 1993 to support Guild programs dedicated to developing a new generation of organists. Inaugural contributions 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 permanently restricted donations to named scholarships and to a general fund for the support and development of new organists. Contributions may be made either to the general corpus of the New Organist Fund or to any of the named scholarships. Full accounting of the New Organist Fund, its individual scholarships, additions, and total value are maintained by the AGO Headquarters' Financial Manager. A fully funded named scholarship requires a minimum balance of \$15,000.

Scholarships are awarded each year to students who attend 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's honoree in perpetuity. Full accounting of the New Organist Fund, its individual scholarships, additions, and total value are maintained by the AGO Headquarters' Financial Manager.

**OBJECTIVES:** The overall objective of the New Organist Fund is to generate income for scholarships for Pipe Organ Encounters and to support programs for new organists.

Up to eighty percent (80%) of the previous year's income from dividends and interest for each named scholarship can be awarded to POE students; the remaining twenty percent (20%) or more is retained in the fund as principal. In addition, up to eighty percent (80%) of the previous year's income from dividends and interest in the New Organist Fund's general fund may be used for scholarships, administrative and programmatic expenses of programs that serve new organists. Any shortfall in funding will come from operations.

Many young, aspiring organists benefit from this fund every year.

If the fund's earnings are not sufficient to cover the expenses of the scholarships, the balance will be paid through the operating account of the AGO.

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 a moderate investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility.

Interest and dividends earned on permanently restricted net assets are unrestricted and recorded as income in the annual budget. It is the Guild's general policy to record realized gains or losses on the sale of investments in the operating fund.

The Financial Manager of AGO shall prepare a monthly report of the Fund's balance, which the Treasurer shall present to the National Council.

The Financial Advisor at UBS, in conjunction with the AGO's Finance and Development Committee, determines what defines a Moderate Investment Policy.

**To read the complete investment policy, please refer to  
"MODERATE INVESTMENT POLICY" on page 20.**

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### **3. NITA AKIN COMPETITION FUND (Permanently Restricted)**

**HISTORY:** 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, Texas, and as professor of organ at Midwestern University. Nita was a selfless, inspiring giver, and never charged any student for the lessons she provided.

**OBJECTIVES:** The overall investment objective of the Nita Akin Competition Fund is to generate income for the costs of NYACOP operations.

Up to eighty percent (80%) of the previous year's income from dividends and interest may be used for the expenses of the competition; the remaining twenty percent (20%) or more is retained in the endowment as principal. If the fund's earnings are not sufficient to cover the expenses of the competition, the balance will be paid through the operating account of the AGO.

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 a moderate investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility of returns.

Interest and dividends earned on permanently restricted net assets are unrestricted and recorded as income in the annual budget. It is the Guild's general policy to record realized gains or losses on the sale of investments in the operating fund.

The Financial Manager of AGO shall prepare a monthly report of the Fund's balance, which the Treasurer shall present to the National Council.

The Financial Advisor at UBS, in conjunction with the AGO's Finance and Development Committee, determines what defines a Moderate Investment Policy.

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"MODERATE INVESTMENT POLICY" on page 20.**

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#### **4. S. LEWIS ELMER GUILD FUND (Permanently Restricted)**

**HISTORY:** The S. Lewis Elmer Award is presented each year to the person who attains the highest score of Fellow of AGO (FAGO), Associate of AGO (AAGO), and Choir Master (ChM) certification exams. In addition to a handsome certificate that affirms 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 be memorialized through the S. Lewis Elmer Award.

For this purpose, the S. Lewis Elmer Fund was established in 1968. The first award was presented to Robert Cundick in 1970.

**OBJECTIVES:** The overall investment objective of the S. Lewis Fund is to generate income to support the financial awards for the top scores of the FAGO, AAGO, and ChM certification exams.

All annual earnings (100%) of the previous year's income from dividends and interest may be used toward the awards. If the fund's earnings are not sufficient to cover the expenses, the balance will be paid through the operating account of the AGO.

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 a moderate investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility.

Interest and dividends earned on permanently restricted net assets are unrestricted and recorded as income in the annual budget. It is the Guild's general policy to record realized gains or losses on the sale of investments in the operating fund.

The Financial Manager of AGO shall prepare a monthly report of the Fund's balance, which the Treasurer shall present to the National Council.

The Financial Advisor at UBS, in conjunction with the AGO's Finance and Development Committee, determines what defines a Moderate Investment Policy.

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## **5. ST. CECILIA RECITAL FUND (Permanently Restricted)**

**HISTORY:** 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 a world-renowned concert organist in recital during each biennial National Convention of the AGO.

The St. Cecilia Recital Fund is a gift to the American Guild of Organists that takes place during each national convention in a dramatic venue with an excellent pipe organ, good acoustics, and the ability to accommodate all convention attendees and members of the host community, as space permits. Convention attendees are given priority seating. An evening recital is desirable, to be followed by an artist's reception that is open to all convention attendees as dictated by available space and as fund's earnings permit.

The AGO National Convention provides complimentary convention registration, meals, lodging, and hospitality for the St. Cecilia recitalist, as well as the costs of any publicity beyond the full-page advertisement that is described below.

**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.

Up to eighty percent (80%) of the endowment's income from dividends and interest 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 is retained in the endowment as principal. If the fund's earnings are not sufficient to cover the expenses, the balance will be paid through the operating account of the AGO.

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 a moderate investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility.

Interest and dividends earned on permanently restricted net assets are unrestricted and recorded as income in the annual budget. It is the Guild's general policy to record realized gains or losses on the sale of investments in the operating fund.

The Financial Advisor of AGO shall prepare a monthly report of the Fund's balance, which the Treasurer shall present to the National Council.

The Financial Advisor at UBS, in conjunction with the AGO's Finance and Development Committee, determines what defines a Moderate Investment Policy.

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## **6. RONALD G. POGORZELSKI AND LESTER D. YANKEE PIPE ORGAN ENDOWMENT (Permanently Restricted)**

**HISTORY:** The Ronald G. Pogorzelski and Lester D. Yankee Pipe Organ Endowment began in 2010 with a permanently restricted gift of \$200,000 to maintain the R.J. Brunner tracker pipe organ that was bequeathed to the AGO through the Pogorzelski/Yankee Estate. This instrument is currently on loan to the Indiana University of Pennsylvania.

**OBJECTIVES:** The overall objective of the Pogorzelski/Yankee Pipe Organ Endowment is to provide ongoing maintenance for the R.J. Brunner tracker organ.

The AGO may utilize not more than five percent (5%) of the total value of the endowment on the first day of each year, during such year for maintenance of the organ. No portion of the endowment's income or principal may be used to support the general overhead of the AGO.

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 a moderate investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility.

Interest and dividends earned on permanently restricted net assets are unrestricted and recorded as income in the annual budget. It is the Guild's general policy to record realized gains or losses on the sale of investments in the operating fund.

The Financial Manager of AGO shall prepare a monthly report of the Fund's balance, which the Treasurer shall present to the National Council.

The Financial Advisor at UBS, in conjunction with the AGO's Finance and Development Committee, determines what defines a Moderate Investment Policy.

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## **7. RONALD G. POGORZELSKI AND LESTER D. YANKEE ANNUAL COMPETITION ENDOWMENT (Permanently Restricted)**

**HISTORY:** 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 R.J. Brunner 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.

**OBJECTIVES:** The overall 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 that utilize the tracker pipe organ currently housed at Indiana University of Pennsylvania.

The AGO may utilize not more than five percent (5%) of the total value 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.

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 a moderate investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility.

Interest and dividends earned on permanently restricted net assets are unrestricted and recorded as income in the annual budget. It is the Guild's general policy to record realized gains or losses on the sale of investments in the operating fund.

The Financial Manager of AGO shall prepare a monthly report of the Fund's balance, which the Treasurer shall present to the National Council.

The Financial Advisor at UBS, in conjunction with the AGO's Finance and Development Committee, determines what defines a Moderate Investment Policy.

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## **8. RONALD G. POGORZELSKI AND LESTER D. YANKEE MEMORIAL SCHOLARSHIP ENDOWMENT** **(Permanently Restricted)**

**HISTORY:** The Ronald G. Pogorzelski and Lester D. Yankee Memorial Scholarship Endowment was established in 2010 with the residual portion 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.

Scholarships will 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 and living expenses for one year. A recipient may apply for an additional scholarship.

Recipients must agree to commit a significant portion of the two years following graduation to teaching, performing, or conducting other serious endeavors directly connected 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.

The AGO shall utilize not less than four percent (4%) and not more than five percent (5%) of the total value of the endowment on the first day of each year during such year.

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 a moderate investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility.

Interest and dividends earned on permanently restricted net assets are unrestricted and recorded as income in the annual budget. It is the Guild's general policy to record realized gains or losses on the sale of investments in the operating fund.

The Financial Manager of AGO shall prepare a monthly report of the Fund's balance, which the Treasurer shall present to the National Council.

The Financial Advisor at UBS, in conjunction with the AGO's Finance and Development Committee, determines what defines a Moderate Investment Policy.

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## **LIFETIME MEMBERSHIP (Temporarily Restricted)**

*Temporarily restricted net assets consist of contributions that are restricted by the donor for a specific purpose or pertain to future periods. Once that specific purpose has been met or the time restriction expires, the funds are released from their restriction.*

*The AGO has one Temporarily Restricted Fund.*

**HISTORY:** Members of the AGO may declare their timeless support for the Guild by making a commitment of membership for life.

The benefits to the member include having the fund pay both the national and chapter portions of dues to reduce having to write a check for AGO membership. One can also join as a lifetime independent member. Each Lifetime Member's name will be published annually in *The American Organist* magazine and posted on the AGO Website.

The fund will make the annual payment of both national and chapter dues, or members may choose to join as a lifetime independent member.

**OBJECTIVE:** The goal is for the membership donation to generate the income needed to pay the member's dues for a lifetime.

Lifetime Membership is available for \$3,000, either as a lump sum or payable over six years.

If a donor dies before completing the gift, his or her estate will pay the balance.

The donor designates the AGO fund to which the balance of his or her lifetime membership dues will be transferred upon the donor's death. The options are the AGO Endowment Fund, New Organist Fund, Nita Akin Fund, or the Gordon Young Fund.

The Financial Manager of AGO shall prepare a monthly report of the Fund's balance, which the treasurer shall present to the National Council.

The Lifetime Membership Fund is invested according to a Conservative Investment Policy.

The Financial Advisor at UBS, in conjunction with the AGO's Finance and Development Committee, determines what defines a Conservative Investment Policy.

**To read the complete investment policy, please refer to  
"CONSERVATIVE INVESTMENT POLICY" on page 18.**

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## **POLICIES FOR FOUR UNRESTRICTED FUNDS**

*The AGO has received gifts and bequests from donors who placed no restrictions on the money. Two new funds were established from bequests that arrived in 2018 and 2019. The Council Designated Fund was renamed as the Gordon Young Fund. New policies were formulated for all of the unrestricted funds to specify the Guild's recommended restrictions.*

**1. JPMORGAN CHASE ACCOUNT**

The Guild's Checking Account

**2. DRUCE BUSINESS ACCOUNT (Unrestricted)**

Investments from the Bequest of Dr. Geoffrey Druce

**TWO COUNCIL DESIGNATED FUNDS:**

**3. THE GORDON YOUNG FUND (Unrestricted)**

Supports Projects Approved by the National Council

**4. THE HERRMANN/SWANN LEGACY FUND (Unrestricted)**

Supports Operations and Special Projects

**1. JPMORGAN CHASE CHECKING ACCOUNT (CASH)**

During each fiscal year (September 1–August 31) all budgeted operational income is placed in the AGO's checking account at JPMorgan Chase. The Guild's operational income is derived from dues, subscriptions, *The American Organist* advertising sales, educational services, convention income, dividends and income from unrestricted and restricted funds, website advertising sales, grants, and earnings from the Business Account.

This checking account is the first source of funds for budgeted operating expenses.

A desired minimum balance of \$200,000 shall be maintained in the checking account. The Executive Director shall direct the financial manager at the firm managing the AGO's investment accounts (currently UBS) to transfer excess funds to the Druce Business Account to achieve conservative growth.

This account is included with the restricted and unrestricted fund policies to show the flow of cash as the financial situation requires.

**SEQUENCE FOR ACCESSING CASH FOR OPERATIONAL ACTIVITIES**

*The order in which funds will be tapped is:*

1. JPMorgan Chase Checking Account
2. Druce Business Account
3. Herrmann/Swann Legacy Fund Money Market

4. Gordon Young Fund Money Market (see #7 below)
5. Druce Business Account Investments
6. Herrmann/Swann Legacy Fund Investments
7. Gordon Young Fund Investments. (*This is the last money source to be tapped, and withdrawals are permitted only for extreme financial emergencies. Any withdrawal from this fund will be treated as a loan to be repaid.*)

## **2. DRUCE BUSINESS ACCOUNT (UNRESTRICTED)**

**HISTORY:** The existing Business Account at UBS adopted a new identity, the Druce Business Account, with the generous 2018-2019 bequest of Geoffrey Druce, M.D. An AGO member of the Florida Chapter, Dr. Druce's career involved conducting extensive research on fruit flies. He worked both in Florida and Australia.

The Druce Business Account allows the AGO to put excess operational money to work and earn more than a cash position at the JPMorgan Checking Account.

As needed, the Executive Director is authorized to transfer funds for operational expenses from the Druce Business Account into the JPMorgan Chase Checking Account. If a surplus occurs in the checking account, money may be transferred back into the Druce Business Account.

If operational shortfalls occur that cannot be covered by the Druce Business Account, funds are withdrawn according to the "Sequence for Accessing Cash for Operational Activities," described above on page 12.

**OBJECTIVES:** The overall investment is to receive excess income from the JPMorgan account and achieve higher income than would be earned in the checking account.

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 a moderate investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility.

Interest and dividends earned are recorded as income in the annual budget. It is the Guild's general policy to record realized gains or losses on the sale of investments in the operating fund.

The Financial Manager of AGO shall prepare a monthly report of the Fund's balance, which the Treasurer shall present to the National Council.

Because of the short-term investment horizon, funds are invested according to a Conservative Investment Policy.

The Financial Advisor at UBS, in conjunction with the AGO's Finance and Development Committee, determines what defines a Conservative Investment Policy.

**To read the complete investment policy, please refer to  
"CONSERVATIVE INVESTMENT POLICY" on page 18.**

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## **TWO COUNCIL DESIGNATED FUNDS**

The initial Council Designated Fund was established in 1998 with the generous bequest of Gordon Young. The original policy split unrestricted bequests between operations and the Council Designated Fund, to be used for projects approved by the National Council. For many years this unrestricted fund was the only source of emergency money for the Guild, and fiscal years that ended deficits had only this source of funds to tap for cash.

With the arrival of two large bequests in 2018-2019, the name of the Council Designated Fund was changed to honor its original donor, Gordon Young, and a second Council Designated Fund was named the Herrmann/Swann Legacy Fund.

Future unrestricted bequests to the AGO up to \$1 million will be divided equally (50/50) between the Gordon Young Fund and the JPMorgan Chase checking account.

At the request of a benefactor, an unrestricted bequest of \$1 million or more may be added to the Herrmann/ Swann Legacy Fund or may be used to establish another fund named after the benefactor.

### **3. THE GORDON YOUNG FUND (UNRESTRICTED)**

**HISTORY:** The Gordon Young Fund (formerly "Council Designated Fund") was renamed in 2019 to honor the generous 1998 bequest of the organist. Young was Music Director at First Presbyterian Church in Detroit and also on the organ faculty at Wayne State University. A prolific composer of over 800 works, he received 18 *consecutive* composition annual awards from ASCAP.

**OBJECTIVE:** The Gordon Young Fund allows the National Council to pay for specific projects, which included the Strategic Planning process, funded for three years (2016-2018).

Income from this fund appears in the annual budget.

Up to eighty percent (80%) of earned income may be used for projects, and twenty percent (20%) is retained to provide protection against erosion of purchasing power by inflation.

Projects adopted by the National Council may not commence until funding has been approved by the National Council and the anticipated expense is included in the

budget. Available funds for projects may include the Fund's income (dividend and interest income), grants, and donations. If any of these promised sources fail to materialize, the project must be delayed until funding is received. Expected income may be estimated and dedicated for a project that spans more than one year, a procedure followed for the Strategic Planning process.

This fund may never be used as a source of loans for Guild projects.

The overall investment objective of the Council Designated Fund is to generate income for special projects approved by the National Council. Monthly reports from UBS show additions to the fund, realized and unrealized market gains and losses, interest and dividend income, and withdrawals. The account shall be invested according to Moderate Investment Policy Guidelines.

Future unrestricted bequests that total up to \$1 million will be divided equally (50%/50%) between the Gordon Young Fund and an operating account.

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 a moderate investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility.

Interest and dividends earned are recorded as income in the annual budget. It is the Guild's general policy to record realized gains or losses on the sale of investments in the operating fund.

The Financial Manager of AGO shall prepare a monthly report of the Gordon Young Fund's balance, which the treasurer shall present to the National Council.

The Financial Advisor at UBS, in conjunction with the AGO's Finance and Development Committee, determines what defines a Moderate Investment Policy.

If operational shortfalls occur that cannot be covered by the Druce Business Account, funds are withdrawn according to the "Sequence for Accessing Cash for Operational Activities" above, page 12.

This fund's principal will be the last source for financial emergencies. (See "Sequence for Accessing Cash for Operational Activities.") Any withdrawal to pay for operational emergencies will be considered a loan and shall be repaid when funds are available.

**To read the complete investment policy, please refer to  
"MODERATE INVESTMENT POLICY" on page 20.**

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#### **4. THE HERRMANN/SWANN LEGACY FUND (UNRESTRICTED)**

**HISTORY:** In 2019 the generous bequest of Christian Herrmann, M.D., was given to the AGO in honor of former AGO President Fred Swann. A distinguished faculty member of the UCLA Department of Neurology, Dr. Herrmann was also a pianist, organist, and pipe organ aficionado.

The bequest allowed the Guild to establish a second Council Designated Fund and will allow the AGO to remain solvent for the foreseeable future, *if the principal remains whole*. In keeping with best financial practices, the National Council urges the AGO to refrain from withdrawing any of the principal, except in the most extreme circumstances.

**OBJECTIVE:** The overall investment objective of the Herrmann/Swann Legacy Fund is to generate income for operational expenses and other programs approved by the National Council.

Earned income from the fund shall be used to enhance operations and the special programs of the Guild. Up to 100% of the Legacy Fund's income may be incorporated into the annual budget for, but not limited to, the following purposes:

- Providing initial funds for new staff positions
- Funding new and recurring projects
- Maintaining the upgraded Association Management System (AMS)
- Training AGO leaders at special conferences that benefit AGO members

Although most of the fund shall be invested in a moderate portfolio, a small portion may be invested in vehicles that offer opportunities for greater growth.

Future unrestricted bequests of over \$1 million may be added to the Herrmann/Swann Legacy Fund. If the benefactor prefers, a separate fund named in accordance with the benefactor's wishes may be established with its own investment policy. This may be done at the request of the donor or BY the recommendation of the Finance and Development Committee with the approval of the National Council. Bequests over \$1 million will not be split with the Gordon Young Fund.

While the primary purposes are to generate income and protect against the erosion of purchasing power by inflation, a portion may be invested to achieve greater return. Investment strategies that provide an opportunity for superior returns within acceptable levels of risk and volatility of returns can be expected from a Moderately Aggressive Policy (5-10%).

Interest and dividends earned are recorded as income in the annual budget. It is the Guild's general policy to record realized gains or losses on the sale of investments in the operating fund.

The Financial Manager of AGO shall prepare a monthly report of the Herrmann/Swann Legacy Fund's balance, which the treasurer shall present to the National Council.



If operational shortfalls occur that cannot be covered by the Druce Business Account, funds are withdrawn according to the “Sequence for Accessing Cash for Operational Activities” above.

The Financial Advisor at UBS, in conjunction with the AGO’s Finance and Development Committee, determines what defines a Moderate Investment Policy and a Moderately Aggressive Policy.

**To read the complete Investment Policy, please refer to  
“MODERATE POLICY GUIDELINES” on page 20.**

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## INVESTMENT GUIDELINES

**INTRODUCTION:** The following guidelines for Moderate, Conservative, and Moderately Aggressive strategies cover the entire range of the AGO investments. Most funds follow a moderate allocation in order to achieve the earnings needed each year to fund the many programs of the Guild.

An Investment Subcommittee, comprised of the Treasurer of the Guild, one member of the Finance and Development Committee and the Executive Director, is responsible for implementing the guidelines and reviewing the performance of the investment accounts.

Another responsibility of the Investment Subcommittee is to review the performance of the Financial Advisor every five years. If a change of advisors is recommended, candidates will be interviewed by the Finance and Development Committee and one candidate will be recommended to the National Council for approval.

When Investment Guidelines need revision, the committee shall review and submit new guidelines to the Finance and Development Committee before sending recommendations to the National Council.

*Finally, and perhaps most importantly, the Investment Subcommittee is charged with overseeing that the principal (corpus) of the two Council Designated Funds remains intact, except under the most extreme financial circumstances.*

### CONSERVATIVE INVESTMENT POLICY

#### *Lifetime Membership Fund*

#### *Druce Business Account*

**Objective:** The Lifetime Membership Fund and Druce Business Account have an investment objective that emphasizes capital preservation and risk minimization through a diversified and balanced portfolio of low risk investments, such as large cap and blue-chip dividend-paying and value-oriented stocks, government and high-quality corporate bonds, and cash vehicles such as CDs and money market funds.

**Stock to Bond Ratio:** General guidelines for the stock to bond ratio of these funds are 70% fixed income and 30% equity. Money Market funds have an allowable range of 5% to 45% of the fund's total. Depending upon market conditions, equities have an allowable range of a minimum of 20% and a maximum of 60% of the fund's total. The Financial Advisor has discretion to rebalance the portfolio when conditions change.

**Equities:** The equity component of the portfolio will consist of high-quality equity securities traded on the New York NASDAQ, or American Stock exchanges. The securities must be screened for above-average financial characteristics, such as price-to-earnings, return-on-equity, debt-to-capital ratios, etc. No more than 5% of the equity portion of the equity portion of the account should be invested in any one issuer, and no

more than 20% of the equity will be invested in stocks contained within the same industry.

It is acceptable to invest in an equity mutual fund that adheres to the investment characteristics identified above, as long as it is a no-load fund, without 12(b)(1) charges, and maintains an expense ratio consistent with those other funds of similar investment styles as measured by the Lipper and/or Morningstar rating services. Prohibited equity investments include initial public offerings, restricted securities, private placements, derivatives, options, futures and margined transactions.

**Fixed Income:** The allowable range for fixed income is 35% to 75% of the fund's total assets. Bond investments will consist solely of taxable, fixed income securities that have an investment grade rating of BBB or higher by Standard & Poor's or Baa or higher by Moody's, and can be traded in a liquid secondary market. No more than 5% of the fixed income portfolio will be invested in corporate bonds of the same issuer, and no more than 20% of the fixed income portfolio will be invested in bonds of issuers in the same industry. The maximum average maturity of the fixed income portfolio will be 10 years, with no more than 25% of the bond portfolio maturing in more than 10 years. Prohibited securities include private placements, derivatives (other than floating-rate coupon bonds), margined transactions and foreign denominated bonds. Exceptions to the prohibited investment policy may be made only when assets are invested in a mutual fund that periodically utilizes prohibited strategies to mitigate risk and enhance return.

**Money Markets:** One or more quality money market funds will be utilized for the liquidity needs of the portfolio. The fund will invest in "money market" instruments with remaining maturities of one year or less, rated by at least one nationally recognized rating agency in the highest category for short-term debt securities.

**Benchmarks:** The benchmarks to be used to evaluate the performance of the two main asset classes are the S&P 500 index for equities and Barclay's Aggregate Bond Index for the fixed income allocation, with the goal of exceeding the average annual return of the index over a full market cycle (3-5 years) for both categories. The total return goal will be reviewed by 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.

## **MODERATE INVESTMENT POLICY**

*Endowment Fund*

*New Organist Fund*

*Nita Akin Fund*

*S. Lewis Elmer Fund*

*St. Cecilia Recital Fund*

*Pogorzelski-Yankee Composition Competition Endowment*

*Pogorzelski-Yankee Memorial Scholarship Endowment*

*Pogorzelski-Yankee Pipe Organ Endowment*

*Gordon Young Fund*

*Herrmann/Swann Legacy Fund*

**Objective:** The above-named funds share the objective of providing income to support each fund's purposes, to seek a moderate return on investment, and to prevent the erosion of purchasing power by inflation. Investments should seek to provide superior returns within acceptable levels of risk.

**Goals:** The investment return goal is to achieve a total annualized rate between 3.5% and 4%. The 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 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.

**Stock to Bond Ratio:** General guidelines for the stock to bond ratio are 40% fixed income and 60% equity components. The use of non-correlating asset classes is permitted and encouraged. Depending on market conditions and the need for current income, asset allocation may vary. While a 60% equity and 40% fixed income may be ideal under some circumstances, market conditions may make an even more conservative ratio more desirable. The Financial Advisor has discretion to rebalance the portfolio when market conditions change or to add other asset classes, such as real estate, if deemed suitable for a small portion of the fund.

**Acceptable Asset Classes:** Funds may include a mix of asset classes, and mutual funds are permitted in the portfolio. All assets must have a readily attainable market value and be readily marketable.

The following asset classes are approved for investment:

- U.S. and Foreign Common Stocks (dividend-paying and growth-oriented)
- U.S. and Foreign Preferred Stocks (A-rated or higher)
- U.S. Treasury and Agency Securities (Notes and Bonds)
- U.S. Corporate Notes and Bonds

- U.S. Treasury Bills
- Money Market Accounts
- Commercial Paper and Repurchase Agreements.

While high ratings on fixed income securities are preferred, lower-rated, up to 10% of the fixed income holdings may be high-yield bonds, provided there is sufficient diversity to ensure overall protection against the default of any security within the portfolio.

The equity component of the portfolio will consist of high-quality equity securities traded on the New York, NASDAQ or American Stock exchanges. The securities must be screened for above-average financial characteristics, such as price-to-earnings, return-on-equity, debt-to-capital ratios, etc.

**Benchmarks:** The benchmarks to be used in evaluating the performance of the two main asset classes are the S&P 500 Index for equities and Barclay's Aggregate Bond Index for the fixed income allocation. Both categories have the goal of exceeding the average annual return of the index over a full market cycle (3-5 years). 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. The total return goal will be reviewed by 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.