

July 21, 2020, 7:00 PM, Joint meeting of the

Board of Trustees for UUFBR and the Endowment Fund Committee of UUFBR

Participants in the meeting:

Trustees: Sandra Troiano (Co-President), Ron Lovell (Co-President), Patrick Larson (VP – Building and Grounds), Barbara Jensen (Secretary), Paul Libert (Treasurer), Betty Tilton (Membership), Louis Merlin (RE Council).

Endowment Fund Committee: Donna Musial (President), Paul Chasse (Treasurer), Ron Roth, Jr. (Secretary), Rick Troiano, John Tilton

Minister: Rev. Harris Riordan

Congregational Members: Johnnie Rodgers, Elon Batemon, Mitch Major, Patricia Rogers, Bill Jensen, Mary Beth Kugler, Louise Malusis, Brenda Smith, Mary Wickensheimer, Marilyn Falkowski, Doug Hughes, Debra Weiss, Dave Dubbin

Screen Capture during the meeting:



The jointly scheduled meeting was to share information about Endowment Fund Committee and to provide an opportunity for the Trustees and members to learn more about the operation, goals and restrictions of the Endowment Fund.

The Endowment Fund Committee and the Board of Trustees are independent entities that are accountable only to the UUFBR Congregation. See Excerpt of the Bylaws of UUFBR, Article VIII, (Attachment A) Also shared with all member was "The Character of the UUFBR Endowment Fund," summary document prepared by the Endowment Committee (Attachment B) and the "UUFBR Endowment Fund, Fiscal 2nd Quarter, July 7, 2020, prepared by the Endowment Fund Committee.

A ZOOM session was convened and the formal discussion called to order by Sandra Troiano, Co-President, UUFBR Trustees, and the presentation was begun by Donna Musial, President, Endowment Fund Committee at 7:03 PM.

The main history of the Endowment Fund Committee is contained in the document: The Character of the UUFBR Endowment Fund, which is attached.

The discussion clarified some of these points:

1. The UUFBR By-Laws, adopted 2.26.2017 is the current governing document for the Endowment Fund.
2. The Operating Fund is managed by the Board of Trustees based on pledge income from Members and Pledging Friends, plate income from unscheduled, unrestricted contributions, facilities rentals (SHAREX) and responds to routine day-to-day administrative activities of the Congregation. Article V of the By-Laws. (Attachment A)
3. The Endowment Fund is managed by the Endowment Fund Committee as defined in Article VIII of the By-Laws. There is no other existing controlling document.
4. The Capital Fund is an ad-hoc mechanism for raising funds in response to vision or anticipated expenses outside the routine day-to-day administrative activities of the Congregation. At this time, July, 2020 there is no defined Capital Fund in operation. Historically, Capital Fund drives have been used as needed, usually about a 5-8 year period between them.
5. There are segments within Endowment Funds:
 - a. **Intern Fund** the proceeds of which are used only to support Interns in the UUFBR Teaching Congregation. This 'special fund' was voted by the Congregation in 2007 without the minimum required \$15,000 initial balance for a restricted component of the Endowment Fund. See By-Laws, Section 7, Article VIII. In recent practice the contributions to the Intern Fund have been allowed to accumulate, with funding for the actual Intern Program expenses paid entirely from the unrestricted proceeds of the Endowment Fund.
 - b. **Oasis Emergency Fund** the proceeds of which are restricted to 'unanticipated' expenses related to maintenance of the physical plant at 2601 St Andrews Blvd.
 - c. **Main Unrestricted Fund** the proceeds of which are distributed by decisions for the Endowment Fund Committee based on availability and grant applications "long-term development funds and special projects. No portion of distributions from the Fund shall be used for the annual operating budget of the congregation."
6. It was noted that the last significant contribution to the Endowment Fund was in about 2010.

7. There was discussion of the question “Is the purpose of the Endowment Fund to serve UUFBR or to serve UUA principles in the State of Florida?”
 - a. It was noted that the original contributors saw the Fund as engaged in Missionary Work to expand UUA principles in Florida.
 - b. It was noted that the Endowment Fund has supported through grants to UUFBR for the operation of the Intern Ministerial Program with a total contribution in excess of \$110,000 since its beginning.
 - c. It was noted that, while at least one new member has joined the UUFBR as a result of its “outward looking focus,” there is little other documentation of growing impact of UUA principles in Florida.
8. There were expressions of the desire for the EFC and the Trustees to continue discussions to seek ways of sharing the goal of building a stronger UUA presence in South Florida.

This portion of the meeting was closed at 8:38PM

Summary prepared on 7/27/2020 by

Ron Lovell, Co-President

Attachment A

Article VIII. Endowment Funds

Section 1. Purpose

The purpose of the Article shall be to provide a Committee of the Fellowship – not under the authority or control of the Board of Trustees – to provide a vehicle for the administration of gifts and bequests to the Fellowship for long-term development funds and special projects. No portion of distributions from the Fund shall be used for the annual operating budget of the congregation.

Section 2. Endowment Funds Committee

There shall be an Endowment Funds Committee, hereinafter in the Article referred to as the Committee, to be elected by the Congregation at the Annual Congregational Meeting. The Committee shall consist of six elected members serving staggered 3-year terms. The Committee shall elect its own officers. All provisions of Article III, section 6, shall apply to members of the Committee, with the additional restriction that no person may serve consecutive terms. The Nominating Committee shall nominate members of the Committee. Vacancies occurring between elections shall be filled by the remaining members of the Committee. No member of the Committee shall also be a member of the Board of Trustees. Meetings of the Committee shall be open to any member of the Congregation. The document, "Policy for the Governance of the Endowment Committee", shall define procedures to be used in the management of meetings.

Any language in these articles to the contrary notwithstanding, the Committee may, by majority vote of its members, adjourn into Executive session for the sole purpose of discussing the merits of grant applications or any other request for disbursement of its funds. No other business may be discussed.

Section 3. Acceptance of Funds

The Fund will routinely accept cash, stock, real or personal tangible property. A gift may be refused if it will expose the Fund to expense or other liabilities that pose a hardship on its resources, or threatens its ability to maintain tax exempt status as a religious organization.

Section 4. Separate Funds

Any number of specific endowment funds may be created by the donors. The donor of each separate fund of \$15,000 or more may specify how it is to be disbursed and what particular purpose or purposes are to be served by that specific fund. When no purpose is specified, that fund shall be considered unrestricted and the Endowment Funds Committee shall make disbursements for any purpose which shall further the cause and principles of the Unitarian Universalist Fellowship of Boca Raton or Unitarian Universalism. Unless specified, none of these funds are to be used for normal Fellowship budgeted expenses.

With the written consent of the donor, the Committee may release, in whole or in part, a restriction imposed by the applicable gift instrument on the use or investment in the Fund. If written consent of the donor cannot be obtained by reason of his/her death, disability, unavailability, or impossibility of identification, the Committee may apply in the name of the Fund to a court of competent jurisdiction for release imposed by the applicable gift instrument on the use or investment of the Fund. The Attorney General shall be notified of the application and shall be given an opportunity to be heard. If the court finds that the restriction is obsolete, inappropriate, or impracticable, it may by order release the restriction in whole or in part. A release under this subsection may not change an endowment fund to a fund that is not an endowment fund.

Section 5. Investment Policy Definitions

Net Asset Value (NAV): market value of all securities owned plus all other assets such as cash, subtracting liabilities, and dividing the result by any arbitrary unit value. If the value of one unit is \$1000, a portfolio value of \$500,000 would be assigned 500 units. This unit assignment never changes.

Total Return: annual return on an investment including appreciation and dividends or interest.

The purchasing power of our Endowment Fund shall be preserved as follows: the net asset value (NAV) of the Fund shall be determined on a quarterly basis and then averaging the NAV for the last 13 quarters. The Endowment Committee determines a total return to be applied to the NAV average (usually 4% to 6%). This will allow the total return to in effect be "saved" in high return years so that the Fund can expend money for its purposes in lean years.

As new gifts or bequests are received, the Fund value will be "unitized" by setting an arbitrary value to one unit. The process begins by dividing the NAV at the end of the first of the previous 13 quarters by the unit value determined above. Proceeding forward quarter-by-quarter, gifts are added as received in that quarter (using the unit

value from the previous quarter as the base). In this way, new gifts will not skew the numbers when averaging.

The Endowment Committee may make loans of the capital funds to Unitarian Universalist Congregations, even if such loans decrease the return on investment which would otherwise be earned. The interest rate of such loans shall never be less than the CPI, except when approved by a two-thirds (2/3) vote of the Endowment Committee. The total percentage of the Endowment Fund being directed to loans of non-publicly traded securities may not exceed two-thirds (2/3) of the Endowment's value as established at the close of the prior fiscal year.

No member of the Endowment Committee shall be liable for any action taken or omitted with respect to such appropriation or accumulation or with respect to the investment of Funds, under the authority granted in these by-laws, if such member shall have discharged the duties of his/her position in good faith and with that degree of diligence, care, and skill which prudent men would ordinarily exercise under similar circumstances in a like position. The prudent investor rule is spelled out in the Florida Statutes, Title XXXIII, Chapter 518.

The Committee shall hold all funds in its control in the name of the Fellowship.

The Committee shall make changes in the investments in accordance with the "Endowment Committee Investment Policy" and shall have the power to sell, assign, transfer, and convey any and all properties and investments of such funds.

The Committee shall have authority to engage and pay for investment counsel and custodians. It may entrust funds for investment and reinvestment to trust departments of banking institutions and to brokerage houses and other agencies offering investment services.

For purposes of Clarification, the Endowment Funds Committee is permitted to expend up to 0.5% of the net asset value of the fund at the beginning of the year for appropriate expenses for administration and promotion of the endowment fund; subject to the limitation that funds spent on administration and promotion would not exceed the annual amount approved for grants and that the amount spent would be subtracted from the pool of available grant money under this provision.

Section 6. Reporting

The Committee shall make a financial report to the Board of Trustees quarterly and to the Fellowship at each Annual Meeting. All minutes and records of the

Committee shall be available for inspection and for audit by the Audit Committee as appointed in accordance with Article V, section 2(A) and (B).

Section 7. Intern Fund

A special fund for providing annual funds for UUA Interns shall be established within the Endowment Fund. The fund goal will be to raise a minimum of \$150,000.00 in contributions from UUFBR members and friends to provide the needed earnings to fund Intern Ministers. The funds will be managed through our Endowment Fund consistent with the investment and expenditures policies of the main Endowment Fund. Each contribution will be recognized as a contribution to the Endowment Fund. UUFBR's Endowment fund will be permitted to support the teaching ministry program. (Added 2/25/07)

Attachment B

The Character of the UUFBR Endowment Fund

The financial structure of our Fellowship has three pillars of support. The first pillar is the Operating Fund. Second, is the Capital Fund and third, the Endowment Fund. This threefold structure is recommended by UUA and is popular among most Churches and Temples.

The Operating Fund receives its monies from the Annual Pledge Drive, ShareX revenue, Fund Raising events like the Flea Market and other charitable gifts. This Fund supports the annual operating expenses of the Fellowship.

The Capital Fund gets its monies from a special Capital Fund Drive wherein members and friends pledge dollars which are usually paid over a period of two to three years. UUA recommends a Capital Fund drive about every 5 years. This Fund supports the building of and/or renovation of our facilities and the addition of new capital equipment.

The Endowment Fund receives its wealth by means of Legacy Gifts from living members and friends and from the Estates of the deceased. The Principal amount of money given is kept in the Fund forever and never spent. However, the interest earned on conservative investments may be used for Grants that support various outreach projects.

UUFBR Endowment Fund

The Endowment Fund here at UUFBR was established in 1986, one year after the Congregation moved into this facility at 2601 St. Andrews Blvd. The Fund was opened with a \$100,000.00 gift from member Gertrude Cleary. The then Endowment Committee of 9 members drafted the set of specific Bylaws that were to govern the administration and use of the Fund which were approved by the Congregation. Since then, the Endowment Fund has received many Gifts in a range of \$25.00 to \$25,000.00. And, one more notable gift from the Estate of Gertrude Cleary in 1993 in the amount of \$235,000.00. The value of the Fund as of 12/31/2019 is \$745,310.86. All gifts to the Endowment Fund are registered each year in our Legacy Book.

The Endowment Committee members are elected by the Congregation and the Committee is **not under the authority or control** of the Board of Trustees. Furthermore, a member of the Board or Trustees may not serve on the Endowment Committee. The Committee has two key responsibilities: first the preservation of all Capital Gifts while generating some income; and secondly, the approval of Grants based on earned Interest available from the Fund.

In terms of Capital Preservation, today the Endowment Committee has approximately \$371,000.00 invested in several Vanguard Mutual funds. Loans from the Fund to support the establishment and growth of UU Congregations are permitted by our Bylaws. And we do have a 50 year Term Loan with our own Fellowship here in Boca Raton with a balance due of \$374,000.00. The interest rate on this loan is in a range of 2 to 3% per year.

Now in regards to the Grant budget, each year the Endowment Committee reviews the overall financial status of the Fund and determines the amount of money available for Grants during the coming Fellowship's Fiscal Year. The Committee uses the Harvard University's method of calculating a Grant budget which is a widely used and reliable process.

Grants to support the operations of this Fellowship are specifically **not permitted** by our Bylaws. Our Bylaws, however, do encourage Grants to Organizations and Projects that express our UU values in the Community.

Attachment C

UUFBR Endowment Fund Fiscal Second Qtr, 2020, Report July 7, 2020

A. The Q2 Financial Status of the Fund	<u>Q2 2020</u>	<u>Q1 2020</u>
UUFBR Loan Balance	\$371,642.21	\$372,730.72
Vanguard Mutual Fund Account.....	<u>\$337,945.22</u>	<u>\$301,263.62</u>
TOTAL	\$709,587.43	\$673,994.34

The Vanguard Acct is recovering. During the second quarter we distributed \$2,000.00 to the Intern Minister which was due to him and a Grant for \$3,000.00 to the Debra Weiss Summer Dance program for children here in Boca Raton. The Committee also moved the investment in the Vanguard Wellesley Income Fund to the Vanguard Dividend Growth Fund in the amount of \$49,708.00 Given the amount of investment in the low interest loan to the Fellowship, the Committee thought it appropriate to invest in a pure stock fund which in this case is highly rated in the Financial Community.

B. The Status of Grants

1. There was a \$2,000.00 Distribution to the Intern Minister which closed out the total of \$30,000.00 Granted over the 2019-20 and 2020-21 UUFBR Fiscal Years.
2. The current UUFBR Fiscal Year Grant Allocation Status is as follows:
Intern Minister \$12,000. Which is included in the \$30,000.00 mentioned in item 1.
Family Promise \$2,200.00
3. The Committee voted on adding \$7,000.00 more in Grant Availability for the balance of the 2020-21 Fiscal Year.
4. The Committee approved a Grant for \$3,000.00 to the Debra Weiss Dance Program.
5. We now have a balance of \$4,000.00 available for any future Grants. John Tilton has proposed that the Endowment match the Share the Plate contributions to local charities during the second half of the Fiscal Year. More on this subject in our next business meeting.

C. The Status of the Endowment Committee

1. Elon Bateman resigned from the Endowment Committee on June 26, 2020.
2. The Endowment Committee held a Telephone/Email Special Meeting on Monday, June 29, 2020, and Paul Chasse resigned as Chairman and was elected unanimously as Treasurer. Then, the Committee elected unanimously Donna Musial as Chairperson effective 07/01/2020.
3. We now have an open position that we plan to fill at our next business meeting tentatively scheduled for September. Several Fellowship members have expressed an interest in this position.

Sincerely,
Paul Chasse
Treasurer, Endowment Committee