

Endowment Committee 2020-2021 Annual Report
May 23, 2021

1) TITLE OF YOUR GROUP

Endowment Committee

2) MEMBERS' NAMES

Lenore Ralston (Chair), Anita Mermel, Ira Nelken, Jason Russell, Dick Sherman, Susan Singh, Grace Ulp (Emerita) consulting, Larry Nagel, Treasurer *ex officio* (left Committee 3/2021), Linda Laskowski, consulting, Anne Greenwood, consulting, Tess O'Riva, Executive Director, consulting.

3) STATEMENT OF CHARGE

The UUCB Endowment Committee (EC) is responsible for ensuring the implementation of the Endowment Policy dated January of 2014 and subsequent changes in May of 2017 and thereafter. The EC reports to and gets its authority from the Unitarian Church of Berkeley (UUCB) Board of Trustees (BOT). The current Treasurer serves *ex officio*, as would whomsoever the Board appoints. The Endowment Committee meets monthly to discharge the following duties: 1) monitor the UUCEF, (a separate org from UUA, it is known as UU Common Endowment Fund) investments (where most UUCB Endowments are invested) and review UUCEF strategies for endowment investment; 2) track new gifts/bequests (including sending acknowledgements) and ensuring appropriate steps are taken per the wishes of the donor where known; 3) encourage endowment growth (by adding additional gifts); 4) honor those who have given both time and treasure; 5) propose and implement endowment policies; 6) produce summary reports annually as well as on an as-needed basis; 7) support Board initiatives (e.g. the Endowment Project Oversight Committee, on which Lenore Ralston and Jason Russell currently serve); and 8) conduct a review comparing recommended draws with what has in fact been drawn from: Board-Designated (Quasi) Endowment (known as General Endowment among the UUCEF funds), Kay Davis Memorial Fund, UU Church of Berkeley, and the UUCB Building Maintenance endowment (review done this year by Lenore Ralston); 9) calculate and arrange for disbursements from the endowment to the appropriate place for use by the Board consistent with applicable policies.

4) DESCRIPTION OF UUCB'S ENDOWMENT AND OTHER INVESTMENT ACCOUNTS WITHIN THE PURVIEW OF THE ENDOWMENT COMMITTEE

Introduction and General Overview of UUCB Endowments

In discussions about UUCB's endowment(s), the term "endowment" has often been used very loosely to refer generally to a variety of different gifts that have been made to the church that come within the purview of the endowment committee. There is a distinction, however, which should be made between "true" endowments and so-called "quasi" endowments, also called "board-designated" endowments. There also are several other assets belonging to UUCB that historically have come within the purview of the Endowment Committee for a variety of reasons. For example, the Lawrence Lecture Fund which is under the authority of the Lawrence Lecture Committee.

UUCB currently has four "true" endowments. These are called the Kay Davis Memorial Fund, UU Church of Berkeley, UUCB Building Maintenance, and the Ann Lane Memorial Fund. It has one "quasi"-endowment called the General Endowment Fund. The Morgan and Spatz funds are dedicated to support of a UUCB Intern; and the Lawrence Lecture Fund is an investment managed by UUCEF but under the authority of the Lawrence Lecture Committee.

4) STATUS OF UUCB ENDOWMENT AND OTHER FUNDS INVESTED FOR US BY UUCEF¹

Market Value as of March 31, 2021.

Accounts	Market Value	View
TRUE ENDOWMENTS		
<u>610028-UU CHURCH OF BERKELEY</u>	\$ 93,986.96	Reports
<u>610945- KAY DAVIS MEMORIAL FUND</u>	\$ 156,872.21	Reports
<u>611146-UUCB Building Maintenance</u>	\$ 58,519.78	Reports
<u>611312-Ann Lane Memorial Fund</u>	\$ 288,526.39	Reports
<u>610902-Morgan Theological Educ Fund</u>	\$ 35,382.31	Reports
<u>610903-Spatz Religious Education Fund</u>	\$ 69,002.26	Reports
QUASI-ENDOWMENTS		
<u>610888-GENERAL ENDOWMENT FUND</u>	\$ 946,990.68	Reports
OTHER ASSETS		
<u>610887-LAWRENCE LECTURE FUND</u>	\$ 77,968.59	Reports
<u>610029-1ST UNIT CH BERKELEY CA</u>	\$ 8,653.12	Reports
Total Value :		\$ 1,735,902.30

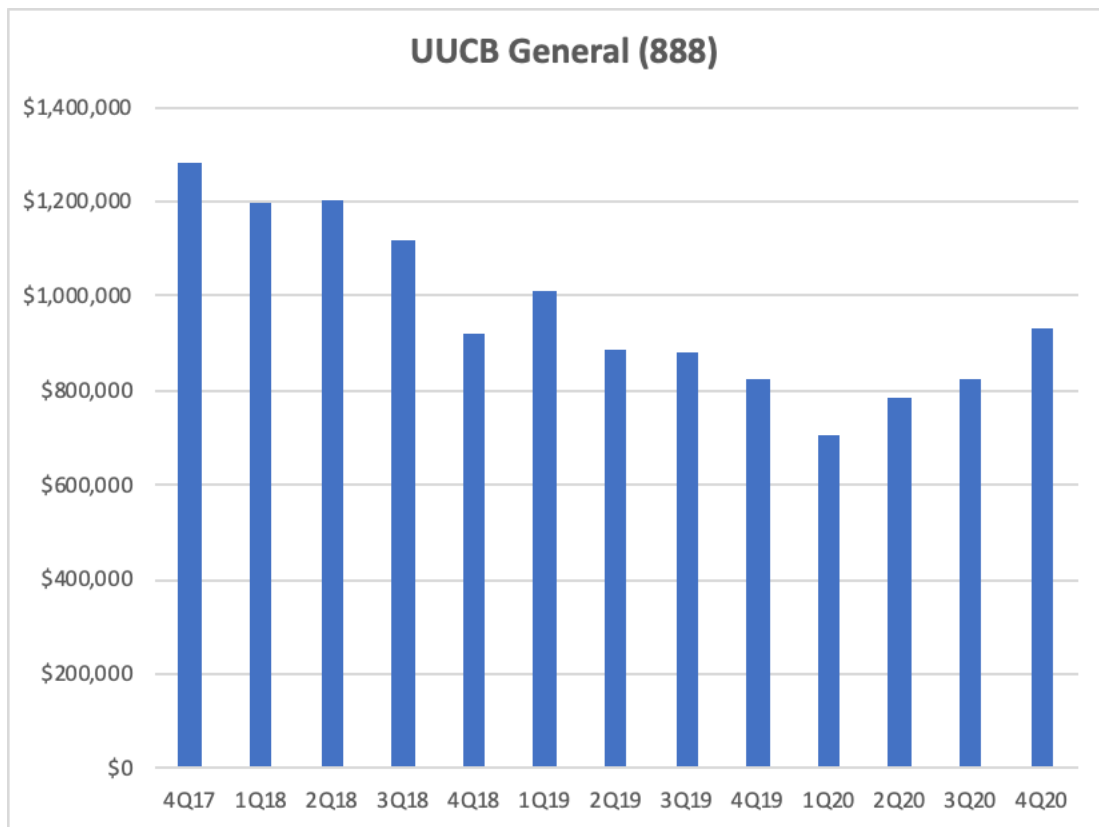
NOTE: The above are the UUCB account numbers and names maintained by UUCEF.

Withdrawals from the quasi-endowment fund for deferred maintenance and replenishment.

Thanks to strong market returns over the past few years, UUCB has been able to use a significant amount of the growth from the General (Board-designated) Quasi-Endowment towards Congregationally-approved deferred-maintenance projects while, at the same time, this endowment has shown steady signs of "replenishment" from those withdrawals. A total of \$908,000 was authorized to be withdrawn from the quasi endowment (\$758,000 in January 2018 and \$150,000 in October, 2019). The Board, decided to make withdrawals on an as-needed basis. This has allowed the money earmarked for campus-improvements to remain in UUCEF interest-bearing accounts.

Accordingly, over the course of 3+ years, a total of \$525,000 has been withdrawn from the General (Board-designated) Quasi-Endowment for extraordinary campus expenses--\$475,000 towards specific projects approved at the January congregational meeting in 2018 and another \$50,000 in September 2019 used for immediate emergencies (broken gas-line, new furnace, etc.). Note that while \$525,000 has been withdrawn, as of December 2020, the Board-Designated (Quasi) Endowment itself was down only \$351,935 (67%). Thus, UUCB effectively leveraged Board-Designated (Quasi) Endowment earnings to accomplish the deferred and urgent maintenance at the same time the fund recovered ~33%.

Use of Donor-Designated (Quasi) Endowment Growth for
Capital Improvements and Deferred Maintenance, 2017-2020



The above graph shows where the Board-designated (quasi) Endowment started in December (4Q) 2017, and where the dips (reflecting the taking out of funds for campus repairs - 4Q18 and 4Q19) occur with steady increases occurring in 2020.

Summary of GIFTS/Bequests – 2020-2021

The following gifts and bequests, per policy and donor request, were credited as follows:

2020-2021

- Wake Now Our Vision bequest from John Tucker’s estate; distributed among the quasi-endowment, the building fund and general operating funds.
- Ann Lane (\$250,000). The Anne Lane Memorial fund was established as a true endowment and invested with the UUCEF for three years to accumulate growth before initiating annual distributions. The Board has reserved a decision (eff. September 2023) as to what purpose the annual distributions from this account should then start to be distributed.

Misc. Gifts: From the Lawrence Lecture Investment Fund to UUCB:

- **FY2019-20:** December 19, 2019, \$1,780.56 for the Tim Wise Lecture expenses to be credited to the General Operating Fund.
- **January 28, 2020:** \$2,358 to be credited to the Ladd Griffith Fund to reimburse expenses for the rear mount projector in the Sanctuary.

- **FY2020-2021:** \$6,520 (not yet drawn) to be credited to the Ladd Griffith Fund for other Sanctuary enhancing investments.

Annual Growth and Disbursal to the UUCB Ladd Griffith Building Maintenance fund:

The General Endowment (Board-designated (Quasi) Endowment) (610028), the Kay Davis Memorial Fund (610945), UU Church of Berkeley (610028), and UUCB Building Maintenance (611146).

The EC is charged with calculating an annual 4% payout from the value of the above referenced funds except in extraordinary circumstances, in which case the EC recommendation may either be higher or lower than 4%. The methodology for doing this is to use a 13-quarter rolling average of the market value of these funds.¹

Below are the EC recommended disbursals by account for 2020-21 and 2021-22. Two years were calculated and depicted in this report as the 2020-21 amount was never transferred, and the 2021-22 amount is yet to be transferred, from the indicated endowments.

	rolling averages by account	GenEnd	Kay Davis	UUChurch of Berk	TOTAL	Building Maint	Grand Total
07/01/21	2021-22 (4%)	\$53,207	\$236	\$0	\$52,983	\$2,673	\$56,116
pending	2020-21 (4%)	39,414	\$5,318	\$1,775	\$46,507	\$2,015	\$48,522

5) ENDOWMENT COMMITTEE WORK 2020-2021

This year, as it did last year, the EC focused on supporting the Board and Congregation as UUCB embarked on retiring our campus’ backlog of deferred maintenance and worked to identify various accounts that could be used to assist with new projects. This involved delving into the details of the UUCEF accounts under the purview of the Endowment Committee and pinning down the intentions of the donors. For example, one account - the Armstrong Garden account - has accumulated significant earnings and no withdrawals have been made for many years. The EC determined that \$10,000 could be taken and put towards the periwinkle garden project spearheaded by Building and Grounds and still be true to the donor's intention. This is only one example.

New Reports

Grace Ulp further refined a summary report that supplies most all relevant facts concerning various UUCB Endowment-related funds. She took the initiative to make sure the Board received this report on a monthly basis. In Conjunction with her compilation of descriptions of each gift (known as the Ulp/Setchko² report), Grace's monthly report the monthly growth of each of the eight UUCEF accounts.

Members of the Endowment Committee also provided support to the Building and Grounds Committee, the Lawrence Lecture Committee, and at various times to the UUCB Treasurer and Executive Director.

- A. Endowment Oversight Committee** – Work with Building & Grounds: 2 at-large members from the Congregation, and 1 from the Endowment Committee: to provide timely reports and oversight of spending related to Endowment-funded deferred maintenance projects.

B. Analyses to assist UUCB Budget process:

Lenore Ralston did an internal "audit" or "True Up" of how EC funds were disbursed, comparing what was approved with what was actually distributed:

C. Summary of the True-up done in Lenore Ralston's analysis:

Bottomline

GenEnd	Kay Davis	UU Church of Berk	TOTAL	Building Maint	TOTAL
-\$8,154	\$4,970	\$2,206	-\$978	-\$935	-\$1,913
underdraw	overdraw		underdraw	underdraw	underdraw

The inconsistencies between EC/BOT-approved and actual draws will be taken care of by subtracting the overdrafts from future recommended draws (2020-21). Underdraws, likewise, will be added to the pertinent funds where the underdraws occurred. A line will be drawn under the past 4 years and a fresh start has been taken for FY 2021-2022.

D. POLICY: The Endowment Committee proposed committee membership terms be limited to 6 years. This proposal was approved by the Board in June 2020. Currently, Grace Ulp is serving as a non-voting emerita, having timed out in November 2020. Lenore Ralston was slated to join Grace as emerita in May 2021, both having completed 6 years of service. However, two active members of the EC have asked Lenore to continue on as Acting Chair for one more year. In this capacity she will work on getting all files into an online EC drop box and tie up some other loose ends, leaving the new leadership free to work on its new goals for the committee.

E. REVIEW AND REWRITE OF UUCB'S GOVERNANCE MANUAL AS IT IMPACTS THE ENDOWMENT: Dick Sherman and Anita Mermel both participated in assisting the Board in its rewrite of UUCB's Governance Manual as it impacts Endowment. This is an ongoing process as there are still refinements to be made to the Governance Manual regarding EC duties and responsibilities.

F. MAYBECK SOCIETY LUNCHEON

Due to the pandemic, the Endowment Committee has put on hold any plans for the annual Maybeck Luncheon. The Maybeck Society is a group of Congregants who have explicitly stated that their intention is to leave a bequest to UUCB in their trust, wills, or other manner of conveyance. The EC is the office-of-record for Maybeck gifts and intentions. Susan Singh, in the past, has taken on the role of keeping track of Maybeck-related activities.

G. CALKINS TRUST: Jason Russell has taken on being one of two Trustees for the Calkins Trust. Former EC Chair, Anne Greenwood, is the second Trustee.

H. HOW UUCEF'S ENDOWMENT FUNDS ARE INVESTED: Jason Russell conducted a thorough review and analysis of how our Endowment Funds are invested by the UUCEF. He presented his findings to both the CFO of UUA and his Assistant at the UUCEF, as well as to the Endowment Committee and to UUCB's Executive Director. No actions resulted, but the information was extremely helpful in expanding EC members' knowledge concerning socially-responsible investing, rates of return, and institutional fund management fees. WE believe Jason' input to the UUCEF CFO was also of mutual benefit.

I. TRUE-UP ANALYSIS of Endowment Funds over the past five years: what pay-out money was recommended by the EC and approved by UUCB's Board, and what money was actually transferred to

operating funds, on an account-by-account basis (see **TRUE-UP ENDOWMENT REPORT FOR UUCB FUNDS, 2017-2021**, by L. Ralston).

6) FUTURE PLANS

- ❖ While the Endowment Committee has taken on oversight of a number of non-endowed funds (e.g. Lawrence Lecture; the Calkins Trust), the EC will be working with the newly formed Finance Committee to ensure a smooth process and a resolution of various procedural gaps that have led to fiscal misunderstandings. The latter, in turn, resulted in the need to spend considerable time sorting out UUCB's books and accounting. The situation which occurred over the past 4 years - changes in key UUCB personnel and loss of institutional memory - should be avoided in the future.
- ❖ The EC hopes to create Education Focus Groups to answer Congregants' questions concerning UUCB's Endowment(s).
- ❖ The EC will work on designing and implementing a more robust program for inviting gifts from congregants and friends of our UUCB community.
- ❖ The EC will complete work on the update of legacy intentions of Maybeck Society members and place responses in a file in the church office.
- ❖ The Ulp Compilation of Gifts and Bequests needs to be updated. An electronic copy would also be useful.
- ❖ The EC plans to create a comprehensive manual describing the workings of the EC. We envision this manual as containing everything about the way endowments work and how ours, specifically, is organized. The goal: to create a documented resource to use in educating new EC members as well as providing the kind of transparency to which UUCB aspires.
- ❖ Educate the current EC members on how to use the Drop box functions in order to facilitate keeping records of what the EC does and to streamline such record keeping for the future.
- ❖ The EC plans on clarifying with the Board under what circumstances "loans" may be taken from the Board-designated "Quasi-Endowment" as compared to simply taking some of the Board-designated Quasi Endowment Growth on an as-needed basis. This will be brought before the Congregation at the appropriate time.

Note: The three newest members of the EC (Dick Sherman, Anita Mermel, and Jason Russell) are expected to have major input into future work of the Endowment Committee. Their skill-sets in law, finance, major gifts, and how endowments are managed and strengthened, make for a very strong team. Susan Singh and Anita Mermel have both served as Board Presidents of other UU Congregations and have served on other UU Endowment Committees. Lenore Ralston will serve as Acting Chair for a one-year recall.

Respectfully Submitted: 5/23/2021 Lenore Ralston (Chair), Endowment Committee.

Endnotes: How the EC Annual payout is calculated

¹ UUCB has eight separate Endowment accounts invested and managed by the Unitarian Universalist Association (UUACEF). All but three are restricted. For the yearly payout the EC typically takes 4% of the earnings from: 1) 610028-UU CHURCH OF BERKELEY; 2) 611146-UUCB Building Maintenance; and 3) 610945-THE KAY DAVIS MEMORIAL FUND, using a 13-quarter rolling average. The last fund used to calculate year-end payout is the Board-Designated 610888-QUASI ENDOWMENT FUND. The sum of the calculations from all four accounts, traditionally, have gone to the General Operating Fund. However, the EC proposed and the Board accepted a strategy whereby, using a 5-year phase-in which started in FY2016-2017 and completed in FY 2020-2021, the entire payout from the earnings would be funneled into the Ladd Griffith Building Maintenance Fund.

² Jan Setchko was a former Treasurer. She and Grace Ulp researched all endowment-related files and tabulated the amount of the original gift(s). They also annotated these files and listed where-or not they were restricted and, if so, in what ways.

