

Endowment Committee 2020-2021 Annual Report

May 22, 2022

1) TITLE OF YOUR GROUP: Endowment Committee (EC)

2) MEMBERS' NAMES:

Anita Mermel and Dick Sherman (Co-Chairs), Ira Nelken, and Jason Russell; Grace Ulp (*Emerita* and consulting).

Lenore Ralston, Treasurer *ex officio* member (and former Chair of EC); Tess O'Riva, Executive Director, consulting; Linda Laskowski and Anne Greenwood, consulting.

3) UUCB'S ENDOWMENTS:

UUCB's various endowments support the work that we do as a church community by establishing a vital and enduring stream of income to help prepare for and offset future expenditures. Over these past five years, through the astute management of this precious resource, payouts from our endowments helped UUCB address critical deferred maintenance challenges as well as invest in Covid-triggered air ventilation upgrades.

In their lifetimes, the beloved donors to our three largest endowed funds¹ placed no restraints on how the income streams from their gifts were to be used. Together, as of 3/31/22, the market value of their unrestricted gifts was \$1,093,295. Per Board policy enacted in 2015, all annual payouts from these unrestricted endowments have gradually shifted from supporting general church expenses to, since FY2020-21, exclusively supporting building maintenance and essential facility upgrades. They have been essential in improving the safety, functionality and spiritual beauty of our campus. It should be noted, however, that the use of the payouts from these unrestricted funds can be modified in the future if the Board determines that other expenditures are more critical.

Two years ago, we received a \$250,000 endowment gift (now valued at \$285,741) from a familial estate of former member Ann Lane. Annual payouts will begin streaming from that fund towards the end of 2023. As the use of that permanent endowment was not restricted by the donor, the Board will decide in 2023 to which church use its income stream will be directed.

The market value of the few endowments whose donors restricted their use² totaled \$237,166 as of 3/30/22. Their payouts go towards supporting purposes such as the maintenance and improvements of several of our gardens, the sponsoring of our well-attended Lawrence

¹ Two of these are permanent endowments (UU Church of Berkeley and Kay Davis Memorial Funds) and one is a quasi, board-designated endowment (General Endowment Fund).

² Lawrence Lecture, Morgan Theological Education, Spatz Religious Education, UUCB Building Maintenance, and Armstrong Garden endowed funds.

Lectures, and specific areas of religious education. One of these funds is restricted by its donors to support only building maintenance expenditures; this use may not be modified by the Board.

4) THE ENDOWMENT COMMITTEE'S MANDATE:

The essence of the EC's work is to encourage endowment growth; to monitor our funds' investments through the Unitarian Universalist Common Endowment Fund (UUCEF); to accept and record new endowment gifts as well as to assure that the wishes of the donor are institutionalized; and to recommend to the Board the annual payouts from the distinct unrestricted-in-use endowment funds as well as the periodic payouts of the restricted-in-use funds, consistent with applicable policies.

A major accomplishment of the EC late spring of last year was a thorough review of all recommended annual draws from the various Endowments over five years compared to what was actually withdrawn from our accounts held with the UU Combined Endowment Fund. This was a herculean task accomplished primarily by the committee's former chair, Lenore Ralston, supported by the other EC members. Over the summer, Lenore worked with our Executive Director to correct the few discrepancies of draws between funds as well as to complete the transfer of funds agreed upon for Fiscal Years 2019-20, and 2020-21 that had not yet been acted upon. **Moving forward, the EC urges the Church's financial team to transfer each year's approved endowment payouts during the first quarter of that fiscal year (i.e. before September 30).** This would not only move a significant annual influx of funds into the church's coffers quicker, but would also make calculations of the 13-quarter rolling averages of the market values of our various endowments more consistent from year to year.

Last month, the EC recommended that **\$46,289** be distributed for FY 2022-23 from the three unrestricted-in-use endowments plus the restricted building maintenance fund, all going towards building maintenance. This amount is governed by church endowment policy for annual payouts which is 4-5% of the 13-quarter rolling average of the market value of the four funds in question.

Through the UUCEF, our endowments are invested to grow prudently and in a socially responsible way. Up until December of last year, markets have been strong for most of a decade and our funds showed healthy gains. Our policy of annually withdrawing 4 – 5% of the 13-quarter rolling average market value is a well-reasoned way of both distributing vital funds for the church's use as well as allowing our endowments to grow and keep up with inflation. Averaging the value over 13-quarters allows us to count on fairly consistent annual revenue streams from these funds by benefiting and retaining more of the gain in years when the market is particularly bullish or weathering the storm in years when the market performs poorly.

Clearly, 2022 has brought with it a volatile market along with inflation rates this country has not experienced in decades. We will continue to watch how our endowments fare, and be in communication with the UUCEF investment team to see how their investment practices are

adapting to the new circumstances. Unsurprisingly, our total endowment investment dropped 6.2% from **\$1,722,816** in December 2021 to **\$1,616,202** in March 2022, a decline fairly consistent with the market overall. Russia's war in Ukraine, rising gas prices, continuing supply chain issues, and the current steep inflation we are all experiencing are negatively affecting the financial markets, and we see no easy resolutions in sight.

5) THE COMMITTEE'S TOP PRIORITY:

As gifts to endowments characteristically come through legacy donations, the EC is planning a set of initiatives that should help build a robust pipeline of future bequests. Educational seminars, written handouts, and an enriched presence on our website are being designed. These will hopefully motivate church members and long-term friends to evaluate their values and priorities in life, think long-term, and express those values and their love and appreciation for this church community in their wills and estate plans.

Endowment gifts are often a donor's last (and largest) gift to those organizations they value most. We encourage members and friends of UUCB who are considering leaving a bequest to this beloved community, to make your intentions known to us (the dollar amount is not as critical to be known as the intended use). That way, we can inform you of your options and encourage you to be clear in your communications in order to make sure **your** intentions are fulfilled when you are no longer here to defend them. And while restricted gifts will never be refused (so long as they support the mission of the church), **we strongly encourage future gifts of endowment whose use will be unrestricted. Gifts without restrictions most empower future generations of church leaders and members to best define what the most critical funding needs are during any given period of time or history.**

All persons who declare to the EC their intent to leave a legacy gift to UUCB are immediately enrolled in the Maybeck Legacy Society. As soon as Covid restrictions are sufficiently lifted, and members feel comfortable assembling together over meals, the EC is excited to once again be able to resume honoring Maybeck members at an annual luncheon. We are tentatively looking at such a celebration this fall.

And on a final note, the Endowment Committee actively seeks two or three new members. What we most need is new participants who share our love for the church and would like to help strengthen its financial base for the long haul. We seek in particular members who have persuasive writing skills or event planning skills (help us organize the next lunch honoring Maybeck Society members!). You do not have to have proven skills in overseeing investment funds, but should have an interest in learning the basics. It is knowledge that in the future will help any of you who are blessed with 401ks, IRAs, or other such retirement investments.

Please write us with your questions, comments, or to explore joining the committee at: endowment@uucb.org.