Bylaws and Endowment Agreement Revisions

May 2023 Annual Meeting

Why does UCE need to update the Endowment Agreement and related Bylaws?

- The Endowment Agreement (governs the Endowment Fund) has not been updated since 2005

- Some sections now out-of-date based on our learnings from
  - Endowment Committee's years of operating the fund
  - Endowment Task Force from two years of work, including congregation input
  - Legal advice from Kirk Hoopingarner from Quarles & Brady

- The UCE Bylaws related to Endowment also need a corresponding update

Fundamentals of the Endowment Fund

- Restricted fund of the Unitarian Church of Evanston
- The "Endowment Agreement" sets the responsibilities of the trustees and the restrictions of the fund's uses
- Elected Endowment trustees manage the fund per the terms of the Endowment Agreement
- Appointed Endowment Committee members help get the work done but don't vote on issues related to core responsibilities
- Fund size is approximately $1.5 million
- We give away about 5% per year, about $75,000

Why changes to the UCE Bylaws?

- The proposed Endowment Agreement changes will make the current Bylaws article related to Endowment out-of-date
- The language will be simplified to refer to the Endowment Agreement, attached to the UCE Bylaws as an Appendix
  - All language in the current bylaws article is from the Endowment Agreement
  - Does not need this repetition since incorporated as an appendix
  - Existing reference to the Endowment Fund being a separate legal entity is incorrect—it is not a separate legal entity but a restricted fund of UCE

Proposed Bylaws Language Change
ARTICLE XII: Endowment Fund

ARTICLE XII ENDOWMENT FUND The Unitarian Church of Evanston Endowment Fund is a ~~separate legal entity~~ restricted fund of the Unitarian Church of Evanston, established in trust by virtue of the Endowment Fund Agreement document, as may be properly amended from time to time, and which is an appendix to these by-laws. The Endowment Fund Agreement will comply with these by-laws, except in the instance when its own restrictions are greater than those of the by- laws. ~~Distributions from the Endowment Fund shall be made in accordance with the Endowment Fund Agreement at the written request of the President of the Board of Trustees, provided that such request is approved by a majority of the Board of Trustees. The distribution request shall not exceed (except as allowed by the Fund Agreement), when combined with all other such requests granted or made or still pending in that calendar year, five percent (5%) of the fair market value of the general unrestricted fund as of the December 31st immediately preceding the date of the distribution. All books and records of the Endowment Fund Committee shall be available for inspection by a member of the Board of Trustees, following approval of such inspection by a majority of the Board of Trustees, and shall be audited at the request of the Board of Trustees at least once every three (3) years by a certified public accountant or any other appropriate person selected by the Board of Trustees.~~ Trustees of the Endowment Fund shall be duly elected as specified in the Endowment Agreement and these by-laws, and shall ensure compliance with the Endowment Fund Agreement.

Endowment Agreement Revisions

Key Issues requiring this amendment and restatement:

- Out-of-date mechanics
  - Fiscal year changing from calendar year to church year
  - Role of the Endowment Committee in soliciting, analyzing and recommending (trustees only) grant requests to the UCE Board of Trustees now included
  - Changing the calculation of the maximum annual distribution amount from 5% of the previous 12/31 fund balance, to 5% of a rolling 12 quarters average fund balance (based on best practices)

- Clarification of language
  - Cleaning up language that is no longer considered necessary and obfuscates the underlying meaning
  - Clarifying provisions that caused confusion in the past

- Increasing the potential number of Endowment trustees
  - Recommendation from the Endowment Task Force because of the amount of work
  - Currently limited to 3 trustees
  - New language allows as many as 5, with a minimum of 3

UCE

Endowment Agreement Approval

Congregation approval needed at May 21 annual meeting

- Obtaining approvals for this Third Amendment and Restatement from the Board of Trustees and Endowment Trustees the week of May 1

Questions and Comments