

# Endowment Task Force Report

January 2023

## BACKGROUND

### *History*

The UCE Endowment Fund was established about 20 years ago to provide a variety of opportunities for special giving to UCE, and to provide an opportunity for congregants to make an enduring gift of any size to the church in the name of individuals, couples, or families. The purpose is to build a strong and lasting financial foundation that will nourish UCE, support its religious life and programs, and maintain it as a vital place in the community.

### *Function*

The Endowment Committee consists of three Endowment trustees, elected by the congregation at the annual meeting, and several additional committee members appointed by the trustees. The work of the Committee is governed by the Endowment Agreement (sometimes referred to as the Endowment bylaws), which runs between the Endowment Trustees and the Board of Trustees. Functions of the Endowment Trustees include receiving gifts, investing and safeguarding the endowment fund itself, and ensuring that applications for grants meet one of the five permitted purposes in the agreement.

The broader Endowment Committee has additional functions, including publicizing the Fund to solicit more gifts and to let members know how to apply for grants. Importantly, the Committee does due diligence on grant applications and makes recommendations about those applications to the Board of Trustees, who in turn makes the ultimate decision as to which applications and in what amounts will be approved for distribution. In a typical year, the Endowment will award grants in a total amount up to 5% of the Fund balance as of 12/31 the previous year. This year, the amount given out will be closer to 4%, in order to help protect the fund's principle during a time of poor stock market returns.

### *Need for an Update*

As the Endowment Fund has grown over time (currently \$1,435,000), the Committee has been busy establishing application processes to make them clearer and more fair. The amount of work for the Committee has been substantial, and the need for greater transparency and congregational input was evident. To address these concerns, in early spring of 2021, the Board of Trustees established an Endowment Task Force to gather input and formulate proposals for improvement. Those proposals are now completed and have been approved by the Endowment Committee and the Board of Trustees. This output is summarized below and presented in its entirety in this document.

### *Opportunities for Feedback*

The congregation is invited to offer input on these proposed procedural changes. Please attend one of our two upcoming townhall meetings, via Zoom on Wednesday, January 25 at 7 pm, or in person on Sunday, January 29, after the service. Members may also email Task Force chair Joe Romeo at [romeo.joe@gmail.com](mailto:romeo.joe@gmail.com).

### *Theme for 2023-2024*

New with these task force recommendations is the opportunity for the congregation to choose a theme each year to help guide the selection of community project grant recipients. Watch for invitations to nominate a theme and then to vote on the finalists using ranked choice voting.

## SUMMARY OF TASK FORCE RECOMMENDATIONS

### *1. Distribution*

This recommendation has by far the most changes, with the most impact on the congregation and the community. While the [five permitted purposes for grants](#) do not change, the procedures the Committee and the Board of Trustees use to determine grant recipients is much more defined than ever before. Endowment grants will be distributed in roughly the following proportions: congregational support, 35%; community projects, 40%; community partners, 25%. Each of the three areas will have its own criteria. New with this recommendation is that the congregation will choose a theme, using ranked choice voting, to help guide the selection of community project grant recipients; and that the Social Justice Council will guide the selection of grant recipients for community partners, who are meant to be long-term partners of UCE. We recommend reading this entire recommendation to understand the nuances.

### *2. Committee Structure*

The key changes recommended in this section are to increase the number of elected trustees from three to five (due to the amount of work the Endowment Committee performs), and to put term limits in place. See the recommendation for a full description of trustee and committee member responsibilities, and how members are chosen.

### *3. Board of Trustees/Endowment Committee Relationship*

This recommendation better defines the relationship between the Board and the Committee, and outlines regular communication practices between the two groups.

### *4. Communication*

This recommendation outlines all the avenues which should be used to publicize Endowment within the congregation, including the website, webinars, the newsletter, the annual report, and in person presentations at various committee meetings.

### *5. Endowment Committee Processes*

This recommendation addresses the need for the Endowment Committee to establish an electronic manual of policies and procedures and make it available to the congregation. Note that there is not a time frame for the policies and procedures to be written, but something like one year is probably realistic. The recommendation also addresses interactions with grant recipients.

6. *Solicitation of Contributions*

This recommendation addresses the need for the Endowment Committee to ramp up its marketing and solicitations, both for small gifts and for bequests as part of members' estate planning. The Endowment Committee plans to address this over the next two years.

7. *Management of Funds*

Recommendations include establishing written financial procedures (now completed and approved), implementing an investment policy, and improving reporting to the congregation about investment composition and performance.

8. *Endowment Agreement Revision*

The Endowment Committee will create a work team to review the implications of the procedural changes on our current Endowment Agreement (bylaws). The Committee will hire an outside attorney with expertise in endowments to review the work team's recommendations and assist in the final drafting. A revised and restated Endowment Agreement will be put to the congregation for a vote at the 2023 annual meeting in May.

## **Task Force Recommendations**

### **1. DISTRIBUTION**

Endowment funds will be distributed annually according to the following schedule: Application Deadline 1: May 31; Deadline 2: October 31; and Deadline 3: (if distribution funds remain) March 31. All applications submitted by each deadline will be reviewed according to the following guidelines:

*Distribution Apportionment*

The annual Endowment distribution will be divided into three parts:

- Distribution A: Congregational Support approximately 35%
- Distribution B: Community Projects approximately 40%
- Distribution C: Community Partners approximately 25%

The exact amount of each distribution will be the final decision of the UCE Board of Trustees.

### ***Distribution A: Congregational Support***

Approximately 35% of the annual distributions will be for eligible projects for congregational and building needs.

#### *Grant Process*

1. Endowment Committee will review the proposals according to the following criteria:
  - Adherence to the criteria listed in Article 4, Section 2 of the Endowment Agreement;
  - Completeness of the application;
  - Project budget.
2. The Endowment Committee will forward recommendations and suggestions for revisions to the Board of Trustees, who will vote on final approval based on their relative merits.
3. Funds not used after the first two application cycles may be available for allocation to Distribution B or C.

### ***Distribution B: Community Projects***

Approximately 40% of annual distributions will be for community projects that enable us to better fulfill our mission: *nurturing the human spirit for a world made whole*. Up to 75% of Distribution B may be distributed as part of the first application cycle.

Each year the congregation will identify a theme to focus the work of Distribution B. Applications supporting the theme will have priority consideration.

#### *Theme Selection Process*

1. The Board of Trustees (BOT) will solicit proposals for themes from the congregation;
2. The BOT will narrow the proposals to a small number of clearly defined options;
3. The BOT will present the selected proposals to the congregation, who will vote by ranked choice;
4. The theme will be decided by a majority of members who cast votes.

#### *Grant Process*

1. The Endowment Committee will review each application according to the following criteria, giving special consideration to projects or organizations that have not received endowment funds before:
  - Adherence to the criteria listed in Article 4, Section 2 of the Endowment Agreement
  - Completeness of application
  - Relevance to current theme
  - Clarity of goals and plans to achieve them

- Congregational involvement
  - Reflection of UCE mission
  - Alignment with UU values
  - Budget
  - Commitment to anti-oppression in policy or practice
  - Success/track record of organization with former grants, either from UCE or others
  - Impact of project
  - Opportunities for further volunteer and community engagement
2. The Endowment Committee may use tools as appropriate, including a rubric and/or check list, to quantify its evaluation of applications.
  3. The Endowment Committee will forward their recommendations to the Board of Trustees, who will vote on final approval or disapproval of each project based on its relative merits.

### ***Distribution C: Partner Organizations***

Approximately 25% of the annual Endowment Fund distributions will be dedicated to sustaining our relationships with UCE's community partner organizations for the long term. Community Partners are defined as those organizations with an institutional relationship with UCE of 3 years or longer and which work for the betterment of the wider community.

These partnership funds can be used for general operating expenses and receiving these funds would not preclude an organization from receiving additional funds from an endowment application submitted on their behalf for specific programming (Distribution Category B).

### ***Grant Process***

The Social Justice Council will submit a list of partner organizations through a simplified application form each year with recommended distribution amounts (up to \$3,000 per organization per year). The partner organization list will be agreed upon by the Social Justice Council teams and submitted to the Endowment Committee to be ultimately voted on by the Board of Trustees. The list of organizations will include a description of how each organization helps a team work toward its goals. Annually, the sponsoring team will submit a statement of the impact of the partner organization on the Social Justice Council team's work and the wider community.

Distributions to partner organizations will be considered as part of the first application deadline. During the annual reporting process, the Social Justice Council can decide to change the list of partner organizations, subject to Endowment Committee review and Board of Trustee approval.

## **2. ENDOWMENT COMMITTEE STRUCTURE**

The Endowment Committee shall be composed of five voting trustees, the immediate past chair as an ex officio, non-voting committee member, and up to four other non-voting committee members.

### ***Endowment Trustees***

Five (5) Endowment Trustees shall each serve a 3-year non-renewable term.

Endowment Trustees will be nominated by Nominating & Recruiting and elected by the congregation at the Annual Meeting. Nominating and Recruiting can receive suggestions for nominees from:

- Endowment Trustees
- UCE Staff
- UCE members

Desired skills for Endowment Trustees include a familiarity with one or more of the following:

- The Mission and Values Statements of UCE
- Fund raising
- Grant writing and evaluation
- Social justice experience
- Financial and investment analysis

Prior service on the Endowment Committee is encouraged and recommended for Trustee service. Trustee membership should reflect the diversity of the UCE congregation, including age diversity.

### ***Endowment Trustees Responsibilities***

- Be fiduciarily responsible for Endowment funds
  - Manage the investment and security of the funds
  - Ensure that adequate financial records are maintained
  - Ensure that minutes are recorded for each meeting
  - Ensure that regular audits are carried out, in accordance with the Endowment Agreement
- Determine the eligibility of distribution applications
- Recommend the approval of applications to the UCE Board of Trustees for final structuring and funding approval
- Publicize the duties of the Trustees on the Endowment page of the website and inform Nominating and Recruiting of the duties prior to their selection process

### ***Non-voting Endowment Committee Members***

The Endowment Committee shall include up to four non-voting members and the immediate past chair as an ex officio, non-voting member.

Committee members will be selected by the Nominating and Recruiting Committee in consultation with the Endowment Trustees. Nominating and Recruiting may receive suggestions from:

- The Endowment Committee
- UCE Staff
- UCE members

#### *Non-voting Committee Members' Responsibilities*

- Help to:
  - Advise applicants
  - Clarify and structure proposals
  - Fundraise
  - Communicate via the website, newsletter, etc.
- Participate in discussions of investment strategies
- Perform other duties as assigned by the Trustees

#### *Term Limits*

Non-voting Endowment Committee members will serve one-year, renewable terms. No person shall serve as an Endowment Committee member, including time as Endowment Trustee and as ex-officio past chair, for more than seven (7) consecutive years. A term-limited individual can rejoin the Endowment Committee or serve again as an Endowment Trustee after a two-year hiatus from serving in either capacity.

#### *Other Participants*

Up to two members of the UCE Board of Trustees will serve as Endowment liaisons, observing Endowment Committee meetings and serving as a communications bridge between the Endowment Committee and the UCE Board.

UCE ministerial staff may comment on the fit of different proposals with the overall UCE mission and ends.

### **3. BOARD OF TRUSTEES/ENDOWMENT COMMITTEE RELATIONSHIP**

Given that regular communication between the Board Chair and the Endowment Committee members is of utmost importance, they should observe the following scheduling guidelines:

- The Board Chair and Vice Chair will meet with the Endowment Trustees at least six times each year, for informal discussions of Endowment issues.
- There will be two Board liaisons to the Endowment Committee and, if feasible, it would be advisable for the Board Chair or Vice Chair to serve as one of the liaisons.
- Grant proposals and any concerns about them identified by the Endowment Committee or by the Board will be shared between the Board and the Endowment Committee.
- Members of both the Board of Trustees and the Endowment Committee will be respectful of opinions voiced by members of each committee.

The Endowment Agreement Bylaws should reflect current best practices:

- The Endowment Committee solicits and receives grant applications, assists applicants, and, when possible, provides preliminary reviews of applications prior to proposal submission deadlines.
- The Endowment Trustees determine whether each application meets the requirements of the Endowment Agreement, Article IV, Section 2. The Endowment Trustees make recommendations about the proposals to the Board.
- The Board of Trustees is responsible for final approval of applications.
  - Grant proposals may be considered at a regular Board meeting or at a special Board meeting. Applicants may attend such meetings for the purpose of answering Board questions.
  - Soon after the decisions are made, applicants will be informed of the Board's decisions through an e-mail sent jointly by the Board Chair and the Endowment Chair.
- The Board of Trustees and the Endowment Trustees shall work in good faith to resolve disagreements regarding grant applications. If a resolution cannot be reached, the Board of Trustees and Endowment Trustees will follow the procedures defined in the Endowment Agreement IV, Section 1.

## 4. COMMUNICATIONS

The Task Force approved the following recommendations to improve general communication about UCE Endowment with the congregation:

### *Website*

- Add a link to the Endowment page under Member and Friend Resources
- Update documents currently on the website
- Use multiple formats for website information, including video, PowerPoint, Word, and pdf
- Use multiple formats for application including Google form and fillable pdf, working with UCE communications staff to ensure forms are kept up to date

### *Workshops*

The Endowment Committee will hold a series of workshops with topics including the following:

- General information on the UCE Endowment – investments, annual distributions, how to donate and make bequests
- Distribution areas
- Selection process
- Requirements for recipients
- Filling out an application

### *Application recruitment and support*

- The Endowment Committee will continue to use the UCE newsletter and UCE website to publicize Endowment goals, eligibility, deadlines, past awards, availability of application help, and examples of successful grant applications
- The Committee will conduct an all-inclusive Endowment application webinar and record the presentation for inclusion on the UCE website.
- Endowment members will approach each Council, (Social Justice, Membership Engagement and Faith Formation) and make brief presentations to those interested.
- Endowment Committee members are available to applicants to answer questions and provide appropriate guidance during the application process
- Applicants may be invited to present the application in person to the Endowment Committee and/or the Board of Trustees

### *Reporting*

- Have consistent format for reports, after each application cycle, to the Integrated Stewardship Council, the Board of Trustees, and the Congregation, including, but not limited to the following:
  - Grants approved
  - Amount of distribution available annually
  - Amount left in each Distribution area after each application cycle
- Publish reports in Newsletter
- Publish an annual report as part of the annual meeting to include information about investments, investment returns, and grants

## 5. ENDOWMENT COMMITTEE PROCESSES

Policies and procedures of the Endowment Committee will be documented in an electronic manual, available to congregants.

- The manual will state how tasks of the Endowment Committee are carried out.

- The manual will be reviewed and updated by the Endowment Committee with input from the Board.

#### *Grant Recipients*

- The Endowment Committee will appoint liaisons for grant recipients. The liaisons will work with the UCE grant applicant to support any necessary follow up and ongoing relationship building.
- Grant recipients will be notified that unused funds should be returned to the Endowment Fund as soon as possible, within the defined time period.
- Grant recipients will provide a brief summary of the impact of the grant, to be shared with the Endowment Committee, the Board of Trustees and the Congregation.
- The Endowment Committee will endeavor to interact with applicants in a consistent, constructive and covenantal manner.

## 6. SOLICITATION OF CONTRIBUTIONS

#### *Marketing and Communications*

A designated member (or members) of the Endowment Committee will be responsible for the following:

- Creating a calendar of activities
  - Consider timing during the year for the annual push (traditionally related to Day of the Dead)
- Maintaining up-to-date brochures
- Organizing a small gifts campaign, including marketing collateral (see below for more on small gifts)

The Endowment Committee will sponsor occasional seminars related to giving, estate planning and tax planning

#### *Small Gifts*

- A small gifts campaign will be structured to avoid cannibalization of operating fund or shared offering donations—for example, to honor someone
- Make it easy to give—use Vanco/Venmo/Give Lively or some similar electronic platform that doesn't cause additional accounting headaches
- Would still need to acknowledge small gifts; some electronic platforms automatically send thank you acknowledgements

#### *Bequests*

The Endowment Committee will resume the activity of seeking bequests.

- The Endowment Committee should be staffed with sufficient membership to allow for planned giving solicitation.
- Establish a targeted approach/list.
  - Develop solicitation procedures and scripts/talking points
  - Be clear we are not giving tax or investment advice but we can ask questions
- Establish procedures for documentation, record keeping, and follow up
  - Review best practices from other Endowments to inform developing new procedures.
  - Need to gather information including intended amount, copies of the applicable estate documentation, and contact information for the executor.
  - Establish ongoing contact with Nellie Brough Society members regarding their estate plans.
- Publicize new Nellie Brough Society members utilizing the placard in the lobby and announcements at Endowment Sunday.

## 7. MANAGEMENT OF FUNDS

Experience with finance/investment management should be a strong consideration for Endowment Trustees and Endowment Committee members to ensure that there are multiple members familiar with investments and financial controls. The Endowment Trustees have chosen to hire an investment advisor, but that does not absolve them of responsibility for understanding and directing the management of funds.

### *Financial Procedures*

The Endowment Committee will establish written financial procedures to control access to the funds and prevent fraud.

- Work team to recommend (for approval by the Endowment Task Force, the Endowment Committee, and the Integrated Stewardship Council) and document procedures
- Review these procedures at least every three years

### *Investment Policy*

The Endowment Committee will investigate, generate, and implement an Investment Policy to limit/direct/safeguard the funds and to specify asset allocation. The Endowment Committee has hired and will maintain a professional advisor to interface with the Endowment Committee as it manages our investments.

- The Endowment Trustees will establish an Investment Policy with the advice of the professional advisor and the Endowment Committee.

- Considerations to include
  - Asset classes that are acceptable investments
  - Determination of appropriate allocations across asset classes
  - Review/rebalance schedule
  - Socially responsible investing

### *Accountability to the Congregation*

The Endowment Committee should prepare an annual report that includes general description of purposes, giving areas, past year's grants, and an investment overview, including investment composition and performance.

The Endowment Committee should hold a townhall meeting annually to discuss the holdings and performance of the fund.

## 8. ENDOWMENT AGREEMENT REVISION

The following steps should be taken to update the [Endowment Agreement](#) to be consistent with all Task Force recommendations.

1. Create a work team
  - To include Bill Hartgering and Susan Comstock, FY 2023 Endowment Co-Chairs and potentially another member of their choosing.
  - The work team will review other endowment agreements for other endowments of comparable size.
2. Create a revision schedule
  - The work team needs to understand the totality of Task Force recommendations prior to proposing any changes
    - After feedback from Endowment Committee and Board of Trustees, a full schedule for the revision can be established
  - Work needs to be completed and approved by the Board of Trustees and Endowment Trustees in time to be included for congregational approval at either a special meeting of the congregation or the 2023 Annual Meeting
3. Review the existing agreement, recommendations from other 7 Task Force topics, and the Endowment Committee's previous review
  - Compile all the recommendations
  - Choose recommendations in line with other teams' input and draft proposed changes
  - Present a description of the suggested changes to the Task Force, the Endowment Committee and the Board of Trustees

4. Engage an experienced attorney (at the Endowment Fund's expense) to review the team's final recommendations and assist in the final drafting
5. Ensure adequate communications with the congregation in advance of the annual meeting to obtain approval of the revised Endowment Agreement.

An issue to be included in the legal review includes the extent to which organizations engaged in issue advocacy and "propaganda" are eligible for Endowment funding. Once the legal issues around this are well understood, the Endowment Trustees and the UCE Board of Trustees will jointly agree on how to evaluate proposals in this area.