

First Unitarian Society Foundation of Madison, Inc.
Minutes of Directors' Meeting held February 21, 2022 (by Zoom)
Adopted with Corrections April 18, 2022

Present: Connie Beam (President), Peter Marion (Treasurer), Kathy Luker (Vice President), Dennis Birke, David Kuenzi, Annette Hellmer, Carol Stang, and Kurt Stege

Also present: Monica Nolan, Dean Hessler, Emily Cusic Putnam

Connie **called the meeting to order** at 7:04 p.m.

Connie introduced Dean Hessler. Connie had asked Dean if he would be interested in joining the Foundation Board of Directors and in serving as Treasurer. Dean has already answered affirmatively to both questions. Dean has been a Financial Planner for 30 years, holds an MBA in finance, is a CFP, has experience serving on boards for other organizations, and is an active member of the FUS congregation. He will be nominated and voted on at the Spring Parish Meeting.

Minutes from October 11, 2021 Meeting

Pete moved to approve the October 11, 2021, minutes with the correction of the spelling of Annette's last name by adding a second "l". Kathy seconded. **Motion passed and the minutes were approved.**

Treasurer's Report (Pete) for the 2nd quarter ended December 31, 2021 in FY 2021-2022

Pete noted that due to various changes implemented because of working with a new accountant, the Balance Sheet and the Profit & Loss Statement will serve as the primary documents underlying future reports from the treasurer. He explained that these new statements are both easier to understand and more accurately reflect the Foundation's financial condition than those used previously.

BALANCE SHEET

- **FEDERAL MONEY MARKET** cash held in Vanguard totaled \$125,603 at end-December, more than sufficient for budgeted expenses in the next two quarters totaling \$98,174.
- **BROKERAGE FUNDS & TOTAL MARKETABLE SECURITIES** investments in Vanguard at end-quarter totaled, respectively, \$3,916,248 and \$4,041,853.
- **TOTAL ASSETS** grew by nearly \$200,000 during the quarter to \$4,081,892.

- **CUSTODIAL FUND** liabilities totaled \$101,164 at end-quarter, including \$70,885 due to the Friends of the Meeting House and \$30,319 to the successor of the inactive UU Alliance.
- **TOTAL EQUITY** (donor funds) increased in the quarter to \$3,980,728, including \$2,808,345 in funds without restrictions and \$1,172,383 in funds with restrictions.

PROFIT & LOSS

- **INVESTMENT INCOME** in the fourth quarter was \$176,884, and \$151,439 for the year.
- **DONATIONS INCOME** (donor contributions) was received in the quarter from three donors, totaling \$51,155.
- **TOTAL INCOME** was \$228,039 in the quarter and \$202,594 in the year to date.
- **PROGRAM DISTRIBUTIONS EXPENSE** (disbursements) in the quarter were \$33,842, including \$27,571 from donor funds without restrictions, and \$6,271 from donor funds with restrictions. Program distributions through end-December totaled \$67,684, including \$55,142 from donor funds without restrictions and \$12,542 from funds with restrictions.
- **FOUNDATION ADMINISTRATIVE EXPENSE** was \$2,000 for FUS support and \$450 for accounting services, totaling \$2,450 for the quarter and \$4,788 for the year to date.
- **CUSTODIAL FUND EARNINGS** expensed in the quarter totaled \$4,371, including \$3,061 accrued to the Friends of the Meeting House, and \$1,310 to the successor of the UU Alliance. Total custodial fund earnings expense for the year to date was \$3,681.
- **TOTAL EXPENSE** for the quarter was \$40,663, and \$76,153 for the year.
- **NET INCOME** distributed to donor funds totaled \$187,376 in the quarter and \$126,441 in the year to date.

The total donations income of \$51,155 during the quarter consisted of \$40,000 from Chuck Stonecipher for the Janet Stonecipher Ministry Fund, \$10,000 from the estate of Don Schuette for the Society Fund, and \$1,155 from the estate of Max Gaebler. The donation from the Gaebler Estate was not designated for a particular Foundation fund.

Annette moved that the \$1,155 gift to the Foundation from the estate of Max Gaebler be placed in the Society Fund. Kurt seconded. **Motion passed.**

FY 2022-2023 PAYOUT PROPOSAL

Payout from donor funds of \$177,547, calculated in accordance with the Foundation's standard policy, is proposed for next fiscal year, an increase of \$21,389 over the current year. [End of Treasurer's Report.]

Update on work with Kollath CPAs, the new accountant for the Foundation

The Foundation has signed a contract with a new accountant, Chris Roach of Kollath CPA. There will be a quarterly fee of \$1,000 and the Foundation was charged \$2,500 to set up the system. Pete has been very pleased with the new relationship. Pete explained that the accounting fees will lead to a change in the Foundation's FY 2021-2022 annual expense budget for accounting services to reflect expenditures of only \$787.50 for the period from July 1 until December 31 of 2021 but estimated expenses of \$5,500 for the period from January 1 to June 30, 2022. Consequently, the total expenditure for the accounting services line in FY 2021-2022 should be \$6,287.50 rather than the initially budgeted amount of \$6,000.

Portfolio Review (David and Carol)

The portfolio return was 15.7% for calendar year 2021, the third year in a row of returns in excess of 15%. David observed that the allocation between different asset classes was reasonably close to the targets. The total assets figure was lower as of the date of our meeting than at the end of the quarter because of a retreat by the stock market.

David moved to allocate \$65,000 from the current cash holdings as follows: 1) \$30,000 to the mid and small cap fund (VXF); 2) \$12,000 to the Asia fund (VPL); 3) \$12,000 to the emerging markets fund (VWO); and \$11,000 to the short-term treasuries fund (BSV). Kathy seconded.

Motion passed.

Fiscal Year 2023 Distributions (Pete)

Pete developed a Foundation payout proposal for the next fiscal year that totaled \$185,547, including \$8,000 for administrative support expenses. The annual amounts were calculated based upon the Foundation's Distribution Policy of 5% of the three-year trailing average of market value in equal quarterly installments. The total amount was an increase of about \$21,000 over FY 2022 which translates to an increase in quarterly payments of about \$5,000.

Dennis moved adoption of the proposal and Annette seconded the motion. **Motion passed,** establishing annual payouts from the individual funds (in addition to the administrative support expense payout) in the following amounts: 1) \$38,348 from The Society Fund; 2) \$8,558 from the Helstad Building Management Fund; 3) \$505 from the Society Fund Microfinance Match; 4) \$11,210 from the Program Enhancement Fund; 5) \$50,863 from the Stonehewers Building

Preservation and Improvement Fund; 6) \$8,128 from Channing Murray; 7) \$8,094 from the Janet Stonecipher Ministry Fund; 8) \$7,581 from the Elizabeth Stucki Nicholson Fund; 9) \$2,041 from the Betsy Frantz Fund; 10) \$3,361 from the Arnie and Sam Clay Fund; 11) \$1,070 from the Altmeyer Social Concerns Fund; 12) \$2,325 from the Kenney, Gorski, Fischer Memorial Fund; 13) \$2,080 from the Bicknell-Burgoon Fund; 14) \$857 from the Bartell Memorial Endowment; 15) \$8,598 from the Bill and Joyce Wartmann Music Endowment; 16) \$12,880 from the Wartmann Human Sexuality Lecture Series; 17) \$3,294 from the Charles Vilas Fund; and 18) \$7,754 from the Wartmann Political and Social Justice Fund.

Monica explained that the Society has revised the method of preparing its annual budget by focusing on income before addressing expenses. This means it is all the more important to promptly obtain information relating to the size of the payout to the Society from the Foundation. Monica expressed hope that the new accountant will speed up the process for generating both the year-end report and the proposed payouts for the subsequent fiscal year. Monica requested that the Foundation **Board's initial meeting each calendar year be held significantly earlier** than has occurred this year and in the past.

Connie explained a revision to the method used by the Society to access available **monies from both the Arnie and Sam Clay Fund and the Wartman Human Sexuality Lecture Series fund**. In the past, the Foundation has played a role in reviewing whether activities that are proposed actually qualify for disbursement/reimbursement. The revised method would be for the Foundation to release the payouts for both funds to the Society which will then place the payouts into a restricted category. It would then be up to FUS to decide whether the contemplated activities are consistent with the terms of the underlying Foundation fund. Amounts paid to the Society that are not released from the restricted accounts will not be earning any additional returns but would simply roll over. The thinking is that FUS staff will be made more aware of the availability of the money and be more apt to make use of it promptly.

Another revision to past practice applies to **the Elizabeth Stucki Nicholson Fund**. In the past, the payout from this fund's earnings was made annually rather than broken up into quarterly increments. The new practice will be to treat this fund like all the other funds and make the payout quarterly.

Environmental/Social/Governance (ESG) Investing Committee Report

The ESG Investing Committee of Connie, Kendall, Annette, David, Kathy and Carol submitted a written report dated January 12, 2021, that summarized the committee's discussions during its meetings and made the following recommendations: 1) Monitor our current SUSA investment (US large cap ESG fund) to learn more about this ESG index fund and how it compares to our benchmark; 2) Look for other ESG/SRI investment opportunities, particularly those that have a few years of data; 3) Invite a representative from the UU Common Endowment Fund to make a presentation to our board about the fund and how it works; 4) reconvene this committee in late 2022/early 2023 to continue research and make further recommendations.

Connie will contact the UU Common Endowment Fund (which invests in individual companies rather than index funds) to see if they would have a representative available to make a presentation during our July meeting.

Move Permanently Endowed Gifts into Permanently Endowed Funds: Stonehaulers' and Program Enhancement

In a January 26, 2022, memo, Connie and Pete explained their recommendation the Board adopt a “housekeeping” change to simplify the Foundation’s accounting and reporting as permitted by new Generally Accepted Accounting Principles. The change would move a few permanently endowed gifts placed in the Stonehaulers’ Fund and the Program Enhancement Fund upon their creation in 1994 into other Foundation funds that are permanently endowed and still support the purposes for which the donors made the gifts.

Pete moved as follows:

Move the \$1,000 permanently endowed gift from Katherine Bradley currently held in the Stonehaulers’ Fund into the permanently endowed Vilas Fund which supports the care and maintenance of the FUS campus; and move the \$6,454.72 of permanently endowed gifts currently held in the Program Enhancement Fund into the Gerald A. and Joyce J. Bartell Memorial Endowment, a permanently endowed fund which supports FUS’s liberal religious education, divided equally between the church school and adult education.

Kathy seconded the motion. **Motion passed.**

Updates to the charters for the Stonehaulers’ Fund and the Program Enhancement Fund (Dennis)

In a memo dated January 17, 2022, Dennis provided a summary of the relevant history coupled with key underlying documents behind a recommendation to both amend and restate the charters for both of these funds. The recommendation is designed to eliminate unnecessary language and to consolidate that change with the original charters and subsequent amendments to result in more easily understood updated charters. Dennis also included specific language to be placed before the FUS Board of Trustees and the Congregation.

Pete moved as follows:

The FUS Foundation Board of Directors recommends that the FUS Board of Trustees approve restated charters for the Stonehaulers’ and Program Enhancement Funds, including the elimination of the provision to add 20% of earnings to the principal of each

fund; and, then, to seek Congregational approval of these restated charters at the Spring 2022 Parish Meeting.

Carol seconded the motion. **Motion passed.**

Staff Update (Monica)

Monica provided the Foundation Board with a copy of the Leadership Team Report for February 2022 and provided additional information relating to 1) resumption of in-person worship; 2) commencement of the stewardship campaign; 3) the FUS mid-year financial statement and net operating income; and 4) how the Society anticipates responding to the departure of Tim Cordon.

The meeting adjourned at approximately 8:40 p.m.

The **next** Foundation Board **meetings** are scheduled for 7:00 pm on the following Mondays in 2022: April 18, July 11, and October 10.

Minutes prepared by Kurt Stege.