

Unitarian Society of New Haven
Minutes of the Special Meeting of the Society
June 10, 2012

Accepted December 2, 2012

Attendance: 82 Members. Confirmed by Larry Rizzolo

Thea Bourke-Martin called the meeting to order at 11:37 a.m. and Gregg Burton recorded the minutes. A quorum of Members was present, and the meeting proceeded with T. Bourke-Martin presiding.

Proposed Bylaw Revisions

Carol Cheney introduced Bob Congdon of the Endowment Committee to present the proposed revisions to the USNH bylaws regarding the governance of the USNH endowment funds. C. Cheney thanked all of the members of the Endowment Committee and all congregation members that participated in the bylaw revision process.

B. Congdon presented the proposed revisions to the bylaws. He noted that the bylaws currently set up a system that involves the management of endowment funds as three separate funds. The goals of the Endowment Committee in preparing the bylaw revisions were: (1) to preserve the purchasing power of the endowment; (2) provide income to USNH in order to meet operating budget needs; and (3) to grow the endowment funds. The bylaw revisions would change the allowed use of the funds in order to permit the use of endowment funds for operating budget expenses. The revisions to the bylaws will allow the Endowment Committee to focus its efforts on managing and growing the endowment funds rather than determining how to expend the funds.

The revision to the bylaws proposed by the Endowment Committee is attached to these Minutes as Exhibit A.

MOTION by C. Cheney, that the congregation accept and adopt the bylaw revisions proposed by the Endowment Committee. **SECONDED** by Susan Meredith. **MOTION OPENED FOR DISCUSSION.**

A question was raised about whether a 2% contribution to the operating budget would be sustainable in every year, even when markets are down. B. Congdon noted that the Endowment Committee would make that determination each year based on all of the facts and circumstances, in accordance with the guidelines set forth in the bylaws and that difficult years may be precisely the times when endowment fund contributions are needed most. It was also noted that in no event would contributions be made that would invade the original principal balance.

A question was raised about whether the percentage of contribution to the operating budget should be stated explicitly in the bylaws. B. Congdon noted that ultimately, the amount of endowment funds contributed to the operating budget would be approved by the congregation

when the congregation approves the annual budget, which would set out the portion of funds to be contributed to the operating budget from the endowment funds.

A point in favor was noted that the bylaw revisions bring USNH into a modern approach to endowment fund management.

A point in favor noted that a 2% contribution to the operating budget is conservative in comparison to the contribution typically made by endowments.

A point in favor noted that the congregation must trust the future congregation to be wise in decisions about the amount being disbursed rather than trying to predict what will be needed and limiting discretion for varying circumstances.

A question was raised about whether this change would impact the ability of donors to restrict contributions made to endowment. B. Congdon noted that all past gifts were restricted to endowment, but were not otherwise subject to use restrictions and confirmed that donors would continue to be able to impose use restrictions on endowment contributions if desired.

A question was raised about whether the intent of the donor being that the principal will be preserved would be met under the bylaw revisions. B. Congdon noted that by law the principal of the endowment funds cannot be invaded.

PREVIOUS QUESTION CALLED by Rob Camm; **SECONDED** by Alison Cunningham; **PREVIOUS QUESTION ADOPTED** by verbal vote of two-thirds.

A VERBAL VOTE WAS CALLED ON THE MOTION that the congregation accept and adopt the bylaw revisions proposed by the Endowment Committee; **MOTION PASSED** without dissent or abstention.

Adjournment

There being no further business before the special meeting congregation, **MOTION TO ADJOURN** by Rob Camm; **SECONDED** by John Watson; **MOTION PASSED** by verbal vote without dissent or abstention.

The meeting was adjourned at 11:57 a.m.

EXHIBIT A

TO MINUTES OF THE SPECIAL MEETING OF THE UNITARIAN SOCIETY OF NEW HAVEN JUNE 10, 2012

To replace Articles XII, XIII and XIV of the bylaws with the following:

ARTICLE XII – USNH Endowment

SECTION 1. Definitions.

“Endowment” means all of the investment funds that are designated by donors either for Endowment or to provide a permanent source of income for the benefit of USNH. These include Donor-Designated Endowment Funds and Donor-Designated Restricted Purpose Endowment Funds. Endowment also includes all investment income and growth generated by those Funds.

“Donor-Designated Endowment Funds” means all of the donations that donors have explicitly designated to be held in perpetuity as Endowment, without stating some specific purpose.

“Donor-Designated Restricted Purpose Endowment Funds” means all of the donations that donors have explicitly designated to be held in perpetuity as Endowment to provide financial support for a specific purpose.

“Board-Designated Funds” means the total of funds designated by the Board to be managed by the Endowment and Legacies Committee (the “Committee”). Any Board-Designated Funds shall be recorded in the financial records as part of Temporarily Restricted Net Assets.

“Principal” of each Donor-Designated Endowment Fund shall be the total amount of all donations made explicitly for that Fund, which is recorded in the financial records as Permanently Restricted Net Assets.

“Total Return” means the net increase/decrease in value of the Endowment over any stated period, calculated separately for each Endowment Fund, that is attributable to interest, dividends, earnings and capital gains/losses (whether realized or not), less the amount of any Distributions, fees and other expenses disbursed there from during such period. Total Return is recorded in the financial records as part of Temporarily Restricted Net Assets.

“Distribution” means the amount of Total Return to be distributed to USNH from each Endowment Fund after approval by the Congregation in accordance with Section 8.

SECTION 2 Management of Endowment

USNH shall maintain an Endowment. The Principal of the Endowment Funds shall never be invaded. The Endowment shall be managed and invested as described in the following sections. Subject to the preservation of Principal when applicable, and to any other applicable restrictions, a portion of the Total Return from the Endowment shall be distributed to USNH each year.

SECTION 3 Endowment and Legacies Committee

The Congregation shall maintain the Endowment and Legacies Committee. The Congregation shall elect at least five (5) USNH members for three-year terms as voting members of the Committee. No member of the Board of Trustees may serve as a Committee member. The Committee may remove a member for cause. In the event of the resignation, or removal for cause, of a Committee member, the Nominating Committee shall recommend a candidate and the Congregation shall elect a Committee member at a regular or special Congregational meeting. To the extent possible, the terms shall be staggered such that there will be at least two (2) members on the Committee with one (1) or more years experience of Committee service. No member may serve for more than two (2) consecutive terms. After a lapse of one (1) year, a former Committee member may be re-elected. The Committee may recruit nonvoting Committee members to assist with its work. The Committee shall be responsible for:

- Selecting professional advisors to invest and manage the Endowment

- Determining, with the input of professional advisors, investment strategies for the Endowment
- Evaluating investment performance compared to performance benchmarks
- Determining on an annual basis the Total Return and the proposed Distribution for each Endowment Fund in accordance with Section 8
- Directing that any Distribution from a Restricted Purpose Endowment Fund be used in a manner consistent with the donor restrictions
- Managing and accounting for the use of Board-Designated Funds
- Developing and implementing a strategy to generate additional gifts to the Endowment, and to educate the Congregation about endowment and legacy giving
- Establishing and maintaining the Legacy Society for USNH to recognize donors who have made endowment or legacy gifts or who confirm plans for future legacy gifts
- Determining whether USNH should accept a particular Endowment gift that has a restricted purpose or that consists of assets other than cash or publicly-traded securities
- Arranging for the sale of any non-cash gifts, the proceeds of which are intended to be added to the Endowment
- Taking such other administrative actions that are necessary to accomplish the purposes of this Article XII

SECTION 4. Endowment and Legacies Committee Officers. The Committee shall elect a Chair, a Treasurer and a Secretary from its members. The Chair shall conduct meetings of the Committee and represent the Committee before the Board and at other USNH functions. The Treasurer shall be responsible for arranging all deposits to and withdrawals from the Endowment, maintaining all financial records relating to the Endowment, and reporting thereon to the Committee.

SECTION 5. Acceptable Gifts to the Endowment. A donor may contribute to the Endowment during his or her lifetime, or through his or her estate. The following are acceptable assets to donate to the Endowment:

- Cash
- Securities
- Real estate that contains no environmental hazards and that is readily marketable
- Marketable personal property such as artwork, antiques or jewelry

The Committee shall have the discretion to accept or reject assets.

The donor must specify in writing the intention that the donation, or the proceeds thereof, be added to the Endowment, and, in the case of a Restricted Purpose Endowment gift, must also specify the special purpose.

SECTION 6. Tribute Gifts. Tribute gifts and bequests to USNH that are made in memory of, or in honor of, individuals, but are not designated for Endowment, shall be placed in the Board-Designated Fund.

SECTION 7. Investment guidelines. To the extent mandated by applicable law, the Committee shall preserve the Principal of each Endowment Fund. The Committee shall invest Endowment Funds, seeking to generate returns that maintain the inflation-adjusted purchasing power of the Principal, provide annual Distributions for the benefit of USNH, and grow the value of each Endowment Fund over the long term. If any Endowment Fund value has declined so that it is less than the applicable Principal, the obligation to preserve such Principal shall not require that funds be added to such Endowment Fund to bring its value up to the applicable Principal amount, but no funds may be distributed from such Endowment Fund until its value exceeds the applicable Principal amount.

SECTION 8. Distribution and Permitted Uses of Endowment Returns. Each year, the Committee shall determine, for the previous calendar year:

- The value of each Endowment Fund and its Principal as of December 31
- The rate of inflation based on the Consumer Price Index, and
- The Total Return for each Endowment Fund

Based on those determinations, each year the Committee shall propose a Distribution from each Endowment Fund that will:

- Preserve the Principal

- Balance the goal of providing a steady source of annual income to USNH with the goals of maintaining the purchasing power of the Principal and growing the value of the Endowment.

Once the Committee has determined the proposed Distributions, the Committee shall, as part of the annual budget process, advise the Finance Committee of the amounts of the proposed unrestricted purpose Distributions, as well as the amounts of any proposed Restricted Purpose Distributions.

The Finance Committee shall incorporate into the budget that it recommends to the Board: (a) The portion of the proposed unrestricted purpose Distributions that it deems desirable, to fund, without limitation, existing programs, capital needs, new initiatives, or contingencies, and (b) the portion of the proposed Restricted Purpose Distributions that it deems desirable to fund such Restricted Purposes.

The Board shall recommend a budget for the approval of the Congregation that incorporates and states: (a) a specified amount of unrestricted purpose Distributions, and (b) a specified amount of any Restricted Purpose Distributions to fund such Restricted Purposes.

For any Restricted Purpose Distributions, the Finance Committee and Board shall recommend to the Congregation uses that are consistent with the donors' or the Board's intents.

Once the Congregation has approved a budget that incorporates (a) a specified amount of unrestricted purpose Distributions, and (b) a specified amount of any Restricted Purpose Distributions to fund such Restricted Purposes, the Committee shall arrange for a transfer of the approved Distributions to the appropriate USNH account. Any portions of the proposed Distributions that are not incorporated into the budget approved by the Congregation shall remain in the Endowment.

No use shall be made of the Endowment that would have the effect of violating any applicable laws, including laws of the United States or the State of Connecticut regarding financial affairs of organizations exempted from taxation.

SECTION 9. Management and permitted uses of Board-Designated Funds. The Committee will manage, account for and distribute Board-Designated Funds as directed by the Board. At least annually, the Board shall determine:

1. The uses of the principal, income and appreciation of Board-Designated Funds
2. Whether the value of Board-Designated Funds is to be included in the calculation for the annual Endowment Distribution

SECTION 10. Reports. At least annually, the Committee shall publish a financial report regarding all Endowment and Board-Designated Funds, distribute it to the Finance Committee and the Board of Trustees, and make it available to the Congregation.