

Reasons for Amending the Policy

Borderlands Unitarian Universalist (originally named Unitarian Universalist Congregation of Green Valley and referred to in this statement as BUU) established an Endowment Fund as a permanent fund. It was created for the charitable purposes of BUU, with its principal objectives being the promotion and development of religious, charitable and educational activities.

Most moneys placed into the Fund were not designated as being for the Endowment Fund nor were any of them restricted in any way by the donors. Thus, donors did not make their contributions based on the terms of our existing Endowment policy. In 2018 the policy was amended by congregational vote according to the terms of the policy. It has not been amended since then.

Several circumstances have changed substantially since 2018 for BUU. Our membership has been reduced. Also, the value of the Endowment Fund increased by over a million dollars from two generous testamentary bequests, starting with BUU's fiscal year 2020-2021. During our fiscal year 2021-2022 BUU had reasons to use Endowment income. Some ambiguities were encountered in interpreting the existing policy. These led to a review of the policy with a view to amending it to increase clarity and flexibility.

Draft Amended and Restated Endowment Policy Borderlands Unitarian Universalist

Article I – Purpose

The purpose of the Borderlands Unitarian Universalist Endowment Fund (created when the church was named Unitarian Universalist Congregation of Green Valley) is to provide a permanent fund (or funds), used to provide long term financial support for the mission and ministry of BUU. None of the monies of the Endowment Fund will be used to support political campaigns on behalf of any candidate for public office.

Article II – Definitions

Board – the Board of Directors of BUU.

Distributable Amount – the yearly amount that is available for distribution. Each year, BUU would withdraw 4% of the value of the Endowment Fund as of December 31 to contribute to the budget for the following fiscal year. July 1 is the beginning of BUU's fiscal year. Specific use of the Distributable Amount each year will be determined by the Board. The Board is authorized to develop procedures for

applying for use of the Distributable Amount and criteria to guide decision making about priorities.

Emergency – A situation that would have a significant negative impact on the church. The value of the Endowment Fund, in case of an emergency, may be reduced below \$1,100,000 **only** upon approval by the Finance Committee, the Endowment Committee, the Board, and the Congregation. Congregational approval requires two thirds of those voting to approve the amendments. For the vote to be valid more than fifty percent of the members qualified to vote must be voting.

Endowment Committee – a committee of at least three and no more than five members to Administer the Endowment Fund. The Chair of the Endowment Committee shall be appointed by the Board. The Chair may select the other members, subject to the approval of the Board. One of the members will be an ad hoc member of BUU's Finance Committee.

Income – Dividend and interest income, which will be routinely reinvested in the Endowment Fund investments and not separately distributed.

Principal – Except in the case of an emergency, as defined above, no annual distribution from the Endowment Fund may reduce the current value of the Endowment assets below \$1,100,000.

Article III – Contributions to the Fund

The Endowment Fund shall receive and hold gifts made to BUU from sources such as bequests, gift annuities, insurance policies, trusts, or other planned or deferred arrangements. Until such time as the Memorial and Meditation Gardens become a part of BUU's regular budgeting process, cash gifts of less than \$200 made in honor of past members will be allocated to the Memorial Garden Fund.

Article IV – Distributions

The Endowment Fund is created for the charitable purposes of BUU, with its principal objectives being the promotion and development of religious, charitable, and educational activities as well as annual expenses not budgeted by BUU.

Some examples of possible uses for Distributable Amounts each year include:

- A. Capital improvements or repairs to the building and grounds not included in the Operating Budget or the Capital Reserve Fund.

- B. Outreach to the community, such as grants to UU camps and conferences, theological schools, local social service agencies or institutions.
- C. The wider mission of Unitarian Universalism such as grants to the UUA for new church development, professional leadership, world missions, etc.
- D. UU related leadership conferences or other such training experiences that allow members of this congregation to grow in faith and service to Unitarian Universalism.
- E. Ministerial and staff training and development.

Fifty percent of any portion of the Distributable Amount not distributed in any given year will be allocated to an Emergency Reserve Fund for expenditure in future years. Amounts allocated to the Emergency Reserve Fund will be segregated within a liquid and income producing account within the Endowment Fund. The remaining unused Distributable Amount will remain for reinvestment according to the provisions of Article V.D.

BUU may borrow from the Endowment Fund at a rate of interest determined by the Endowment Committee. Both the principal and interest shall be repaid on a fixed payment schedule determined by the Endowment Committee, set forth in writing and approved by the Finance Committee and the Board.

Article V – Fund Management

The Board is charged with the responsibility to see to the management of the Endowment funds, with the oversight conducted through the BUU Finance Committee. The Endowment Committee is authorized to manage the Endowment Fund. The Endowment Committee is empowered to act as follows:

- A. Be the fiscal agents for the Endowment Fund
- B. Accept and acknowledge un-restricted, un-designated gifts to the Endowment Fund or other gifts as specified in item C. below
- C. Review any gifts with restrictions or designations that are proposed to be placed in the Endowment Fund with regard to their compliance with BUU's goals and its tax-exempt status. The recommendation of the Endowment Committee to accept or decline a gift for inclusion in the Endowment Fund shall be reported to the Board.
- D. Invest the monies of the Endowment Fund in such a way as to achieve a "reasonable" growth of the fund while not incurring "significant" risk to the principal of the fund. In this regard, a maximum of 65% of the fund will be invested in equities, i.e. stocks. Conversely, at least 20% of the fund will always be invested in equities. Investment categories deemed to be unacceptable would include: Collectibles; Limited Partnerships; Futures

Contracts; Annuities, Real Estate and Artwork. Margin accounts will not be used.

- E. The Endowment Committee may employ the services of a qualified investment advisor and may place fund assets in a professionally managed account.
- F. Maintain a record of all gifts to the Endowment Fund: the value, the donor, the date and the type of each gift, as well and any formal expression by the donor(s) of the use to which the gift might be put.
- G. Maintain a complete accounting of all investments, including investment vehicles used, the principal of the fund and performance of the fund, both income and capital appreciation.
- H. Report activities of the Endowment Committee and investment results to the Board at least annually. This should include a statement of gifts received and distributions made from the fund and the amount of money currently available for distribution.
- I. Promote and advertise the Endowment Fund throughout the Church and its membership.
- J. Costs associated with the administration and promotion of the Endowment Fund may be charged to the Endowment Fund and paid out of current income.
- K. The Finance Committee will recommend projects and purposes to be authorized to receive distributions to the Board for its approval.

Article VI - Amendments

These guidelines of the Endowment Fund may be amended at a regularly scheduled annual meeting or a meeting called for the purpose of amending the Endowment Fund Policy. Approval of amendments requires two thirds of those voting to approve the amendments. For the vote to be valid more than fifty percent of the members qualified to vote must be voting.