

2016 Annual Meeting Endowment Report



Endowment Committee: Neil Coleman,
Kevin Connolly (Treasurer), Brian Lasher
(Chair), Kevin Leddy and Bob Trefry

June 12, 2016

What is the Endowment?

- The Endowment supports the long-term mission, financial security and well-being of the Congregation. But it is much more: a promise, a capacity, a nest egg, a gift, a legacy, an heirloom, a responsibility . . .
- The Endowment Committee is responsible for managing both Endowment and Non-endowment related funds i.e., “total managed funds.” In 1993, the Board created via resolution the Bernhard Music Fund outside of the endowment but delegated the management of fund to the Endowment Committee.
- Per the Church Constitution, only upon request of the Board of Trustees, the Endowment Committee may, by a majority of its members, approve disbursements, loans or encumbrances . Please see “Constitution Revision Proposal 2016” for additional information and details.
- The Endowment Committee makes two types of grants:
 - Emergency Grants – unforeseen critical situations requiring emergency or prompt action, e.g., a fire.
 - Enhancement Grants – new programs/activities that support the long-term mission of the church, e.g., the practice of auditing the church’s financials started in 2015.
 - Another type of Enhancement Grant is an annual grant to the operating budget from the Unrestricted Funds (see page 5) and Gift Giving Funds (see page 7).
- Whom does the Endowment belong to? The future mission of the church executed by our children and grandchildren.

Total Funds Managed by the Endowment Committee

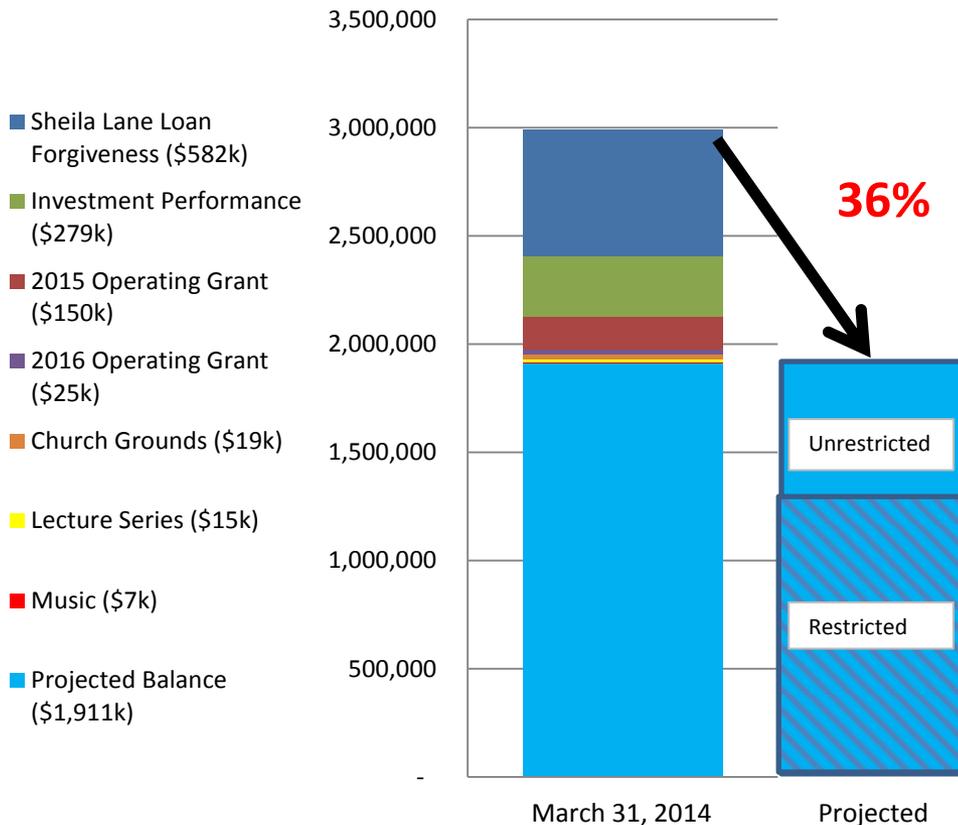
- The Endowment has both Restricted Funds and Unrestricted Funds. Its account at Neuberger Berman is restricted by the donor in terms of its use and where it is invested. In addition in 2016, the Endowment Committee created Gift Giving Funds which are restricted in terms of their use – see page 7.

Total Managed Funds	Name	Amount	Total
Endowment	<u>Restricted</u>		
	Neuberger Berman	1,114,185	
	Religious Education Fund	3,000	
	Social Justice Fund	3,000	
	Music Fund	3,000	
	Buildings & Grounds Fund	3,000	1,126,185
	<u>Unrestricted</u>		661,083
Other Funds	Bernhard Music Fund (restricted)		<u>175,481</u>
Total			\$1,962,749

- The Endowment Committee is separate from the Legacy Gift Committee but works with them to provide the above investment infrastructure for any legacy gifts which are designated as going to the Endowment.

Active and Ongoing Support of the Church During the Past 2 Years

Total Managed Funds



- The Endowment supported the church in total by \$750k, including cash grants and forgiveness of the Sheila Lane Loan.
- The Endowment Committee has approved but not funded additional Enhancement Grants totaling \$55k, including a \$25k grant for the Fiscal 2016 Operating Budget (see page 5).
- At the same time, the Endowment has lost about -9% in value.
- In the absence of positive investment performance and new donations, **the Endowment will be less than two-thirds of its almost \$3MM value as of March 31, 2014.**

Future Ongoing Support

- The Endowment Committee approved in 2016 a new Distribution Policy that will offer modest ongoing support to the Operating Budget of the church but recognizes the 36% decline in Total Managed Funds.
- The Fiscal 2017 amount will be \$25,000, or about 4% of the total market value of the unrestricted assets in the Endowment. This amount compares favorably to the largest pledges from the congregation to the operating budget last year.
- For planning purposes going forward, the percentage disbursed will not be less than 50% of the prior year's amount. At the same time, the Committee does not see this amount increasing significantly in the next couple of years.
- Given the new Distribution Policy, **additional enhancement grants are not expected to be approved in Fiscal 2017 or 2018** beyond \$25,000 in FY 2017 and not less than \$12,500 in FY 2018.
- To achieve the objective of ongoing support, the Endowment Committee approved a new Investment Policy Statement which updates the broad investment philosophy and general investment objectives and describes guidelines for implementing this philosophy and objectives.
- Copies of all new policies are in the church office and Endowment Committee meeting minutes and other information are available on its bulletin board.

Commitment to the Long Term

- The Endowment Committee has also re-affirmed its long-standing philosophy that the Endowment's purpose is:
 - To respond to critical situations requiring emergency or prompt action, and
 - To contribute to the long-term enhancement of the Church.
- While the vast majority of the Unrestricted Assets are currently invested in a socially responsible manner, one long term goal is to address socially responsible investing more broadly.
- The Endowment Committee has discussed the size of the Endowment and is comfortable with its current level but not lower. Some points of reference:
 - Other non-profits target an endowment 2-3 times their operating budget.
 - For TUCW that means a \$2-3MM Endowment for a \$1MM operating budget.
 - “Business Continuity Insurance” – 4 years at 70% reduction in revenues = \$2.8MM.
 - “Bridge Loan” for insurance settlement in the face of a large scale loss.
 - Saugatuck Congregational used ~\$2MM of their endowment for construction of a new \$10MM building post their fire while they negotiated the settlement with their insurance company.
 - TUCW – similar - \$2.5MM on ~\$11.5MM buildings.
 - Maintain sufficient balance for market disruptions assuming a 20% market decline.

Growing the Endowment to Increase Operating and Enhancement Support

- The new Distribution Policy also created Gift Giving Funds in support of the Legacy Gift Committee's efforts and general giving to the Endowment.
- Gift Giving Funds support program specific giving to Religious Education, Social Justice, Music and Buildings & Grounds.
- Distribution of a portion of the income from the Gift Giving funds to support the specific named purpose would be expected to be made on an ongoing basis and on a percentage basis similar to the unrestricted distribution.
- Increased donations may be the best way to grow the Endowment (given the expected investment market conditions over the next 5 years) and potentially provide additional support for the church.
- **If you would like to donate to the Endowment, please make your check out to the church and specify in the memo line "Endowment Donation." All donations are unrestricted unless one of the Gift Giving Funds is specified using the form on the Endowment bulletin board.**