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Financial Advisor's Presentation to UUA Board of Trustees

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January 2012

Who Owns the UUCEF?



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- UU Common Endowment Fund
- All assets owned by the UUA
 - Including funds invested by congregations, others
- From the UUCEF “Investment Information Memorandum”:

“Fund Structure. The Fund is a business unit of the UUA and not a separate entity. As a result, the assets in the Fund that are owed to investing UU Congregations could be subject to claims against the UUA from other parties if those claims exceeded the value of the UUA’s own operating funds, endowment funds and physical assets.”

A New Structure for the UUCEF



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- Recommendation from external auditors:
“The organization should consider establishing a separate legal entity to invest funds of the organization and member churches to reduce risks of potential creditor claims against such assets.”
- Motion adopted by UUA Investment Committee:
“To urge the UUA board of trustees to move forward to set up the UUCEF as a separate legal entity organized as a nonprofit charity under IRS rules, as long as the cost to the UUCEF doesn’t exceed 3 basis points.” [~\$40,000]



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Recommended Structure

- Limited Liability Company (LLC)
 - Easy to set up
 - Tax-exempt “Supporting Organization”
 - No tax implications for congregations or other investors in the fund



Governance Issues

- UUA Board appoints LLC Investment Committee
- Disposition of UUA Investment Policy:
 - Retain a few elements in UUA Governance Policy
 - Include some elements in bylaws of LLC
 - Future changes by UUA Board
 - Other issues addressed in LLC investment policy
- Status of SRI Committee
 - Appointed by UUA Board, Investment Committee, or President?
 - Authority of SRI committee to set policy?

UUCEF Timetable



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- April 2012: Board authorizes staff to create LLC and seek tax-exempt status, and adopts LLC Operating Agreement
- April 2012 (??): Board adopts bylaws for LLC, including investment policies
- October 2012: Board approves UUA bylaw amendments for GA 2013 agenda
- October 2012 (??): Board adopts changes in UUA governance policies, and appoints members of LLC Investment Committee



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Special Elections

- UUA Board appoints replacements to fill vacancies for president, moderator, financial advisor, trustee, or member of elected committee
- Depending on timing of vacancy, special election may then be held to fill office for remainder of term
- Current bylaws could use more clarity about the timing of a vacancy that triggers the requirement for a special election

Special Elections: Timing



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- If vacancy occurs before October 1 of a term that extends a year or more beyond the next GA, then special election is held at the next GA, with nominations by the Nominating Committee, Presidential Search Committee, or Board of Trustees.
- If vacancy occurs in October or November, special election is held at next GA, with all candidates running by petition.
- If vacancy occurs between December 1 and the end of June, special election is held at the subsequent GA.

Special Elections: Policy Decision



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If a vacancy occurs in October or November:

- Hold special election at the next GA, with all candidates running by petition
- Hold special election at the subsequent GA
 - Appointees may serve up to 20 months
 - Nominating bodies make nominations in all special elections

Special Elections: Example



Trustee resigns October 1 of first year of term

Current bylaws: all candidates run by petition



Proposed amendment: Nominating Committee makes nominations



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Future Agenda Items

- Health insurance plan
- Investment policy and SRI
- Internal rent allocations
- Conflict of interest and whistleblower policies
- Paying for capital campaigns
- Endowment spending policies
- Pension plan record-keeper
- Use of bequest income
- Group Insurance Plan surplus
- Retirement Plan Committee created
- **Separate legal entity for UUCEF**
- Financial reporting and chart of accounts
- Compliance with state planned giving rules
- Liberal Religious Char. Soc.
- Asset management
 - Debt management
 - Cash management
 - Short-term investments in UUCEF
 - Facilities renewal