

CONSIDERATIONS AND RECOMMENDATIONS CONCERNING UUA BOARD'S BLUU FUNDING RESOLUTION

January 17, 2017

Revised June 2, 2017

The following recommendations come from the UUA's Leadership Council's BLUU Task Force (Harlan Limpert (now retired), Taquiena Boston, Tim Brennan, John Hurley, Sarah Lammert, and Mary Katherine Morn). They are informed by conversations with BLUU, general counsel Tom Bean, Financial Advisor Lucia Santini Field, and the executive committee of the UUA board.

We make these recommendations in order to:

- fulfill the promise extended at the October 2016 meeting of the UUA Board to provide financial support for the work of BLUU,
- to answer BLUU's call to make URGENT the work of creating communities and a world where Black Lives Matter,
- and, in keeping with the Board's Ends, to create and sustain healthy Unitarian Universalist community that is alive with transforming power, moving our communities and the world toward more love, justice, and peace in a manner which assures institutional sustainability.

The Board's adopted motion at their October 2016 Board meeting affirmed **in principle** 5.3 million dollars in funding for BLUU. The staff was directed to make recommendations concerning the legal, financial, and covenantal details of this action. The discussion of the proposal at the Board meeting left a number of issues unanswered. There are several areas where differing interpretations leave questions as to the Board's intent. We have outlined the critical issues that need to be addressed and our best understanding of the Board's intent.

1. Legal structure for BLUU.

- Recommendation: BLUU will establish itself as a legal entity. We believe the best options are either an independent 501(c)3 organization or a church auxiliary, each of which has advantages and disadvantages. If

assistance is desired, the UUA will support BLUU in its work to establish their legal status. There may be other options to be explored. BLUU will establish legal organization as soon as practical but at a time that is in the best interests of BLUU and the UUA.

- Recommendation: BLUU's organizational mission and purpose will be consistent with the mission and purposes of the UUA as articulated in the by-laws and board policies.

2. Short-term funding structure.

- Recommendation: the UUA should serve as the fiscal agent for BLUU until it is legally organized and should do so with no administrative charge. Thus the initial \$300,000 funding would be used to fund expenses supporting BLUU's mission until the UUA has paid the full \$300,000 commitment. The UUA is currently acting as fiscal agent, having signed a Memorandum of Understanding with BLUU. We think it appropriate for the UUA to continue in this role.

3. Long-term funding structure.

- Recommendation: BLUU should be legally organized before funding from the payout of the \$5 million is paid to BLUU. If BLUU requires funding after December 31, 2017 but before BLUU is legally organized, then the UUA make funding available to BLUU in an amount equal to the endowment spending formula applied to \$5 million. BLUU will then have authorization to spend that amount through the fiscal agency arrangement referenced above.
- Recommendation: the funds should be accumulated in the UU Common Endowment Fund in an account dedicated to the support of BLUU. After BLUU is legally organized, the fund would pay out a sum each quarter to BLUU based on the UUA's standard spending formula. BLUU would have discretion over how to use those funds consistent with its organizational mission and purpose.
- Recommendation: If, at the end of 5 years, the \$5 million fundraising goal has not been reached, the balance would be funded from UUA unrestricted endowment assets. See below for an example.

4. BLUU funding during the fundraising period, which is estimated to be 5 years (a three-year campaign with pledges paid over 5 years).

- Recommendation: BLUU ought to benefit from the payout proceeds of the full \$5 million beginning in January 2018 (first payment in April 2018), even as the fundraising continues to take place. Therefore, after BLUU is legally organized, the UUA would pay out an amount equal to the spending formula multiplied by \$5 million regardless of the amount raised to date. If BLUU is not yet legally organized, then that amount would be made available to BLUU through the fiscal agency arrangement. The commitment would be to accumulate a corpus of \$5 million at the end of 5 years. Thus any amounts paid out in excess of the actual payout generated by the accumulated balance would add to the fundraising goal. If, at the end of 5 years, the goal has not been reached, the balance would be funded from UUA unrestricted endowment assets. See below for an example.
- Recommendation: The \$5 million fund should benefit BLUU as long as they are pursuing their mission and purpose. As is the case with our congregations, there should be a dissolution provision should they cease operating or change their mission in a way that is inconsistent with the UUA's mission.

5. Mutual accountability.

- Recommendation: No specific accounting reports or written reports beyond what is required by IRS regulations would be expected from BLUU, though BLUU could, of course, provide any reports or documents it wishes. There will be annual in-person meetings between BLUU leaders and the UUA board which would provide an opportunity for learning and conversation about the mission and purpose of BLUU and the UUA.
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Example of 5-year financial plan

	Endowment fund Cash raised	Endowment fund Year-end balance	BLUU Initial Expenses	Initial funding	Balance needed Payout	over payout	Total Revenue
year 1	1,000,000	1,000,000	300,000	300,000	-		300,000
year 2	1,000,000	1,820,000	225,000		45,000	180,000	225,000
year 3	1,000,000	2,676,900	225,000		81,900	143,100	225,000
year 4	1,000,000	3,572,361	225,000		120,461	104,540	225,000
year 5	1,491,883	5,000,000	225,000		160,756	64,244	225,000
year 6		5,000,000	225,000		225,000	0	225,000
Total	5,491,883		1,425,000		633,117	491,883	1,425,000

Notes:

Payout r 4.50%

Payout is based on the previous year's ending balance.

Balance needed is the difference between the endowment payout and total expenses for the year.

Cumulative amount raised is reduced by the cumulative balance needed, which is assumed to be drawn from the BLUU dedicated endowment fund.

Note that the ending BLUU endowment is less than the \$5 million raised.