

Finance Committee notes 9.1.22

Present: Eric Andrews, Jim Whitely, Tyler Hoff, Conrad Person, Lisa Ogletree, Abigail Meletti, Susan Hoskins (ED), Amelia Wolf and Joe Panepinto (JPM).

Centering worship included prayers for John Cooley's family.

A. Meeting with Amelia

1. Amelia walked the committee through the Investment Portfolio Update. It has been a volatile year, and likely to continue due to inflation and the Fed reaction. JPM believes that if we are in recession, it will be mild and shallow. It is a surprise that fixed income has also been volatile. FFAs portfolio goal is balanced 55/45, currently at 58% equity (p18).

Page 20 illustrates that the fund started in 2009 with \$7,197,215. The current value is \$9,076,921. \$8,668,745 has been withdrawn for grants and operations. Thus, the capital has been preserved.

The portfolio has lost 14.4% YTD, but the 3 year average is 4.4%. She predicts 4.5-5% over the next period. It should be recalled that last year was a particularly good year with a return in the high teens. This is a long term portfolio built to withstand volatility.

There was discussion about how withdrawals are made: cash on hand is used first, then holdings sold, while maintaining that 60:40 balance. \$230,000 in income covers operations expenses but not grants, and there are times when we need operations funds (such as when Ziegler calls or we pay for accounting services) and there isn't enough cash available. We can predict when grant funds are needed, and might see some benefit to moving to a quarterly granting cycle, *but I must note that there are major implications for grants management.*

2. Amelia then referred to p 30 which explains JPM definitions of Values Based, ESG, Thematic and Impact investing. These options have emerged from investor demand, but are still ill defined.

--Values Based—Reflecting your values-avoids or increases exposures to specific companies, sectors or business practices

--ESG—Actively considering environmental, social and governance factors as a key component of the portfolio construction

--Thematic—investing in companies that target specific social/env issues

--Impact—Investing in companies/orgs/funds with intention of generating positive social/env impact alongside financial return

3. She explained that when the FFA funds were deposited, these were not available, but a portion of the FFA portfolio was set up to be separately managed to screen out alcohol, firearms, tobacco—essentially values based. This fund is listed as VXXX3007-US Lge Cap Core Sec. This portion is currently 11% of the portfolio; the rest are managed as a whole by JPM. The return was lower than the Fidelity 500 Index, largely because of the energy sector. Energy is 3% of S&P 500, while many clean energy companies are not large enough to be included.

A portion of the portfolio could be invested in a fund based on these values, such as Pictay which invests in clean energy, or Morova, which screens out all energy and invests more in health and consumer products. More options are available today than 13 years ago.

4. Amelia was asked to define the “fossil fuel” screen out that became available in June and was on a list she shared at that time. She will send it.
5. Jim stated that the board’s responsibility is earning the maximum possible within comfort to support the activities of the foundation. Aubrey Clemens can meet with the board to discuss Values Based and ESG investing at JPM.
6. Thus there are several options:
 - a. Do nothing
 - b. Change the policy to omit the social screens to obtain alignment between policy and practice
 - c. Move assets to Friends Fiduciary which does the screening
 - d. Authorize JPM to add “non-renewable energy” to the screens in the separate fund
 - e. Increase the percent of JPM holdings in the separate fund
 - f. Move some holdings into a values fund such as Pictay.
 - g. others

Amelia will send the definition of “fossil fuels” and arrange a meeting with Aubrey in the Fall. Further discussion is necessary.

B. Draft Audit

There were no questions about the audit accounting sent by Marylee, except about an income item “donation” which was explained as an unsolicited gift. Questions should be sent to Susan to forward to Marylee, who will present the draft audit in October.

C. IRS Marylee is confident that issues around payments and the change of fiscal years has been resolved.

D. Iron Mountain Eric explained that authorizing document destruction has been complicated, but we think it is moving forward.

E. I got word today that **Ziegler LinkAge Fund II** is doing a 9% distribution next week.

Susan W Hoskins