

GOVERNANCE IN ACTION

Monthly Executive Summary | Oct. 2022

The following are highlights from the 10/10/2022 Governance Board (GB) meeting:

AGENDA

- **Call to order/devotional — Mrs. Benjamin/ Ms. Burch**
 - Present: Valerie Benjamin, President; Ike Jordan, Vice-President; Angie Burch, Treasurer; Cory Tylanda, Secretary; Joe Stankaitis; Chuck Hanrahan; Beth Wilkens; Rev. Dr. Stephen Cady, Sr. Minister; David Strong, Church Administrator
 - Absent: Rev. Dr. Stephen Cady, Sr. Minister; David Strong, Church Administrator
- **Review/Approve Consent Agenda — All**
 1. Sept. 2022 Gov. Board Meeting Highlights — Mr. Tylanda
 2. PPRC Meeting Minutes—Mr. Stankaitis
 3. PSC Meeting Minutes (multiple)—Mr. Hanrahan
 4. Senior Minister's Report—Rev. Dr. Cady

Discussion: Mr. Hanrahan wanted the Sept. 2022 Governing Board minutes to be updated with the following verbiage:

*** South Porch Funding:** In the last meeting we discussed that there was a misunderstanding between the approved minutes of the June 13 meeting, and what actually happened relative to the \$74K spending approval. I believe we agreed to note this in the September minutes. The intention of the \$74K was to use toward construction contingency, and if there was enough left to use for re-construction of the South Porch. All of the \$74K, as well as the additional funding authorized by unanimous written consent on 9/1 (for a total of \$102K including the \$74K) is being used for construction contingency, and the South Porch will be deferred until all of the pledged funds are received, and no further reserves are needed for doubtful pledges. At that time, the Governing Board will review a possible expenditure for the South Porch, assuming funding exists.

*** For the security incidents:** The incidents from recently and 6 months ago have been mixed. There were two laptops taken during the most recent incident. I don't believe that there was a laptop taken 6 months ago, but there was a laptop taken in the Ed Wing (The HVAC laptop) in a separate incident.

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Motion	To approve the Sept. 2022 Consent agenda was offered with the two amendments noted above. This includes: <ul style="list-style-type: none">• Sept. 2022 Gov. Board Meeting Highlights• PPRC Meeting Minutes• Senior Minister's Report
Moved By	Mr. Tylanda
Seconded By	Ms. Burch
Outcome	Passed by unanimous consent

General Outreach Committee Update—Mr. Jordan

- Social worker candidate has been identified and the candidate accepted the position. She is licensed social worker. Start date is to be determined. We are working hard to identify volunteers for the opening of the center and training for the volunteers. We are excited for the community center to open soon!

Town Hall Meeting Prep (10/23/22)—Mrs. Benjamin

- Agenda Topics (draft)
- Opening Prayer – Rev. Dr. Cady
- Recap of items discussed in Congregation Letter (The Congregational letter was sent out September 25th and we have not received any questions or comments related to the letter.)
- "The slow growth of rebuilding the in-person volunteer base" - Need for volunteers to sustain our mission
- Outreach Center budget - Chuck
- Reconciling Church and possible question on performing gay marriage at Asbury
- Finding our Place - Stephen
- Annual Conference - Where the denomination is at this moment and timelines.
- Q&A (All GB Members)

Request for Board Involvement at Welcome Desk—Mrs. Benjamin

- Need cross-GB participation (desk and devotionals)
- GB Devotionals and Comms Schedules 2022-2023.docx - Google Docs

Investment Committee Proposals Regarding Internal Loans—Ms. Wilkens

Background:

When the ATTB Campaign was conducted for the Gathering Center project, a line of credit was established with Canandaigua National Bank ("CNB"). The line accrued interest at a fixed rate of 4.25% per year. The line could be, and was, drawn to pay current construction expenses in the interim before receipt of funds pledged to be paid over time for the project. Advances on the line would be repaid from pledge payments as they came in. Among other pledges to be received over time, a significant portion of construction costs was covered by a pledge made by Mac Evarts of a charitable remainder trust. The CRT has a guaranteed future payment of \$350,000 upon Dr. Evart's death.

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In 2016 the Board of Trustees took action to save the interest on the CNB line by repaying it with proceeds from an internal loan from AOP reserve funds and an additional internal loan from Dining and Caring Center Restricted Funds. The initial internal loans have been partially repaid as ATTB pledged funds were received. As of June 30, 2022, \$155,500 is owed to the AOP reserves, and \$109,652 is owed to Dining and Caring Restricted Funds. The CRT pledge remains outstanding and will eventually cover the loans, leaving the excess to be used toward the Better Together Campaign. In the meantime, Restricted Funds annual operating distributions to the Dining and Caring Center are based upon the total amount held in the Fund plus inclusion of the amount of the internal loan so that DCC operations are not adversely impacted.

The exact terms of the loans are unclear, although the principal amounts were well documented in the AFUMC books and Restricted Funds reports.

It is prudent at this point to update documentation of the transactions, particularly with respect to the DCC loan made from DCC Restricted Funds. Unless Option 1 below is chosen, no change is proposed to the ultimate plan for payment of the loans with proceeds of the Evarts CRT when available. Whatever CRT (Charitable Remainder Trust) funds remain after repayment of the DCC loans will still go to Better Together.

Options:

Option 1: Immediately draw on the new CNB (Canandaigua National Bank) line of credit to repay the internal loans. This has the disadvantage of tying up line of credit availability, as well as depositing funds into the DCC restricted account at a time when market volatility may result in some loss of principal.

Option 2: When CRT funds are available, simply repay the principal. This option has the disadvantage of not providing the DCC with a fixed monetary return for the use over time of the principal of the loan, but recognizes the ongoing other monetary and other support given by AFUMC to the DCC.

Option 3: When CRT funds are available, repay the principal together with simple interest accrued at the same rate as was borne by the CNB line when the loan was made (4.25% per year). The CNB line rate is good evidence of the market interest rate at the time of the loan, and can be considered a fair rate of return to the DCC for use of its funds. This option has the disadvantage of requiring interest to be paid from funds otherwise available for regular capital and other expenditures.

Option 4: When CRT funds are available, repay the principal together with a rate of return calculated to match the return on Restricted Funds in the endowment over the same period. This option has the disadvantage of complex accounting, e.g. tracking quarterly rates of return after taking into account the effect of market ups and downs on principal, and then subtracting the yearly effect of the distributions made, and then recalculating for each year. This option also does not guarantee the DCC a fixed rate of

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Option 3: When CRT funds are available, repay the principal together with simple interest accrued at the same rate as was borne by the CNB line when the loan was made (4.25% per year). The CNB line rate is good evidence of the market interest rate at the time of the loan, and can be considered a fair rate of return to the DCC for use of its funds. This option has the disadvantage of requiring interest to be paid from funds otherwise available for regular capital and other expenditures.

Option 4: When CRT funds are available, repay the principal together with a rate of return calculated to match the return on Restricted Funds in the endowment over the same period. This option has the disadvantage of complex accounting, e.g. tracking quarterly rates of return after taking into account the effect of market ups and downs on principal, and then subtracting the yearly effect of the distributions made, and then recalculating for each year. This option also does not guarantee the DCC a fixed rate of return on the principal of the loan.

Recommendation: To adopt Option 2. Discussions with some of those involved when the loan was originally approved reveal that the clear intention was that the loan be interest free, in recognition of the ongoing benefits the DCC receives from the Church, including special offerings, donations in kind such as food drives, volunteer support, separate fund-raising support and others. The financial impact of not paying interest on the loan on DCC distributions is nominal. First, the DCC receives the regular 4.5% of the 20-quarter average of DCC restricted fund principal including the amount of the loan. If interest accrued on the loan, the annual additional amount that would actually be distributed to the DCC would be \$220 per year. The catch up going back to the date of the loan would aggregate about \$1,700. Given the strong feelings of some of those involved with the DCC when the loan was made that there should be no interest, the other ongoing benefits the DCC receives from the Church, and the minimal impact on DCC distributions from any failure to accrue interest, it is recommended that the principal of the loan continue to be documented as a payable from the CRT funds when received, but that no interest or investment return accrue.

Open Discussion: Per Beth Wilkens, the church owes the DCC \$109,000 for the loan. The loan is supposed to be interest free because the church provides support, fundraisers and this is in line with the original intent. Document the loan and we agree with the original intent with no interest.

Motion	To approve the Investment Committee Recommendation offered by option 2 to document the loan where the Governing Board agrees with the original intent with no interest. When CRT funds are available, simply repay the principal. This recognizes the ongoing other monetary and other support given by AFUMC to the DCC.
Moved By	Ms. Wilkens
Seconded By	Mr. Hanrahan
Outcome	Passed by unanimous consent

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Executive Session: Due to confidentiality, Governing Board entered Executive Session at 5:35 pm and exited at 6:40 pm.

Next meeting: November 14, 2022 at 5PM

Closing Prayer—All

Meeting adjourned at 6:41pm

Respectfully submitted, Cory Tylenda, Secretary