

DRAFT

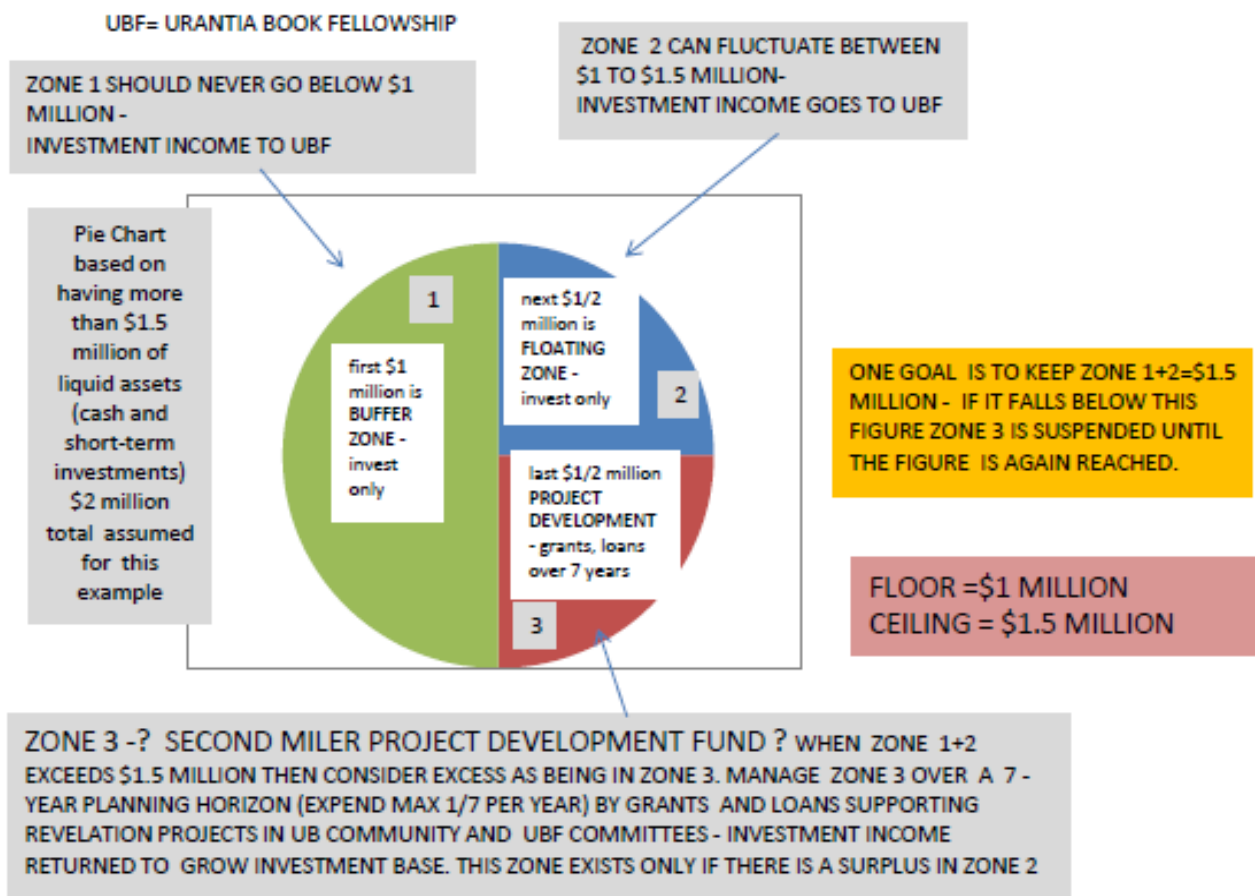
To: EC

Re: a proposal for a floor and ceiling framework for investment funds

From: Brent

Draft: Feb 3, 2020

The main question here is do we invest all of our cash and current assets to earn more money or do we invest some portion above a certain amount in Revelation Projects? What do you think? I believe YES we should, in a measured way, for current assets exceeding \$1.5 million. Let's discuss.



In a recent email I floated the idea that the Fellowship should set a floor and ceiling for its funds invested for financial or other gain. Geoff asked me to elaborate. Essentially my proposal is to divide current assets (ie Cash+ Short-term) into three ranges with the dividing lines being a floor and ceiling. The three ranges to which I refer are namely

- 1) Zero to \$1 million (**the floor** which defines a buffer zone)
- 2) \$1 million to \$1.5 million (**floor to ceiling** which defines a floating or flexible zone)
- 3) \$1.5 million and up (**above the ceiling** – a Revelation Projects Development Zone) - I am using an arbitrary figure of \$2 million for the time-being), Geoff thought, if approved, the Second Miler Projects Development Fund – for me this speaks to the intent of such a fund.

This is just one approach and others will no doubt have different ideas. Does the Parable of the Talents bear on this issue? The limits of the ranges are arbitrary for the purposes of this outline.

In summary:

| | | | | |
|----|--------------------------|---|--|---|
| 1) | \$1 million Floor | Low range – (\$0 to 1 million) - don't go below \$1 million BUFFER ZONE | This would comprise cash and a mix of short-term and long-term investments. Earnings go into Fellowship income. More emphasis on fund growth. | Try to earn no less than 6%/yr to achieve \$50,000 income (SEE EC Investment Policy) |
| 2) | \$1.5 million Ceiling | Middle range – (\$1 to 1.5 million) FLOATING ZONE | This would comprise short-term investments. Earnings go into Fellowship income. More emphasis on income less on growth. In this range the asset value can fluctuate between \$1 -1.5 million | Try to earn no less than 6%/yr to achieve an additional \$0 to \$25,000 of income |
| 3) | Above Ceiling | Top range - over \$1.5 million PROJECT AND INITIATIVE DEVELOPMENT ZONE | If there are current assets exceeding \$1.5 million then in this range create and manage a Project Development Fund to be invested by grant (or forgivable loan) in worthwhile projects throughout the UB reader community. There would be a simple but responsible application process. Plan to grant out this amount above the Ceiling divided on a straight-line basis over 7 years. For example, if the amount above the ceiling | \$0 to \$25,000 income to be put back into this range for Revelation Development Projects |

| | | | | |
|--|--|--|--|--|
| | | | was \$280,000 then invest \$40,000/year in Projects. Appoint 3-5 GC members to advise the EC on applications received. Investment income re-invested back into the base. | |
|--|--|--|--|--|

Note-

- we never let the floor go below \$1 million AND
- we target the cash +invested funds between \$1 and a ceiling of \$1.5 million to always work for us effectively as investment income generators
- AND funds above \$1.5 million, while they may be invested in securities and term deposits are to be invested in Development Projects in such a way that this upper range is drawn down over 7 years to be invested in Fellowship Committee or non-Fellowship projects as grants or forgivable loans (eg regional gatherings, secondary works, field worker petty cash support etc). All applicants would be subjected to the same grant application process requiring an outline of objectives, measurables, budget and so on. Such a procedure would not be unlike grants issued by a foundation except we make ours a simple yet responsible process.
- Over the last two years UBF liquid assets have been in the \$1 million to \$1.25 million range. (Refer to the Dec 31/18 and Dec31/19 yearend figures from the Balance sheet shown below.)
- Since we have relatively low debt it means our equity is primarily made up of current assets.
- It is important to note that our investments do provide a level of income for Fellowship operations even when certain donations are targeted toward certain expenditures such as the UVERSA printing.

(LIQUID ASSETS BEING CASH AND SHORT-TERM INVESTMENTS)

| | | Dec 31, 18 | Dec 31, 19 |
|---|--|----------------------------|------------|
| ASSETS | | FROM BALANCE SHEETS DEC 31 | |
| Current Assets | | | |
| LIQUID ASSETS | | | |
| Checking/Savings | | | |
| 1000000 - Cash Accounts | | | |
| 1000040 - USBank | | 14,881 | 35,169 |
| 1050000 - Wells Fargo Advisors | | | |
| 1050010 - Wells Fargo Advisors Sweep | | 19,998 | 226,509 |
| 1050550 - Wells Fargo Advisors Cash | | 730 | 0 |
| Total 1050000 - Wells Fargo Advisors | | 20,728 | 226,509 |
| 1050610 - Raymond James Cash/CIP | | 2,190 | 4,996 |
| 1090000 - Due to/due from investment acct | | 0 | 4,999 |
| Total 1000000 - Cash Accounts | | 37,798 | 271,673 |
| 1700000 - Investments | | | |
| 1760000 - Investments - KC Com Foundation | | 328,752 | 358,964 |
| 1770000 - Investments - WellsFargoAdvisrs | | 533,816 | 342,358 |
| 1780000 - Investments - Raymond James | | 187,621 | 187,498 |
| 1790000 - Investments Other - Life Policy | | 3,878 | 11,633 |
| Total 1700000 - Investments | | 1,054,067 | 900,453 |
| TOTAL LIQUID ASSETS (CASH + SHORT-TERM INVESTMENTS) | | 1,091,865 | 1,172,126 |
| END YEAR | | 2018 | 2019 |