

## Abbreviated History of the Desert Southwest United Methodist Foundation



**February 2, 1985:** Members of the Special Interim Committee of the Bishops' Special Task Force met to discuss the division of the "Pacific and Southwest" United Methodist Foundation Assets.

**October 23, 1986:** the Arizona Corporation Commission approved The Foundation's Articles of incorporation.

**October 30, 1986:** Bishop Galvan opened the first meeting of the Desert Southwest United Methodist Foundation.

**September 30, 1988:** The Board approved expenditures to hire a full-time Director and a request of the Cal-Pac Annual Conference to disburse designated Desert Southwest UMF funds.

**December 22, 1988:** The Foundation's IRS Tax-Exempt status became official with the assignation of our Employer Identification Number.

**November 1, 1989:** The Rev. Cecil Lackore began work as the Foundation's first, salaried Executive Director.

**May 18, 1990:** The first Investment Committee Policies and Guidelines were approved.

**May 17, 1991:** Cal-Pac Foundation completed its distribution of DSUMF funds and Rev Cecil Lackore resigned to move to another Conference after spending most of his time on the "Building Our Future" Capital Campaign and on special tasks as assigned by Bishop Galvan.

**September 6, 1991:** DSUMF transferred funds from First Interstate Bank to Shearson Lehman Hutton brokerage firm and established a Pension and Pooled fund Account.

**May 29, 1992:** DSUMF Pension Fund: \$811,525.00; DSUMF Pooled Fund: \$766, 235.00.

**September 10, 1993:** Bishop Galvan proposes the hiring of a part-time Foundation Director.

**October 30, 1993:** Foundation considers "merging Investment Service" into New Mexico United Methodist Foundation.

**April 15, 1994:** Foundation hired Charles Douglas as part-time Director; DSUMF Pension Fund: \$709,324; Pooled Fund: \$741,000.

**December 1995:** Director Charles Douglas suffers massive heart attack. Mr. Douglas did recover, but was unable to return to work.

**March 29, 1996:** Without an Executive Director, DSUMF moves closer to merging its Investment Service under New Mexico UMF umbrella.

**July 1, 1996:** Foundation enters into cooperative agreement with United Methodist Foundation for Christian Higher Education (UMFCHE) in Nashville, TN to “share” their Vice President, Richard M. Brown Ed.D., CFRE. Dr. Brown acts as a part-time Director for DSUMF while continuing his planned giving responsibilities for UMFCHE.

**November 1, 1996:** Foundation restructures Money Management Fees charged to Annuity, Trust, and Endowment Accounts.

**January 24, 1997:** Foundation approves new Scholarship Distribution Policy.

**April 18, 1997:** DSUMF moves from “Purchase Value” to “Full Fair Market Value” when preparing financial statements.

**September 5, 1997:** Foundation moves accounting services from Conference Treasurer’s Office to outsourced service that specializes in non-profit Fund Accounting.

**December 5, 1997:** Pension Fund Balance: \$1,096,000; Pooled Fund Balance: \$1,857,000; new financial operating polices adopted; Foundation adopts Annual Conference Personnel Policies.

**January 1, 1998:** Foundation hires Dr. Rick Brown as full-time Executive Director with financial subsidy agreement from UMFCHE.

**December 11, 1998:** More than \$1.25 million dollars were deposited into the Foundation’s newly created Investment Service during 1998.

**February 19, 1999:** Foundation adopts new Gift Acceptance Policies.

**March 13, 1999:** Foundation proposes \$220,000 operating budget to Annual Conference CF&A with apportionment funding request of \$97,500. Foundation begins restructuring itself into a Service Bureau.

**May 7, 1999:** Board Member Gary Drown, an actuary, proposes an asset allocation model of 60% equities & 40% bonds for the Foundation’s portfolio after performing a regression analysis of asset allocation models in relation to their annualized rates of return over a 20-year period of time. Foundation approves proposal. Foundation receives over \$900,000 in deposits from churches, and new annuities in May alone.

**Summer of 1999:** Foundation begins process to restructure its Investment Service. Pooled Fund Balance: \$4,169,153; Pension Fund Balance: \$1,218,686.

**September 1999:** Foundation moves portfolio from Smith Barney to Prudential after interviewing five out of 20 investment firms that responded to RFP’s. Through Prudential, Foundation hires six asset managers to invest different portions of portfolio with an asset allocation model of 60% equities & 40% bonds.

**December 31, 1999:** Foundation's audited net assets: \$7,941,405.

**January 19, 2000:** Foundation begins revising Investment Guidelines. Executive Committee begins Long Range Strategic planning process.

**April 14, 2000:** Foundation begins development of simplified Mission Statement and marketing itself as a Service Bureau with two primary services: Education Service & Investment Service. Investment Committee begins evaluating asset manager performance according to Peer Group Percentile Rankings and requires our asset managers to be operating in the top 50% percentile for 5 of 7 time periods.

**December 31, 2000:** Foundation finishes year with \$8,877,138 in assets. Foundation continues to average 40 Estate Planning Seminars, with approximately 1,000 attendees per year since 1996.

**March 31, 2001:** More than \$2,250,000 in deposits was received during the 1<sup>st</sup> quarter of 2001, bringing Foundation's total assets to more than \$12 million dollars. New asset managers were hired to manage a more diversified portfolio while maintaining the 60% / 40% Asset Allocation Model.

**June 1, 2001:** Foundation hired Lucille Sterling as full-time accountant / Controller. Lucille begins process of bringing outsourced bookkeeping activities to an "in-house" accounting activity.

**August 17, 2001:** Director proposed new Monthly Management Report that tracks the Foundation's goal of achieving self-sufficiency. Proposal was accepted. Foundation has eight asset managers investing different portions of its portfolio.

**September 11, 2001:** Terrorists attacked the World Trade Centers and the Pentagon. American Heroes thwarted an attack on another unknown site. World investment markets plunged. Due to the collapse of the World Trade Centers, the Stock Market remained closed for one week.

**September 28, 2001:** The Foundation offered a free conference call to all depositors and potential depositors to calm concerns about the Stock Market. Twelve churches participated in the conference call.

**October 19, 2001:** Foundation adopted new Grants & Scholarship procedures including new, 4-page, Application Form.

**November 2001:** Foundation's "in-house" accounting process is finalized.

**December 31, 2001:** Foundation finished the year with \$8,000,000 in assets after distributing more than \$4,000,000 for Bold In Christ initiatives, scholarships, and other grants.

**February 2002:** Foundation established the Board of Directors Endowment Fund in attempt to achieve self-sufficiency sooner, rather than later.

**September 2002:** Due to year-to-date double-digit losses in the stock markets, the Foundation's income from money management fees are lower than budgeted. Therefore, the Foundation will not move closer to its long-term goal of becoming self sufficient in 2002.

**December 2002:** Despite losses on the market, the Foundation was able to distribute more than \$680,000 for various Bold In Christ projects and approximately \$20,000 for scholarships and other purposes from its endowment funds during the 2002 calendar year. After all these distributions, the Foundation still ended the year with \$6,324,837 (audited) in total assets. Agencies, Boards and Churches using the Foundation's Investment Service experienced a net loss, after all expenses, of -10.18% on their deposits. While such losses are not desirable, it is noteworthy that all the major indexes (DJIA, S&P 500, NASDAQ) experienced losses ranging from -20% to -32% on the year.

In year-end giving activities, more than a dozen donors contributed more than \$250,000 to establish Charitable Gift Annuities and new endowment funds.

**April 2003:** A formal "Brainstorming Session" was conducted by Director Roy Schlessman. The purpose of the session was to address the Foundation's need for more income, balanced with the fact that the foundation cannot conduct any fundraising activity that would be perceived as presenting competition by pastors or members of local churches. Marketing consultants, trust bankers, non-profit executive directors, and professional fundraisers participated in the session with a few of the Foundation's Board Members. All participants were impressed with the Foundation's services, productivity, and growth since 1996. Two recommendations developed from the session:

1. The Foundation should look into the possibility of operating a vehicle donation program to increase income, and
2. The Foundation should consider developing a comprehensive Marketing Plan.

**June 2003:** The Foundation initiated a vehicle donation program. Proceeds from sold vehicles are to be split on a 60/40 basis, with the local church receiving the 60% portion of the proceeds.

**August 2003:** DSUMF Board approved Investment Committee's recommendation to permit depositors with large portfolios to choose their own asset allocation. The recommendation clears the way for churches with large portfolios to deposit funds into our bond portfolio and/or our stock portfolio. Minimum deposits must be \$500,000 and a separate fee structure for these types of deposits has been developed. This is called the "Custom Choice" Option.

**November 2003:** DSUMF Board approves a 2004 expense budget of \$282,303, and adopts a comprehensive Marketing Plan that addresses Goals, Organizational Positioning, a Marketing Audit, and a Promotional Campaign. Included in the Plan was the development of a Corporate Signature to include a logo and a "tag line." The new logo involves a man building a foundation. The United Methodist Church's Cross and Flame rests on the top of the foundation. The "tag line" running underneath the foundation is "Building Your Church's Financial Future One Brick at a Time." The wall being built by the man in the logo is being made out of bricks. Each brick is labeled with services provided by the Foundation.

**December 2003:** DSUMF distributed \$12,647 in scholarships, pre-1982 pensioners' benefits, and vehicle donation proceeds. DSUMF ends the year with \$7,142,248.56 in total assets.

**February 2004:** For accounting purposes, DSUMF separates, to the extent possible, its operational income and expenses from its investment activities with Wachovia by opening a checking and money market account with the United Methodist Federal Credit Union (UMFCU). The new account with UMFCU will enable existing depositors to use the relationship between Wells Fargo and UMFCU to deposit funds into the Foundation's investment account.

**June 2004:** DSUMF Board approves policy and form used to authorize Executive Director to conduct financial transactions required by normal foundation activities. Said form, as a statement of resolution, will be provided to all entities requiring a variety of signatures for financial transactions. Foundation's Investment Committee decides not to employ Real Estate Investment Trusts as part of its Asset Allocation Model, but decided to continue discussions on including Managed Futures as part of its Asset Allocation Model in the future.

**August 2004:** DSUMF adds 8<sup>th</sup> Charitable Gift Annuity for the year, bringing total value in new CGAs for 2004 to \$167,000. DSUMF also tops \$1 million in new deposits for the year-to-date. Vehicle Donation program income is averaging \$350 per vehicle after distributing "splits" to local churches.

**September 2004:** DSUMF formally changes its Asset Allocation Model to include Managed Futures. Five percent is removed from the bond portion of the portfolio and placed into Managed Futures with Campbell Company out of Towson Maryland. The new Asset Allocation Model is 60% stocks, 35% bonds and 5% managed Futures.

**October 2004:** Bishop Minerva Carcaño hosts Foundation's first, conference-wide Investment Service Event. The event is well attended and enables the Foundation to "get the word out" about its Investment Service. DSUMF establishes its own web site and registers its domain name as DSUMF.ORG.

**December 2004:** DSUMF receives large deposits from churches that attended the October Investment Service Event and finishes the year with \$9,199,298 in total assets. DSUMF also distributes \$59,426 to beneficiaries in the form of scholarships, Vehicle Donation Program proceeds, pre-1982 pensioners' benefits and donor designated gifts.

**March 2005:** DSUMF adopts Dr. Harry Markowitz's Modern Portfolio Theory and decides to adjust its current portfolio to be consistent with the "Efficient Frontier." A portfolio on the Gold Curve of the "Efficient Frontier" is one that represents an acceptable level of risk, with a great deal of diversification, and one that represents a better-than-average, achievable, rate of return.

Based on the adoption of Markowitz's Modern Portfolio Theory and adjusting the portfolio to be consistent with the Efficient Frontier, the DSUMF also began to employ statistical procedures to measure asset manager and portfolio performance. The statistical procedures include Alpha," "Beta," Standard Deviation," and "Sharpe Ratios."

**June 2005:** After acquiring new accounts and receiving more deposits from existing depositors, DSUMF ends the month with more than \$10,800,000 under management.

**October 2005:** DSUMF Board approves Educational Cruise fundraiser in August 2006. Cruise will be through Inside Passage on Holland America's ms. Statendam.

**December 2005:** The DSUMF Investment Committee unanimously voted to move \$1 million of the Foundation's portfolio from a bond manager into 7-Day, Auction Rate Preferred Stocks. DSUMF ends year with record deposits (\$3.2 million+), and \$12,032,165 under management.

**February 2006:** DSUMF develops Leadership Training Events on a District by District basis as part of ongoing upgrade in marketing activities. DSUMF develops fundraising program for churches called the GREAT Program, which involves a unique utilization of Charitable Gift Annuities.

