



James L. Bomar Rotary Interact Foundation

Meeting January 7, 2017

Oak Ridge TN

Meeting was called to order by Karen Wentz. Present were Fred Heitman, Beth Stubbs, Carol Foster, Jim Roxlo, Bobby Davis, Karen Wentz, Jerry Wear, Ray Knowis, Debbie Alexander-Davis, Greg Maciolek and Jenifer Campbell.

Karen noted that Carol Foster is on the board this year despite not being listed in the directory. Both the IPDG, Beth Stubbs, and the DG Fred Heitman, are ex-officio members of the Foundation Board. There was a mix-up at the business meeting last year and that corrects the oversight.

Karen started with a discussion of the investments and referred to the Rules of Procedures. She asked the treasurer, Jenifer Campbell, to pass out the financial statements and discuss them.

Assets at the end of June 30, 2016, were \$206,873.25. There was a net loss of \$8,756.51 primarily because we awarded scholarships of \$12,000.00 but \$4,000 of that was from the previous year during last year. Currently we have \$209,698.19 in assets. Jenifer discussed the return on investments of the various accounts. The SunTrust account is nil as it is the cash account. The Heritage South account has \$110,000 and the rate is \$1.75% and it matures in October 2017. It represents half of the assets of the Foundation. The other account is the Raymond James at almost \$78,000. It is doing great as it has gained 16.3% so far this year. It has earned 7.46% overall since 2005. It is a portfolio account. The Wells Fargo account isn't doing anything and she is depleting that account by using it as the funding source for the scholarships. She noted that there was still a \$2,000 scholarship that is outstanding and hasn't been claimed. It will be looked into as to whether the scholarship is going to be used. It was suggested that perhaps a time period be created (2-3 years) at which time the scholarship is canceled and the funds returned to the Foundation. Net income as of December 31, 2016, is \$8,824.96 which is great. A motion by Beth to authorize \$8,000 in scholarships was made and seconded by Bobby Davis. Motion carried.

Karen started a discussion about investment strategy. There are no restrictions on the principal funds nor on any of the donations that are being made to the Foundation. At one time the District would donate \$5,000 per year to the Foundation and that is how the principal grew. The by-laws imply that the earnings be used for scholarships but it doesn't really say anything about how the principal is treated. With the \$110,000 CD maturing this fall, we need to look at how best to invest it. Karen says she has looked into a Donor Advised Fund (DAF) as a method of investing at least some of that money. It offers a convenient way for the funds to be managed and not have to worry about where to invest and who the broker is. Karen opened it up for discussion even though it won't be decided today. Rotary does take 1% of the investment each July 1<sup>st</sup> so there is a fee involved. However others charge us a fee. Jenifer said that Raymond James charges \$175 per year and paid us \$.22/quarter in dividends. Fred Heitman asked what has been the return on the investment with the DAF. The brochure showed with a balanced portfolio with slow growth, there was a 6% net return over 5 years. The process to establish a DAF with Rotary can be accomplished online in less than 5 minutes. Everyone thought it was a good idea to establish a DAF. No one raised any concerns. It takes \$10,000 to establish the DAF but no minimum funds are required so it could go below \$10,000. Carol Foster made a motion to establish a Donor Advised Fund for the Bomar Foundation. Ray Knowis

seconded the motion. Fred Heitman suggested we take the funds from Wells Fargo (about \$17,000) and invest in the DAF now. Discussion ended and a vote was taken and the motion passed. Further discussion about whether to wait until the fall for the CD to mature if the penalty is slight compared to what the funds could earn in the DAF.

There is a group account form that needs to be completed. Karen wasn't sure if all of the members on the account would get access. As advisors, it should be the president of the Bomar Foundation, the treasurer and the secretary as the last two positions don't change as often as the governor. Board members on the DAF can be changed very easily. Karen also suggested that half of the funds (about \$100,000) be put in the DAF and the other half elsewhere and then compare the results. Jenifer will investigate the penalty to withdraw the funds from the CD and then the board can decide whether to pay the penalty and withdraw the funds or wait until October 2017. Two other comments were made: One by Jim Roxlo that the advantage to the DAF is that a person can donate appreciated stock into the DAF; Two, Fred asked what happens if the DAF doesn't produce any money which is where the scholarship money comes from. Karen says that the question is a good segue into the next area of discussion and that is the Foundation's spending policy. She said most funds have a spending policy which indicates a percentage that should be donated each year. For instance, The Rotary Foundation's spending policy says about 4.5% each year. This percentage is discussed each year. Karen suggested a committee of a couple of people to study this issue and come back to the board with their findings. Again, the question was asked by Fred that if there are no earnings what happens to the scholarships. One answer is less number and/or lesser amounts. Beth volunteered to be on the committee to investigate a spending policy along with Karen. Karen also suggested perhaps an outside person to be included.

Review of the investment related provisions in the by-laws of both the Bomar Foundation and the District 6780 Rules of Procedures. Karen passed out the by-laws and Rules of Procedure electronically prior to the meeting. She asked that the board members review them and make any recommendations to change them if necessary. Jenifer noticed that in the ROP that the word "corpus" was used and the board wants to move away from that term. Karen also stated that she saw a lot of redundancy in the sections. She suggested that perhaps Bobby could look at them since he is also the chair of the resolutions committee. Everyone agreed that it would be a good idea and Bobby concurred. Karen asked that he get back to her by March 1<sup>st</sup> so it could be circulated among the board prior to the annual meeting in April. She also asked Bobby to review the award criteria to be sure they are still valid. For instance decorum is measured and she was wondering if that was still valid. Fred answered that they did measure that during the interviews.

The other question that Karen raised was about conflict of interest which is very important in a non-profit. Karen was going to get copies of conflict of interest policies from other non-profits but her Internet was down for the last 36 hours so she was unable to. She did pass out copies of the Rotary Foundation's policy. Beth explained why this is important. Jenifer, the treasurer, has to sign off every year that a conflict of interest policy exists when it doesn't. Bobby indicated that he had been doing some research on the subject and would pass around sample policies. If the IRS ever did an audit the policy on conflict of interest would be asked for. Karen also commended Bobby for his efforts last year as the Foundation Chair in raising a lot of these issues. They needed to be addressed. Karen again reiterated that if anyone has suggestions for policy changes to get them to her by March 1<sup>st</sup>.

The last item from Karen had to do with the lack of fundraising for the Foundation. Very little effort is put forth to raise funds and this is a concern. Karen showed a brochure that was used in years past to promote donations to the Bomar Foundation. Lately the governors haven't been emphasizing the Foundation.

Beth made a motion to adjourn. It was seconded and the meeting was adjourned after one hour.

Respectfully submitted by Greg Maciolek, District Secretary.