

23 June 2015

National Board Meeting Minutes

**SPECIAL MEETING OF THE NATIONAL BOARD OF DIRECTORS
THE ENGLISH-SPEAKING UNION OF THE UNITED STATES
NATIONAL HEADQUARTERS, 144 EAST 39TH STREET, NEW YORK, NY
TUESDAY, JUNE 23, 2015, 3:00 PM TO 4:15 PM (EDT) BY TELECONFERENCE**

MINUTES

Present In Person: Hollister Sturges, Treasurer; Christopher Broadwell, Secretary of the Corporation & Executive Director; Christopher Medalis; Mark Stollar

By Phone: Josiah Bunting III, Chairman; Laura Phelps, Vice Chair; E. Quinn Peeper, President; Marie Dora Thornburg OBE, President Emerita; Jan Slee; Region I Chair; Gloria Norris, Region II Chair; Karen Blair-Brand, Region III Chair; Ellen LeCompte, Region IV Chair; Mary Alice Phelan, Region V Chair; Jeffrey Schnabel, Region VI Chair; James Kerr, Jr., Region VII Chair; William Maschmeier, Region VIII Chair; M. Christine Carty; Polly Cox; F. David Grissett; Darrell Hill; T. Hoke Huss; Charles Reaves; Philip Sjogren; Henry Williams; George Williamson

Excused: Loveday Conquest; Paul Haigney; Paul Beresford-Hill MBE; Donald Best; Christopher Hodgkins; Anne Westbrook

Invited Guests: Joseph Izzo and Samuel Botta, O'Connor Davies

Observers (ESU Staff): Carol Losos, Director of Educational Programs; Grant Hamel, Operations Manager; Dorothy Fiedler, Assistant to the Executive Director/Recording Secretary

Presiding: Josiah Bunting III, Chairman

Welcome – Mr. Bunting welcomed National Board members to the Special Meeting of the National Board by teleconference and called the meeting to order at 3:00 pm Eastern Time.

Mr. Bunting asked Christopher Broadwell, Secretary of the Corporation, to call the roll and Mr. Broadwell announced the quorum.

Comments from the Chairman - Mr. Bunting stated that the purposes of the meeting were to hear a report from the Audit Committee; to review any Branch bylaws amendment proposals submitted by the Branches and to discuss the proposed fiscal year 2015-2016 operating budget for approval by the national board.

Report of the Audit Committee – Darrell Hill, Chair

Mr. Hill reported on the Audit Committee meeting which was held on Friday, June 5, 2015 to discuss the 2015 Audit Plan as presented by Joseph Izzo, Partner, and Samuel Botta, Audit Manager, from accounting firm O'Connor Davies. He reported that the Audit Committee accepted the audit plan as presented by O'Connor Davies and recommended the accounting firm O'Connor Davies to perform the fiscal year 2014-2015 audit. After discussion and questioning by the members of the national board, the board agreed to the following actions.

23 June 2015

National Board Meeting Minutes

- A motion was made, duly seconded, and unanimously approved to accept the 2015 Audit Plan and conduct the audit for the fiscal year ending June 30, 2015 as presented by the accountants from O'Connor Davies.
- A motion was made, duly seconded, and unanimously approved to accept the recommendation from the Audit Committee to use the accounting firm of O'Connor Davies to perform the audit for the fiscal year ending June 30, 2015.

Report of the Secretary of the Corporation – Christopher Broadwell

As Secretary of the Corporation, Mr. Broadwell reported that no Branches had submitted amendments to their Branch bylaws for approval by the National Board since the last board meeting.

Report of the Treasurer – Hollister Sturges

Mr. Sturges reviewed financial statements as of April 30, 2015 and June 30, 2014 as attached.

In the Statement of Financial Position, Total Assets were at \$16,743,873 compared to \$16,999,764 at June 30, 2014, a decrease of (\$255,891) due to the decrease in line item Promises to Give & Other Receivables (\$205,288) representing ARNIC funding that was received during the fiscal year. The Vice Chair questioned the line of credit amount, stating that she understood that a line of credit would not be used to finance operations. The Treasurer stated that a payoff would be discussed with the investment fund manager.

In the Statement of Activities for the ten months ended April 30, 2015, Total Revenue is down at \$1,255,117, while Total Expenses are also down at \$1,354,883 for an Operating Loss of (\$99,766). Including Depreciation of (\$90,000) and Investment Return, net of board allocations at \$73,538, the Change in Net Assets (Loss) amounted to (\$116,228) compared to the budgeted (\$288,793). Mr. Sturges noted that on the alternate version of the Statement of Financial Activities as of April 30, 2015, contributions and ongoing operational expenses are detailed.

The Schedule of Investment Activity for the ten months ended April 30, 2015 shows Total Investment Income before allocations was at \$569,490 on an endowment at fair market value of \$13,374,267 at April 30, 2015. Board members questioned the rate on return (ROI) and the investment management fees charged on the account. Hollister Sturges noted a return of 15.3% per year average over the past 5 years and that the management fee charged by CG Asset Management was at a very fair negotiated rate of 0.45% per annum on all assets.

The Treasurer stated that at its meeting on Monday, June 22, the Finance Committee reviewed the proposed detailed 2015-2016 budget as attached and recommended its adoption by the national board. The Finance Committee recommended that there be a draw down on deficits to present a balanced budget, as it is in the best interest of the ESU to draw down the debt incurred from past deficit. Mr. Sturges asked Executive Director Christopher Broadwell to present his 2015-2016 operating budget proposal to the national board.

Proposed 2015-2016 Operating Budget - Mr. Broadwell reported on an overview of the proposed FY2016 operating budget which shows revenues and expenses broken into categories and programs using the new accounting system implemented during the current fiscal year. The projected Net Operating Loss amounts to (\$153,198.96) with details for each line item amount clearly tracked separately. Board allocated investment income is at \$628,548 and represents the 5% drawdown three year average calculated at March 31. He noted that the budget included expenditures for consultants to guide strategic planning and for legal fees for completing the state charitable registrations. Christopher Broadwell commented that staff salaries under the projected budget were allocated throughout and amounted to \$889,933, not including fringe benefits. The Chairman then opened the meeting for questions from Board members concerning the proposed budget and a discussion followed.

23 June 2015

National Board Meeting Minutes

- Following the board discussion, the Treasurer moved that the 2015-2016 operating budget be adopted. The motion was duly seconded and the budget as presented was approved unanimously.
- The Vice Chair made a motion that if the national board approves a budget containing a deficit, the deficit must be paid off by the end of the fiscal year by drawdown from the investment account, not to exceed the budgeted shortfall. The motion was seconded and the motion as stated was approved.

Several board members commented that there was not a full discussion among board members concerning the issue of how to handle a budget deficit before the previous motion was approved.

- The Chairman asked for a motion to rescind the previous motion as stated and the motion was made, duly seconded and approved unanimously.

The Vice Chair commented on the board's responsibilities for annual fiscal clarity; to provide for an environment in which there is no deficit; for much greater fundraising which should be the responsibility of the Board; for the fiscal health of the organization; and for the board's fiduciary responsibility for a sustainable future. She commented that there are many ways to handle a budget with a deficit including placing restrictions on the Executive Director so that there is no deficit; the board implementing a process for raising funds to cover the deficit; drawing additional funds from the investment assets as well as drawing from the established line of credit, the latter not a preferred method of the Vice Chair. Several concerns were discussed by the members of the national board including the long term financial situation of the organization if it sustains repeated deficits; Board fiscal responsibility to raise funds; moving ahead with strategic planning by hiring a consultant; and the recommendation that next year's shortfall be capped. After concluding the lengthy discussion, the board members were ready to vote and the Chairman asked for the motion to be restated.

- The Vice Chair restated the motion as follows:
The approved budget for the fiscal year ending in June 2016 has deficit of (\$153,198.96). If at the end of the year, such a deficit does exist that the ESU will draw from the investment account, in a timely fashion given the market and the advice of the financial advisor, to insure that the ESU closes the fiscal year with no actual deficit of funds, not to exceed the approved budgeted deficit.
The motion was seconded and approved unanimously.

ESU President E. Quinn Peeper commented that he expects 100% participation from the board in board giving campaign in order to be compliant with the board's fiduciary responsibility. He thanked those who had contributed more than the required \$500, and discussed the few who had not yet met the \$500 minimum, including two who had not yet contributed anything to the campaign, noting that he had made an additional \$500 contribution himself on behalf of one of those. It was suggested that the nominating committee make all candidates to the board aware of the board giving requirement.

The meeting was adjourned at 4:15 pm Eastern Time.

Future Dates:

ESU Private Tour of Ardgowan with Cindy Chetwode, for national patrons, Sept. 3–10, 2015

Fall Semi-annual Meeting of the National Board, October 10, 2015

2015 Annual Conference, New York City, Columbus Day Weekend, October 10-12, 2015

2015 International Council Meeting, Dartmouth House London, October 16-18, 2015