

TO: SSA BOD
FROM: PHIL UMPHRES
RE: Proposal for dealing with "SSA Designate Trust Fund"
DATE: September 12, 2015

I. Summary of the Issue

The SSA Foundation is currently carrying on its books, as one of some 22 separate "buckets" or Funds, an item currently identified as the "SSA Designated Trust Fund." This bucket appears to have been originally funded with a deposit of \$4,000 in 2001; there were a few additions to the fund shortly thereafter bringing total contributions to \$10,836. There do not appear to have ever been withdrawals from this bucket since it was created. No one currently involved in the management of either SSA or the SSA Foundation (including Jim Short and Sterling Starr) seems to know exactly what this money is for.

After diligent investigation and discussion, John Godfrey (on behalf of the SSA Foundation Trustees) and I have agreed that the best thing to do with this "orphan fund" is to roll it into the SSA General Endowment. Both the SSA Foundation Trustees and the SSA Board of Directors will need to approve the amendment for it to take effect. The SSA Excom endorsed my proposal at the Excom meeting in Hobbs in July. The proposal is now forwarded to the full BOD for inspection, discussion and approval.

II. History of the SSA Designated Trust Fund

Since as far back as I can find records, SSA has had several "trust funds" to hold sums of money that have been donated or set aside for specific purposes. The SSA Bylaws, as amended as of February 1976 (*Exhibit 1*, Article XI, at page 251) reflect that there were at that time six named "trust funds:"

- Trust Fund 1 - Life Member Trust
- Trust Fund 2 - Trophy Endowment Fund (combined fund for duPont, Eaton, Stroukoff and other trophies)
- Trust Fund 3 - General Endowment Fund
- Trust Fund 4 - Wolfgang B. Klemperer Memorial Fund
- Trust Fund 5 - U.S. Team Fund
- Trust Fund 6 - SSA Designated Trust Fund

Originally, each of these funds was handled as separate investment entities. That is to say, a separate bucket of stocks or a bond or some other investment was purchased to hold the funds set aside for each of these trusts and the funds from the various trusts were not commingled.

While that made sense for some of the larger funds (e.g., Life Member, General Endowment), it was apparently realized that it was impractical to purchase and manage a separate investment and investment account for every single small gift given to SSA. Thus, something called the "SSA Designated Trust Fund" was created to hold these smaller donated

amounts which were commingled into a single investment account. This “trust,” initially called Trust Fund #6, was defined as follows in the 1976 SSA Bylaws:

- (6) Trust Fund #6, also known as the SSA Designated Trust Fund. The income from funds contributed to SSA for this Fund shall be used for the purposes designated by the contributors, in proportion to the amounts in the Fund for the various purposes designated. This Trust and each addition to it are to be evidenced by written documents.

Sometime before the SSA Foundation was created in the Fall of 1998, it had been decided to combine the principal of all of the various donated amounts into a single investment account. Nevertheless, a report by the pre-Foundation SSA Trustees dated January 10, 1997 states that even at this date the funds custodian, Wells Fargo Santa Fe, was insisting that the Funds still had to be managed as separate entities. See attached *Exhibit 2*, the attachment to which reflects the existence at that time of seven separate “funds” being accounted for separately: (1) Life member, (2) Endowment, (3) Robertson (US Team), (4) Kolstad, (5) DuPont, (6) Stroukoff, and (7) Klemperer.

The first report of the SSA Foundation Trustees to the SSA BOD after the formal creation of the Foundation in late 1998 reflects that at the end of 1998 the Foundation Trustees were managing 8 separate “buckets” of money in a combined account: (1) Life Member, (2) Endowment, (3) Robertson, (4) Kolstad, (5) Trophy, (6) Wood, (7) Gross and (8) Soaring Safety Foundation. See attached *Exhibit 3*, report dated January 22, 1999 and submitted for the winter 1999 SSA BOD meeting.

The Trustees’ next report, dated August 15, 1999, contained an updated list of funds under management by the Foundation that now listed a total of 11 separate “buckets.” In addition to the eight listed in the prior report, the three new funds were: (9) Bultman, (10) Eagle, and (11) SSA Foundation. See *Exhibit 4*, attached. This report reflects that, as of July 31, 1999, the Bultman and Eagle Funds were funded, but the SSA Foundation fund – although a column had been set aside for it in the report – remained unfunded.

The SSA Foundation “bucket” remained unfunded until 2001. Then, mysteriously, the Trustees’ report dated August 15, 2001 reflects that a \$4,000 contribution to the SSA Foundation bucket had been received in Hobbs but not yet transferred to the Foundation’s investment account. The chart accompanying the report reflects this as a “due from” the SSA entry. See attached *Exhibit 5*. Unfortunately, neither the Trustee’s reports nor any other documentation I have ever been able to find states what this money was for.

Thereafter, Trustee Reports to the SSA BOD routinely include this Foundation bucket, with entries reflecting proportional allocation to it of the earnings and expenses of the consolidated investment account. See *Exhibit 6*, report dated January 15, 2002. According to former SSA Director Jim Skydell (see *Exhibit 7*, discussed below), and according to Trustee Reports submitted to the SSA BOD at the September 2003 and February 2004 BOD meetings, (See *Exhibits 8 and 9*) there were at least two additional transfers into this bucket (\$100 and

\$6,736) after this initial transfer of \$4,000 bringing the total transfers into the bucket of \$10,836. However, I have found no reports indicating the purpose of any additions of principal to this account, or for that matter any withdrawals of either income or principal, nor any explanation of the purpose of this bucket of monies.

At some point, SSA Foundation Trustee reports quit referring to this particular bucket as the “SSA Foundation” fund. By the time I began working on SSA matters (2007) the fund was being referred to as the “Designated Trust Fund,” which is the name by which the bucket appears today in the SSA Foundation Tracker and financial statements. As of June 30, 2015 the balance in the fund was \$11,980.86.

III. Efforts to Solve the Puzzle

A few hardy souls, over the years, have tried to puzzle through the questions surrounding this particular pot of money. In particular, Jim Skydell, when he was an SSA Director, did a bit of digging. He wrote a short report to the SSA Board dated Feb 2006 (attached as *Exhibit 7*) that concluded the best evidence was that the money had not been donated by any donor with a restriction put on it requiring that it go to support the “SSA Foundation,” but rather the money belonged to SSA at large. It may have been set aside at one time to fund SSA Foundation fund raising or other activities, or perhaps on the theory that the SSA Foundation required some initial capitalization, but the Foundation never did anything with the money and never formally claimed it in any of their written reports to the SSA Board or elsewhere.

As for the total put into the bucket, Dr. Skydell’s report states that in addition to the initial transfer of \$4,000 into the bucket, he found evidence in the SSA general ledger of four more transfers into the bucket totaling some \$6,736. I confirmed those transfers (as reported by the Foundation Trustees in their reports to the SSA BOD, *see Exhibits 8 and 9*, reported above) during my trip to Hobbs for the recent July 2015 Excom meeting.

As for the name of the bucket, Dr. Skydell has told me that when he was looking into this, Alan Gleason told him that he (Gleason) had unilaterally changed the name of the fund back to “Designated Trust Fund “to avoid confusion.”

More recently, both John Godfrey and I have reviewed records and made inquiries of former SSA leaders to see if we could find any clue to what the best use of these funds was. In particular, I have spoken with Jim Short and Sterling Starr (both early Trustees of the SSA Foundation) and neither of them has a clue what this money is for. They both suggested to me that rolling the money into the SSA General Endowment makes as much sense to them as any other use for it.

John Godfrey has also checked on whether there is any requirement that the SSA Foundation maintain a separate capital account. He has been told that there is not and that the SSA Foundation does not need to have a separate pool of available cash for operations or fund raising. Should the Foundation ever need such money, it has only to ask for it from SSA and it can be provided out of the Kunda Operating Reserve or other available current operating monies.

IV. Proposed Resolution of the Issue

We really need to do something with this orphan fund.

For lack of any better ideas, I propose that we transfer all monies currently in the SSA Foundation bucket currently called "SSA Designated Trust Fund" (said amount approximately \$12,010.90 as of March 31, 2015) into the General Endowment Fund where it will be added to the unrestricted Endowment assets. To effect this, I ask the BOD to approve the following motion. The motion was favorably endorsed by the Excom at the July meeting.

WHEREAS, the SSA Bylaws, Article XI - Trusts, provide for the existence of certain Trust Funds for certain monies given to SSA or set aside by SSA for specific purposes, and

WHEREAS, the SSA Foundation is the entity designated by SSA for holding, managing, investing and safeguarding such funds, ownership of which belongs to the SSA, and

WHEREAS, for some time there has existed within the SSA Foundation a specific fund of monies, currently identified by the SSA and the SSA Foundation as the "SSA Designated Trust Fund," in an amount of \$11,980.86 as of June 30, 2015, and

WHEREAS, there do not appear to be any donor restrictions or other permanent restrictions on the use of those monies,

NOW, THEREFORE, it is moved that the SSA Board of Directors approve the transfer of the entire sum of the monies held in what is currently called the "SSA Designated Trust Fund" to the SSA General Endowment Fund as an unrestricted addition to the Endowment assets held in the General Endowment fund, and that the Fund commonly known as the SSA Designated Trust Fund be closed and no longer use.

Very Truly Yours,

Phil Umphres

Phillip C. Umphres,
SSA Treasurer and Director at Large

Attachments:

- Exhibit 1 – SSA Bylaws, as amended as of February 1976, Article XI
- Exhibit 2 – Trustees report, dated January 10, 1997
- Exhibit 3 – SSA Foundation Trustees report, dated January 22, 1999
- Exhibit 4 – SSA Foundation Trustees report, dated August 15, 1999
- Exhibit 5 – SSA Foundation Trustees report, dated August 15, 2001
- Exhibit 6 – SSA Foundation Trustees report, dated January 15, 2002
- Exhibit 7 – Jim Skydell report to SSA Board, dated Feb 2006
- Exhibit 8 – SSA Foundation Trustees report (tracker spreadsheet), dated September, 2003
- Exhibit 9 – SSA Foundation Trustees report (tracker spreadsheet), dated February, 2004