

A Member's Guide to the Endowment Funds
All Souls Unitarian Universalist Church
Kansas City, Missouri
June 2015

The Endowment Fund was established by the Board of Trustees in July 1975, in order to set aside a portion (\$20,100) of a bequest of \$23,329 from the estate of Margaret Durrett and other gifts that had been received, and to encourage and provide for future gifts and bequests.

It was felt long-range purposes (none were specified), beneficial to the church could be achieved if there were an "endowment" fund. The fund would be separate from the general operating funds (annual budget). Income and assets would be used only for church-related purposes.

An "Endowment Committee Trust" and the Endowment Committee were established to manage the fund. The committee has five members appointed by the Board, serving staggered three year terms.

The Trust was established by the Board by an "Indenture." The Board, with the consent of the Trustees, may revise the terms of the Indenture at its discretion.

The Church membership has never ratified the Indenture and it is not a part of our constitution or bylaws.

The current endowment holds approximately \$1.3 million in *unrestricted* funds. Members and donors may make restricted gifts and bequests, to be used only as they have specified. The Endowment Committee manages several restricted gifts.

The endowment trust receives any amounts designated for the endowment fund, any gifts or bequests to the church in excess of \$5,000 not designated for other purposes, and any other gifts at the Board's discretion.

Gifts and bequests accepted by the church, which are not designated for the Legacy Fund or for any other special purpose are transferred to the "discretionary fund" in the Endowment Fund.

In 1995 the "Legacy Fund" was established to ensure donors and potential donors that the principal amount of their contributions would be retained as an endowment to generate income for the Church, and that such principal could not be expended except under extraordinary circumstances. Any use of the *principal* of the Legacy Fund requires the recommendation of the Endowment Trustees and the approval of 90% of the church membership voting in two consecutive special meetings. All *earnings* from Legacy Fund assets go to the general endowment (the Discretionary Fund). The Legacy fund retains all of its capital gains and unrealized appreciation, thereby preserving and increasing its principal. Thus, Legacy Fund earnings support the annual budget and may also increase the principal of the Discretionary Fund.

Until 2006, one-half (50 %) of the income earned on assets of the Discretionary Fund was transferred to the annual budget, the balance was reinvested. In 2006 the Board chose to distribute an amount equal to 4% of the average market value of the assets of the discretionary fund for each of the previous thirteen calendar quarters. This is a method used by many other endowment funds. Distributions in recent years have been \$35,877 in 2013, \$41,050 in 2014, and \$46,044 in 2015.

The Board may “from time to time” use additional amounts from the Discretionary Fund’s earnings or principal with or without the approval of the Endowment Trustees, and may choose to restore any withdrawals at its discretion. Under this provision, funds have occasionally been used to finance various programs (new staff, internships), and funds have been borrowed for building repairs and to conduct a capital campaign and then repaid from capital program funds.

The Board may, by resolution of the Board, with at least eight votes in favor, without the consent of the Trustees of the fund, withdraw from the principal of any unrestricted funds. That is, the indenture does not require preservation of capital. In practice, capital has been preserved because all major distributions have been treated as loans and repaid.

In addition, the Endowment Committee is “authorized and encouraged” (apparently on its own initiative), to pay to the Board or to expend money “from time to time” from the Discretionary Fund, for such purposes as the Committee believes are in the best interests of the church. In recent years the Endowment Committee has provided from \$200 to \$300 for an annual Heritage Luncheon which is held to show our appreciation for members who have included the church in their wills. No other expenditures have ever been initiated by the Endowment Committee.

The Endowment Committee may not borrow any money. It may lend only to the church. Any costs required to administer and manage the fund may be charged to the fund. So far, the Endowment Committee has always managed the funds directly and no outside professional services have been used. The Endowment Committee has managed the fund well – earning 6.27% in 2014 and 32.49% in 2013.