Initial Objectives and Structure

The Board established the Trust, based on the belief that it would be beneficial to keep funds from gifts and bequests separate from the general operating funds. This would allow the Board to determine how and when to use the principal and the income earned.

The Board believed it could achieve long-range goals, beneficial to the Church, with an endowment fund.

With the consent of the Endowment Trustees, the Board could revise the terms of the Indenture.

The original indenture was amended in May, 1998 and again in January, 2006. The second amendment established the “Legacy Fund” to restrict any use of principal specifically donated to it.

Under the original indentures the Board could, “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 could chose to restore any withdrawals at its discretion. The Board could withdraw from the principal of any unrestricted funds, with no requirement to preserve capital, or receive consent from church members to use principal. Fortunately, except for an early purchase of office equipment, all capital was preserved. In about 1990, $60,000 was used for major roof repairs and repaid from the 1998 capital program’s proceeds. In addition, the church used the fund occasionally to finance various programs (new staff, internships). In 2015, funds were borrowed to conduct a capital campaign; and then repaid from donations received for the 2015 capital program. In 2016 and 2017, church members approved using $400,000 for building renovations.

Current Operating Structure

Prior to May, 2017, the Church membership had never ratified the Indenture. The Endowment Trust was directly controlled by the Board. Then, in May, 2017, the church’s membership adopted a new “Endowment Agreement”. This new agreement, transferred primary control of the fund to the Church’s membership; it had had previously been with the Board of Trustees.

Following is a recap of major provisions in the 2017 endowment agreement:

- Any changes in the agreement’s provisions must be approved by the church’s membership.
- Except for annual distributions, any use of non-designated funds must be approved by the church’s membership.
Regarding the Annual Distribution, each year the Endowment Fund distributes 4% of its non-designated fund balance to All Souls for general church operations. The 4% calculation is made annually and is based on the fund balance for the prior thirteen quarters, to account for market fluctuations and to provide predictable income to the church.

- The Annual Distribution to the operating budget is limited. If the distribution exceeds 10% of that year’s Operating Budget, the excess is treated as an Annual Non-Operations Distribution which may be used for other purposes at the Board’s discretion. Annual Non-Operations Distributions may not be used for the operating budget and shall be used by the Board to fund a maintenance reserve, new programs or for such other non-Operating Budget items, as the Board decides. This provision is intended to limit the use of endowment funds for normal, annual expenses and to keep the Church from becoming overly dependent on the endowment.

- The Board may request special distributions from the non-designated fund, but all distributions must be approved by the church’s membership. Special distributions from the non-designated fund’s accumulated earnings require approval by a majority of members present at regular or special congregational meeting, and distributions from the fund’s principal require approval by 2/3 of the members.

- Special distributions from the Legacy Fund require higher approval margins and require two votes.

- The Endowment Fund may not borrow money from a bank and may lend or distribute only to the Church.

- The Board may request loans from the Discretionary Fund for emergency or other All Souls needs. All loans shall be repaid, with interest, from the next Annual Distribution. In the event that a loan exceeds the value of the Annual Distribution, it shall be repaid with the next and subsequent years’ Annual Distributions until repaid. No loans may be made from Legacy (principal or accumulated earnings) funds. The Church’s membership can choose to convert loans to special distributions.

How Endowment is funded

The Endowment Trust receives any gifts designated for the Endowment Fund, any undesignated gifts or bequests to the Church in excess of $5,000, and any other gifts at the Board’s discretion. Donors may make restricted gifts and bequests (with a minimum of $5,000), to be used only as they have specified.

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.

The Endowment trustees may decline to accept any gift which would result in prohibitive cost, administrative effort or expense. The Board may decline any gift to the Endowment which would not be consistent with the mission of All Souls. The Board may choose to invest other funds with the Endowment.
Other Endowment Committee duties

The Endowment Committee manages some other restricted gifts and funds. As of 2020, these funds include the Friends of the Forum Fund, Religious Education (RE) program Fund, the Minister’s Discretionary Fund, and a few others.

How are the earnings and principal distributed, and what restrictions are placed on the use of the funds

Beginning in 2006, the Board chose to distribute an amount equal to 4% of the average market value of the assets of the non-designated fund balance for each of the previous thirteen calendar quarters. This method is widely used by other endowment funds. As of 2020, distributions for the past four recent years have exceeded $50,000. It is worth noting that this is more than the combined total of the Church’s annual mortgage and property insurance payments.

How are the funds invested?

The funds are invested at the sole discretion of its money manager, the Universalist Unitarian Common Endowment Fund, UUCEF. In 2019, the Endowment Committee determined the performance of the UUCEF fund was comparable to that of the other two investment management teams under consideration, but UUCEF’s investment goals aligned more closely with those of All Souls, particularly its emphasis on socially responsible investing.

This is the investment objective of the UUCEF: With the guiding lens of Unitarian Universalist values and principles, strive to achieve consistent returns within a moderate risk tolerance over the long term, sufficient to allow Congregations to take regular distributions and maintain the value of principal after adjustment for inflation and after all expenses.