

## **Restricted Funds Policy**

The purpose of this Restricted Funds Policy is to establish controls for the receipt and administration of such funds. Restricted Funds are funds which have restricted use and are not part of the Operating Budget. The administration of endowment funds are governed under the Endowment Funds Management Policy.

### **Classification of Restricted Funds**

Restricted Funds are categorized as follows: (1) Designated Funds, (2) Reserves, and (3) Clearing Accounts:

#### **Designated Funds**

These funds are established by the Finance Committee or the Administrative Board for a specific purpose. For example, the Finance Committee may establish a designated fund to record contributions to and disbursements from a Capital Campaign. A donor or Ministry Team may request the establishment of a Designated Fund.

#### **Reserve Funds**

The Administrative Board or Finance Committee may establish reserves to be held for future use.

#### **Clearing Accounts**

Clearing account restricted funds are established to allow the Finance Committee to separately accumulate funds that are to be dispersed later. For example, pledges for a coming year which would be put aside and then moved to operating funds in the New Year. These funds are established and managed by the Finance Committee.

### **Establishment of Restricted Fund Accounts**

The Administrative Board or Finance Committee may open a new restricted fund account or re-open an inactive account when they identify a need. Additionally, a Ministry Team, Constituency Group or individual may submit requests to the Finance Committee to open a new restricted fund account, or to re-open an inactive account. The request should be written and include suggested account name, purpose of the account and designate an individual responsible for the account.

### **Receipt of Gifts**

A donor of a gift, memorial or bequest of any amount may designate that it be placed into an existing active Restricted Fund without approval by the Finance Committee and/or Administrative Board.

Individual Memorial gifts of less than \$1,000, not designated to an existing active Restricted Fund, will be placed in the Memorial Fund Restricted Fund account. The

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family may request that the funds given in memory of their family member be moved to another Restricted Fund.

Only donors of individual gifts, memorials and bequests of \$1,000 or more may recommend the use of their gift, subject to the approval of the Administrative Board. All such gifts will be placed in the “Undesignated” Clearing Account until the request has been reviewed by the Finance Committee and a recommendation has been approved by the Administrative Board.

Upon receipt of a gift or notification from a donor, his or her attorney, executor or trustee indicating a desire to bless the church with a gift of \$1,000 or more, the Finance Committee should:

- Request a copy of the letter, portion of the will or trust (Document) indicating the gift,
- Assess the donor’s desires:
  - If the gift has “restrictions” where the donor specifies the purpose for which the gift should be used, the congregation is legally bound to use or to hold the restricted gift in accordance with the donor’s instructions. There may be an instance where the church would be well advised to refuse a gift or bequest. Reasons for this action might include if the purpose of the restricted gift is not in line with the congregation’s mission priorities, if the church is unable to use the gift as intended, or if the gift does not seem to be in the best interests of the donor or the church. In such instances, if it is impractical or unwise to seek a modification of the gift restriction, the Finance Committee shall make a recommendation to the Administrative Board that the gift shall be returned to the donor or the donor’s estate.
  - If the Document includes gift language that uses terms such as “held”, “endowment”, or “income from the gift”, the gift is intended for endowment and obligates the congregation to hold this gift for all time. The Document will be provided to the Endowment Committee for further review and disposition.
  - If the Document mentions a specific gift amount with no endowment language or specified use of the funds, the gift is unrestricted and the Finance Committee may choose to place the gift in the Memorial Fund, Improvements Reserve Fund or the Endowment Fund.

### **Investing the Funds**

All Restricted Funds shall be invested in FDIC interest bearing accounts. Interest income earned from all Restricted Funds shall be placed in an Interest Restricted Fund. The Interest Fund balance will be available for non-budgeted needs of the church.

### **Use of Restricted Funds**

Each Restricted Fund will have a Ministry Team or individual designated (Designee) as responsible for the fund. The Finance Committee will maintain a list stating the purpose of each fund and the Designee for the fund.

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Clearing Account funds are exempt from the Use of Restricted Funds Approval procedures. The Finance Committee shall be the Designee for the Clearing Account funds.

The use of monies in a Designated Restricted Fund may be approved by the Designee provided they are used within the intended use of the designated fund (e.g. Special Music may only be used for music, Habitat for Humanity, etc.). However, the Designee may not approve an expenditure in excess of the available funds in the Restricted Fund.

A request for the use of monies in a Reserve Fund may originate from 1) the Administrative Board, 2) the Finance Committee or 3) any Ministry Team, Constituency Group or individual. A request from a Ministry Team, Constituency Group or individual must be submitted in writing to the Finance Committee Chair. The review and approval will be as follows:

- A request of less than \$1,000 may be approved by the Finance Committee Chairperson. If the approval is not given, an appeal of the request may be submitted to the Senior Minister, Treasurer and Finance Committee Chairperson for unanimous approval. If rejected, no further appeal is available. All requests shall be documented and reported to the Finance Committee by the Finance Chairperson.
- A request between \$1,000 and \$4,000 may be approved by the Senior Minister, Treasurer and Finance Committee Chairperson, acting unanimously. If the approval is not given, the matter may be taken to the Finance Committee and/or the Administrative Board for action. All requests shall be documented and reported to the Administrative Board by the Finance Chairperson.
- Requests greater than \$4,000 must be submitted in writing to the Finance Committee for review and be presented by the Requestor to the Administrative Board for approval.

Commitments for the use of these funds may not be made, or contracts signed, for amounts greater than the amount approved.

## **Inactive Funds**

Restricted Funds are to be reviewed annually by the Finance Committee for disposition recommendations relative to accounts with a zero balance or inactive accounts with a fund balance. Inactive Funds are defined as those without contributions or disbursements for a period of more than 24 months. The fund should be removed from the Restricted Funds report and the status should be changed to "Inactive" in ACS.

## **Amendments**

The Finance Committee should review this policy at least annually and present proposed amendments, if any, to the Administrative Board. This policy revision was approved by the Administrative Board on July 27, 2022.