FUND DEFINITIONS FOR LOCAL CHURCHES

Local church funds typically include an operating budget for current expenses, a variety of committee budgets and a variety of special funds for specific programs, activities or missions. The funds can range from the Coffee Fund to Camp Scholarships to invested Endowments. A Unified Budget model encourages congregations to pool all operating budget and short-term designated resources in one primary bank account and to track the different funds internally.

The following outlines the options, rights, and responsibilities of donors and local churches managing gifts or donated funds. The definitions and recommendations are drawn from the Discipline of the United Methodist Church, from an understanding of local church culture and history, and relevant laws and guidelines from the field of charitable giving. As laws affecting churches non-profit status and laws affecting donors change, any local church managing funds is advised to be educated stewards, alert to the responsibilities and options regarding donated funds.

GIFT - An item or sum of money given freely to a non-profit organization, in some cases the donor is entitled to a tax benefit as a result of the gift. Current federal law requires a note(substantiation) from the recipient organization describing the gift and that "no goods or services were granted in exchange" for the gift. **After the gift is made,** the donor relinquishes control or influence over the use of the gift and may not revise restrictions or direct use of the funds.

RESTRICTIONS Conditions placed by a DONOR upon a gift

Examples: funds given to a church camp scholarship fund
funds restricted for church school supplies

WARNING! Certain restrictions may limit the tax benefit and may be ethically questionable, for example, a gift to a scholarship fund from which the donor can authorize a scholarship to a family member.

UNRESTRICTED GIFT A gift which the recipient church may designate or apply to expenses at their discretion.

Example: a cash offering during weekly offering
a Fifth Sunday offering (if undesignated!)

FUND An identified account used by an organization for managing money. Churches may set up separate bank accounts or consolidate several funds into one account and track each manually. All funds and/or accounts are reported at least annually to the Finance Committee and included in the annual financial audit.

DESIGNATED FUNDS Funds/accounts created by the RECIPIENT/church

Examples: Building Fund

UMW/UMM Account

Memorial Fund

World Service Special Offering

The recipient organization may create, dissolve or redistribute Designated Funds. The organization has complete control over the asset once it is gifted. Donors may make restricted gifts to designated funds. Donors may not use a gift to create a Designated Fund on behalf of the organization, only the organization can create Designated Funds.

United Methodist Churches have historically designated MEMORIAL FUNDS and accepted restricted gifts from donors. Churches should review or create a written policy describing the designations of the Memorial Fund, describing appropriate gifts and uses incorporating local church tradition. This policy should be adopted by the Church Council/Board and reviewed periodically. See sample provided.

PASTOR'S DISCRETIONARY FUND This designated fund if often made available to the pastor to distribute as that person identifies emerging needs or emergencies in the work of pastoral care. Each church is responsible for designating how this resource is funded and distributed. As churches use different methods, each congregation should periodically review the management of the fund to ensure all parties understand the procedures and the pastor is protected from tax or misappropriation risk. See sample provided.

ROLE OF BOARD OF TRUSTEES - the Trustees (or other body authorized by Charge Conference such as an Endowment Committee) are responsible for REVIEWING and RECOMMENDING acceptance, rejection or renegotiation of bequests and capital gifts offered to the church. ACTION to accept or reject an offered gift must be taken by the Church Council/Board and reported at the Charge Conference. Trustees are responsible for reviewing donor restrictions, assessing their appropriateness, and can recommend that the donor expand the restriction before acceptance. For example, a gift restricted to building a handicap ramp could be expanded to handicap accessibility needs.

Bonnie Marden, permission granted for church use 97/07/10

ASSESSING A GIFT

Name of Donor_____

Date of Gift_____ Gift Description_____

Understood Intent of Gift_____

Restrictions on Use_____

Check One: ___Restricted ___Unrestricted

To be Deposited in:

_____ Current Designated Fund_____

_____ New Fund *(adopted by Church Council/Board after Trustees review and recommendation)*

_____ Memorial Fund (must match church's designations)

_____ Operating Expenses Fund/Account

_____ Endowment Fund (verify donor's restrictions if any)

Attention! The donor may not revise restrictions or influence use of funds after they are gifted.