



UNITED METHODIST FOUNDATION OF NEW ENGLAND
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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. The recommended 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 well 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.

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

RESTRICTIONS - conditions placed by the 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.
Ex: A gift to a scholarship fund from which the donor can
authorize to a family member.*

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

Examples: a cash offering during weekly offering
a fifth Sunday offering (if undesignated!)

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 Administrative Board/Council and reviewed periodically.

PASTOR'S DISCRETIONARY FUND - a designated fund that churches typically make available to the pastor to distribute as that person sees fit. Each church is responsible for designating how this fund is funded and distributed. As different churches use different methods, each church should periodically review the designation and management of the fund to ensure all parties understand the procedures and that the pastor is protected from tax or misappropriation risk.

ROLE OF BOARD OF TRUSTEES - the Trustees (or other body authorized by Charge Conference) 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 Administrative Board/Church Council 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.

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 (if adopted by Administrative Board/Council after Trustees
review and recommend)

_____ 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!***