



Restricted Funds and Donor Policies

Parish Officers Day May 6, 2017

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Restricted Funds

- **Honor donor's wishes**
- **Help donors to direct their gifts**
- **Segregated from General Funds and other Restricted Funds**
- **Held in trust by the charity for stated purpose only**

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Establishing a Restricted Fund

- **Established by Vestry decision or at the suggestion of donor or group of donors**

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Documentation

- **Clearly written purpose statement reflecting fiduciary care**
- **Should be in accordance with any existing donor-restricted gift policy**



Responsibilities

- **Corporation is trustee of Restricted Fund**
- **Subject to high standard of fiduciary care**
- **Fund can only be used in accordance with stated purpose**

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Maintaining the Fund

- **May be invested if not used immediately**
- **Abide by “Prudent Investor rules”**
- **Not to be used to address general cash flow requirements (conflict of interest)**
- **Failure to comply may lead to personal liability**

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Administration

- ▶ **Must be properly tracked in financial records and statements**
- ▶ **May be reported as a group of restricted funds with notes to break out each specifically named fund**



Adding to Established Funds

- **Additions by Charity require additional tracking and segregation**
- **Externally restricted may only to used for fund's stated purpose**
- **Internally restricted may be used elsewhere without repercussions**

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Fund Expenditures

- **Allocations between externally and internally restricted funds must be established and tracked**

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Donor Restricted Gift Policy

- **Helps charity comply with legal obligations**
- **Donations not accepted for projects outside of the charity's objects**
- **Avoids impractical gift giving**
- **Provides opportunity to use excess funds for other purposes**



Donor Restricted Gift Policy Sample

- **Spending of funds confined to (Charity's) approved programs and projects**
- **Contributions direct to an approved program or project will be used as restricted with the understanding.....**



Donor Restricted Gift Policy Sample....

- ▶ **...that when the need for such a program or project has been met, or cannot be completed for any reason as determined by the (Charity), the remaining restricted contributions will be used where most needed.**

Source: Canadian Council of Christian Charities



Communication of Policy

- Donors must be aware of policy when charity solicits or accepts restricted funds
- Donor must agree to policy at the time the gift is made
- Donor has no rights after gift is made



Communication of Policy

- **Must be clearly communicated and printed on all materials provided to prospective donors**
- **Must not be abused or taken advantage of by Charity**
- **Funds redirected only as absolutely necessary**