



EQUIPPING FOR ELDERSHIP

E S T A B L I S H I N G A F U N D

What should be considered when establishing a new fund?

Congregations establish funds as a way of accumulating financial support for a specific project. Here are a few ideas to keep in mind before donations are received.

The terms of reference for any fund should include a description of why the fund has been created and how the money will be received, invested and spent.

A fund may be established so that the capital remains invested and only the interest is used. For example, with the permission of the presbytery, a congregation might sell its manse and start a fund with the proceeds. Decisions might be made to use the interest generated to support the housing allowance for the minister or an ongoing mission project. The terms of such a fund should make it clear how the capital is to be invested, how additional donations to the capital can be made and how the interest may be spent.

In this example, it is also important for the terms of reference to explain how the purpose of the fund can be changed to allow the interest to be used for another project or to permit capital to be accessed so that it is not locked in forever. (Note: Any change to the use of proceeds from the sale of a manse would normally require presbytery approval.)

A fund might also be established for a specific purpose and then closed. For example, a fund could be created to buy instruments for a congregation's praise band or for a Presbyterian World Service and Development project such as supplying a rainwater tank for a certain village. Once the instruments are purchased or the tank is installed, the fund would be closed.

In this example, the terms of the fund should spell out what to do if there are leftover designated donations. Perhaps the praise band folds before it gets started. How can the \$10,000 already donated for musical instruments be spent on something else? Or maybe \$50,000 is raised for the rainwater tank and only \$5,000 is needed. How can the extra \$45,000 be spent on another project? Well, the terms of the fund could state that surplus money will be used "wherever they are most needed" or "for a similar project". The terms should also name who has the authority to decide when an alternative use is needed. This would provide the fund with helpful flexibility. Donors should be told about the potential alternative uses for their gifts before contributions are received.

These ideas are important for at least two reasons.

1. When money has been designated for a specific project, it is not be used for any other project.
2. Once a person has been issued an income tax receipt for a donation, the person no longer "owns" the gift and cannot redirect it. The church has an obligation to honour the intention of the donor. (If the session disagrees with the intent of the donation, the gift may be refused.)

New funds should only be established after receiving the approval of the session. This is because the session is responsible for all aspects of stewardship in a congregation. The session may choose to consult with the board of managers and congregation before approving a fund or stating alternative uses for surplus funds.

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