

FUNDS AND THEIR ASSETS (updated 12/10)

Main Points

- the difference between funds and accounts (30)
- types of funds explained (31 - 36)

Managing trustees are responsible for the good stewardship of local Church funds.

The Charities Statement of Recommended Practice (SORP) sets out recommendations for the way in which a charity should report annually on the resources entrusted to it and the activities it undertakes.

The material resources of a Church comprise all its assets. Some of those assets will be cash, bank balances and deposits and investments held either with The Central Finance Board (CFB) direct or via the Trustees for Methodist Church Purposes (TMCP). Other assets include land, buildings and contents (e.g. organ, furniture, font).

The records which the Church maintains must distinguish between the funds held and the assets which represent those funds.

30 The difference between Funds and Accounts

- a **FUND** is a pool of unspent resources (with or without a particular purpose).
- an **ACCOUNT** is where the funds are kept, such as the CFB Deposit Fund, or via TMCP.
- the word 'Accounts' is also used to mean the whole of the financial statements and records.

The Standing Orders state that all **Model Trust Monies** requiring investment must be invested via TMCP (Model Trust Monies are defined in Appendix 6). Examples of such Model Trust Monies are bequests, building funds and Circuit Model Trust Funds.

The choice of the investment medium is the responsibility of the managing trustees.

Other money may be invested direct and not via TMCP. If the Church has available surplus funds which are not Model Trust Monies they may be invested direct with the Central Finance Board Deposit Fund, a local bank or building society account or elsewhere.

Always check interest rates available. The CFB Deposit Fund offers competitive rates PLUS the facility to pay the Circuit assessment/share.

Reserves, which are funds specifically held by the Church to enable it to achieve its aims over the longer term, are discussed elsewhere.

31 Different types of fund

The important difference between **unrestricted, designated, restricted and endowment funds** should be fully understood in order that we comply with Charity law and also meet the wishes of individuals who donate gifts, or leave money to the Church in their will.

There are four types of funds:

32 Unrestricted funds

Money which can be used for any Methodist purpose. The **General Fund** is the most common example of an **unrestricted fund** and can be used for any Methodist purpose. Weekly giving, including most offerings at services and meetings, goes into the General Fund. Some of this money is used to support the work of God in the Circuit, District and Connexion including paying the minister's stipend; this fund is also used to cover the running costs of repair and maintenance on the buildings, and for other general expenditure.

33 Designated funds

Money that is set aside from the unrestricted General Fund for a special purpose or a specific item of expenditure. When managing trustees decide to set aside some of the General Fund, for example, as a reserve for future use on property repairs, these become **designated funds**. Designated funds may be transferred back to the General Fund if managing trustees so decide.

34 Restricted funds

Money which has been given, collected or donated for a specific purpose. It is a requirement of charity law that when funds are given or raised for a particular purpose, they must be used for that purpose, e.g. monies raised for a property project, such as a new Church hall, or access for the disabled. Monies raised in this way are **restricted funds**. Other examples would be collections for Christian Aid and Methodist Homes for the Aged, though these latter examples are external funds to the Church.

It is advisable when raising money for a project, for the trustees to invite donors to give to a fund which is described in a way which will enable monies to be used for more general purposes. For example legal advice is that a fund entitled "Building Fund" or "Development Fund" may be used more widely than a fund with the description "New Building" or "Extension Fund". In the latter two cases any money left over when the project has been completed may have to be returned to donors. In the former case the fund can be used on the existing building. This would also apply if the particular scheme did not proceed. Further complications arise if donations have been the basis of tax recoveries.

Many churches opt for a 'Development Fund' which has wider mission purposes.

The **Benevolence Fund** is a restricted fund.

A benevolence fund is money collected for the specific purpose of relieving poverty and distress.

Collections taken for specific organisations or charities are restricted funds and every effort should be made to remit those monies to the intended beneficiaries as soon as they are received, **particularly within the same financial year**.

It is not possible to transfer monies out of a restricted fund and designate them for general Church purposes.

35 Endowment funds

If monies are received by the Church by way of gift or bequest, the donor or testator (deceased donor) may have stipulated that only the income may be spent. A fund where there is no power to spend the capital is known as a **permanent endowment**, and the capital i.e. the original gift, must be preserved and not spent. In the case of some smaller endowments, having an annual income of less than £1,000, The Managing Trustees may pass a resolution under the Charities Act 1993 (as amended) to release the capital for the same purposes as the income expenditure. The Trustees for Methodist Church Purposes Legal Officer will provide the necessary guidance and Charity Commission forms.

The income generated from endowment funds may be restricted or unrestricted according to the original

terms and conditions laid down by the donor. If it is restricted to a particular purpose, that should be identified in its particular restricted fund, and if not spent at the year end, should be carried forward as part of that restricted balance.

Endowment funds should be recorded in Section 3 of the Standard Form of Accounts (with any Restricted Funds)

36 Identifying the particular type of fund

It is extremely important to appreciate the difference between these types of funds, as they must be reported in the correct way in the annual accounts and on the Standard Form of Accounts.

Sometimes the original purpose of a charitable bequest becomes impossible to fulfil.. In that situation a scheme is needed where the Charity Commissioners are asked to authorise the use of the bequest for another purpose, one which is as nearly as possible in accordance with the original purpose. All applications to the Charity Commission are made by the Trustees for Methodist Church Purposes on behalf of the managing trustees.

Other bequests may be unconditional and held on the Model Trusts as funds which enable the money to be used for a variety of purposes.

It is important to ensure that all funds are clearly noted according to their type e.g. restricted or otherwise.