

SAINT MARK'S EPISCOPAL CATHEDRAL

Council Policy #4

TEMPORARY RESTRICTED FUNDS

Approved by Council 10/16/2014

St. Mark's Episcopal Cathedral maintains under its direct management (i.e., apart from the funds held by St. Mark's Foundation as part of the Cathedral's endowment) a number of funds, often referred to as "temporary restricted funds," that were given for a specific purpose designated by the donor and therefore are segregated from the Cathedral's general funds used for the general operating support.¹ These funds differ from the funds held by the Foundation, which are sometimes called "permanently restricted funds," because their principal, rather than only the earnings from investment of the principal, may be used for the purpose specified by the donor. This is true whether that purpose is very specific (for example, a particular capital project or campaign) or quite broad (e.g., "property" or "music" or "outreach").²

In 2012, the Finance Committee became concerned about the large number of temporary restricted funds that are being carried on the Cathedral's books and the small size of many of them, and it questioned whether and to what extent these funds should be used to help finance Cathedral operations consistent with the donor's intent. Upon review, it became clear that some of the existing funds should be consolidated and some should be spent immediately to help cover appropriate aspects of the Cathedral's budget. There remain, however, a number of temporary restricted funds of sufficient size and breadth of purpose that the Committee believes guidelines should be adopted to govern their use.

The only hard-and-fast rule on this subject is that donor intent must be honored in every case. Restricted funds may be used only for the purpose for which they were donated. Beyond this

¹ Cathedral financial records also classify as a "temporary restricted account" money received in prepayment of annual unrestricted pledges for the general support of Cathedral operations, which is released to the Cathedral's general accounts each month, and the receipts from special offerings at Christmas and Easter the use of which was designated by the Executive Committee before the offerings were received. These guidelines do not apply to these funds.

² Terms other than "temporary restricted funds" are sometimes used to describe these funds. The Cathedral's Gift Acceptance Policy calls them "designated funds," which "are held in restricted accounts until they are spent for the purpose described by the Fund's title." That policy identifies five broadly titled designated funds, and it implies a preference that donors not restrict their gifts other than by designating one of those funds. The Cathedral's auditors distinguish among "unrestricted," "temporarily restricted," and "permanently restricted" revenue, and they describe how revenue should be reclassified from a restricted to an unrestricted account when the terms of the restriction are met. The Finance Committee believes that "temporarily restricted" more accurately describes these funds than the term "temporary restricted" that is now used in Cathedral financial records, and it recommends that the former term replace the latter.

basic rule, the Committee suggests the following principles:

1. Temporary restricted funds do not “belong” to the program committee or staff member that is responsible for the area of Cathedral program or operations for which the funds are designated. As with all other Cathedral assets, these funds may be expended only with the approval of the Council, usually upon recommendation of the Finance Committee. But responsible program committees and staff members should be made aware of the existence of temporary restricted funds that have been given to support their respective areas, and they may recommend the use of such funds for particular purposes.
2. In most cases, temporary restricted funds should not be spent simply to support day-to-day operations in a particular area of Cathedral activity. Rather, they should normally be used to support special needs or initiatives that are difficult to fund from general Cathedral revenues. This is only a general principle, and it is not intended to limit the Council’s discretion to use funds in any way that is consistent with the donor’s intent.
3. Ordinarily, the entire balance of a temporary restricted fund should not be consumed in a single year or for a single project unless the donor’s intent requires such speedy expenditure. But application of this principle may depend on the size of the fund (smaller funds may be consumed more quickly), the prospect of receiving new revenue to replenish the fund (the balance of the Treasure Sale Fund, for example, is augmented each year by the proceeds of the Treasure Sale), or the urgency or cost of a proposed use. Again, the Council has ultimate discretion in this regard.
4. The appropriate decision-makers must be able to make well-informed, timely decisions about the use of temporary restricted funds. To this end, current information about such funds should be provided well enough in advance of making decisions.

Ultimately, the point to keep in mind is that, while donor intent must be scrupulously respected, the donors whose gifts created temporary restricted funds did not intend that their gifts be *permanently* restricted; if they had, presumably they would have stated such an intention, and their gifts would have been added to the Cathedral’s endowment. Rather, the donors intended that their gifts be *used* to support Cathedral activities in the area that they specified. These guidelines are intended to remind all interested groups and individuals in the Cathedral community about the existence of those gifts and their availability to be used for the purpose designated by the donor, consistent with these broad principles.