



# Upper Susquehanna Synod Evangelical Lutheran Church in America

God's work. Our hands.

*United as Christ's Disciples, we Support one another; and Serve God in the World*

## **Restricted and Designated Funds: Financial Stewardship during the COVID-19 Pandemic**

We are in unusual and unprecedented times as we live in this time of COVID-19. It is not unusual to experience anxiety and fear in a time like this. Leaders in congregations are wondering how a congregation can make it through when weekly offering is not being collected. There are numerous congregations which are surviving with a thin margin to make it from month to month to pay the bills. At the same time, some of these congregations have money in savings, in restricted accounts or in endowments.

The question arises: Can we, or should we use monies held in restricted accounts (such as memorials or other designated savings)? What about endowment funds?

- Endowment Funds are monies that have been set aside under specific rules regarding whether and how interest and principal may be spent. These are sometimes called Permanently Restricted Funds. In most cases, endowment funds are established by the congregation and may be defined in the congregation's constitution. Sometimes endowments are created by donors who establish the rules at the time the monies are donated. **It is important that endowment fund guidelines be followed even in a time of hardship.**
- [Temporarily] Restricted Funds are set aside for specific purposes. Like Endowment Funds, restrictions may be determined by the donor or the congregation. In some instances, the congregation council establishes restricted accounts. Several questions must be considered when deciding whether to use restricted funds for general expenses during a time of financial crisis.
  - ✓ Are there written stipulations about how the funds can be used? Where are those records?
  - ✓ Are there records of who gave and under what circumstances donations were given to a specific fund? (For example, monies donated to an "organ fund" are given with an expectation that they will only be spent to repair or replace the organ.)
  - ✓ Is there any guidance in the constitution, the by-laws or in the guidelines of funds about use of the monies?
  - ✓ Does the congregation have a published Gift Acceptance Policy that stipulates how directed contributions will be used?

Before spending designated funds for general expenses, every effort should be taken to understand the restrictions on their use. If donors were involved in establishing restrictions, or if their contributions were solicited for a designated purpose, they or their heirs may need to be consulted before the funds can be used for general expenses. In the case of funds established to receive regular contributions, such as a building fund or memorial fund, a decision to use these monies may not require the same rigor.

If it is determined from thorough exploration of congregation documents that the use of restricted funds is acceptable, the congregation council should formally authorize the transfer of these funds into the operating account. The congregation treasurer should not make the determination without consultation with the congregation council.

The council may decide to simply spend the monies or to take them as a loan to be repaid in a future period. If considered a loan, the council should establish terms for repayment, including a timeline and any interest.

The decision to use restricted funds for operating expenses should be communicated to the congregation. In the case of a loan from designated funds, the terms of repayment should be part of this notice.

Although the decision to remove money from a designated fund to cover costs of normal operations is not easy to make, to view the decision as a blessing of abundance from a different time than the present, to allow ministry of a congregation to continue, shifts the focus from scarcity to abundance.

The use of designated funds should be made in the context of congregational Stewardship. Even with a suspension of worship and other activities, members need to be encouraged to continue giving as God has equipped them to give. Those who suffer financial hardship are not expected to give at the level before the crisis, but they still might have capacity to contribute. Contributions from those who continue to receive income will become even more crucial both to make up for loss of giving from those who can no longer give, as well as to enable the congregation to respond to needs of members and their neighbors.

Please contact Pastor Craig Miller, Director for Evangelical Mission with questions.  
[prcmiller@uss-elca.org](mailto:prcmiller@uss-elca.org) • 570-524-9778 (office) • 347-327-3777 (mobile)