

To: All Rectors, Vicars, Priests-in Charge and Interims
All Congregational Treasurers
All Wardens

From: Bob Leaman

Subject: Restricted Giving Protocol

Some time ago Bishop O'Neill asked the Finance Committee to draft a resource document that could be used by our congregations as a guide to managing restricted giving. The Finance Committee responded by preparing the enclosed document, which we have named "Restricted Giving Protocol. The Bishop has reviewed and approved this document for release.

The Bishop's principal concern when making this request was that we provide a guide to our many churches that were experiencing this new phenomenon so as to insure that appropriate documentation is obtained and retained evidencing the wishes of individual donors so that those wishes can be appropriately honored. Clearly, we have not only a moral obligation, but also a fiduciary obligation to insure a donor's instructions are followed.

A side benefit is that a method of record keeping is established throughout the Diocese that not only facilitates the individual congregation in executing the donor's instructions, but provides a framework for accounting and reporting to the Diocese and the National Church via the annual Parochial Report, the Annual Pledge Form, and other information gathering means in a consistent manner.

We expect that most congregations that are currently dealing with restricted giving have done so in a responsible manner. Those congregations might use the "Protocol" as a checklist to be sure they haven't overlooked anything in the process. Others will likely find the "Protocol" to be a useful tool in managing any restricted giving that may occur, now or in the future.

Each congregation that is currently experiencing restricted giving is asked to review and adopt where appropriate, the procedures provided for herein.

If you have any questions or if my office can assist you in any way, please don't hesitate to call or e-mail me.

Faithfully,

Bob

**Episcopal Diocese
Of
Colorado**

Restricted Giving Protocol

The following protocol is offered to assist congregations and the diocese with “Restricted Giving” as a result of the recent actions at General Convention. While the Finance Committee does not endorse the practice of restricted giving and believes that we should all continue our support of the church, even in the midst of controversy; we recognize that a significant portion of our church has responded to the recent actions by withholding or restricting their giving at various levels. Accordingly, this protocol is being developed to serve an immediate, hopefully short term need, and should not be interpreted as an overall change in diocesan policy toward congregational pledging to the diocese.

Background:

The Funding the Diocese Resolution at the 2001 Diocesan Convention provided for a required commitment of 10% of Plate and Pledge to support the operations of the diocese and an additional, voluntary asking, 5% of Plate and Pledge for the direct support of the regions. (Plate and Pledge is generally considered to include: loose offerings, Easter, Christmas and other special occasion offerings, regular giving by non pledging individuals, and pledge payments.) Additionally, the Convention approves an operating budget each year, which provides for the diocese to pledge support to the national church, currently 10% of unrestricted diocesan receipts. (Unrestricted diocesan receipts are principally derived from congregational pledges and investment income.)

Example #1:

- St. Swithen’s receives annually \$225,000 in plate and pledge income.
- The diocese would receive 10% or \$22,500 from the congregation.
- The region would receive 5% or 11,250 from the congregation.
- Of the funds received by the diocese, 10% or \$2,250 would be transmitted to the national church.

Example #2:

- The diocese receives approximately \$1,600,000 from congregations annually. 10% or approximately \$160,000 is pledged to the national church.
- None of the funds sent to the regions are used in calculating the giving to the National Church. All funds received by the regions stay in the regions for use in local ministries and needs. Regional representatives determine how regional funds are used and dispersed.

Protocol at the Local Level

Scenario#1: Several parishioners have indicated that they want to restrict their pledges for use in their local parish or mission only, not to be shared with either the diocese or the National Church; others have indicated that their pledge may be shared with the diocese but not the National Church.

Action:

- The Vestry (used generically to include the Bishop's Committees) must determine if it will accept pledges restricted in this manner. If accepted, it should be evidenced in the minutes of the Vestry.
- The donors must be instructed how to make a restricted pledge. It must be in writing, perhaps on the pledge card, on a supplementary form provided for that purpose, in the memo portion of each check or such other manner as directed by the Vestry. It is not proper, however, for the clergy or the vestry to encourage restricted giving, only to provide the means to do so.
- In all cases the instruction must be in writing. In the absence of a specific designation or restriction, the default position will be to consider the donation as unrestricted, in which case it will be shared with the diocese and the National Church in the manner dictated by the canons and the church budget.
- The church treasurer shall make appropriate modifications in the accounting system so as to capture all relevant information that will allow for the use of funds to occur in the manner designated by the donor and provide for the capture and reporting of that information in the financial records of the diocese.
- The Vestry shall redirect the use of the funds that would otherwise have been paid to the diocese. It is recommended that these funds be redirected to the region to support the regional ministries that might be compromised because of a reduction in diocesan resources. Alternatively, the funds could be redirected to outreach to support the church's ministries in the wider community and the world. It would be inappropriate for the church to retain those funds and absorb them into the operating budget.

Example #3: St. Swithens receives annually \$225,000 in plate and pledge income. \$15,000 of the pledges has been designated for use by the church and the diocese, with nothing to be shared with the National Church. Another \$10,000 has been designated for use in the local church only, not to be shared with either the diocese or the National Church.

St. Swithens accounts might look something like this:

Plate Receipts:

Loose Offerings	\$ 6,000
Easter Offerings	4,000
Christmas Offerings	5,000
Other Regular Giving	<u>10,000</u>
Total Plate	<u>25,000</u>

Pledge Receipts:	
Unrestricted	175,000
Designated for Church Only	10,000
Designated for Church & Diocese Only	<u>15,000</u>
Total Pledge	200,000
 Total Plate and Pledge	 <u>\$225,000</u>

In this example there are two levels of restrictions and the church must calculate and send to the diocese two checks as follows:

- The first will be for unrestricted funds, calculated by deducting the two designated accounts from the total and paying 10% of the balance to the diocese: \$225,000 less \$10,000 less \$15,000 = \$200,000 @ 10% = \$20,000 payment to the diocese.
- The second check will be for funds restricted for use by the Church and the diocese. In this case a check will be written for: \$15,000 @ 10% = \$1,500. **This check must be marked “restricted pledge” to insure proper accounting by the diocese.**

Since none of the funds transmitted to the region are used for diocesan operations or in calculating funds transmitted to the National Church, the 5% asking to the region would remain at \$11,250 as in the first example above.

Note that no part of the \$10,000 designated for Church Only will be shared with the diocese. However, \$1,000 (10%) will be paid to the region or other outreach mission as directed by the Vestry. If paid to the region, it should not be combined with the regular giving above. Rather, a second check should be written and clearly marked “Excess contribution from Restricted Funds.” Additionally, it is recommended that a separate expense account be created to recognize this payment so as not to distort the regular contributions to the region.

Scenario #2: The vestry of St. Swithen’s has determined that their 10% assessment to the diocese should be paid in full, but with the restriction that none shall be shared with the National Church.

Example #4: All payments would be made in the same manner as in Example #1 above, except that the payment to the diocese must be marked as “restricted” to insure it is properly recorded at the diocese and that no part is subsequently paid to the National Church.

Protocol at the Diocesan Level

The diocese must make many of the same decisions and take many of the same actions as the church including:

- Standing Committee must determine if it will accept restricted pledges from the congregations. It is expected to do so by approving this Restricted Giving Protocol at its January meeting.
- In all cases, the congregation must provide such instruction in writing. In this case the diocese is requesting that all checks representing restricted contributions be so marked so that the clerk recording the deposit can do so in the proper account. In the absence of a specific designation or restriction on the check, the default position is that all donations are considered to be unrestricted and undesignated and shall be shared with the larger church in the manner dictated by the canons and the diocesan budget.
- The Finance Department shall make appropriate modifications in the accounting system so as to capture all relevant information that will allow for the use of funds to occur in the manner designated by the donor and provide for the capture and reporting of that information in the financial records of the diocese.
- Standing Committee shall redirect the use of the funds that would otherwise be paid to the National Church to other ministries and not allow them to be absorbed into the operating budget.

Protocol at the Regional Level: The regional treasurer shall make such modifications in the accounting system so as to separately identify any Excess contributions received on account of restricted giving.

Summary:

Obviously, there may be many other scenarios with regard to restricted or designated giving. Each time a variation occurs, it is likely to require additional effort to properly administer and account for the funds. The examples outlined in this document should provide guidance regarding the handling of other restrictions and/or designations that might occur. The Diocesan Finance Department will publish additional information from time to time to assist the churches in accounting for and administering all types of funds including those derived from restricted giving. Should there be questions or unanticipated developments, please consult directly with the Diocesan Finance Office.