Trust Funds 101

***NOTE:** Trust funds are moneys which have been donated to the church for specific projects or purposes. According to the SDA Church manual, donor designated trust funds are not to be borrowed or used for any purpose other than that for which they were donated. This is also state law, most often enforced by the state Attorney General office. Even the church in business session only has the authority to re-direct funds under very special circumstances. The conference auditor should be consulted before funds are moved or used for another purpose.*

**Protecting Trust Funds means:**

1) Posting donations to the correct local fund.
2) Keeping them in that fund until they are needed. Not moving/transferring them around.
3) Using/spending them directly from that fund, being careful to honor the intent of the donor.

**Local funds** such as evangelism and office supplies are set up for two purposes.

1) To help track expenses—to know how much has been spent in the past to help budget for the future.
2) To keep "Trust Funds" safe so they are not accidentally used inappropriately.

Once a donor donates to a fund such as "Summer Camp Assistance" or "Worthy Student", the board cannot use that money for another purpose. Ever. Even if it was donated 5 years ago and you no longer have kids who go to summer camp or church school.

**What about if you really need it?** Say your Utilities fund is in the negative several thousand dollars. And the Summer Camp Assistance fund has $5,000 in it that has not been touched since 2013. So the board says to you "Transfer the money out of Summer Camp into Utilities." I call this a "Sideways Transfer." Moving money from one expense fund to another unrelated expense fund. Problem is, if donors have donated that money to Summer Camp Assistance, your board *cannot use it* to pay the electric bill. You can help kids go to camp with it. You can donate it directly to your Conference youth camp to sponsor other people's kids if all your kids are grown up. But it must be used for camp.

**"Sideways Transfers" are never a good idea**, because you might be misusing trust funds. You can't pay regular bills using money that was donated for mission trips. Or Community Services. Or Pathfinders. And moving money from one fund to another to fill holes is not good budgeting. Money to expense funds should always come from donations, Church Budget or Reserves, not sideways from an unrelated expense fund. *(Tutorials #8150, 8160)*

There are ways to find out if any of the money in a fund is NOT trust funds and can be used to help with other needs. *(Tutorial #6640)* Or contact me and I can quickly tell you if that is the case.

If your board is talking about transferring money from any fund besides Church Budget or Combined Budget or some Surplus or Reserve fund, wave a yellow flag. Say "Wait, let me check to see if we will be using trust funds improperly first." And then contact an auditor. Together we will work to keep your trust funds safe.

Corresponding videos: 4.1 – How Much Money Do We Have? Find at https://www.gccsda.com/auditing/10963
4.2 – The Care and Feeding of Local Church Funds.
4.3 – Money That Can't Be Spent
4.10 – How to Identify Trust Funds

For more tutorials on IRS AND LABOR DEPT RELATED POLICIES, see section 6500 on the gccsda.org auditor webpage.

*This information has been brought to you by the Georgia-Cumberland Conference Audit Team*
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