



## Policy for Financial Management

April, 2021

### I. Canons

The Diocese, through actions of the Finance Committee and Diocesan Council, is to ensure that the “standard business methods” required by Title I, Canon 7, Section 1 of the Canons of the Episcopal Church are observed by the Diocese and each parish as noted in 2011 North Dakota Canon 5, Section 5(a). The Manual of Business Methods in Church Affairs (Dec. 2019), for the Episcopal Church is located at: [https://episcopalchurch.org/files/mbm\\_dec2019\\_r.pdf](https://episcopalchurch.org/files/mbm_dec2019_r.pdf) The Diocese of North Dakota shall conform its financial practices to this Manual.

### II. History of Diocesan Finances and Sources for Policies

This policy is a revision of the policy titled, “The Episcopal Diocese of North Dakota Policies for Endowments, Restricted, Reserve and Designated Funds,” dated 10/30/95. Copies of this policy shall be secured in the files of the Diocesan Office. Part I of the 10/30/95 policy includes important historical information about the “Episcopal Endowment Fund and Other Early Endowments and Funds.” The 10/30/95 policy will be referred to as a source by its date, 10/30/95, hereafter. Other sources will be referenced by title and date.

### III. Definitions

The following abbreviations and definitions shall be used in all financial documents created and utilized by the Diocese in order to ensure clarity and consistency in the management of the Diocesan finances.

1. *EDND* – the Episcopal Diocese of North Dakota
2. *Diocese* – the Episcopal Diocese of North Dakota
3. *Council* – the Diocesan Council of the Episcopal Diocese of North Dakota
4. *EFMHE* Episcopal Foundation for Ministry in Higher Education (an independent entity of the Diocese)
5. *NDEF* -- North Dakota Episcopal Foundation (an entity independent of the Diocese)
6. *NDCIM* --North Dakota Council on Indian Ministries. It is primarily made up of the congregations of the Diocese that are within the Tribal Nations within North Dakota. It is governed by its own By Laws and it advises and communicates with the Bishop and the Diocesan Council concerning Native American Ministry.
7. *Trust and Endowment Fund*. The combined endowments and trust funds (see definitions below) of the EDND that are invested for the purpose of creating income for the Diocese.

8. *Endowment Fund.* A fund in which it is stipulated that the principal of the funds is to be maintained inviolate, in perpetuity, and only the income from the investment of the funds may be expended. The income may or may not be restricted as to its use.
9. *Trust Funds.* Funds, that are not endowments, that the Diocese has invested in order to generate income. These investments may or may not have designations for their use, and the investment income *and* principal may be expended.
10. *Restricted Fund.* Funds whose use of the principal or investment income is restricted by donors, or agencies outside the Diocese, as contrasted with funds over which the Diocese has complete control and discretion.
11. *Unrestricted Funds.* Funds that have no restriction on their use or purpose. These funds can be used for any purpose designated by the Diocese as distinguished from funds restricted by donors, or agencies outside the Diocese.
12. *Designated Fund.* Unrestricted funds set aside for specific purposes by action of the Council. Such action may be reversed or modified by the Council at any time. (The use of the term “reserve fund” is eliminated by this policy as it is a type of designated fund.)
13. *Principal.* The original amount of the gift or bequest invested in the fund.
14. *Income.* Interest and dividends from investments. May also include gifts, grants, memorials, sales, Our Fair Share, and other revenues received by the Diocese.
15. *Operating Budget.* The Diocesan plan for the receipt of funds and how those funds are to be expended, usually for a period of one year.
16. *Operating Funds.* Those funds designated by the Diocese to carry out the budgeted operations.

#### **IV. Current Classification of Funds**

##### ***A. Endowment Funds***

At the time of the adoption of this policy, the Diocese had two Endowment Funds, both designated by the Diocese as endowment funds, held in the Trust and Endowment Fund: *The Episcopal Endowment Fund* and the *Partners in Ministry Fund*. The principal of each fund must be kept inviolate and may not be expended. Only the investment income from the funds may be used. The purposes for which the income may be expended are explained here.

1. *The Episcopal Endowment Fund.* The income from this fund may be used for the operating expenses of the Diocese.
2. *The Partners in Ministry Endowment Fund.* The income from this fund must be used to “provide support for the development of local priests, deacons, and lay leaders,” to “underwrite congregational clergy positions,” and “for congregational ministry training and support.” (From the document: “Partners in Ministry: Reaching forth our hands in love. A Capital/Endowment Campaign for the Episcopal Diocese of North Dakota. Approved by Convention, October 1994.”)

## **B. Trust Funds**

Apart from the Endowment Funds listed above, all other funds held in the Trust and Endowment Fund are Trust Funds, with or without designations, and the principal and income may be expended. None of the funds listed below are restricted as per definition #9 above.

### 1. Trust Funds with Designations

#### a. *The Real Estate Fund.*

The fund is listed in the document “The Episcopal Diocese of North Dakota Policies for Endowments, Restricted, Reserve and Designated Funds,” dated 2/23/95 but without a description of its purposes. A document titled, “Policy for Purchase and Sale of Real Estate and Use of Proceeds” (Section V.A.), adopted by Council on 11/12/2005 established the Real Estate Fund as a “restricted” fund and outlined the operation and use of the funds. Because the Council established the purpose of this fund, it is actually a designated fund and the Council may, at its discretion, change or remove the restrictions at any time.

#### b. *The Revolving Loan Fund.*

This fund is referenced in Section III. E. of the 10/30/95 policy document. The fund is governed by a policy titled, “Episcopal Diocese of North Dakota Congregation Loan Policy,” adopted by Council March 1994 and updated and approved November 2012. The Congregation Loan Policy outlines the application process and requirements for loans to local congregations.

#### c. *Indian Building Fund.*

“This fund is designated for major repair of buildings on Indian Reservations” (10/30/95). [A policy for this fund has not been found and if one does not exist, one should be developed.]

### 2. Trust Funds without Designations. These are the remaining funds in the Trust and Endowment Fund that have no designations for their use beyond the general operating expenses of the Diocese. The funds were previously identified as:

- a. The Holiday House Fund (sold for \$90,000 but the fund is currently significantly lower),
- b. The Halgren Bequest (original bequest \$25,000),
- c. The Lommen Bequest (original bequest \$42,038),
- d. The Travis Bequest (original bequest \$6,000).

## **V. Policies and Procedures**

Each section below outlines the policies for establishment and use of Diocesan funds. Procedures are processes by which the Diocese manages its funds and makes short-term and long-term decisions about the disposition of funds. Policies and procedures are established by the Council at its discretion, consistent with the Canons and “standard business methods.”

### 1. Establishing Designated Funds

The Diocesan Council may impose certain constraints as to the use or purpose of certain

undesigned funds. These funds are not legally restricted. The Council should approve each newly established Designated Fund, upon recommendation of the Finance Committee, including the specific purpose and duration. At its discretion, the Council may modify or remove the constraints in the future.

2. Establishing Endowment and Trust Funds [this section contains significant wording changes]

Care should be exercised in accepting gifts that are highly restrictive as to use. In many cases, restrictions are legally binding and would require approval of a court to use the funds in other ways than in the provisions of the restrictions. Even if not legally binding, there is a strong moral commitment to comply with all restrictions or conditions of a gift. Many problems can be avoided at the time of the gift if the donor is made aware of potential problems with certain restrictions and reasonable provisions can be made that provide for more discretion by the Diocese in the future use of the funds.

3. Additions to the Principal of Investments

Upon recommendation of the Finance Committee, the Council shall approve all additions to principal from whatever source. Annually, the Finance Committee shall review the principal and income from the Endowment and Trust funds and make recommendations as to additions, if any, and other adjustments to the funds.

## **VI. The North Dakota Episcopal Foundation**

The Episcopal Foundation is a legal body separate from the Diocese, with its own board of directors, and established to provide financial support to the Episcopal Diocese of North Dakota. It shall be the policy of the Episcopal Church of North Dakota, through the Finance Committee and the Diocesan Council, to be in regular communication with the Episcopal Foundation to coordinate funding of aspects of the ministry and mission of the Diocese. The Diocese shall attempt to develop, whenever possible, shared programs and initiatives with the Episcopal Foundation. At the first meeting of the Diocesan Council in a new calendar year, the Finance Committee shall make an annual report to the Diocesan Council of any cooperative initiatives during the past year and any planned joint activities for the coming year.

## **VII. The Episcopal Foundation for Ministry in Higher Education**

The funds for the Foundation originated with the sale of the Canterbury House in Grand Forks. A board of directors was established to oversee the Foundation and continue to support ministry in higher education in North Dakota. The primary focus has been to support services to college age students as they participate in higher education.

## **VIII. Other Policies for Financial Matters**

This section is a list of financial policies and documents that have been adopted in the past by the Diocese. The purpose for this section is to provide a record of the development of financial policies and procedures leading up to the present. This list should be revised and updated as new

information becomes available or as revisions and changes are made to Diocesan policies and procedures. This list is not all-inclusive but is intended to provide a chronology relevant to the development of the most recent policy. The list is in order from oldest to most recent.

1. Partners in Ministry: Reaching forth our hands in love. A Capital/Endowment Campaign for the Episcopal Diocese of North Dakota. 10/94
2. The Episcopal Diocese of North Dakota Policies for Endowments, Restricted, Reserve and Designated Funds, 2/23/95
3. The Episcopal Diocese of North Dakota Policies for Endowments, Restricted, Reserve, and Designated Funds, 10/30/95
4. Policy for Purchase and Sale of Real Estate and use of Proceeds, 11/12/05
5. Episcopal Diocese of North Dakota Congregational Loan Policy, 11/12 (With application form.)
6. Episcopal Diocese of North Dakota Endowment Investment Policy, 3/14. (This policy was superseded by the action of the Diocesan Council to invest the Trust and Endowment Fund with the Domestic and Foreign Missionary Society of the Episcopal Church U.S.A. on 8/19/17.
7. Episcopal Diocese of North Dakota Trust and Endowment Fund Spending Policy, 8/22/20.

### **Addendum** Relevant websites

Episcopal Diocese of North Dakota

<https://ndepiscopal.org/>

Episcopal Foundation for Ministry in Higher Education (EFMHE)

<https://ndepiscopal.org/about/ministries/episcopal-foundation-for-ministry-in-higher-education/>

North Dakota Episcopal Foundation (NDEF)

<https://ndepiscopal.org/about/ministries/north-dakota-episcopal-foundation/>

The Manual of Business Methods in Church Affairs

[https://episcopalchurch.org/files/mbm\\_dec2019\\_r.pdf](https://episcopalchurch.org/files/mbm_dec2019_r.pdf)

[The information in this document is adopted from “The Episcopal Diocese of North Dakota Policies for Endowments, Restricted, Reserve and Designated Funds, 10/30/95.” Additional information was added by the Finance Sub-Committee for consideration by the Finance Committee at its January 2021 meeting.

Finance Subcommittee: Dan Rice, Chair, John Baird, Robert Fox, Amy Phillips (secretary).]

*Approved by the Finance Committee on April 27, 2021.*

*Approved by the Diocesan Council on May 22, 2021.*