

Restricted Funds Policy

MS International Federation

1. Purpose and scope

1.1 This policy outlines the MS International Federation's approach towards restricted funds.

1.2 It is split into the following sections:

- Definitions
- MS International Federation objects
- Policy
 - 2) Creating restricted funds
 - 3) Accepting restricted funds
 - 4) Identifying restricted funds
 - 5) Using restricted funds

2. Definitions

2.1. SORP 2015 refers to the Charity Commission's 'Statement of Recommended Practice (FRS 102) effective 1st January 2015'.

2.2. 'Funds held on specific trusts under charity law are classed as **restricted funds**. The specific trusts may be declared by the donor when making the gift or may result from the terms of an appeal for funds. The specific trusts establish the purpose for which a charity can lawfully use the restricted funds. It is possible that a charity may have several individual restricted funds, each for a particular purpose of the charity.' (SORP 2015 (FRS 102) Fund Accounting para 2.8).

2.3. SORP 2015 (FRS 102) Fund Accounting para 2.11 adds further to the definition of restricted funds: Restricted funds fall into one of two sub-classes: restricted income funds or endowment funds. Restricted income funds are to be spent or applied within a reasonable period from their receipt to further a specific purpose of the charity, which is to further one or more but not all of the charity's charitable purposes. Alternatively the restricted fund may be an endowment. Trust law requires a charity to invest the assets of an endowment, or retain them for the charity's use in furtherance of its charitable purposes, rather than apply or spend them as income.

2.4. **Unrestricted funds** are spent or applied at the discretion of the trustees to further any of the charity's purposes. Unrestricted funds can be used to supplement expenditure made from restricted funds. For example, a restricted grant may have provided part of the funding needed for a specific project. In this case unrestricted funds may be used to meet any funding shortfall for that project. (SORP 2015 (FRS 102) Fund Accounting para 2.6).

2.5. **Designated funds** are funds which the organisation has identified to be used for a specific purpose but which are not legally restricted to this use. Trustees may choose during the reporting period to set aside a part of the unrestricted funds to be used for a particular future project or commitment.

By earmarking funds in this way, the trustees set up a designated fund that remains part of the unrestricted funds of the charity. (SORP 2015 (FRS 102) Fund Accounting para 2.7).

3. MS International Federation objects:

- 3.1.1. Support and relieve persons affected by multiple sclerosis and allied conditions worldwide by:
- a. Promoting, stimulating and encouraging scientific research worldwide for the public benefit by the dissemination of information and knowledge into the causes of and cure and treatment for multiple sclerosis and allied conditions with the aim of eliminating multiple sclerosis;
 - b. Aiding, supporting and relieving persons who are affected by multiple sclerosis and allied conditions, to encourage them in every way possible to achieve their full potential as members of society by improving their quality of life;
 - c. Providing information, advice and support to further the development and work and promote the efficiency and effectiveness of voluntary national multiple sclerosis organisations or the formation of such organisations;
 - d. Educating the general public about multiple sclerosis by, amongst other things, collecting and disseminating scientific and educational information relating to multiple sclerosis;
 - e. Such other charitable purposes as the Trustees shall in their absolute discretion from time to time decide.

4. Policy

Policy for creating restricted funds

- 4.1. The MS International Federation will always use monies received in accordance with the donor's wishes or it will not be accepted.
- 4.2. Under no circumstances will the MS International Federation accept monies for activities which are outside of the MS International Federation's objects.
- 4.3. The MS International Federation will not restrict funds below £2,000.
- 4.4. Monies cannot be accepted where the donor specifies the restriction to a specific individual. However, donors are able to contribute towards the cost of an individual support grant once awarded.
- 4.5. Monies cannot be accepted where the MS International Federation is being used as a conduit for tax evasion or for a tax avoidance scheme which may be seen as an abuse of the MS International Federation's charitable status. To ensure these circumstances are identified a donation needs to be cleared by the Head of Finance and the CEO before being accepted in the following cases:
 - Where the donor specifies that the monies must be sent to a particular organisation towards a grant the MS International Federation has not yet awarded or
 - Where the donor specifies that the monies must be sent to a particular organisation for an activity or item.
- 4.6. Membership subscriptions should not be treated as restricted income but are a subscription to the MS International Federation.

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- 4.7. Donations to MS International Federation projects by members will be treated as restricted funds if requested by the member.
 - 4.8. Funds held by the MS International Federation cannot be turned into restricted funds except for expendable endowments. The decision to turn income into expendable endowment funds is made by trustees.
 - 4.9. Where a donation is being rejected because the requested restriction cannot be accommodated, the charity will refer to the Fundraising Regulator's Fundraising Code of Practice on accepting and refusing donations, and the Charity Commission.

Policy in practice - accepting restricted monies

- 4.10. Donors should always be encouraged not to restrict monies to the MS International Federation.
- 4.11. If a donor wants to restrict a donation or grant then the restriction should be made as broad as possible.
- 4.12. As a general rule, fundraising materials and other communication should not be worded in such a way as to restrict donations.
- 4.13. Where appropriate, donors should be encouraged to specify what happens to their restricted donation or grant should more money be raised for an activity than it costs.
- 4.14. If a donation or grant is received for an activity which has not been planned and budgeted for, the CEO will consult within the Secretariat, including the Deputy CEO and Director of Fundraising and Engagement, to decide if MSIF is willing to undertake the work, considering amongst other things:
 - If the donation covers the total cost of the activity (including overhead percentage). .
 - If the donation does not cover the entire cost of the activity, MS International Federation will consider if it will undertake the work within its current or future budgeted expenditure.
 - If MSIF is not willing to undertake the work and where a donation or grant is rejected, this must be in line with the MS International Federation's Acceptance and refusal of donations policy and every effort must be made to explain to the donor and ascertain whether the restriction can be widened.
- 4.15. Donors must make clear any restriction at the time they give the donation or grant. If a donor subsequently adds a restriction, as a general rule the MS International Federation will honour this restriction if this is reasonably possible.

Policy in practice – identification of restricted funds

- 4.16. If there is doubt over whether something is, or can be, restricted or not, advice should be sought from the Head of Finance.
- 4.17. Restricted funds are identified on receipt:
 - 4.17.1. The Head of Finance will alert the Director of Fundraising & Engagement to the receipt of funds.
 - 4.17.2. The Director of Fundraising & Engagement will clearly mark the transaction as restricted on the Pipeline spreadsheet.
 - 4.17.3. Fundraising staff will clearly mark the transaction as restricted on Salesforce.
- 4.18. The treatment of income in relation to collaborations will depend on the nature of the agreement

Policy in Practice – use of restricted funds

- 4.19. If it transpires monies can no longer be spent in accordance with the donor's wishes, the donor must be asked whether they would accept a widening of the restriction to enable it to be spent. If the donor will not widen the restriction, the donation must be returned. If the donor cannot be traced the MS International Federation will need to apply to the Charity Commission for a cy près scheme to widen the restriction.
- 4.20. If monies have been raised for a restricted activity and either more monies have been raised than can be spent or the activity can no longer go ahead - there are two options:
 - 4.20.1. If the donors are known and can be easily contacted, they should be asked if they would accept a widening or change of the restriction.
 - 4.20.2. The MS International Federation can apply to the Charity Commission for a cy près scheme. In this case any change in the restriction would have to be similar to the original restriction.
- 4.21. Restricted funds are used towards an activity before any unrestricted funds.
- 4.22. As a general rule the receipt of restricted funds for an activity does not result in an increase to the budget for that activity however there may be exceptions to this rule:
 - Where the monies are for more than what was budgeted for and the process outlined in section 3.14 has been followed.