



# Sample Purpose Statement for a Restricted Fund

## The Context

*Our charity board wants to set up a separate fund for a new program. What steps should they take to document this decision?*

The terms Christians use translated into governmental and regulatory terms

Churches often create designated funds, like a "missions fund" or "building fund," to support specific ministries. In charitable terms, these are called Special Purpose Charitable Trusts. They are legally required to align with the organization's charitable purposes. *Income Tax Act (ITA)* and Canada Revenue Agency (CRA) rules ensure that the restrictions on these special funds are honoured.

## The Answer

You should know this

- Setting up a restricted fund is a relatively easy executive decision by staff leadership or the board, either by their choice or at the suggestion of a donor or group of donors.
- If the donor proposes a special purpose charitable trust, the charity must ensure that the donor's restrictions are charitable at law and within the organization's charitable purposes. In other words, a charity cannot establish a fund where the donor's proposed restrictions are outside of its own stated purposes because all of the charity's activities need to further the charitable purposes for which it was founded.
- The special purpose charitable trust/fund is a place to accept money to fund a special purpose outside of its normal operating fund or General Fund.
- It is important to have a clear purpose statement for the restricted fund. This provides clarity up front on why it exists and what it seeks to accomplish and provides documentation to avoid misunderstandings as time goes by.
- It is important to have a Donor Restricted Gift Policy and/or include a variation clause in the fund documentation. If the purpose is achieved and funds remain, or if the purpose becomes impossible to achieve, the policy or variation clause allows the charity to use the funds for other activities within its charitable purposes. Without this policy or clause, the charity might have to apply to the court to request a change or termination of the fund's restrictions if the original purpose is fulfilled and funds remain, or if fulfilling the purpose becomes impossible.

You should do these things

1. Set up a purpose statement document that sets out:
  - a. The restricted fund's name.
  - b. The specific uses of the fund's money.
  - c. A statement that the fund will be subject to the charity's Donor Restricted Gift Policy and/or variation clause.
2. Review the CRA practices for managing and maintaining the fund regularly. CCCC has prepared resources to help you with this.

You should know and do these things because

Good charity governance requires clarity regarding special purpose charitable trusts to ensure the restricted use of the funds is honoured and carried out as intended.

## Recommended Resources

- [Restricted Funds: Best Practices and Precautions](#) (Reviewed 2024)

## Examples

### Template for a Special Purpose Charitable Trust Purpose Statement

By motion of the Board of <charity name> at its meeting held <date>, a Special Purpose Charitable Trust was established to be known as <name of restricted fund>

The purpose of this fund is to:

<insert specifics>

This fund will be subject to the Donor Restricted Gift Policy of <charity name> as administered by the Board.

Signed and dated:

<Board Chair> \_\_\_\_\_,

<Board Secretary> \_\_\_\_\_ .

### Example 1: Church with Corporate Directors as the only Corporate Members

Outreach Church (the “Church”) has outgrown its current facility. The church’s leadership feels it is time to undertake a project to build a new building once adequate funding is available.

The church leadership has shared this with the congregation and received positive feedback about the congregation’s excitement to financially support the project. As a result, the Board and the corporate members have formally undertaken to initiate the fund and project.

**NOTE:** Depending on the church’s legal and governance structure, the corporate membership may be composed only of the directors, or may be a broader group of members. The following should be interpreted in light of each corporation’s by-laws and membership structure.

At its Annual General Meeting (“AGM”) of [Month, Day, Year], the Board sought and obtained approval for the project and its related financing from the corporate members, as required by Church bylaw [specify #].

By motion of the Church Board of Directors (“Board”) at its meeting of [Month, Day, Year], a Special Purpose Charitable Trust was established to be called the New Building Construction Fund (the “Fund”). The Fund is being set up to fulfill the church’s main charitable purpose of advancing religion by having a new church built as a place of worship.

The further, specific purpose of the Fund is to collect money to buy land and construct a new church building in the residential development area of Expanding City, Northwest Territories.

The Church’s Board have authorized the Church’s Senior Pastor and Financial Administrator to jointly seek professional real estate services to explore land purchase options and to receive initial tenders for a

building design, so long as the Church Treasurer affirms the Fund can cover these costs. If needed, the Financial Administrator will seek information from the Denominational Office and the Church's bank as to what financing options are available.

At the Board's discretion, a Special Meeting of the corporate members will be held to seek approval of the building design, land purchase options and, if needed, financing proposals.

**NOTE:** For narrow corporate membership, an alternative phrasing option could be as follows: At the Board's discretion, additional town hall meetings will be held to facilitate ongoing communication, updates from the Board and to receive feedback from the broader congregation about the project.

Should the time frame needed to meet the Fund's purpose go beyond the Church's [Year; 1-3 years following] AGM, the corporate members will be asked to reaffirm their support for the Project [and semi-annually/annually thereafter (or omit additional future re-affirmations)] to see the purpose of the Fund fulfilled.

The Fund will be subject to the Church's declared Donor Restricted Gift Policy (the "Policy"). Should the Church Board invoke the Policy, they will explain this need to the members at a Special Meeting of the members, in accordance with the rules for calling such a meeting set out in the Church's bylaws, or at the next regularly scheduled AGM. Though not binding on the Church Board, as the Church retains authority over the use of all its resources, input will be sought from the members to support the invocation of the Policy.

Date: December 7, 2023.

\_\_\_\_\_, Board Chair \_\_\_\_\_,

Name Signature

\_\_\_\_\_, Board Secretary \_\_\_\_\_,

Name Signature

### Example 2: Non-church Charity

The Helping Neighbours Group is an incorporated small charity where the Board serves as both the governing body and the corporate membership. It has CCCC membership.

At a recent board meeting, the Board wanted to set up a new special purpose charitable trust (the restricted fund labeled "Mission Training Scholarship Fund" - the "Fund").

After reading the CCCC materials on restricted funds, they made a formal board motion to set up the Fund and have developed a written purpose statement.

The Fund's specific purpose is to provide scholarships to individuals who are members of any five local churches <names here>, who:

- wish to enter programs or courses to train to develop skills for missionary work,
- have been accepted for consideration by a Canadian mission organization,

- and have demonstrated financial need.

Other operational clauses were included in the Fund's purpose statement to clarify that scholarships would be released based on adequate funding and would be prioritized to be given to those with the greatest financial need, if not all applicants could be funded.

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