

Report to Finance Committee
From Colleen Miller, Randy Reus
Re: Discretionary funds
April 26, 2021

This report will update you on the status of dLCV's discretionary fund accounts and will propose a policy and practice for the use of discretionary funds to be incorporated into the Accounting Procedures manual

Currently, dLCV has discretionary funding in four different accounts. Two accounts are at Atlantic Union Bank and are in the name of the now-dormant Foundation (16,000 in the money market, 50,000 in the checking account). dLCV also has an account at Towne Bank for discretionary funds (\$182,000), and has approximately \$100,000 of discretionary funding in the operating account at Towne Bank.

Our plan is as follows:

- 1) Open a new savings account and checking account at Atlantic Union in the name of dLCV.
- 2) Transfer all funds from the Foundation accounts (may need to maintain a small balance in the checking account until all deposit sources are re-routed.).
- 3) Transfer the bulk of the discretionary account from Towne Bank to Atlantic Union
- 4) Maintain a steady cushion of \$100,000 in discretionary funding in the operating account (in order to avoid NSF fees)
- 5) In the event that the balance in Atlantic Union exceeds \$250,000, open an additional savings account at SunTrust (where we have our FSA account)

Reporting

We propose to report monthly to the Treasurer and quarterly to the Finance Committee on the status of the plan above. In addition, we will report monthly to the treasurer and quarterly to the Finance Committee on all additions and subtractions from the discretionary account.

Policy

In the course of this clean up work, we discovered that our accounting manual does not contain any direction with respect to the discretionary accounts. We are suggesting this following policy be incorporated into the accounting manual, and as appropriate, in the Board operating procedures:

dLCV maintains discretionary funds that can be used for specific purposes as approved by the Board of Directors, consistent with the mission of the agency and consistent with the agency's nonprofit status.

Discretionary Funds are those funds which are not required to be used for a specific purpose. In general, discretionary funds include donations, proceeds from sales or contracts not attributed to a grant, and attorney fee awards that are not regarded as program income.

dLCV maintains a balance of \$100,000 of discretionary funds in the operating account, in order to avoid NSF fees when federal grant deposits are delayed. The remaining discretionary funds are retained in appropriate checking or savings accounts in banks separate from the operating account, in order to remain below the FDIC insurance limit.

Discretionary funds may be dispersed according to the parameters established by the Board of Directors in conjunction with each annual budget. At the time of the adoption of dLCV's annual operating budget, the Board will also adopt a detailed budget for the use of discretionary funds. With Board approval, discretionary funds may be used to support lobbying in furtherance of dLCV's mission, within legal limits, and to support resource development efforts. Discretionary funds may also be used to support litigation where there is a reasonable possibility of recovering attorneys' fees.

In addition, discretionary funds may be used, with Board approval, to meet program needs that existing grants are not able to cover. This use will generally not be included in the annual budget and will require separate authorization from the Board or its Executive Committee.