

Handling Large Donations

Initial question from trustee: We have a \$5000 donation (yay!). I want to make sure we do the right thing with it and with other donations.

We put the \$5000 into our savings account and did not account for it in our annual operating budget that we submit to the town for adoption. I have copies of our savings account sent to the town clerk quarterly so she is able to see our deposits to that savings account.

A concern has been raised by a Patron / Friend / Former board member who believes that this money should be accounted for in our annual operating budget that we submit to the town. The concern stems from a time several years ago when the library transferred a large sum from savings to checking, spent it on capital improvements, and neglected to do a budget amendment. To the auditor, it appeared that the library spent over-budget by that sum. The auditor and town council educated the Library Board to do budget amendments when funds that weren't originally reported in the operating budget are transferred in from savings and then spent. We have been doing those amendments since then.

I don't think that a one-time donation should go into our annual budget because we know that money won't be there again next year and we don't necessarily plan to spend it within this fiscal year. If we do spend it this fiscal year, we'd transfer it to checking and do a budget amendment to show the change to our income and to show how the donation was spent.

My understanding is that we are depositing and reporting the money correctly, but I want to run it by you to be sure about that. Do you have any advice? Thanks for considering!

Response from Tracy Cook – August 12, 2011

I have to give you my standard disclaimer that I am not a lawyer, so this should not be considered legal advice. If you have any doubts it's always a good idea to consult with your local attorney.

Having said that here is my response....

It comes with a couple of caveats - this opinion is talking about CDs, but the start of the memo also mentions savings accounts. Here's the big piece. This memo is about libraries who do NOT have a library depreciation fund. If you have a library depreciation fund then you are supposed to include this money in the budget and have the clerk deposit it in the library depreciation fund if you have not spent these monies by the end of the year.

1. There is strict accountability section in the Montana constitution that says government agencies need to be accountable when dealing with the public and their funds. Although these are donations they are considered to fall under that strict accountability section. So there does need to be some sort of process where you share this information with others, and it sounds like you have one. Quarterly you share the deposit information with the clerk, and you make budget amendments when it is time to spend the money.
2. The board is given the authority to accept donations through MCA 22-1-309(8). The MSL attorney refers to this piece of code twice in his memo to support the idea that boards are given the authority to accept donations and therefore are also given the authority to invest and use those donations.
3. He goes on to say that "The statutes do not appear to limit the library boards in the method by which

they may exercise the power conferred by section 22-1-309 (8), MCA, other than that the money received be expended or held, worked or improved "for the specific purpose of the gift, grant, donation, devise or bequest". Thus, in the case where a library depreciation fund has not been established, if the gift, grant or donation does not specify that it may not be invested in a CD, in my opinion the board is free to do so."

So if you do NOT have a library depreciation fund it would appear that you can place donations in your savings account and make budget amendments when it is time to spend the money. If you do have one that changes things. Does this help? -Tracy