Sinking Fund Policy
Unitarian Universalist Congregation of Whidbey Island

Purpose

The purpose of this policy is to establish guidance for the Board of Trustees regarding the creation, funding, management, and use of a sinking fund for the Unitarian Universalist Congregation of Whidbey Island (UUCWI). The sinking fund is intended to provide financial resources for anticipated future capital expenses or major non-recurring obligations, thereby reducing financial risk and supporting long-term fiscal health for the congregation.

Policy Statement

The Board of Trustees of UUCWI authorizes the establishment of a sinking fund to systematically set aside funds over time for specified future costs. The sinking fund shall be used solely for its designated purpose(s) and shall not be commingled with operating or general reserve funds.

Definition of a Sinking Fund

A sinking fund is a Board-designated fund established to accumulate resources for the replacement, acquisition, or major repair of significant assets or for other known, future, non-recurring expenditures. Examples include but are not limited to:

- Roof repair or replacement
- Repair or replacement of major building components, e.g., HVAC, windows
- Painting of the building
- Technology system upgrades

Board Authority and Oversight

The Board of Trustees retains full authority over the sinking fund and is responsible for:

- Approving the purpose(s) of the sinking fund
- Establishing funding targets and timelines (e.g., replacement of roof)
- Authorizing deposits and expenditures
- Reviewing fund balances and progress annually

The Finance Committee shall provide oversight and make recommendations to the Board regarding fund adequacy and usage.

Funding the Sinking Fund

The sinking fund may be funded through:

- Annual budgeted allocations approved by the Board
- Board-designated unrestricted net assets
- Annual surpluses from operating results
- One-time or non-recurring revenue sources
- Other funding sources approved by the Board

The Treasurer will incorporate recommended contribution levels into the annual draft budget. Donor-restricted contributions may only be deposited into the sinking fund if consistent with donor intent.

Target Funding Levels
The Board shall approve a target funding level for each sinking fund purpose, based on:

- Estimated future cost
- Anticipated timeframe for expenditure
- Risk, inflation, and asset life cycle considerations

Funding progress toward the target shall be reviewed at least every three years or sooner if significant financial or operational changes occur.

Use of Sinking Fund Assets
Sinking fund assets are intended to support a specific purpose(s) identified by the Board; however, all sinking fund balances remain under the authority of the Board, which may redirect, repurpose, or reallocate these assets when doing so is in the best interest of the congregation. All expenditures require prior Board approval, unless authority is delegated to a committee or the Treasurer within defined limits.
Sinking fund assets are generally not used for:

- Routine operating expenses
- Emergency or unforeseen expenses unrelated to the approved purpose
- Covering operating deficits

Exceptions may be made at the Board's discretion when circumstances warrant. Any such changes shall be recorded in Board minutes along with the rationale for the decision.

Accounting and Reporting
The sinking fund shall be:

- Recorded as Board-designated net assets
- Tracked separately from operating and reserve funds
- Reported by the Treasurer to the Board as part of regular financial statements

Investment of Sinking Fund Assets
Sinking fund assets may be held in cash or invested in accordance with the UUCWI's Investment Policy. Investment strategy should balance capital preservation, liquidity needs, and the anticipated timing of expenditures.

Policy Review
This policy shall be reviewed by the Board of Trustees at least every **three years**, or sooner if significant financial or operational changes occur.

Adoption
Adopted by the UUCWI Board of Trustees on May 20, 2026