

provision needs to be made for the use of any funds left over following completion of the specified use.

The fund could be quite specific such as a “new sanctuary fund” and following the construction of the new sanctuary transfer remaining funds to the budget or a “building fund” which could be described in more detail as a new construction/remodeling/maintenance fund.

### **3. Determine the time** for the funds to be used.

The time for certain projects needs to be established and provisions made for the use of funds after the specified time ends.

It is extremely important that church leadership exercise all possible care to keep the number of restricted and designated funds to a minimum. The presence of restricted and designated funds always poses the problem of drawing funds away from the unified budget of the church. This is due to the fact that many Christians newly involved in church life tend to give to what appeals or is important to them and not the ongoing less glamorous operation of the budget.

In addition the monthly financial reports to the church should keep the restricted and designated funds separate from the operating portion of the budget. It is important to help the membership and visitors understand that any dollar amounts held in trust (in restricted and/or designated funds) are not available to assist the church in meeting budget needs for the operations of the church.

#### **Funds Held in Trust for Specific Purpose:**

What if a donor contributed \$500 to a “new sanctuary fund” of the First Baptist Church and the church later decides not to build a new sanctuary as designed by the architect? Such contributions are specifically conditioned upon the church building a new sanctuary as designed. When the church later decides not to build the new sanctuary and instead builds new educational space, the condition has been changed and the gift is revocable at the option of the donor. Churches must provide donors with the options in order to avoid violating their legal responsibility to use “trust funds” only for the purposes specified when the funds were received. Some options are as follows:

- The contribution can be retained, as the church still plans to build a new sanctuary at some time in the future.
- If the donors can be identified, they should be asked if they would like to change the designation of their gift to be used for the new educational space or for another purpose.

The church should request the donor's decision in writing in order to avoid any misunderstandings.

A church may not be able to identify all of the donors who contributed to a specific fund. This can often be the case when some persons donated cash gifts without any identification and/or the gifts were made many years prior to the church abandoning the plans to build, etc. The donors may have moved, or records are too old or have been destroyed and therefore contact is not possible. In such an event the church should have an official business meeting to decide how such funds should be handled.

**NOTE:** This procedure is only appropriate for that portion of any fund that cannot be identified to specific donors.

## **Love Offerings**

The meaning of a “love offering” is an offering that is given from the heart to someone that has ministered to that very heart and is not given simply because it is a tax-deductible charitable contribution. Love offerings are used quite frequently in a church to financially support people called to ministry as evangelists, musicians, other guest speakers, etc. The church must approve the revival or other event that is scheduled during which a “love offering” is taken as a means of legitimately compensating the person involved for his/her ministry.

The offering is made available to all church members and other attendees in which to participate as they feel led. The fund should be advertised and promoted to receive gifts over and above tithes and offerings and should last until the event has occurred or the specific need met. All cash and checks given during this offering must be in an envelope with the donor's name and purpose of the gift in order to receive a tax-deductible charitable contribution receipt. Just writing a check to someone you really like and appreciate their ministry and giving it through the church does not qualify the gift as a tax-deductible charitable contribution.

A one-time special "love offering" for a staff member can be made available to all church members and others, who wish to participate. If the "love offering" is received and designated for an individual for any occasion and the donor's are not given a tax-deductible charitable contribution receipt, then the gift to the minister (recipient) is not considered taxable income. The reverse is true if the donors are given a tax-deductible charitable contribution receipt. The gift must then be considered income to the recipient. If contributions are made for various staff members and the church has control as to the amount each staff receives then the gift is a contribution and is taxable compensation to the staff.

### **Gifts for Mission Trips**

The mission trip, whether scheduled in the United States or to a foreign country, must be approved by the church in a regular or specially-called business meeting. The trip must be for a specific ministry purpose and not just a trip for entertainment and relaxation. Once the trip has been approved by the church (as a designated fund), offerings to fund the trip can be received from the membership and others as they feel led even though they may not be going on the trip. The fund should be advertised and promoted to receive gifts over and above tithes and offerings and should last until the event has occurred or the specific need met. The checks to support the mission trip need to be made payable to the church. Cash and checks given for the trip should be contained in an envelope with the donor's name and purpose of the gift in order to receive a tax-deductible charitable contribution receipt. Costs incurred by the individual going on the trip are deductible as a charitable contribution also. If any part of the mission trip is for entertainment that portion would not be deductible.

### **Gifts for Budgeted Items**

The church should not accept gifts designated for any budgeted line item. Circumstances can develop where a church has needs for more funds than has been budgeted for any specific line item. One example is the need to send additional persons to special training events such as Glorieta and Ridgecrest, etc. It is suggested that the church approve the creation of a temporary designated fund to receive tax-deductible charitable contributions from all church members and others. The fund should be advertised and promoted to receive gifts over and above tithes and offerings and should last until the event has occurred or the specific need met. This experience should be specifically noted for the next budget preparation committee to consider. The procedures for establishing designated funds previously presented should be followed.

This procedure is not acceptable for gifts given to support a specific minister or staff member; as any contribution to a specific staff person is not considered a tax-deductible charitable contribution. The church budget should clearly reflect the total amount of remuneration (salary, housing allowance, etc.) to be paid to a specific minister or staff member, and special gifts received over and above such amount are not considered tax-deductible charitable contributions.

This procedure of setting up designated funds should not be considered a standard practice, as disgruntled churchgoers tend to give **to their special interests** rather than supporting the church budget. It is suggested that we educate and train church members and others to give to the unified budget – that has been properly approved by the church following adequate questions and discussion. All designated funds should be approved in a regular or specially-called business meeting of the church.