

# Designated gifts policy guide

Designated contributions, which also include love offerings, are contributions made to a church with the stipulation that the donations are used for a specified purpose.

As a general principle, a donor can receive a charitable contribution tax credit for it, if the church handles the contribution properly.

Designated funds cannot be spent on unintended purposes without a written agreement by the church. Without an agreement, the only way a church can legally change the purpose of these donations is by court order.

If the donation is for an approved project or ministry and the designated fund has been established, it can be recorded on the donor's contribution statement.

Designated funds created before a new policy is created are not affected by that policy. The church must operate under the original terms (verbal or written) that were assumed when the existing designated funds were established. A new policy affects only new designated funds created after the policy is in effect.

Contributions designated to a group or organization within the church (i.e. Sunday school class) for its exclusive use and under its total control is not a deductible contribution to the church. The class is not a 501(c)(3) organization. The church cannot add the designated contribution to the donor's contribution statement because the church does not control the contribution.

## Steps for establishing a fund

1. The church establishes a written policy stating the process by which donors can request the establishment of a new designated fund.
2. A church member may request the finance committee establishes a designated fund.
3. The finance committee must approve the request before the church accepts contributions for the fund.
4. The fund policy should state:
  - a. The purpose of the fund. Why is this designated fund needed and how will it further the church's mission?
  - b. Write a governing statement for the fund. How will contributions be received for the fund and what will be the reporting requirements to the church?
  - c. Establish a procedure for disbursements from the fund. How will the money be allocated?
  - d. How can the designated account be closed? How to disperse any money left in the fund after it's closed?

- e. Establish accountability procedures. Periodic expenditure and substantiation reports to the church should be part of the accounting procedure.
5. Members should be made aware that the policy has been established and will be followed.
6. Keep a list of contributors – a list of donors and their contributions should be kept for record-keeping required by the Internal Revenue Service.
7. A list of contributors and their contributions is maintained for record-keeping the Internal Revenue Service requires. The established designated fund must meet the following requirements in writing by the finance committee or church:

*All information in this policy and its examples is not to be considered legal, financial or tax advice to churches or their attenders and donors.*

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