

# Designated Fund Management: How to Handle Designated Contributions to the Church

Keith Hamilton, CFP

“Designated contributions” which include love offerings, too, are contributions made to a church with the stipulation the donations are used for a specified purpose. As a general principle, a donor can receive a charitable contribution credit from the church if the church handles the designated contribution properly.

Designated funds cannot be spent on unintended purposes unless a prior written agreement has been established by the church. Without a prior written agreement in the church documents, legally, the only way a church can change the purpose of a designated donation is by court order. If the cash donation is for an approved project or ministry of the church and the designated fund has been established, the cash donation can be recorded on the donor’s contribution statement.

Designated funds created before the church adopts a new written church policy will not be impacted by the new policy. The church must operate under the original terms (verbal or written) that were assumed when the existing designated funds were established. The new written church policy will impact only new designated funds created after the policy is approved by the church.

Contributions designated to a group or organization within the church (i.e. Sunday school class) for the organization’s 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 have any control over the contribution.

## Suggested Steps in Establishing a Designated Fund

1. The church should establish a written policy stating the process by which donors can request the establishment of a new designated fund.
2. The policy should state the following conditions:
  - A. Determine the purpose of the fund  
Why is this designated fund needed and how will it further the church’s mission?
  - B. Write a governing policy  
How will contributions be received for the fund and what will be the reporting requirements to the church?
  - C. Establish a procedure for disbursement of the fund  
How will the money be spent? How can the designated account be closed?
  - D. Establish accountability procedures  
Periodic expenditure reports to the church and proper substantiation to the church should be part of the accounting procedure.
3. Members should be made aware that the policy has been established and will be followed.
4. Keep a list of contributors—A list of contributions and donors should be kept for Internal Revenue Service required record keeping.

# A Working Model of a Designated Fund Policy

The process of establishing a designated fund by the church:

1. Any member of the church or community may request the establishment of a designated fund.
2. The member must present a verbal or written request to the church or finance committee.
3. The church or finance committee must approve the establishment of the requested designated fund.
4. Before the church accepts a contribution for the designated purpose, the designated fund must be approved.
5. If the finance committee or church fails to approve a request for a designated fund, the designated fund cannot be established and the church will not receive any money.
6. A list of contributors and their contributions is maintained for Internal Revenue Service required record keeping.

The established designated fund must meet the following requirements in writing by the finance committee or church:

1. The purpose of the fund and how it furthers the mission of the church must be stated.
2. Procedure on how the fund will be spent must be recorded.
3. The procedure on how the fund can be closed should be stated.
4. The policy should state how to disperse any money left in the fund after the fund is closed.

## Benevolence Fund

The church, in exercise of its religious and charitable purposes, has established a benevolence fund to assist persons in financial need. The church welcomes contributions to the fund. The administration of the fund, including all disbursements, is subject to the exclusive control and discretion of the benevolence committee recommendations from anyone, but the committee is not bound in any way to honor the recommendations. Donors will not be permitted to recover a contribution because the committee failed to honor the donor's recommendation.

The church recognizes that assisting persons in financial need is a continuing mission of the church and has established this fund as an ongoing fund. Should at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general budget of the church.

Also, the benevolence committee or church should record the required Internal Revenue Service documentation for benevolence requests. The following documentation for benevolence requests should be recorded for accurate record keeping:

1. A complete description of the assistance.
2. The purpose for which the aid was given.
3. The church or benevolence committee's objective criteria for disbursing assistance under the benevolence fund.
4. How the recipients were selected.
5. The name, address, and amount distributed to each recipient.
6. Any relationship between a recipient and officers, directors, or key employees or substantial contributors to the Church.

## **Building and Grounds Fund**

The church, in exercise of its religious purposes, has established a building and grounds fund to maintain the church building, grounds, and equipment. The church welcomes contributions to the fund. The administration of the fund, including all disbursements, is subject to the control and discretion of the building and grounds committee or church. The committee may consider recommendations from anyone, but in no event is the committee bound in any way to honor the recommendations. Donors will not be permitted to recover a contribution on the grounds that the committee failed to honor the donor's recommendation.

The church recognizes that maintaining the church building, grounds, and equipment is a practice of good stewardship and has established this fund as an ongoing fund. Should at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general budget of the church.

## **Property Fund**

The church, in exercise of its religious purposes, has established a property fund to provide for the future needs of the church for major repairs, major remodeling, expansion, or construction of facilities for the church. The church welcomes contributions to the fund.

The administration of the fund, including all disbursements, is subject to the control of the property committee or church. The church may consider recommendations from anyone, but in no event is the church bound in any way to honor the recommendations. Donors will not be permitted to recover a contribution on the grounds that the church failed to honor the donor's recommendation.

The church recognizes that planning for future needs is a practice of good stewardship and has established this fund as an ongoing fund. Should at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general budget of the church.

## **Missions Fund**

The church, in exercise of its religious purposes and mission, has established a missions fund to provide resources for the church, church members, or other worthy persons or organizations spreading the gospel of Jesus Christ. The fund can also provide resources to church members or other worthy individuals for short-term mission trips or support of long-term missions. The church welcomes contributions to the fund.

The administration of the fund, including all disbursements, is subject to the control and discretion of the missions committee or church. The missions committee may consider recommendations from anyone, but in no event is the committee bound in any way to honor the recommendations. Donors will not be permitted to recover a contribution on the grounds that the committee failed to honor the donor's recommendation.

The church recognizes that spreading the gospel is the primary purpose of the church and has established this fund as an ongoing fund. Should at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general budget of the church.

## **Ministry Fund**

The church, in exercise of its religious purposes and mission, has established a ministry fund to provide resources for the church and its various ministries. The ministries are, but not limited to, the following: music ministry, youth ministry, children's ministry, adult ministry, senior adult ministry, Sunday school, Women's Ministry, Men's Ministry, Discipleship Training, and evangelism. The church welcomes contributions to the fund and donations may be requested for a specific ministry of the church provided the church has budgeted funds in the general budget for that ministry. The administration of the fund, including all disbursements, is subject to the control and discretion of the finance committee or church. The finance committee or church may consider

recommendations from anyone, but in no event is the finance committee bound in any way to honor the recommendations. Donors will not be permitted to recover a contribution on the grounds that the finance committee or church failed to honor the donor's recommendation.

The church recognizes that ministry is a vital part of the church's purpose and has established this fund as an ongoing fund. Should at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general budget of the church.

## Love Offering Fund

The church, in exercise of its religious and charitable purposes, has established a love offering fund. The purpose of the love offering fund is to honor laborers in the field with a financial gift. The church welcomes contributions to the fund. However, the love offering will be considered taxable income to the recipient.

The administration of the fund, including all disbursements, is subject to the exclusive control and discretion of the finance committee or church. The finance committee may consider recommendations from anyone, but the committee is not bound in any way to honor the recommendations. Donors will not be permitted to recover a contribution because the committee failed to honor the donor's recommendation.

The church recognizes that the love offering fund is part of the continuing mission of the church and has established this fund as an ongoing fund. Should at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general budget of the church.

## Memorial Fund

The church, in exercise of its religious and charitable purposes, has established a memorial fund to honor the memory of deceased individuals. The church welcomes contributions to the fund in memory of loved ones. The administration of the fund, including all disbursements, is subject to the exclusive control and discretion of the finance committee or church.

The finance committee may consider recommendations from anyone, but the committee is not bound in any way to honor the recommendations. Donors will not be permitted to recover a contribution because the committee failed to honor the donor's recommendation.

The church recognizes that the memorial fund is part of the continuing mission of the church and has established this fund as an ongoing fund. Should at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general budget of the church.

---

This document is intended to provide churches and church leaders with current and accurate educational information about the subjects covered. However, such information is not intended to be sufficient for dealing with a particular legal problem, and the authors and distributors do not warrant or represent its suitability for such purpose. The reader should not rely upon this document as a substitute for independent legal consultation or tax advice.

Keith Hamilton, D.Ed.Min, CFP is with the Georgia Baptist Convention. He has written several publications on establishing church designated funds, managing your household finances, and protecting your church and ministry from identity theft. His latest venture is providing training resources through [churchfinancialservicess.com](http://churchfinancialservicess.com) to help churches comply with government regulations.

©2006 LifeWay Christian Resources. Permission is granted to download, store, print, and distribute this document for its intended use. Distribution for sale is strictly prohibited. Compliments of the pastors area of LifeWay.com  
[www.lifeway.com/pastor](http://www.lifeway.com/pastor)

