



# 4 Keys for a Church to Properly Handle Designated Gifts

by Dan Busby

Almost every church receives some designated gifts each year. The gifts are “restricted” for accounting purposes, but churches often refer to them as “designated.”

Designated gifts are often received for a church missions fund, the building fund, the benevolence fund, and more.

While the designated gift topic seems quite simple, a multitude of questions often arises about how to handle designated gifts. Not to mention, honoring giver expectation and intent is so critical to building and maintaining trust with church members, givers, and the broader community.

Here are four keys to handling these gifts well:

1. **Decide the purposes for which designated gifts will be accepted.** This may come as a surprise. But a church can decide whether or not to accept designated gifts. There may be very good reasons not to accept gifts for certain designated purposes.

It all starts with sound policies on designated giving options. Without a policy on this topic, givers often make contributions for projects that may be difficult to fulfill. Here are two examples of what often occurs *without* a designated giving policy.

*Example 1:* A giver wants to see a playground built on the church campus for the kids. However, because of liability and supervisory concerns, the church has no plan to build a playground. The church should probably decline the gift or ask whether the giver might be open to the church using the gift for another purpose that the church has approved.

*Example 2:* A long-time church member passes away. The family wants to provide a memorial gift to the church. They pool their gifts with a designation that the funds will be used to pay the initial salary of a care pastor. The church has no plans to hire a care pastor, so the church should probably decline the gift or ask whether the givers might be open to the church using the gifts for another purpose that the church has approved.

2. **Identify which gifts are designated.** If a church requests funds for a certain need that is more specific than the general purposes of the church, and gifts are given in response to the request, the church has received designated gifts.

Many situations are not so clear. How about the youth fundraiser lunch with a suggested “donation” of \$10 for the meal? Some meal participants pay a little more than \$10, some pay a little less. The amounts paid for the meal are not charitable gifts since the meal approximates the amount received by the participant. The net proceeds from this event do not meet the designated gift definition. However, the church board may approve a fundraiser like this one to support youth activities, with the funds placed in a ministry account to be used for youth activities.

Even greater clarity is needed when individuals help raise designated funds related to mission trips. These gifts may qualify for a charitable gift acknowledgment to the donor if appropriate IRS guidelines are followed. **Read more here.** (<http://www.ecfa.church/Content/Short-Term-Mission-Trips-CHURCH>)

3. **Honor giver designations.** When a giver imposes a gift designation, he or she expects the gift to be used as intended. It's that simple. When a church uses the gift within the giver's designation, the giver is pleased and all is well.

Churches must faithfully respect and adhere to the restrictions imposed on the gift. Doing so will help the church operate above reproach, and avoid concerns about the use of gifts. This is important to maintain a giver's trust with the church.

Here's another good reason to honor giver designations. These designations may be legally enforceable under state law.

4. **Maintain clear records of designated gifts.** Church accounting records must clearly reflect designated gift income and the related expenses. Otherwise, the church will be unable to document the designated funds received and expended.

The church board should receive a monthly report of unexpended designated gifts, distinguished from ministry accounts that derive from sales, fees, or other non-charitable gifts. The church board should monitor whether designated gifts are being expended in a timely manner and for the intended purposes.

Integrity has many faces for churches. And abiding by giver intent is one of the most important faces of integrity as a church faithfully administers its resources.

Givers are watching and making giving decisions based on whether trust is being modeled. More importantly, God is watching for trustworthy actions. We are accountable for how we steward the resources He has entrusted to the churches we serve (2 Cor. 8:14-25).

*Trusted churches honor giver intent—period.*

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