

# Creating an Effective & Efficient Offering Counting System



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## About Miller Management



Miller Management began in 1989 with the sole purpose of providing churches and nonprofit organizations with value added accounting & administrative products and services to assist those organizations in furthering their mission.

Our mission is to provide **Expertise** that brings **Clarity** to finances enabling leadership to have **Confidence** in decision making.

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- + Online accessible data (additional)

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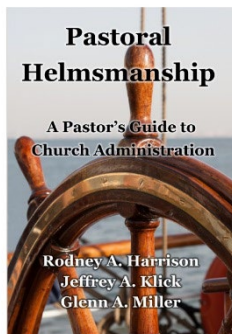
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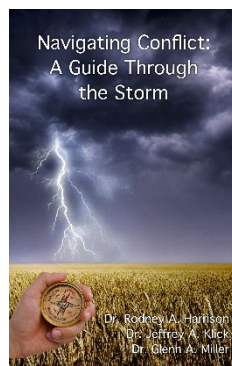
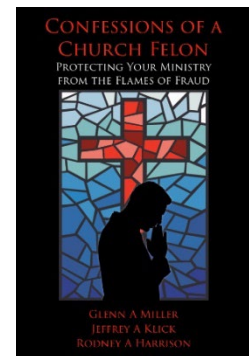


**Pastoral Helmsmanship** is a tool that every pastor needs. Pastors carry a huge administrative load and often are ill equipped to manage it. This book will assist any pastor in every size church with the insights needed to succeed.

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Often a taboo subject, fraud runs rampant in the Body of Christ. This must change, and this book can and will help! **Confessions of a Church Felon** is a must read for every church leader.

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Everyone has conflict. We can be defeated by it or grow as a result of it, but we will not be able to avoid it. The Kingdom of God is relational, and every relationship sooner than later will hit storms. The insights in **Navigating Conflict** will help you learn how to walk through conflict to a redemptive solution.

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# I. Important Perspectives

## Control vs. Accountability

**Control** – “To exercise restraining or directing influence over, to have power over, to reduce the incidence or severity to innocuous levels”

**Accountability** – “To account for one’s actions”

Too often, because of prior bad and hurtful experiences, churches and ministries attempt to “lock down” the ministry so that we will never encounter the sin again!

Unfortunately, the ministry gets so consumed with high control, they forget they are here to minister!



- **Good controls, yes!**
  - **High control of every aspect of the ministry, no!**
- **Good accountability, yes.**
  - **High control, no.**
- **Accountabilities that lead to trust, yes.**
  - **High controls that act like paranoia, no.**

Mistakes will happen; we cannot control every aspect of ministry. But we should not allow prior mistakes to cripple the ministry by adding too many controls.

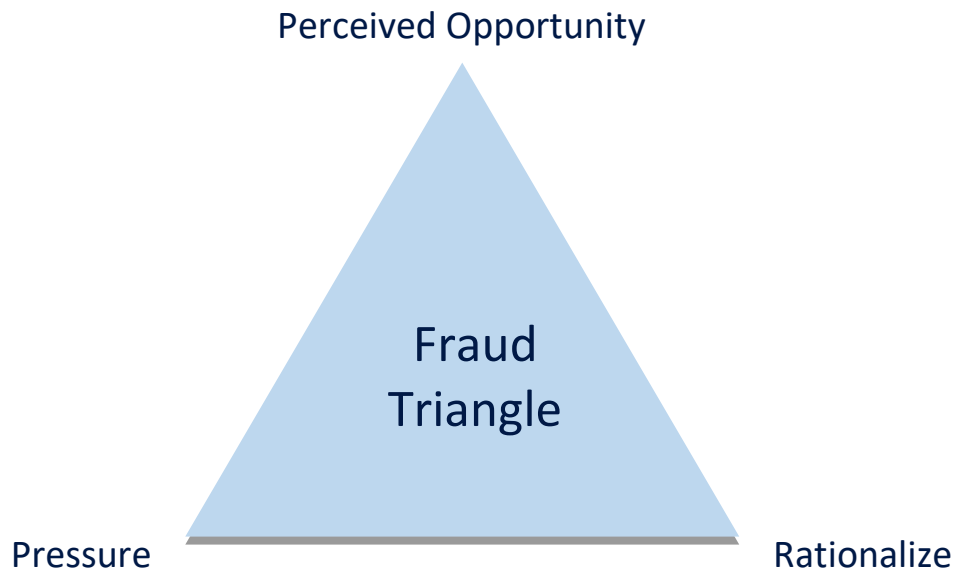
In general, remember:

- We want to keep honest people honest.
- We want to be prudent, not paranoid.
- We want to protect the church and the workers.
- You want accountability, not high control. There is a difference!

## The Fraud Triangle

It has been said that “no system is perfect or can prevent fraud 100%.” While there are elements of truth in that statement, we can certainly learn the basics behind the behaviors and circumstances that can lead to fraud, and then work to prevent those circumstances.

In the 1940’s, Donald Cressey of Indiana University did an extensive study of fraudulent behavior. Nearly 70 years later, his hypothesis is still considered to be a classical model explaining occupational fraud.



**Pressure:**

While the church cannot be held directly responsible for people’s outside pressures like: gambling habits, shopping addictions, loss of spouses income, medical bills, bankruptcy, living beyond means and so forth, we should always be on guard to help people in need and guide them to solutions that do not involve fraud.

**Rationalization:**

Again, while the church is not responsible for the rationalizations people use to allow them to commit fraud, we should be teaching, preaching, and discipling people toward godly behaviors.

**Perceived Opportunity:**

Real or perceived, every ministry is responsible for reducing, removing or eliminating the real or perceived opportunity to get away with fraud. While we may not be responsible for outside pressures or rationalizations of individuals, we must create strong policies, procedures and enforcement that keep honest people honest.

## II. Receipts – Incoming Funds

### Establishing an Effective Counting Committee & Procedures

- ✓ Utilize an offering counter ministry description and confidentiality agreement.
- ✓ Counters should be chosen based on gifts, skills, and talents, NOT on simply availability! Develop your ministry description first, then choose people who can fulfill the qualifications.
- ✓ Counters who are related to each other cannot count together.
- ✓ We recommend each person count 1 - 2 times per month. Counters should be rotated so the same people/teams are not handling the funds each week.
- ✓ Offering counting/cash handling procedures should be in writing and should be provided with training to all offering counting team members.
- ✓ Can't find enough help? Pray and Recruit! Jesus did!



## Sample Offering Team Confidentiality Agreement

*Thank you for agreeing to serve in the ministry position of Offering Counting Team member. We are honored that you are willing to use your spiritual gift of administration to assist the Church. It is our goal to strive for the highest level of integrity as we are entrusted to be stewards of the Lord's finances in the local body of Christ.*

This agreement serves to clarify expectations of confidentiality in your role as a member of the Offering Counting Team. Confidential information is defined as: all information obtained through performing offering counting and related administrative duties. This includes, but is not limited to, names and addresses of donors, amount of any individual donations, individual giving patterns, bank account information, etc. By signing below, I agree that I will strictly maintain the confidentiality of all information as defined above.

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

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## Sample Ministry Description for Offering Counters

**Responsible To:** \_\_\_\_\_ (name), \_\_\_\_\_ (title)

**Purpose of Ministry:**

The purpose of the Offering Counter Team is to provide accurate, consistent, confidential and timely processing of all donations and monetary gifts to the church.

**Duties:**

Follow offering counting procedures as outlined in a separate document, including:

- Pre-service setup of supplies
- Collect offerings during service
- Sort, count and record offerings and donation credit
- Maintain names/lists for special offerings
- Take deposit to bank
- Provide contribution report and documentation to \_\_\_\_\_ as required

**Desired Results:**

- Building of trust/security/confidence from church members and visitors
- Good, accurate giving records
- Confidentiality of donor records
- Assist the Treasurer by ensuring good information is transferred into the General Ledger

**Time Commitment:**

- \_\_\_\_\_ to \_\_\_\_\_ minutes per week

**Gifts, Skills, Talents, & Qualifications:**

Qualifications:

- An active Church Member for \_\_\_\_\_ months
- Regular, consistent giver

Gifts, Skills, Talents:

- Spiritual gift of administration
- Responsible
- Organization skills
- Attention to detail
- Financial integrity on a personal level
- Ability to *consistently* maintain confidentiality
- Assertiveness to bring up anything that “doesn’t feel right” to the lead counter or senior church leader

*“Prove all things; hold fast to that which is good. Abstain from all appearance of evil.”  
1 Thessalonians 5:21-22*

### Receiving the Money

- ✓ If the potential to receive cash through the mail exists, then mail should be opened by at least two persons so that immediate dual control can be established.
- ✓ Money received during worship services should be kept under lock and key at all times.
- ✓ Pastors, administrators, etc. should not receive money from members or guests; they should be asked to put the money into a drop safe or other secure location directly.



- ✓ Money collected for special events, dinners, etc. should be received and held by 2 persons until counted and verified by both. It should then be placed into a sealed envelope, with the total amount, general ledger code and signatures of both people written on the outside of the envelope. The envelope should be placed into the safe.
- ✓ When two or more people are not handling money under dual control, all money should be locked in a safe or locked file cabinet at all times. A drop safe with dual combinations is highly recommended.
- ✓ **Safes or locked drawers where money is kept should be accessed by two people.** Dual control procedures do not suffice; only dual control access!

### Performing the Offering Count – Overview of Controls

- ✓ At least two unrelated people should always be present when counting offerings – no exceptions. (Three is preferable.) Ideally the counting team should consist of enough people to establish a rotation so that no one is counting every week.
  - ✓ Detailed written instructions are highly recommended so that all counters understand the procedures. Individuals involved in the count should be able to perform all of the processes not just their piece. We recommend rotating tasks so that all counters have experience with all the processes.
  - ✓ Carefully consider the location used to count. It should be private yet not secretive, contain all supplies needed so no one has to leave the room, free of all clutter (completely clear table or desk), and the ability for all counters to see all other counters while the count is being performed.
- 
- ✓ Maintain the integrity of the deposit. Do not “switch out” money so someone can get cash or make change or move money around so separate deposits can be made.
  - ✓ Don’t pay expenses out of offerings
  - ✓ Nothing should be thrown into the trash during the offering counting without two people verifying that no valuables are contained in the contents.
  - ✓ The documentation for offerings and deposits and contribution recordkeeping should be clear and simple enough to those NOT involved in the process.
  - ✓ Checks should be endorsed with a restrictive stamp “For deposit only” and the bank account #.
  - ✓ All counters should sign their full name to each document retained from the count.



## Performing the Offering Count – Detailed Instructions

\*\*\*\*Instructions in this color are for MMS, LLC contribution clients only\*\*\*\*

1. Remove all cash, checks, and envelopes from money or bank bags and place in center of table. Sort into separate baskets or tubs for the following categories:
  - Blank Giving Envelopes – nothing is written on the envelope
  - Populated Giving Envelopes – name or designations are written on envelope
  - Envelopes received in the U.S. Mail
  - Activity / Fee Envelopes
  - Loose Cash
  - Loose Checks
2. Open all the envelopes received from the U.S. Mail, place contents into the appropriate basket/tub whether it is a loose check, activity fee, or populated giving envelope.
3. Open the blank giving envelopes and move any unidentified cash to the Loose Cash basket/tub. Move any checks to the Loose Checks basket/tub.
4. Process the Loose Cash as follows:
  - Separate all bills and coins by denominations
  - Counter 1: count and record all amounts by denomination onto top section of the Cash Counting Sheet and total. Choose the “Type of Count”, fill in the date, sign sheet and fold in half on the “fold here” line.
  - Counter2: count and record all amounts by denomination onto bottom section of Cash Counting Sheet and total. Sign counting sheet. ①
  - Both Counters: verify that both count totals match.
  - Locate any discrepancies by comparing the count for each denomination and recounting. Changes should be initialed by the counters.
  - Record the amount of loose/unidentified cash on the Contribution Worksheet under the giver, ZZZ Unidentified Giver in the appropriate column.

5. Process the Loose Checks as follows:

- MMS Contribution Clients Only – Stamp all checks with restricted endorsement, run an adding machine tape totaling all checks, and record each check in the appropriate row and column of the Contribution Worksheet. Total all checks entered on the worksheet and verify it matches the total of loose checks. Attach the adding machine tape to the batch of loose checks. Move to step 6.
- Counter 1: Stamp all checks with restricted endorsement. Run an adding machine tape totaling all checks.
- Counter 2: Complete the Loose Check Log
- Counter 2: Run an adding machine tape totaling all the check on the log.
- Both Counters: verify that the tape of the actual checks matches the tape of the Loose Check Log.
- Locate any discrepancies by comparing the amounts on the two adding machine tapes. Changes should be initialed by the counters.
- Attach one adding machine tape to the batch of loose checks, ② attach the other adding machine tape to the Loose Check Log.

6. Process the Populated Giving Envelopes as follows: (Each counter may process their own batch of envelopes)

- Check to make sure that the correct full name is on the envelope. If a business check is used the name of the business should be the name on the envelope.
- For any apparent new givers, make sure the address from the check is also on the envelope. (MMS Clients can consult the Contribution Worksheet for a list of their active givers)
- Verify the amounts of cash or check(s) with what's written on the envelope. Make sure that any designation listed on the check memo is also listed on the envelope.
- For balancing purposes, write "cash" or "ck" and the amounts received in the upper corner of the envelope. If there are multiple checks in one envelope, list each separately.

## Constructing an Effective Counting Process

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- Place each processed check and envelope upside down in separate piles. Be careful to keep checks and envelopes in the same order, this will help with balancing the batch when completed. Place cash in empty tub or a designated area for cash from envelopes. Cash envelopes should be kept separate from check envelopes.
  - After each batch is processed, Counter 1 stamps all the checks with a restricted endorsement stamp and runs an adding machine tape to total. Counter 2 runs an adding machine tape of all the recorded check amounts as listed on the upper corner of the envelope.
- 
- Locate any discrepancies by comparing the two tapes. Corrections should be initialed by the counters.
  - Attach one adding machine tape to the batch of checks ③ and one to the batch of envelopes.
  - Using the empty envelopes, enter the contributions in the appropriate row and column on the Contribution Worksheet for each gift.
- 
7. Verify the cash from all the envelopes in the same manner as listed in Step 3, using separate counting sheets for Cash from Envelopes. In addition:
- Run an adding machine tape of all the recorded cash amounts as listed on the upper corner of the envelopes.
  - Both Counters verify that the total of the cash envelopes match the total of the cash counting sheets. ④
  - Using the empty envelopes, enter the contributions in the appropriate row and column on the Contribution Worksheet for each gift.
- 
8. Process the cash and checks from the activity / fee envelopes in the same manner as Steps 6 & 7 with separate verified batches for checks ⑤ and cash ⑥. Enter the total for each account number on the Contribution Worksheet under the section titled "Deposit Items not Included with Above Contributions". Total each column of the Contribution Worksheet and add together for a grand total (if you are not using the Excel version of the form).

9. Prepare the duplicate deposit slip and MM

Deposit Form:

- Total cash and coin should equal amounts from:
  - ① Loose Cash Count Sheet
  - ④ Envelope Cash Count Sheet
  - ⑥ Activity / Fee's Cash Count Sheet
- Record in the appropriate row of the top section on the Deposit Form and total
- List each separate check batch total from the adding machine tapes for:
  - ② Loose Checks
  - ③ Checks from Envelopes
  - ⑤ Checks from Activities / Fees

Sunday Date: 2-1- 20XX		Date Deposited: 2-2- XX
Bank Account: Checking		
Total of all coins	\$	2.67
Total of all paper cash	\$	325.50
Total of all checks	\$	1,448.00
Total of all electronic deposits/credits		
<b>Total Bank Deposit:</b>	<b>\$</b>	<b>1,776.17</b>

Distribution for Financial Statements	Account Number	Amount
General Fund	3110	600.67
Building Fund	2510	90.00
Local Missions	4120	30.00
Benevolence	4210	10.00
Memorial	3510	130.00
T-shirt sales	4350	150.00
Café	4240	65.50
Youth trip	4340	700.00

- Record in the appropriate row of the top section on the Deposit Form
- Each counter should sign the completed deposit slip and Deposit Form.
- The white original of the completed deposit slip along with the cash, coin, and check batches should be put into a lockable bank bag. Lock the bag and keep the key at the church. One counter should take the locked bank bag to the bank.
- The yellow duplicate deposit slip should go with all the other counting documents for entry into the general ledger and contribution system.
- Compare the grand total of the Contribution Worksheet to the deposit totals from the deposit slip and Deposit Form **(they should all match)**
- Transfer the general ledger distributions from the last page of the Contribution Worksheet to the Deposit Form section titled "Distribution for Financial Statements?"

10. Check the floor before leaving, just to ensure nothing was dropped.

Sample Forms:

### Cash Counting Sheet - Counter #1

Type of Count:    Loose    Envelopes    Activities/Fees

Date: \_\_\_\_\_

CURRENCY	COIN
\$100.00	Dollars
\$50.00	Fifty Cent
\$20.00	Quarters
\$10.00	Dimes
\$5.00	Nickles
\$1.00	Pennies
TOTAL	TOTAL

TOTAL

----- Fold Here -----

### Cash Counting Sheet - Counter #2

CURRENCY	COIN
\$100.00	Dollars
\$50.00	Fifty Cent
\$20.00	Quarters
\$10.00	Dimes
\$5.00	Nickles
\$1.00	Pennies
TOTAL	TOTAL

TOTAL

Counter Signature: \_\_\_\_\_







**Test Church**

Contribution Worksheet

Sunday Date: 5/26/20XX		ID	#3110 Tithes & Offerings	#2310 Building Fund	#2610 Benev.	Other Description (Acct. #)	Other Amount
Acosta	Deborah K.	2492	300.00	200.00			
Acton	George & Linda	2395					
Anderson	Thomas & Karen	1005	1,200.00				
Becker	Michael & Pamela	1191					
Beltram	Kent & Tracy	2460					
Benson	Tiffany	1834	25.00	5.00			
Boedeker	Lynnae	2495					
Breninger	Kyle	2448					
Breuer	Bill & Lynn	1290					
Breuer	Chad	2409					
Brewer	Eric & Alisha	1839	12.50				
Cross	Debra	2251					
Darlington	Scott & Erica	1894					
Dennis	Dan & Phyllis	2263	900.00	100.00			
Deeney	Bruce & Lynn	3456					
Dominguez	Alisha	2493					
Duggan	Stan & Vicki	2494	1,500.00	500.00			
Ethridge	Gary & Pilar	2463					
Falk	Joe & Martha	2276					
Falk	Kayla	2336					
Forgey	Regina Y.	2497					
Fox	David & Erlene	1961	75.00				
Fulk	Bradley	2469					
Fuller	Destiny	2239					
Fuller	Elizabeth	1478	5.00				
Fuller	Scott & Marilyn	1047		22.00			
Gile	Michael & Allison	1919					
Gillespie	Dylan	2485	84.00				
Gleason	Anna	2462					
Goering	Jacob & Sharyl	1054	626.00	374.00			
Gonterman	Tom & Gayle	1529					
Gross	Manuel & Martha	1411					
Hamil	Ed & Deborah	1563	125.00				
Hamil	Jennifer	1629					
Hammon	NG	2108					
Hart	Cody	2475					
Hein	Edwin & Gaila	1059					
Hein	John	1060	300.00	300.00			
Hernandez	Mila	2174					
Hoffman	James & Laurie	2053					
Hoines	Julie	2496					
Horner	Ben & Monica	1494	62.43	59.46			
<b>Total Contributions</b>			<b>5,214.93</b>	<b>1,560.46</b>	<b>0.00</b>		<b>0.00</b>



### Making the Deposit

- ✓ One person should take a copy of the counting documentation and duplicate deposit slip to the accountant; the other takes the deposit and original deposit slip to the bank. This insures that any fraudulent changes to either the bank deposit or paperwork will be found during the reconciliation process.
- ✓ Dual control is no longer needed if the money is in a locked bank bag and the person taking it to the bank does not have access to the key.
- ✓ If safety is a concern, the person taking the deposit to the bank may want to consider:
  - Alternate routes
  - Alternating the time the deposit is taken to the bank

### Recording the Contributions

- ✓ Contribution Statements should always include the wording “No goods or services were provided, other than intangible religious benefits, in exchange for these donations.”
- ✓ Charitable contribution credit should only be given for cash, check or credit card donations given directly to the church or ministry. Carefully follow the rules for contributions on the following pages.



#### An important step to reducing fraud is:

To have an independent person – someone not involved in any aspect of the offering counting process – balance bank deposits to the general ledger and to the contribution system every month.

## III. Complying with IRS Guidelines for Special Income Categories

### 1. Contributions Designated for Mission Trips

Many churches sponsor mission trips across the country or around the world. Individuals given an opportunity to participate in a missions experience are often required to raise a specific amount of funds to offset the trip cost. Are contributions raised by these individuals tax deductible? Can a person make a tax-deductible gift to cover their own mission trip?

#### Nature of the Mission Trip

The IRS expects a church to use all tax-deductible gifts in a manner consistent with the church's tax exempt/ministry purpose. This means tax deductible gifts made to a church to help individuals participate in a mission trip must be used for ministry purposes. If any portion of the mission trip covered by donated funds is not significantly ministry-related, it would not be consistent with the church's tax-exempt purpose, and it's possible at least a percentage of the contributions given would not be tax deductible.

If a church sponsors a pleasure trip (e.g., cruise, Holy Land trip, etc.), none of the amounts paid would be tax deductible since the purpose of those trips is not ministry related. *Ministry related* means trip participants must be involved in active ministry (activities normally associated with evangelism, discipleship, or any of the typical benevolent functions of a church), not simply observing or enjoying ministry



#### Tax Deductible Gifts

**Principle #1: Contributions are only tax deductible if they're given to a church or nonprofit organization. An individual cannot receive a tax-deductible gift.**

When a donor gives a contribution to help a person participate in a mission trip, everyone needs to understand that the gift is given to the church – not the individual.

**Principle #2: Churches must have discretion & control of all tax-deductible gifts.**

Two ways a church can communicate *control* include implementing a *no refund policy* and properly communicating the purpose and use of the gift before and after the gift is given.

### No Refund Policy

It is rarely appropriate for a church to refund a contribution. Doing so typically sends a message to the donor and to the IRS that the gift was not controlled by the church to begin with and should not have been tax deductible. Sometimes a potential mission trip participant does not raise enough money to cover his/her cost of the trip. If an individual raises funds for a mission trip and then cannot participate for any reason, the funds raised by the individual should not be returned to donors. In these circumstances, the funds are often used to defray the cost of the trip at large, another participant's cost, or some other missions-related purpose of the church.

### Communication to Trip Participants and Contributors

One way a church can show control over tax deductible gifts is to print the following statement on fundraising letters and contributions receipts:

“Contributions are solicited and received with the understanding that ABC Church has complete discretion and control over the use of all donated funds.”

This communicates to donors that their gift can be used for any ministry-related purpose of the church if a potential mission trip participant cannot, for any reason, participate in the trip. This policy should be communicated to all trip participants prior to raising funds, and communicated to prospective donors when a gift is requested.

### Other Ways to Exhibit Control

Other ways a church can exhibit control over tax deductible contributions for mission trips include:

1. Have the church or partnering agency be responsible for disbursing all mission trip-related expenses.
2. Ensure that all trip participants are under the complete direction and supervision of the church throughout the entire mission experience. Allowing someone to go out on their own could indicate a personal activity rather than ministry.
3. Give participants appropriate training and tools needed to conduct active ministry.

Final Note – As long as the principles noted above are followed, the IRS allows an individual to give tax deductible gifts to cover the funding requirements of their own mission trip costs.

## Sample Missionary Fundraising Letter

(Church Letterhead)

Potential donor

Name

& Address

Date

Dear \_\_\_\_\_,

This coming summer, I have the opportunity to participate in a mission trip to Jamaica with First Community Church. I look forward to seeing how God will open doors of ministry and use us to minister to the people of a small community called Harmons, Jamaica.

The mission agency we're partnering with, *Won By One To Jamaica*, will put us to work constructing a greenhouse that will provide a source of food and employment for several people in the community. In addition to this, a few members of our group will assist some teachers in the local grade school while others will help in a medical clinic.

To participate in this wonderful missions experience, each person wanting to go is asked to raise or contribute \$4,425. I would be very grateful if you would make a contribution to First Community Church to help me raise the needed funds. If you're able to help, I'm asked to communicate the following:

- Checks must be made payable to First Community Church and sent directly to the church.
- On a church offering envelope or the envelope enclosed with this letter, please indicate that this contribution is helping me (David Smith) raise money for the Jamaica mission trip. By doing this, the church will credit my involvement in raising the required funds.
- If, for any reason, I cannot participate in this mission trip (due to illness, etc.), the Church will probably use your gift to help cover the overall costs of the Jamaica mission trip or it could be used for the church's general missions budget. Contributions cannot be refunded. Contributions are solicited and received with the understanding that First Community Church has complete discretion and control over the use of all donated funds.

The Church is leading several training and orientation classes, so we'll be fully prepared for the trip. When we return, the group plans to share some videos and stories of how God worked through us. Wow – I can hardly wait!

Thank you for taking the time to read this letter and for praying about how you can partner with us for this mission trip.

Sincerely,

David Smith

*Soon-to-be Missionary to Jamaica*

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## Sample Missionary Fundraising Letter

Contributor \_\_\_\_\_ Participant \_\_\_\_\_

Date \_\_\_\_\_ Project \_\_\_\_\_

I wish to contribute \$ \_\_\_\_\_ for the use of (*Church / Organization Name*). This contribution is to be used toward the expenses associated with \_\_\_\_\_, and I hereby relinquish all administrative and accounting control over this money. I would like to suggest that my contribution be credited to the account of the participant. Should the participant be unable to make the journey or have sufficient funds already provided, the Missions/Finance committee may administer my contribution according to their written policy.

\_\_\_\_\_  
(Contributor's Signature)

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## 2. Tax-free Distributions from IRAs for Charitable

A qualified charitable distribution (QCD) is generally a nontaxable distribution made directly by the trustee of your IRA (other than a SEP or Simply IRA) to an organization eligible to receive tax-deductible contributions. You must be at least age 70.5 when the distribution is made. Also, you must have the same type of acknowledgment of your contribution that you would need to claim a deduction for a charitable contribution. The maximum annual exclusion for QCDs is \$100,000. For a married couple, if both spouses are age 70.5 or over and both have IRAs, each spouse can exclude up to \$100,000 for a total of up to \$200,000 per year. **The IRA owner will receive a 1099-R from their IRA trustee that shows any IRA distributions made during the prior calendar year.** The donor should receive a written acknowledgement of their contribution from the charitable organization before filling their return. The acknowledgement should state the date and amount of the contribution and indicate whether the donor received anything of value in return. It should NOT be included on the same "Contribution Statement" reporting the tax-deductible donations to the organization.

## 3. Stock Contributions

Gifts of publicly traded stock can be beneficial to donors when the value of the stock has increased from the original purchase price. Rather than selling the stock and making a cash donation to a charity, the donor may realize greater tax benefits by transferring the stock to the charity. That is, the fair market value of the stock may be taken as a charitable contribution while avoiding capital gains tax on the sale of the appreciated stock. Church Treasurers should be careful to correctly receipt stock donations, as well as advise potential donors of their substantiation requirements.

## Church Receipting and Reporting Requirements

Provide a written acknowledgement of the gift. This document/letter should include the following:

- Name and address of the church
  - Name of the donor
  - Date the stock was donated
  - Detailed description of the stock including the number of shares received
  - Do NOT provide a value for donated stock
- 
- If no goods or services were provided to the donor, then include a statement indicating that the only goods or services provided are intangible religious benefits. If any goods or services *were* provided to the donor in exchange for the contribution, a statement must be included indicating the value of those goods and services.

## Donor Substantiation Requirements

- Obtaining written acknowledgement by the Church as detailed above before filing a tax return claiming a deduction for the contribution
- Documentation of the fair market value of the stock at the time of the contribution, as well as the cost basis of the stock
- If the stock donation is valued at \$500 or more, complete and attach to tax return: Section A, Part 1, of IRS Form 8283

## 3. Contributions of Service

**NO tax deduction is allowed for contributions of services to a charity.**

However, volunteers may deduct unreimbursed expenses that occur from the result of their donated services. Examples include transportation costs, postage stamps, stationary, or other materials. Any costs claimed as a tax deduction should be substantiated with cancelled checks, receipts, and mileage logs. If expenses total \$250 or more for the calendar year, written acknowledgement (following other non-cash donation receipting rules) from the charity needs to be obtained before filing the income tax return.



## 5. Non-Cash Contributions

A church may receive non-cash contributions from donors in furtherance of their exempt purpose/mission. In order for the gift to be tax deductible to the donor, a written acknowledgement must be received from the church for property valued at \$250 or more. Depending on the value and type of property donated, additional reporting and substantiation requirements may exist as outlined below. Items donated for a fundraiser auction may be exempt from reporting requirements.

### Church Receipting and Reporting Requirements

- Written acknowledgment of the gift that includes the name and address of the church, name of the donor, date the property was donated, detailed description of the property (not value), statement indicating whether any goods or services were provided in exchange for the contribution
- For donations valued at more than \$5,000 the church must fill out Part V of IRS Form 8283 "Donee Acknowledgement" (not an acknowledgement of the value)
- Additionally, if a church receives a non-cash contribution valued at more than \$5,000 and within three years of the date of contribution sells, exchanges, consumes, or disposes of the donated property the church must file Form 8282 with the IRS and provide a copy to the donor. This does not apply to gifts of publicly traded stock.

### Donor Substantiation Requirements

- Obtain written acknowledgement from the charity as detailed above before filing a tax return claiming a deduction for the contribution
- For donations valued between \$500 - \$5,000 must also complete Section A, Part 1 of IRS Form 8283 and enclose it with the tax return on which the charitable contribution is claimed
- For donations valued more than \$5,000 must obtain a qualified appraisal of the donated property and complete all parts of Section B on IRS Form 8283

### Donations of Cars, Boats, and Planes

Special reporting requirements exist for vehicle donations. The church is required to report information about the donation to the IRS on Form 1098-C. Form 1098-C must also be provided to the donor within 30 days of the donation date if the church keeps the vehicle, or within 30 days of the sale date if it is sold.

## Sample Non-Monetary Contributions Letter

(Church Letterhead)

Date \_\_\_\_\_

Donor Name \_\_\_\_\_

Donor Mailing Address \_\_\_\_\_

City, State & Zip Code \_\_\_\_\_

Dear \_\_\_\_\_,

On behalf of \_\_\_\_\_ *(Church/Ministry Name)*, thank you for your recent gift of:

Description of the gift: (Describe property donated and condition, but do not state any value)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Date this gift was received: \_\_\_\_\_ *(Date of the gift)*.

Please be assured your gift will be used for the general ministry outreach of Church/Ministry Name.

Sincerely,

\_\_\_\_\_  
*Church/Ministry Representative*

All gifts given to \_\_\_\_\_ *(Church/Ministry Name)* are made with the understanding that \_\_\_\_\_ *(Church/Ministry Name)* has complete discretion and control over their use.

No goods or services were given in exchange for this gift other than intangible religious benefits.

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## 6. Quid Pro Contributions

**Quid Pro Quo** – “something for something”

When a donor receives goods or services in exchange for a cash gift or gift of property, the charity is required to provide additional disclosures on the written receipt or acknowledgement that is provided to the donor including:

- ✓ A good faith estimate of the value of goods or services received
- ✓ A statement informing the donor that the amount of the tax-deductible contribution is limited to the difference in the value of the cash or property contributed and the value of the goods or services provided by the organization

An exclusion to this requirement includes the receipt of token goods or services that are insubstantial in value, such as key chains, bookmarks, and calendars. The general threshold for an item to qualify as a token gift is the lesser of \$95 or 2% of the amount of the contribution.

## 7. Returning Contributions

Since the nature of tax-deductible contributions require an irrevocable transfer of cash or property to a charitable organization, request from donors to return gifts should in most circumstances be denied. In some instances where a donor has made a restricted contribution, the governing body of the church may deem refunding contributions appropriate. For example, if a church raises money for a new church building and then abandons the project, the church should contact the donors and ask them if they want their contributions returned or retained by the church for another purpose. A letter should be sent to the donors who request a refund informing them that they need to consult with their tax advisor about filing amended tax returns to remove any deduction claimed during the previous years as a result of their restricted contributions. Churches should have policies in place to address requests for the return of restricted charitable donations, and should carefully consider all facts, consulting with legal counsel if needed.

## Closing Comments

The contents of this workshop and this workbook are a culmination of over 75 years of combined management expertise of the contributing writers working in and with churches and religious organizations. They are also flavored with the thoughts of many of today's most effective researchers and outstanding leaders.

It is our heart's desire that the Kingdom of God will grow and expand as the principles of aligning Kingdom resources with vision, mission, goals, and objectives begin to take hold in your church.

It is not an easy or short process. It's a journey, perhaps a long one. But when you consider the alternatives, it appears we must choose to go forward.

***“Finally, brethren, whatever things are true, whatever things are noble, whatever things are just, whatever things are pure, whatever things are of good report, if there is any virtue and if there is anything praiseworthy, meditate on these things.”***

***Philippians 4:8 NASB***

*Our prayer for you today is that God will richly bless you and your ministry as you attempt to follow God's plan for your church / ministry in this important area.*

## Contact Information



For information regarding accounting or other services:

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## MM Accounting Packages Include:

- Payroll and Taxes
- Payroll Taxes
- Accounts Payable
- Financial Statements
- Donor Record Keeping
- Online Access

