

## Designated funds policy for Christ the King Lutheran Church

(adopted March 21, 2023)

Christ the King Lutheran Church is a qualified charitable organization exempt from federal income taxes under IRS Sec 501(c)(3). Contributions to the church are deductible for federal income tax purposes under the rules and regulations established under the current provisions of the Internal Revenue Code.

### TYPES OF CONTRIBUTIONS

Generally speaking, a contribution to the church is either 1) undesignated giving, which supports the yearly budget of the church through our General Fund, or 2) designated giving, which supports other approved funds or projects of the church (which may or may not be part of the yearly budget).

Restricted giving, which includes funds whose use is restricted by the donor, is not accepted unless the Church Council expressly approves the gift in writing. The purpose of this policy is to set forth how undesignated and designated gifts will be treated in order to be considered a tax-deductible contribution (restricted gifts are not tax-deductible). For purposes of this policy, the following terms are used:

- Tax-Deductible or Charitable Contribution – a gift of cash or property given to a qualified organization by a donor who receives no tangible benefits from the gift and gives up full control of the gift for the organization to use for its purpose and mission.
- Undesignated Gift – A gift that is given without designation. The yearly budget (General Fund) is funded primarily through undesignated gifts, and as such, donors are encouraged to give without designation.
- Designated Gift – A gift that is designated for a specific fund (other than the General Fund) or ministry project. Designated giving will be accepted only for funds or special projects that have been approved. Such funds will be used to support the purpose for which they were originally intended until that purpose has been satisfied, after which any excess funds are used for other purposes consistent with the church's ministry. Designated gifts for budgeted line item expenses (e.g. specific ministry or event) will be accepted in accordance with #2 below.

### FUNDS AND DESCRIPTIONS

- General Fund – The General Fund supports our regular ministries and programs, mission work in the local and global community, and ensures that the operations of the church continue. This fund includes all undesignated gifts from our weekly tithes and offerings. Each year, the Treasurer and Church Council prepare a yearly budget for the General Fund that is approved by the congregation. This budget will guide the disbursement of funds from the General Fund.
- Memorial Fund – This fund includes all other designated funds and is administered by the Vice President of the congregation. At the Church Council's discretion, such funds may be used for other purposes consistent with the church's ministry.

- Stone Soup Fund – This fund supports the Stone Soup ministry, whose mission is to feed the hungry in the community. At the Church Council’s discretion, such funds may be used for other purposes consistent with the church’s ministry.

Other funds for special projects may be created on a temporary basis as determined by the Pastor, Treasurer, or Church Council. Any funds collected in excess of what is needed may be used for other purposes consistent with the church’s ministry.

#### GIVING POLICIES

- 1) All undesignated giving from our weekly tithes and offerings will be directed to the General Fund.
- 2) Any gift designated for a budget category or line item expense (under any fund) will be applied to the budgeted amount. Such gifts will be used to support the purpose for which they were originally intended until that purpose has been satisfied, after which any excess funds are used for other purposes consistent with the church’s ministry.
- 3) According to IRS regulations, in order for a gift to be considered a tax-deductible contribution, the church must maintain full control over how the gift is used. Therefore, any gift that is clearly designated for and limited to the benefit of a particular individual, item, event, or fund (such as when the gift is accompanied by notations like “use for,” “funds for,” “only for,” “limited to,” etc.) cannot be accepted and will be returned to the donor.
- 4) The value of personal services donated is not deductible as a charitable contribution and donations of this type cannot be reflected on the individual’s record of giving. The church relies heavily on volunteers to fulfill its ministry.
- 5) The value of donated goods to the church may be deductible as a charitable contribution; however, donations of this type will not be reflected on the individual’s record of giving. A letter recognizing the donation may be requested from the Treasurer of the church. Only specific items will be itemized in the letter, as the fair market value will need to be reported to the IRS by the donor and substantiated by receipts.
- 6) On the occasion that a person is given pre-approval by a ministry leader to purchase items for a ministry and receive a reimbursement, the donor may not receive contribution credit for items bought for the church’s ministries instead of being reimbursed. We are always grateful for the generous spirit of our people and we want to do what we can to accommodate this request. But it can be challenging to establish an adequate trail to substantiate the gift as well as convert a ministry expense into a donation in our system. Instead, we ask these donors either purchase the ministry items they would like to donate on their own accord and donate them to the church. Or, the donor may submit a check request for the reimbursement (which must be pre-approved by the appropriate ministry leader), and then return the money as a contribution to the church.
- 7) Gifts designated to a specific individual do not qualify as charitable contributions under IRS regulations and are not accepted.

## REFUNDING A CHARITABLE CONTRIBUTION

Charitable contributions cannot be returned to the donor. To refund the gift would be contrary to the basic definition of a charitable contribution and could have possible tax implications to the donor and potentially cause a liability to the church. Note that suggested donations (e.g., for building use) are considered to be charitable contributions.

## CONTRIBUTION STATEMENTS

Donors will receive a mid-year giving statement confirming the amounts, donation accounts, and date of gifts, as well as year-end statement documenting such gifts as deductible contributions for income tax purposes in the United States. Each donor is advised to consult their personal income tax advisor for the applicability of such contributions in their own circumstance.

## YEAR OF CONTRIBUTION

The IRS provides clear guidelines with regard to the date of posting contributions, which we follow carefully. All contributions received or postmarked by December 31 will be included in that year's contribution statement. If the contribution is received or postmarked after December 31, it will be included in the contribution statement of the year in which it is received/postmarked—regardless of the date on the check.

## CONCLUSION

The church respects the donor's decision to give as led by the Lord. The above policies are meant to provide guidance to the donor and the church body as well as comply with the applicable tax laws. The church reserves the right to refuse contributions that are not related to the primary purpose of the church, not in the best interest of the church, or those not qualified for tax purposes. The church also reserves the right to amend these policies at any time.