

# St Paul Evangelical Lutheran Church Benevolence Funds Policy and Procedures

July 13, 2009

## Purpose

To outline the policies and procedures that guide and govern the management of the St Paul benevolence funds that are overseen by the Social Ministry Committee (SMC).

## Social Ministry Committee (SMC) Vision Statement

The direction for this committee comes from Christ himself, who has challenged us to feed the hungry, clothe the naked, welcome the stranger, visit the prisoner, and heal the sick. The committee's purpose is to respond to God's call to help those with needs in our congregation, in our local community, and in the world. Accordingly, we will inform, guide, and support St. Paul's witness and outreach to our world.

In particular, the committee will:

- Promote awareness, prayer, and action in response to social justice and ministry concerns.
- Inform and encourage the congregation to participate in social ministry opportunities.
- Provide thoughtful and prayerful leadership in the disbursement of available funds.

## Funds Purpose

The benevolence funds are used to support outreach within our congregation, our local community, and the world.

## Scope

The benevolence funds include the following accounts, all of which are managed by the SMC:

- *N5 – Donated Benevolence Fund* – donations from this fund can be approved solely by the SMC without requiring additional approval. The sources of this fund are contributions designated for outreach.
- *N7 – Tower Outreach Fund* – donations from this fund require Church Council approval in addition to SMC approval. The source of this fund is 10% of two cell towers (AT&T and T Mobil) and 20% of a third cell tower (Metro PCS).<sup>1</sup>
- *Supplementary N-funds for specific SMC-managed projects* – These funds are earmarked for specific projects and will be populated by external donations (although transfers from N5 and/or N7 could supplement them). Only SMC approval is required to expend these funds. The SMC chairperson will coordinate with the treasurer and financial secretary to identify when a special account should be created. When possible two weeks written notice will be provided to treasurer and financial secretary regarding a new supplementary N-fund.

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<sup>1</sup> In December 2011 Council approved that, if necessary, between Council Meetings, the SMC can disburse up to \$1000 from N7 without Council Approval; however, SMC is required to report the disbursement at the next Council Meeting.

- T11 – Thrivent Matching fund – This fund is for returned and matching Thrivent money for programs for which a dedicated fund is not established. Expenses incurred for program are dispensed from T11.

### **Donations to the Benevolence Funds**

Due to the tax-exempt status of the church, care must be taken to retain this status by ensuring that donations are managed in accordance with Internal Revenue Service (IRS) guidelines. Donations to the benevolence funds are guided by the following rules:

- Donations will only be deposited in the N5 or the Supplementary N-funds for specific SMC-managed projects. They will not be deposited in the N7 or other funds.
- The donor may suggest that the funding be given to a particular individual, however such a suggestion will not constitute a mandatory requirement to give that individual the funding or gifts or services obtained from the funding<sup>2</sup>
- Donations that mandate that the money go to a particular individual or family will be returned to the donor. Donations designated for a particular SMC-sponsored event will be accepted but only when they do not specifically call out a particular individual or family.
- As executors of the church's benevolence funds, the SMC has full control over the disbursement of the money in the N5, Supplementary N-funds or A2, for specific SMC-managed projects<sup>3</sup>
- Upon request, a receipt for "Gifts in Kind" donations will be provided to donors. The receipt will state: ***no goods or services were received for the contribution*** and no monetary value will be provided.

### **Disbursement Recipient Types**

Benevolence funds may be used to support a variety of activities. The important point when the church makes disbursements is to create a paper trail showing how the funding was used for a charitable cause. This paper trail can take shape in a few different ways, largely dependent upon the recipient type. The funds recipients will fall into one of the following categories:

- *U.S. 501(c)3 Tax-Exempt Organization* – Funding, gifts, or services will be provided to the 501(c)3 organization. A receipt from the 501(c)3 organization will be obtained acknowledging delivery of the funding, gifts, or services. For gifts or services, the receipt for purchasing these items will also be obtained. The combination of this gift/service receipt plus the receipt from the 501(c)3 organization constitute a sufficient paper trail showing a charitable contribution. When the donation is strictly monetary, the receipt from the 501(c)3 organization is sufficient paperwork.
- *Individual(s), Families, or recognized groups of Individuals or Families* – The SMC may decide to make donations directly to individuals, families, or recognized groups of individuals and/or families. This is permitted by the IRS provided that some

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<sup>2</sup> See IRS Private Letter Ruling 8752031 explanation, <http://www.churchlawtoday.com/private/library/cltr/c0193081.htm>

<sup>3</sup> The church must retain full control over these donations for otherwise they will be viewed as a gift to a particular individual or family. See IRS Revenue Ruling 62-113 explanation at <http://ftp.irs.ustreas.gov/pub/irs-wd/0250029.pdf>

minimal information is obtained regarding the donation to demonstrate that it is charitable giving. Personal information obtained via this approach should be secured with minimal access to ensure the confidentiality of the recipients. The information required includes<sup>4</sup>:

- Name of the recipient
  - Address of the recipient
  - Amount distributed to the recipient
  - Purpose for which the aid was given
  - Manner in which the recipient was selected
  - Relationship, if any, between the recipient and
    - (1) Members or officers of the church,
    - (2) A grantor or substantial contributor to the organization or a member of the family of either
    - (3) A corporation controlled by the grantor or substantial contributor
- *Foreign Charity or Organization* – Donations to foreign organizations must be handled with care. The primary concern is that such donations could be used for purposes other than the stated charity, for instance to finance terrorist-related activities (for additional information see the U.S. Treasury’s Foreign Giving website<sup>5</sup>). As such, attempts will be made to give the donations to notable U.S.-based charities that can then in turn support foreign initiatives. However if the decision is made to directly support a foreign charity, St. Paul will abide by the following guidelines as outlined in the U.S. Anti-Terrorism Financing Guidelines<sup>6</sup> to ensure compliance with U.S. federal laws”
- (1) Collect basic information about grantees - Name in English & language of origin, jurisdictions where the grantee maintains a physical presence, available addresses, statement of the principal purpose of the grantee to include projects & goals, etc. (see footnote 5 for more specifics about what to collect):
  - (2) Vet the grantee – Conduct a reasonable search of publically available information to determine if the grantee is suspect of terrorism-related activity
  - (3) Check the Office of Foreign Assets Control (OFAC) website to determine if the person is on the Specially Designated Nationals List<sup>7</sup>
  - (4) Require grantees to certify that they do not deal with anyone subject to OFAC sanctions, known to support terrorism, or to have violated OFAC sanctions

### **Disbursement Procedures**

All forms of disbursements from the above funds must be approved by the SMC in advance. The SMC chairperson will prepare a purchase order (PO) for the treasurer who will then issue the payment. All original sales receipts from the POs will be gathered by the SMC and will be attached to the supporting PO when submitted to the treasurer. Copies of all POs and receipts will be maintained by the SMC chairperson. When possible, the St. Paul Lutheran Church ST 5 Sales Tax Exempt Purchaser Certificate will be used for purchases that incur sales tax. Advance registration with the vendor may be

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<sup>4</sup> See IRS Revenue Ruling 56-304, 1956-2 C.B. 306, [http://www.irs.gov/pub/irs-tege/rr56\\_304.pdf](http://www.irs.gov/pub/irs-tege/rr56_304.pdf), which outlines this approach for individual donations.

<sup>5</sup> <http://www.treas.gov/offices/enforcement/key-issues/protecting/index.shtml>

<sup>6</sup> <http://www.treas.gov/press/releases/reports/0929%20finalrevised.pdf>

<sup>7</sup> <http://www.ustreas.gov/offices/enforcement/ofac/sdn/>

required and should be coordinated with St. Paul Office Administrator. Any acknowledgement letters received from the needy individual(s)/organization(s) will be kept with the event paperwork as it helps to establish a paper trail. However such acknowledgement letters will not be solicited from the needy individual(s)/organization(s). SMC will keep a written description of the project to include details surrounding the disbursements. The purpose of this is to demonstrate that the ultimate disbursement recipient falls into one of the categories identified in the disbursement recipient types section. Disbursement payments may be accomplished via the following methods:

- *St. Paul check directly to the needy individual(s)/organization* – In this scenario, the treasurer will issue a check directly to the individual(s)/organization in need.
- *St. Paul check or credit card store purchases for goods or services* – In this scenario, goods or services will be purchased directly by the church and then disbursed via a SMC activity.
- *St. Paul check directly to SMC-designated individual for reimbursement* – In this scenario, a SMC-designated individual procures the necessary goods and/or services, provides a receipt to the SMC chairperson, who then issues a purchase order to reimburse the SMC-designated individual.

### **Thrivent Matching Funds**

Thrivent Financial for Lutherans will match funding for certain volunteer activity. Thrivent identifies two categories for volunteer activity, one for supporting Lutheran congregations and related Lutheran institutions (known as “Care in Congregation”) and one for supporting individuals, families, and non-profit organizations in our community (known as “Care Abounds in Communities”). More information can be found at the Thrivent Volunteering Programs website<sup>8</sup>:

The following process will be used when seeking matching Thrivent funding:

- (1) A SMC member will complete a Thrivent “Request for Funding” form and submit this to the Northeastern MA Thrivent Chapter.
- (2) Donation checks received during the activity will be made out to “Northeastern MA Thrivent Chapter” and held by SMC chairperson or designee until the completion of the event.
- (3) Donated cash will be collected and deposited weekly into designated “N” account until completion of the event at which time a PO will be submitted to request a check made out to “Northeastern MA Thrivent Chapter.”
- (4) At the conclusion of the event, all checks will be sent to the Thrivent chapter which will then provide the matching funds.
- (5) All Thrivent checks (returned plus the matching amount) should be booked to the associated dedicated fund.
- (6) Matching funds will be used to pay back expenses in support of the activity.
- (7) All expenses should be charged against the associated (designated) fund.
- (8) If another dedicated fund (i.e. N5 or N7) is used to support funding the costs can be split between designated funds.

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<sup>8</sup> <https://www.thrivent.com/community/outreach/volunteering/index.html>

- (9) Alternatively, the allocated support from N5 or N7 can be transferred to the associated dedicated fund and all expenses taken from the associated dedicated fund.
- (10) A SMC member will complete the “Report for Funding Activity Results” outlining the results of the activity and submit this to the Thrivent chapter.
- (11) Copies of all completed Thrivent Forms will be submitted to and maintained by SMC Chair (electronically if possible).

## References

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Thrivent Financial for Lutherans Volunteering Programs,  
<https://www.thrivent.com/community/outreach/volunteering/index.html>

U.S. Government, Title 26: Internal Revenue, <http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=bf2e3dc6a762953b5cdb381de0aa7bd3&rgn=div8&view=text&node=26:3.0.1.1.1.0.2.9&idno=26>, Provides requirement of use for care of the ill, needy, or infants.