

Chapter 3

Receipting the Money

The church receives cash or checks at different times and from several sources. Some of it may come in the mail. Naturally, it must be kept in a safe place until it can be included in the next general accounting.

Most people, however, contribute money through the church offerings taken on Sunday. It is extremely important that the contributions be accounted for, from whatever the source. The treasurer is responsible to use monies for the purpose the donors intended.

Eight Steps to Receipting Money

Step 1: Separate the church offering envelopes from all the cash (usually called the loose offering) and other checks. Put the offering envelopes in numerical order. You should maintain lists of envelope numbers and donors organized two ways:

- by name
- by number

Have the lists available for the people who are recording the offering. Sometimes a check will be given without an envelope from someone who has an assigned envelope number. When this happens, insert the check in the proper place among the offering envelopes, and record the gift by number on the **Cash Receipts Summary**, noting that there was no envelope. Other times, you may receive checks from individuals who do not have envelopes. Record their name and address on the **Cash Receipts Summary**, so the assistant treasurer can issue a receipt for them.

Step 2: Count the loose offering and enter the total on the Loose Offering line of the **Cash Receipts Summary**. This is usually under the General Fund column. An exception would be if a special offering was received for a designated purpose. Then you would place loose offerings in the proper column. A **Cash Receipts Summary** is available.

Step 3: After the loose offering is counted and recorded, open each envelope. Record on the **Cash Receipts Summary** next to the proper pre-printed envelope number:

- the total amount of the contribution
- the amounts designated by the donor for each fund (General Fund, Great Commission Fund (missions), Building Fund, etc.)

Recording these individual contributions may seem unnecessary, but it will make the assistant treasurer's job much easier when he or she records the information in the individual giving records.

Sometimes, a donor may not write on the envelope the funds for which their offering is designated, but has put that information in the envelope or on the check. Enter this information on the envelope. You should assume that money, which the donors do not designate, is for the church's General Fund. An exception would be if the governance authority sets a different policy, and communicates it to the church.

Now, make sure that the check is negotiable (able to be cashed). Check to see that:

- the numeric and written amounts agree
- the date is current
- there is a proper signature

Make sure the contents of the envelope (whether cash or check) agree with the amount written on it. This is important: the offering envelopes are the documents that you may need later to balance the bank deposit. Keep envelopes in the same order as you record them on the **Cash Receipts Summary**.

Count the offering as soon as possible after the ushers collect it. If it is stolen before you count it, some insurance policies will not cover the loss, because they cannot determine the amount of the offering.

Step 4: After all the receipts are recorded on the **Cash Receipts Summary** form, total each of the columns. Then enter the total for each column at the bottom of the page. If you need more than one page to record an offering, write the total of each column at the bottom of the page. Then record a grand total at the bottom of the last page. When you add each of the individual column totals together, that amount should be the same as adding together all of the amounts in the Total column. If it is not, find the error and correct it.

Step 5: Using an adding machine, make a tape that includes all of the checks and their total. Next, make a second adding machine tape, this time making a subtotal of all the checks. If this amount is the same as the total on the first tape, then add the amount of cash (currency and coin) and make a new total on the second tape. This total should match the total on the Cash Receipts Summary. If it doesn't, find the error and correct it. Staple this tape to the Cash Receipts Summary.

Step 6: Prepare the bank deposit, using the bank's pre-printed deposit form. Write the total amount of the first adding machine tape you made (in Step 5 above) on the first line for checks. Then staple that tape to the deposit form, as a record of all the checks. Write the amount of currency and coin on the proper lines, and total the deposit form. This total must match the total on the **Cash Receipts Summary**.

Each check should be restrictively endorsed on the back of the left end of the check. "Restrictively endorsed" means that you write or stamp:

- For deposit only
- Name of your church
- Church's bank account number

An endorsement stamp is the easiest way to do this. You can purchase one from the bank or from a local stationery store. Take the deposit to the bank as soon as possible.

Step 7: From the **Cash Receipts Summary**, the assistant treasurer can copy the amounts of the itemized donor contributions to their **Individual Donor Records** (sample available). Do this at once, rather than letting several reports pile up.

Step 8: Soon afterward, enter totals from the **Cash Receipts Summary** into the **Cash Receipts Journal** (see Chapter 5, Budgeting, Recordkeeping and Reporting). At the end of each

month, summarize the receipts for that month and report them to the governance authority and the congregation.

Remember to follow the proper procedures for processing cash receipts. Proper controls will insure that all offerings are used for their intended purpose. Proper records also will enable you to aid your members if the Internal Revenue Service ever questions their contributions. Improper receipting procedures that result in the consistent violation of IRS tax deductibility requirements could result in your church losing its tax-exempt status.

Cashing Checks from Church Offerings

Occasionally a member of the congregation may approach you following the offering to request that you cash a personal check for them. Although this is not a violation of the law, it is a very poor procedure and you should avoid it. If it is a necessity, have them write a check payable to “Cash” and not to the church. Otherwise the person may accidentally (or even intentionally) use the canceled check as a record of their contribution to the church for tax purposes. An admonition from Scripture is appropriate: “...avoid the very appearance of evil.”

Donor Receipts

The Revenue Reconciliation Act of 1993 (RRA 93) signed into law by the President on August 10, 1993 contained new substantiation requirements for documenting certain charitable contributions. Beginning January 1, 1994, no deduction is allowed under section 170 of the Internal Revenue Code for any charitable contribution of \$250 or more unless the donor has contemporaneous written substantiation from the charity. In cases where the charity has provided goods or services to the donor in exchange for making the contribution, this contemporaneous written acknowledgment must include a good faith estimate of the value of such goods or services. Thus, taxpayers may no longer rely solely on a canceled check to substantiate a cash contribution of \$250 or more.

The substantiation must be “contemporaneous.” That is, the donor must obtain it no later than the date the donor actually files a return for the tax year in which the contribution was made. While the new law states that it is the donor’s responsibility for obtaining this substantiation from the charity, most charities recognize their need to provide this substantiation automatically as a part of their receipting process, whether it is on an annual reporting or individual receipt basis.

Most churches issue an annual report of giving to each donor. When this is done, the annual report should itemize each individual gift of \$250 or more, even though not legally required. This is a good practice and allows donors to detect errors and reconcile discrepancies. An individual gift is defined as the total amount given on a particular day, and not as amounts given to individual “funds” on a particular date. In addition, if nothing was given to the donor, the receipt, whether on an annual statement or individual gift basis, must include a statement to the effect that “No goods or services of value were given in exchange for this contribution.”

If the church receives a specific donation that is greater than \$75 and includes some tangible good or service (i.e. book, dinner) then additional substantiation requirements apply. These are termed by the IRS as “quid pro quo” contributions.

Additional information about proper substantiation of donations may be found in the Church and Clergy Tax Guide (see Appendix B), or in I.R.S. Publication 1771 (11-93), which may be requested from your local I.R.S. office or their Web site.

Out-of-Pocket Expenses of Volunteers

New substantiation requirements have come out in proposed regulations involving the unreimbursed out-of-pocket expenses of volunteers in excess of \$250. While the church does not have to acknowledge the out-of-pocket expenses that its volunteers incur in rendering services to the church, it must provide written acknowledgement that services were rendered. The acknowledgement must contain the following:

- A description of the services provided by the volunteer.
- Dates that the services were rendered.
- An indication whether any goods or services were provided in exchange for the costs incurred.

It is up to the volunteer to substantiate the actual costs, and to determine whether the costs qualify as charitable contributions.

Tax-deductibility Questions

To assure compliance with Internal Revenue Service regulations, all gifts need to be clearly identified as tax-deductible or non-deductible. Note any gift that is non-deductible in the **Cash Receipts Summary** and **Individual Donor Record**.

How does a person determine if a gift is tax-deductible or non-deductible? There are six conditions that a contribution must meet to be tax-deductible:

- a gift of cash or other property (not services)
- made before the close of the tax year for which the contribution is claimed
- unconditional and without personal benefit to the donor
- made “to or for the use of” a qualified organization
- not in excess of the amounts allowed by law
- properly substantiated

The IRS has also ruled that one of the main determining factors for tax-deductibility is who controls the use of the funds. In Revenue ruling 62-113, the IRS states:

The test in each case is whether the organization has full control of the donated funds, and the discretion as to their use, so as to insure that they will be used to carry out its functions and purposes.

The ruling continues:

If contributions are earmarked by the donor for a particular individual, they are treated, in effect, as being gifts to the designated individual and are not tax-deductible. However, a deduction will be allowable when it is established that a gift is intended by a donor for use of the organization and not as a gift to an individual.

Gifts for designated or special projects are deductible if the governance authority approves those special projects before you issue the tax-deductible receipt. Gifts for the support, work or outfit of an Alliance missionary are also deductible. So are gifts that are “approved specials.” These are projects approved by International Ministries or National Church Ministries at the National Office. (See the section on **Common Designations** in Chapter 4, Sending Money to the National Office. There you will find a more complete definition of some of the types of gifts that are sent to the National Office.)

Gifts for the support of youth participating in the Alliance Youth Corps, Operation Good News, and similar programs are usually tax-deductible. There is some question as to whether gifts from parents for their own children in these programs are tax-deductible. If the parents generally support other youth in the church, if their support is only a portion of the total given, or the church maintains control over the funds and disburses them for appropriate ministry costs, you could issue a tax-deductible receipt to them. Since it has already spoken on the issue of control, the IRS will probably challenge the governance authority’s approval of a special project if it is based on the specific request of the only donor.

Gifts that may be tax-deductible also include love offerings or benevolent gifts designated for specific people. For example, suppose you take a love offering for your pastor at Christmas. The gifts would be tax-deductible only if they are reported as income to the pastor. Love offerings are discussed in more detail in Chapter 6. Or, the governance authority (or other designated church body, such as the deacons) may approve a benevolent fund for a specific individual. Gifts to that fund are also tax-deductible.

Non-cash Gifts

The church may receive contributions in property or other non-cash items. In general, a receipt for a specific amount is not appropriate. Instead, send a letter to the donor acknowledging that the church received the gift. Include a complete description of the item.

The burden of determining and supporting the value of this type of gift rests primarily on the donor. IRS regulations specify special reporting requirements for some non-cash gifts valued at more than \$500. If the amount of the deduction for all non-cash gifts exceeds \$500, the donor is required to file Form 8283 with their federal income tax return. For gifts, other than marketable securities, valued at more than \$5,000, the donor usually has to obtain a qualified appraisal of the item.

If the church sells the item within two years, additional information must be provided to the IRS. If this happens, you are required to complete Form 8282. Both Form 8282 and 8283 may be obtained from the IRS.

Exercise care in accepting non-cash gifts, especially land and buildings. By accepting these gifts, the church may be liable for environmental or legal issues, such as pollution problems or asbestos in buildings.

Fund Raising

There are also IRS regulations covering fund raising events. If you provide some type of gift or benefit to the donor, the fair market value of that benefit is not tax-deductible (“quid pro quo” rules). Examples of such benefits include meals, concerts, books, and other “give-away” items. The IRS requires that the value of the benefit be printed on tickets and other promotional literature. You may want to consult with a tax advisor when planning a fund raising event. See additional information in the Church and Clergy Tax Guide.