

Benevolence Program Basics

By Rollie Dimos, CIA, CISA, CFE

Catastrophic events like wildfires, hurricanes and the recent tornadoes in the Midwest highlight the tremendous need for compassion ministries. While there are signs the recent economic downturn is reversing, more than half the states still have unemployment rates greater than 7%, and the national average is hovering around 7.5%.

As a result, requests for financial assistance can be a daily occurrence in our churches.

Benevolence and compassion ministry is a theme woven throughout Scripture.

James encourages us to visit orphans and widows in their distress (1:27). Paul instructs us to do good to all people while we have opportunity (Gal 6:10), and the writer of Hebrews reminds us to show hospitality to strangers (13:2).

Many churches include charity in their mission statement, and the four-fold mission of the Assemblies of God fellowship is to evangelize the lost, worship God, disciple believers and **show compassion**.

As we emulate the nature of God, it is ingrained in the church's DNA to show kindness, perform acts of charity and do good to others.

The challenge for churches, though, is to provide assistance to those in need, while maintaining accountability and stewardship over designated funds and avoiding unscrupulous con artists. Further, churches must do all this while complying with appropriate IRS rules.

What about your church's benevolence program? Does it measure up to these criteria?



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Best Practices

One study performed in conjunction with the National Association of Church Business Administrators estimated 35% of charitable organizations do not follow written guidelines when administering assistance programs.

Clear guidelines and policies are necessary to define how funds will be received, who will control and administer the funds, who can receive the funds, and how the funds can be spent. This will require a formal application process, a thorough review of the applicant's need, appropriate approvals and an accountable process when providing assistance.

Review your benevolence program--does it adequately address these important questions:

- Will the benevolence fund receive any funding other than designated funds?
- Will there be an application process?
- Will you restrict how often assistance can be given to the same person or family unit?
- Will you restrict how much assistance can be given to the same person or family unit?
- Who will review and approve applications?
- Who will administer the fund and provide accountability for how funds are used?
- What type of assistance will be provided?
- What type of assistance will not be provided?
- How will the fund handle non-financial requests or long-term requests?
- If assistance can't be provided, what other options or resources are available?

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A well-documented benevolence policy will address these questions, including who the target audience is. For example, will you only help those who attend your church? Will you provide assistance to community members who don't attend your church? Will you provide assistance to other community organizations or para-church ministries?

Further, your plan should address what types of assistance (financial and non-financial) will be provided. Include a discussion of the following types, as necessary:

- Short-term financial assistance
- Long-term financial assistance
- Non-financial assistance
- Emergency assistance
- Non-emergency assistance

Besides providing financial assistance, you may want to provide financial counseling as well. The church's financial counseling program may be separate from the benevolence program, but it is important that both work together.

IRS Compliance

If a benevolence program isn't administered properly, a church could jeopardize their nonprofit status by allowing the following to occur:

- Providing funds to people who really aren't in need.
- Providing assistance to employees and not properly reporting it.
- Giving a tax-deductible contribution receipt for donations designated for a specific person.

The IRS grants tax-exempt status to organizations devoted to charitable purposes. But to qualify, the IRS stipulates that no part of the organization's net earnings can inure to the benefit of any private shareholder or individual.

As a result, benevolence programs have to be careful about who they provide funds to, and how they solicit and record donations.

In most cases, if an unsolicited contribution is designated for a specific person, the contribution doesn't qualify as a tax-deductible contribution. The donor isn't giving the church full control over how the contribution should be used. According to the IRS:

If contributions to the fund are earmarked by the donor for a particular individual, they are treated, in effect, as being gifts to the designated individual and are not deductible. However, a deduction will be allowable where it is established that a gift is intended by a donor for the use of the organization and not as a gift to an individual. The test in each case is whether the organization has full control of the donated funds, and discretion as to their use, so as to insure that they will be used to carry out its functions and purposes. IRS Revenue Ruling 62-113

The IRS guidance suggests that contributions to benevolence funds can be claimed as charitable deductions as long as they aren't designated for a specific person.

However, if a donor designated a contribution to a church benevolence fund and suggests a recipient, this could still qualify as a tax-deductible contribution if the church exercises proper control over the benevolence fund. This means the designation is merely a suggestion and the church can choose to accept or reject the donation.

Otherwise, if the donor isn't giving the church full control over how the contribution should be used, the contribution doesn't qualify as a tax-deductible contribution.

Churches must exercise due diligence when providing financial assistance. Part of the applica-

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tion process should include checking references or verifying the applicant has a bona fide need. If charitable funds are provided to individuals that actually do not have a bona fide need, the church has allowed funds to inure to private individuals.

Along these lines, financial assistance for employees of the church is considered taxable income. While benevolence payments to non-employees isn't taxable, employees do not get the same benefit, and it must be reported as income.

Protect Yourself from Fraud

Churches are especially susceptible to fraud and abuse because of their caring and benevolent nature. In Lee County, FL, the Sheriff's office recently ended a benevolence scam that hit several churches. A man had called area churches claiming to need money to travel north to be with a dying child. Several churches and individuals fell for the man's lies and provided assistance.

In Virginia Beach, two churches recently received calls from a scammer who claimed to be from another church requesting help for a parishioner moving to their town. Soon after, a woman claiming to be that person called and said she'd been in an auto accident and needed cash right away. One church wired \$5,000 and another church wired \$1,900 before finding out it was a scam.

Here are some tips to make sure you are helping those in real need of assistance while protecting your organization from fraudulent claims:

- Perform due diligence: require an application process and thoroughly investigate each request.
- Follow established procedures and keep exceptions to a minimum.

- For utility assistance, write the check to the utility company and mail the check yourself.
- For food assistance, purchase groceries or provide a gift card instead of cash.
- Identify other organizations in your area that have outreach and benevolent programs. Contact them if a particular request seems suspicious to see if they have additional information. Establish a working relationship with them and share information as needed.

Resources

Several organizations have additional resources to help you create and maintain a well-developed and effective benevolence program. Here are a few you may want to consider:

- [Crown Financial Ministries](#) provides some guidelines to help you structure your program.
- [BuildingChurchLeaders.com](#) offers a sample benevolence program, written by Rod O'Neil, author of *Guide to Benevolence Giving for Church and Family*.

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About the Author:

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