

Designated Gifts Policy Guide

Encouraging generosity and inviting people to donate to ministries often results in people “designating” their gift. Designating a contribution is the act of stipulating that donated funds may only be used for a specified purpose.

Why does our church need a “designated gifts policy?”

A congregation needs to understand itself as a group that shares resources and decides together how mission will extend within and beyond the congregation.

It is a good thing when members feel the desire and conviction to support a project, initiative, or cause. These individuals often want to make a financial contribution and want the tax receipt that is normally issued.

This guide is meant to help you ask good questions so that the direction you eventually set is reflective of good process and community life.

1. As a congregation, do we wish to receive donations that are designated?

Designated contributions are contributions made to a church with the stipulation that the donations are used for a specified purpose. As a general principle, a donor can receive a charitable tax receipt for it.

Designated funds can only be spent on the specified purpose of the fund. If the church wishes to change the purpose of the fund, this should be decided by the governing body of the church.

If the donation is for an approved project or ministry and the designated fund has been established, it should be recorded on the donor’s contribution statement.

2. What will the congregation do with designated donations for which the congregation does not have an approved project or ministry?

On occasion, donors wish to financially support a project that is not part of the congregation’s current ministry plan. The congregation usually has three options:

1. Clarify that the congregation is not accepting donations for projects or ministries that are not part of the current congregational plan. This is not a statement of merit regarding this ministry but rather a decision of how the community has chosen to operate.
2. Clarify that the congregation is not accepting donations but will work with the donor in an effort to make their contribution directly to that charity or cause. Whether or not a tax receipt is issued is based on the receiver’s capacity and/or policies.
3. Accept the donation pending the approval of a designated fund to which the designation is made.

Steps for establishing a fund

1. The church establishes a written policy stating the process by which donors can request the establishment of a new designated fund.
2. A church member may request the establishment of a designated fund, through the appropriate channels for that church, such as the Church Council or Finance Committee.
3. The request must be approved by the appropriate authority, before the church accepts contributions for the fund.
4. The fund policy should state:
 - a. The purpose of the fund - why is this designated fund needed and how will it further the church's mission?
 - b. The governing statement for the fund - how will contributions be received for the fund and what will be the reporting requirements to the church?
 - c. The procedure for disbursements from the fund - how will the money be allocated? How can the designated account be closed? How to disperse any money left in the fund after it's closed?
 - d. Accountability procedures - periodic expenditure reports should regularly be reported to the members of the church.
5. Members should be made aware that the policy has been established and will be followed.
6. A list of donors and their contributions should be kept for record-keeping required by the Canada Revenue Agency.

Speak with an Account Manager at your nearest Kindred branch for advice and options for your church.

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MK-32153 (2026/05)