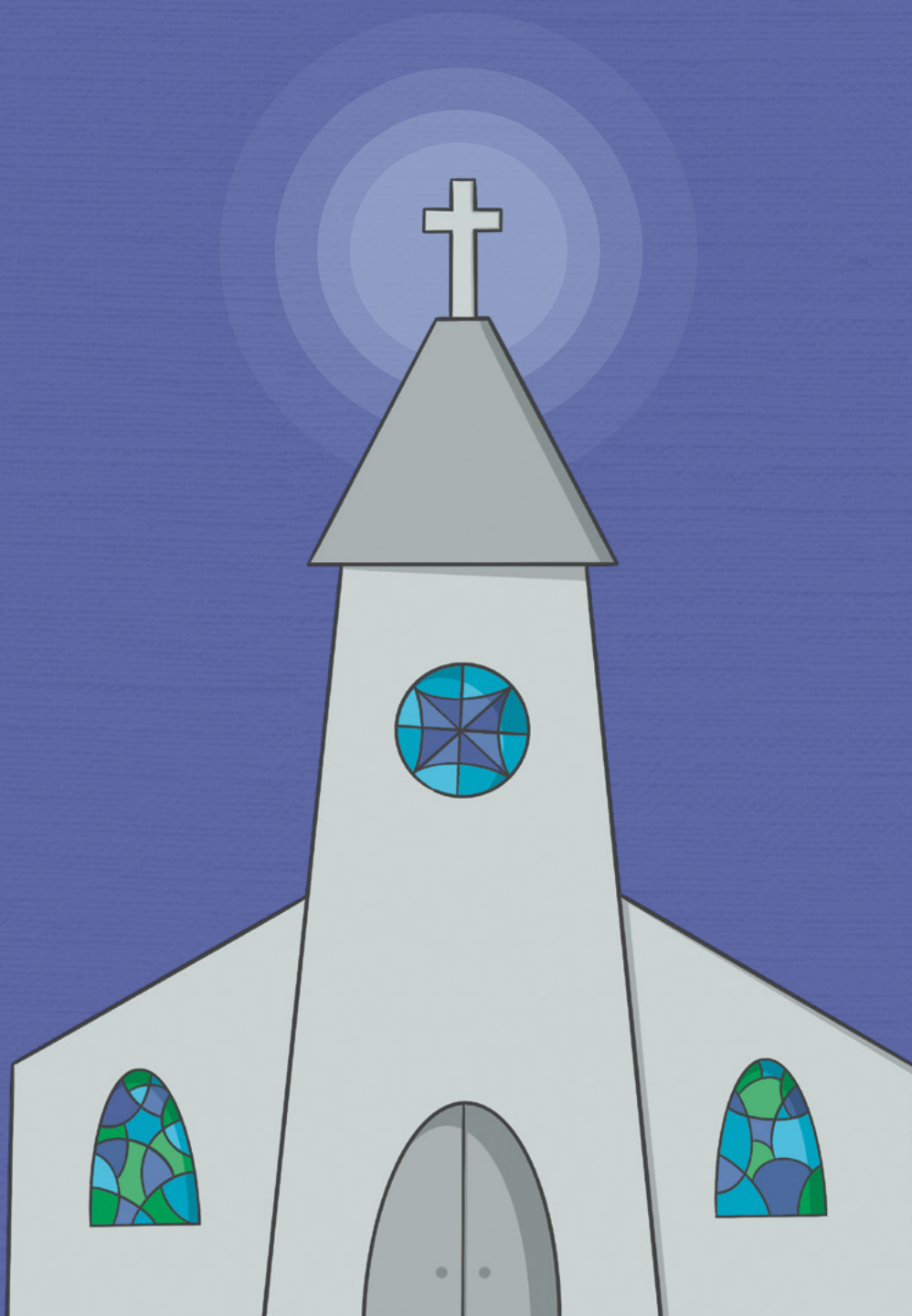


Practical risk management guidance
to help today's Christian ministries thrive


Handle with Care



KEEPING THE “FUNDS” IN FUNDRAISING

The ability to inspire others to give is a blessing. And while fundraising is both exciting and challenging, it takes a team effort and careful planning to avoid lax oversight, which can result from turnover, lack of communication, or incomplete policies. Whether your goal involves funding for construction, a new program, or providing scholarships or financial aid, there are some key details that can help your donors, and organization, have a smooth and successful experience.





A growing ministry held a capital campaign to add space to its building. Most donors gave to the general building fund, but several gave restricted gifts to go toward specific elements of the new building. Through a lack of internal communication and some accounting errors, some of the donor-directed funds were spent on the general building fund. After discovering the error, an upset donor asked for a refund of their \$100,000 donation and told others about the mistake.

Boost Donor Trust with Oversight and Transparency

Two key components of building donor trust are appropriate **oversight** and **transparency**. “These are foundational pillars of being good stewards of the resources God provides to an organization,” said Michael Martin, president and CEO of ECFA (The Evangelical Council for Financial Accountability), an accrediting organization for ministries.

Proper **oversight** of donations means your ministry keeps detailed records of gifts. You’ll want to be able to show gifts given for general expenses and those designated for specific projects. Not only does this help with reporting, but if an auditor asks for specific donation records at year-end, you’ll be able to quickly provide that information.

“Christian organizations should have a good accounting process in place,” offered Martin. “I’ve seen ministries unintentionally use donor restricted gifts for general operating purposes, which is not only problematic, but in some states it’s illegal.”

To investigate potential violations, some states can request information like donation records, bank statements, and receipts. Careful recordkeeping shows how you honor donor requests or return unused funds.

Speaking of receipts, make sure to acknowledge receipt of the donation. While this may seem like a given, failing to promptly send written confirmation of a donation can create a negative experience for a donor as well as potential tax complications. When sending written acknowledgment of a gift, make sure it always includes these three critical pieces of information:

1. The amount contributed by the donor.
2. If any goods or services were provided in consideration for the contribution.
3. A description and good faith estimate of the value of any goods or services provided by your organization.

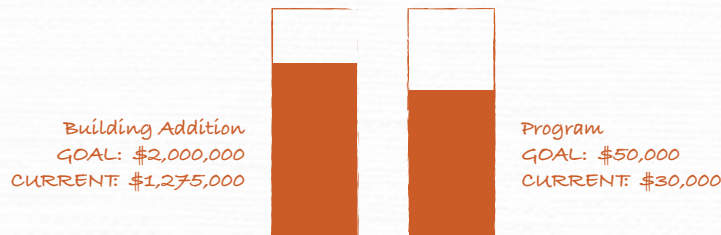
Continued...

"The IRS is very strict when it comes to substantiating a gift, so make sure your acknowledgements include the appropriate wording," said Martin. Failing to include this information can result in an unexpected tax liability for the donor. This could potentially ruin a relationship or result in a lawsuit.

Transparency is important for showing donors that your organization treats donations with care and respect. For many ministries, this means there is an internal system of accountability through a board that looks at the finances. It is also wise to have an independent review of your finances.

"Based on the size of your organization, an appropriate engagement with an outside CPA is an investment in your organization and something that builds trust with donors," noted Martin.

"An audit or a compilation of the financial statements makes sure that resources are being utilized appropriately and that they are used in compliance with laws."



Have a Solid Solicitation Strategy

Soliciting gifts may be one of the most exciting aspects of fundraising, but there are some important factors to consider before you get started. "Your donor communications should be factual, clear, accurate, and complete," said Martin.

If it's a construction project, provide accurate details about the scope and duration of the project. If it's a funding drive for a specific program, make sure the description includes details of your goals and the desired outcome. Clear communication about your request lets donors know what they're funding and how it will be used, which can create a more satisfied donor.

Check with your state to verify if it requires a charitable solicitation request. If your fundraising efforts will cross state lines, you should check with neighboring states to fulfill their requirements. Some social media campaigns may require a request with the state, so it's important to verify that ahead of time. Also, your state attorney general's office can provide guidance on any additional registrations or paperwork if your fundraising efforts bring in more than a set minimum amount, which can vary depending on your jurisdiction.

Protecting People and Proceeds

A college holds a gala fundraiser for donors who give at the leadership level. An alumnus donates a week-long stay in her vacation home for the live auction. Three families pool their resources to make the winning bid of \$10,000. The event coordinators later discover that a bank foreclosed on the home and the three families cannot claim the prize. The families make a claim against the college and the committee for financial damage and demand payment equal to all expenses lost for the canceled vacation.

When your ministry's directors and officers are making decisions that benefit the organization, they can be exposed to potential liability. Check with your insurance agent to make sure your leaders are protected with the appropriate insurance coverage.

Sometimes an unexpected event, like a power outage or storm damage, can force you to postpone or cancel your well-planned fundraising event. For an added layer of protection, there are insurance options to help replace funds you typically would have received or to help cover expenses related to the event.

Create a Gift Acceptance Policy

During an alumni giving campaign, a former student wants to donate a parcel of land near your school. The catch is that there's an abandoned warehouse on the property. Should you accept the gift? This question can be difficult to answer without a Gift Acceptance Policy to guide your decisions.

A robust policy addresses many areas of risk that could lead to unintended consequences for your school and the donor. It also helps your school plan for how to handle various types of gifts that could require additional effort to convert into cash, such as real estate or personal property.

In addition to outlining how cash gifts will be handled, a Gift Acceptance Policy helps ministries navigate complex and sometimes risky donor gifts. A policy helps you consider gifts that may or may not align with your mission, vision, and values. It can also help you avoid receiving non-monetary gifts that could be costly to maintain or difficult to dispose of. Finally, a policy can help you avoid potential public relations issues, and it helps staff understand how to graciously turn down offers that could carry an unacceptable amount of risk.

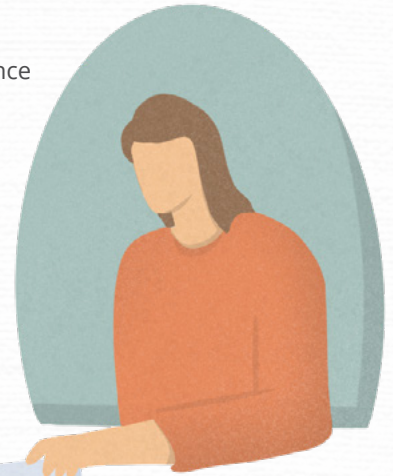
It is especially useful when gifts fall outside what is typical for your organization. For example, would your camp accept lottery winnings? Would your ministry accept donations from someone with a tarnished reputation? Would your school accept property that was used to store hazardous chemicals? Your policy helps address potential issues before the gift is accepted.

A baseline policy addresses how your school will handle the following types of gifts:

- cash, securities, digital currencies
- real estate, land

- annuities, trusts, life insurance
- personal property
- alternative assets
- deferred gifts

A Gift Acceptance Policy also addresses Federal and State laws, making sure your ministry is compliant and files the appropriate forms.



To help avoid deductibility concerns for donors, your ministry's policy should clarify that funds will be used to further the ministry's purpose. To be tax-deductible for the donor, gifts generally must be made to the organization or a specific program, rather than an individual.

This applies to donor directed gifts as well as general fundraising efforts. When developing a policy, there are two conditions that help clarify this point:

1. All donations will be under complete control of your ministry and may be used at the ministry's discretion.
2. Donations may be directed to a specific program of the ministry, such as mission travel, a scholarship fund, or building expansion, but may not be directed to a specific person.

[See Page 11 to access our sample language for creating a Gift Acceptance Policy.](#)

STEALING MINISTRY



Providing the right financial controls in a high-trust environment is key to managing staff and volunteers who handle money at your organization. Churches and schools that strike a good balance of internal controls tend to enjoy more trust, lower turnover, and greater influence within their communities. "Proper controls protect the integrity of everyone involved in handling money," said Mark Young, a certified public accountant and director of tax at Brotherhood Mutual. "They should be viewed as a positive, not a negative."

One employee or volunteer might manage financial duties with little oversight, particularly at a small

church or school. If others aren't watching where the money is going, theft can go undetected for years. "Usually, it's a trusted person," Young said. "No one would suspect them. And when fraud is detected, it causes all sorts of turmoil." Even if the stolen amount is small, the effects can be great. They can include broken trust, divided loyalties among staff and congregation, and people leaving the ministry or school. If news of the embezzlement becomes public, the organization could suffer the side effects of a damaged reputation, as well.

Internal theft can happen in any number of ways, from purchasing schemes to padded expense reports. The financial damage can be devastating. "It's not unusual for someone to steal tens of thousands of dollars before getting caught," said Brandon Lemberg, a property claims manager with Brotherhood Mutual.

Employee dishonesty isn't always about ministry finances. Property can be vulnerable to fraud, too. "For example, imagine the consequences of a ministry leader changing the deed to the church building in an attempt to take control of the ministry," noted Lemberg. While this may seem like an extreme scenario, it serves as a reminder that lax oversight can grow to threaten the very existence of a ministry.

It's impossible to eliminate every possibility of fraud. The ECFA encourages appropriate balance between high trust and high internal controls. It starts by addressing a ministry's most significant risk of substantial loss and seeing where the holes may be when it comes to both.

After identifying an organization's greatest exposure, both the ECFA and Young recommend these five risk control measures as a starting point for any organization:

1. Follow written procedures.

Be sure to have thorough, written procedures that you periodically evaluate and update.

2. Require two people to handle cash.

They shouldn't be the same people every time, and they shouldn't be close friends or relatives. Use a team of several people and rotate them frequently.

3. Segregate duties.

It's important to divide the following responsibilities among two or more people:

- **Custody:** Handling incoming or outgoing funds.
- **Authorization:** Approving financial transactions.
- **Recordkeeping:** Documenting transactions and generating financial reports. For example, a school may require that the person issuing checks isn't allowed to create or approve invoices.

4. Rotate people handling funds.

When one person holds the same position for a long period of time—with little oversight—it can be an invitation to commit fraud. The temptation is the same

whether the person is on staff or a volunteer. Insist on term limits for volunteers and move them out of positions involving finances every three to four years.

5. Promote transparency.

If only one person on the financial team has authority to make electronic (ACH) transactions, you could ask the person to alert another team member to each transaction, so the activities don't occur in private. Similar measures could be followed for making cash deposits or withdrawals.

Once you've mastered the basics, your ministry can pursue a number of additional safeguards. A helpful one is to have an independent accountant perform an annual review or audit of the ministry's financial statements and related controls.

The ECFA offers a host of publications that allow you to take a closer look at the subject of financial accountability in ministry. Visit the ECFA's website at ecfa.org/Resources. #

Five Risk Control Measures

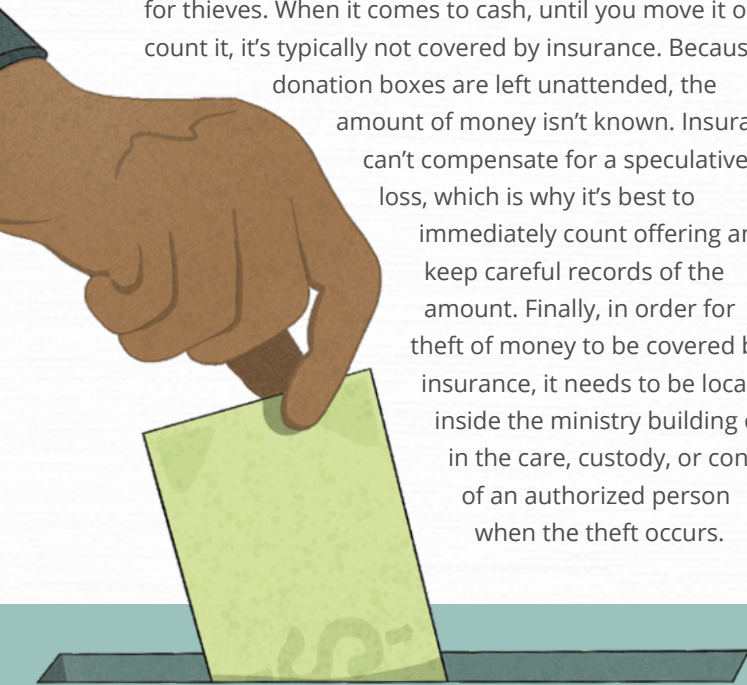
- 1 Follow Written Procedures
- 2 Require Two People To Handle Cash
- 3 Segregate Duties
- 4 Rotate People Handling Funds
- 5 Promote Transparency

LOOKING FOR EASY MONEY

Most often, thieves—whether inside or outside your organization—are after cash. That's why it's important to secure any cash on premises as soon as possible.

Donation Boxes

"In the last couple of years, we've seen an increased use of donation boxes at the back of church sanctuaries," offered Brandon Lemberg, a property claims manager with Brotherhood Mutual. These are tempting targets for thieves. When it comes to cash, until you move it or count it, it's typically not covered by insurance. Because donation boxes are left unattended, the amount of money isn't known. Insurance can't compensate for a speculative loss, which is why it's best to immediately count offering and keep careful records of the amount. Finally, in order for theft of money to be covered by insurance, it needs to be located inside the ministry building or in the care, custody, or control of an authorized person when the theft occurs.



Securities

Aside from cash, many ministries have what's known as securities, which can include gift cards, coin collections, scripts, jewelry, or stamp collections. "If someone donates coins or jewelry, get it appraised as soon as possible," explained Lemberg. It also can be helpful to sell the items quickly so your ministry can put the cash equivalent in a secure account.

Protect Ministry Finances

If your ministry has cash on premises, make sure the documentation is safely stored in a separate location. "If someone steals your Sunday tithe and the paperwork because they were stored together, it's going to be difficult for insurance to prove how much was actually taken," said Lemberg.

When it comes to keeping an eye on ministry finances, make sure there are multiple people who can check accounts. This should be done every couple of weeks, too. "Banks are starting to shorten their timeframes for reimbursing fraud. Some are as short as two to four weeks," said Lemberg. This makes it very important to have multiple people checking finances often. ■

What's the Risk?

The following scenario highlights the potential for fraud when there is too much trust and too little oversight.

After a ministry bake sale, one volunteer is expected to count the proceeds. Someone who has little oversight may be tempted to pocket some of the money before submitting it to the church office. Small amounts of money, taken over a long period of time, can lead to significant losses.

A Safer Alternative

It's important to follow procedures that provide both accountability and transparency for the people entrusted with handling money. This not only protects the ministry against theft, but it also shields volunteers or staff members against false allegations that could hurt their reputation. Procedures may include requiring two

individuals (staff or volunteer) to count all money on site. With both people present, have them:

- Document the proceeds, each keeping an identical record of the income. A receipt book could be used.
- Place the money in a locked or tamper-evident bag.
- Lock the cash in the ministry's vault or safe, or in a locked office. If it's not possible to secure the money on-site, someone could take the sealed bag home and keep it safe until it can be secured at the ministry or bank.

After the funds have been deposited in the ministry office or bank, a person unrelated to those handling the money should reconcile the account and ensure that the deposit matches the records.

THEFT OF FUNDS

Aside from stealing physical money, savvy thieves can use technology or scare tactics to drain ministry bank accounts. These two types of theft are called Theft by Electronic Means and Theft by Coercion.

Silent Thief

Cyber theft, also known as Theft by Electronic Means, is another way criminals can steal ministry funds. Sometimes they'll hack into a ministry account and divert funds, or they may scam unsuspecting ministry employees into releasing funds. One of the most common methods criminals use is called phishing. This form of theft typically uses an email that looks legitimate but is really meant to trick victims into thinking they're communicating with a person or business they know. Sometimes, the ministry may not even realize they've been scammed until several days or weeks have passed.

Here's a real example from a church. They had raised funds to add on to their existing building. Cyber thieves were able to gain access to a church employee's computer, and then they compromised an email sent by the builder. They imitated the builder's email, a technique called spoofing, to send a fake invoice. The church transferred thousands of dollars electronically to the scammer, thinking they were paying an invoice sent by their builder.

Under Pressure

Theft by Coercion often uses the element of surprise or lax oversight to get someone to feel pressure to make a quick decision. Many times all it takes is an email or phone call to trick an unsuspecting office manager into sending hundreds or thousands of dollars to the criminal.

Whenever someone calls and pressures you into sending money immediately, pause and get a second opinion. Using emotion to coerce victims is a common tactic of thieves. ■

Keys to Success

If you receive an email, text message, or phone call that requests immediate action, especially a transfer of funds, take a minute to run through the following questions:

- Were you expecting it?
- Is it a known problem that you need to address?
- Did you receive an email when a phone call or in-person conversation would have been more appropriate?

In the case of the church that paid a fake invoice, a phone call to the builder could have prevented the loss of funds and the disruption caused by the theft.

It's also important to protect ministry computers or online accounts by setting up two-factor authentication. It requires users to have a password and an additional method of verification, such as a pin number, texted to a smartphone, before they can gain access to an account. This is a very effective way of securing your accounts.

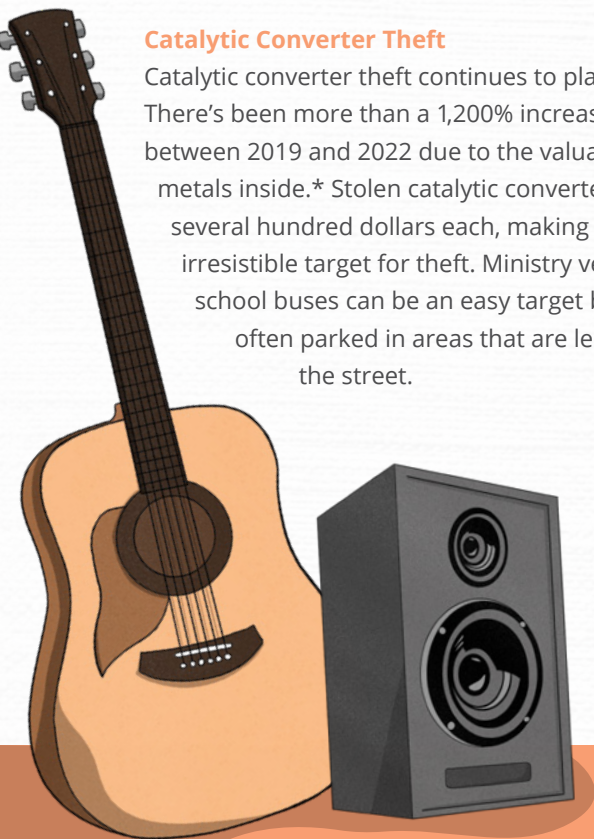
PROTECTING PROPERTY

Theft of ministry property can be disheartening, especially when it impacts your immediate ministry activities. It can happen quickly, but often leaves a lasting unease among your people.

The most frequently stolen items are vehicles, sound equipment, instruments, and lighting. But other items are high-value targets, as well. “We’re seeing a number of golf carts stolen from camp customers,” shared Brandon Lemberg, a property claims manager with Brotherhood Mutual. “We’re also seeing a growing trend in theft from church-in-a-box trailers.”

Catalytic Converter Theft

Catalytic converter theft continues to plague ministries. There’s been more than a 1,200% increase in theft between 2019 and 2022 due to the valuable precious metals inside.* Stolen catalytic converters can be worth several hundred dollars each, making them an irresistible target for theft. Ministry vehicles and school buses can be an easy target because they’re often parked in areas that are less visible from the street.



Ask Your Agent

Protecting ministry finances against the sting of property theft is where insurance comes into play. That’s why it’s important to speak with your insurance agent about theft coverage options for ministry property, especially property that’s on wheels or unsecured during a construction project.

Here are some helpful tips to protect your vehicles from this disruptive threat:

- Park vehicles inside any available garages or inside gated areas.
- Park vehicles near areas that have a lot of traffic driving by, instead of behind the building or in a dark corner of a parking lot.
- Avoid parking multiple vehicles together to reduce hiding spots and to increase the effort of moving tools from vehicle to vehicle.
- If you see someone under a vehicle on your ministry’s property, that’s suspicious enough to contact police. When contacting police, try to provide a vehicle description and a description of the individual.

Property Offsite

When a ministry-sponsored activity takes place offsite, there could be unique property coverage needs, depending on the location and duration of the event. For example, ministry-owned property offsite is generally covered against damage and theft for up to 180 days.

But when the offsite activity is in an individual’s home, and a volunteer’s guitar gets damaged or stolen, insurance coverage may work differently. “This is especially true for house church activities,” said Lemberg. Organizations should work with their insurance agent when starting new initiatives that don’t take place on church property to make sure they have the appropriate theft coverages in place. 📌

*Catalytic converter thefts increased 1,215% between 2019 and 2022. <https://www.nicb.org/news/news-releases/catalytic-converter-thefts-continue-increase-nationwide-nicb-partners-local-0>, accessed March 30, 2023.



EVEN MORE ARTICLES ONLINE

brotherhoodmutual.com/db/care

We couldn't fit everything in this one issue, so visit The Deacon's Bench Online for even more articles and resources about protecting ministry resources. We've highlighted a few topics below.



HANDLING DONOR FUNDS WITH CARE

Building and maintaining donor trust starts with protecting funds from theft and embezzlement. Get a **sample Gift Acceptance Policy**, which helps ministries of all types and sizes enhance their transparency and accountability. Plus, learn about avoiding tax issues when fundraising for missions and steps to ensure funds are used properly.



PROTECT AGAINST PROPERTY THEFT

Defending ministry property against theft is not only important for protecting assets, but it helps you continue your normal operations. When critical equipment like sound mixers, computers, instruments, or even vehicles are stolen, it can hamper your outreach or educational efforts. We provide some key safety practices that can help protect your property.



BUILDING SECURITY – 4 KEYS TO SUCCESS

Securing your building can go a long way to keeping your ministry property from wandering off. From surveillance cameras to building security, the specialists at Brotherhood Mutual provide several tips to help ministries take inventory of what they have and to keep prying hands off critical assets.



COLLABORATION ENHANCES TRUST

Learn about the red flags for financial irregularities. Find out how fraudsters target ministries. And get the financial controls checklist.

The coverage descriptions in this publication are intended to help ministry leaders better understand Brotherhood Mutual's MinistryFirst® insurance program. They do not provide insurance coverage of any kind, nor do they modify the terms of any Brotherhood Mutual policy. It is also important to note that some of the coverages described within may apply only to the broadened version of the particular coverage form discussed. For complete insurance coverage details, please refer to actual policy documents. Coverage for actual claims will be based on applicable policy documents applied to the individual facts of an actual claim event. All coverages are not available in all states.



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Ministry Routing List

- ☐ Pastor
- ☐ Administrators
- ☐ Office Staff
- ☐ Board Members
- ☐ Facility Staff
- ☐ Other

WHAT'S INSIDE:

Handle with Care

This edition of *The Deacon's Bench* focuses on protecting ministry resources with care.

First, read about the steps ministries can take to not only fundraise safely, but to also help ensure financial sustainability, advance mission goals, and maintain donor trust. And then, explore how to prevent your ministry from becoming a target for employee dishonesty or fraud. Plus, learn how to protect your property against theft.

The Deacon's Bench is a magazine created for Christian churches, schools, camps, colleges, and mission organizations.

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Insuring America's churches and related ministries®

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