

POLICY

Charitable Receipting for Church Plants

Canada Revenue Agency (CRA) has very particular rules that regulate the issuance of tax deductible donation receipts for charitable giving. It is one of the obligations of registered charities to ensure that receipts are issued **only** in accordance with the requirements of the ***Income Tax Act and Regulations***.

One of the most important rules is that a charity may not “lend” its registration number to any other organization. Where an existing charity [i.e. a registered Foursquare Church – called an *Internal Division of FGCC*, by the CRA] develops a *branch* (church plant), the Charities Directorate of Canada Revenue Agency has sanctioned the well-used procedure adopted by Foursquare for dealing with donations from members in the planted church.

The *mother church* – a registered Foursquare church that sponsors the plant – may issue donation receipts using the following procedure.

- A local Foursquare church may establish a church plant OR sponsor an existing group (to begin operating as a church plant of the mother church); that decision must be recorded in the meeting minutes of the (*mother*) church council.
- Denominational approval for the church plant must be sought and obtained from the National Board of FGCC ***in advance of funds being received and processed*** from members of the new group.
- The members who attend the church plant can make their tithes and donations payable to the parent (*mother*) Foursquare church which issues charitable donation receipts to the individual donors. ***Note: the receipts are not issued in the name of the church plant itself (it is yet to become a CRA registered entity)***.
- The directors (pastor, leaders, church council) of the parent (or sponsor) church ***must*** control the receipt of, access to, expenditure and accounting of all funds received (for which donations slips are given). All of the funds must be accounted for in the income & expense statements of the parent Foursquare church.

In the past, some *mother* churches have felt that they could exercise an option of “exchanging cheques” (with the church plant) for funds that were processed and managed by the church plant itself [i.e. with the mother church issuing receipts for the donations, assuming that the funds were accounted for in its books by the exchange of cheques]. This procedure is no longer acceptable to the CRA, since the leaders of the (registered) parent church (that issued donation receipts) did not have full ***control*** of the funds.

The apparent need for church plants to maintain local bank accounts (through which donations could be processed) fell into three general categories:

- (a) donors wanted to know those who would be accountable for the funds they gave (they knew the church planters but not the leaders of the parent church);
- (b) there was often a considerable (geographical) distance between the plant and the parent church; and
- (c) existing groups (wanting to operate as a church plant within FGCC) felt that they could lose momentum if donors had initially been “trained” to give donations to an organization other than a (registered) Foursquare church.

Concerns like these must be addressed early in the church planting process. The members of the new plant (or existing church group) must be made aware of CRA rules concerning charitable donation receipts. Specifically, cheque exchanges (for pooled funds) are not viewed as an acceptable procedure (from the viewpoint of the Charities Directorate).

It is possible for a church plant to have a local bank account as long as it (the account) belongs to the parent (sponsoring) church and is accounted-for as such. Again, only a registered charity [i.e. the mother church] may issue donation receipts AND all funds & transactions must be accounted for within the registered church’s financial statements.

Final note: There is an approved procedure by which FGCC is able to “receive” existing registered churches (charities) - - it is called an Induction Process [see Administrative Manual – TAB 6, PART 10.0]. Contribution receipting may vary from that which is used for church plants and for receiving existing (non-registered) groups.

msw:TaxReceipts/Rcpt.Proc-Ch.Plnts.

PROCEDURES

*****Please contact the national office if you require assistance with any anomalies you may have in your particular situation.***

1. Bank Accounts – a separate bank account should be established for the church plant with the appropriate designated signors. This account will be reported and reconciled monthly within the accounting system of the mother church. All funds pertaining to the church plant will be deposited and disbursed from this account. When the church plant becomes a chartered church they will continue to use this account and the mother church will remove the account from its records.

2. Administration & Accounting - The mother church will assist the church plant leadership in developing a system for collections, deposits, disbursements, and contribution records as if it were operating as a registered church. All transactions of the church plant are to be recorded in the accounting system of the mother church and should reconcile to bank records. If the mother church is on the Confluent Accounting System, then at some point in its development, the church plant should also be set up and trained on its own system. Once the church plant becomes a registered church, the mother church is no longer required to record transactions for the church plant.
3. Tax Receipting – The mother church will assist the church plant in developing tithe records but is ultimately responsible to ensure that records are properly maintained and tax receipts are issued. All contributions received on behalf of the church plant are to be done under the registration number of the mother church and reported on the T3010 report. Once the church plant is registered it will then issue tax receipts under the tax number provided by the CRA.
4. T3010, Payroll, GST – The mother church is responsible to record all contributions and disbursements for the church plant on its annual T3010 Charitable return. It is also responsible to administer all payroll and GST returns that are done on behalf of the church plant. When the church plant becomes a registered church it will then be required to report its own T3010 return. It will also establish its own payroll and GST registration with the CRA.
5. Financial Reporting & Extension Tithe – The church plant will provide the mother church with monthly reports (Gold Sheets or reports from Confluent Accounting System) on financial operations and the monthly extension tithe. These reports will be used to record transactions for the church plant into the accounting system of the mother church. Once the church plant becomes a registered church, all financial reporting and extension tithe will then be submitted to the national office.