



Does Guilt Increase Contributions? .....	
30	
Young Believers Can Give, Too! .....	
31	
Talks ‘Abdu’l-Bahá Delivered in New York .....	
36	
“Wealth & Poverty” Discussion Questions .....	38
3. The Bahá’í Funds	
.....	41
Which Fund Do I Support? .....	
41	
Believers’ Discretion in Giving	
.....	41
Earmarking and Accounting for Earmarked Contributions .....	42
Achieving the Greatest Good .....	
46	
Priorities in Giving	
.....	46
Bahá’í International Fund	
.....	47
Continental Bahá’í Fund	
.....	47
Giving to the International Funds .....	
48	
The National Bahá’í Fund	
.....	49
iii	
Giving to the National Bahá’í Fund	
.....	49
The Local Bahá’í Fund	
.....	50
Giving to the Local Bahá’í Fund	
.....	50
A Note About Bahá’í Identification (BID) Numbers .....	50
ACS Subscriptions	
.....	50
Deputization	
.....	51
4. Fund-raising and Planned Giving .....	55
Fund-raising is About Relationships and the Heart .....	55
Focusing Communications .....	
58	
There Are Different Kinds of Money .....	59
Special Events and Campaigns .....	
61	

Saying Thank You .....	64
The Professionals and the General Public .....	65
Fundraiser Feasibility Chart .....	66
Estate Planning .....	66
Preparation of a Will .....	67
Bequests.....	67
Planned Giving .....	69
Estate Planning and Planned Giving Resources from the Office of the Treasurer .....	70
“The Writing of a Will” .....	73
5. Budgets, Goals, and Audits .....	83
Preparing a Budget .....	83
Automatic Contribution System .....	86
Community Honor Roll .....	86
Communicating Goals to the Community .....	87
Contributions In Honor and In Memory .....	87
The Annual Audit .....	87
ACS Enrollment Form .....	90
Budget Worksheet .....	91
Financial Report to the National Spiritual Assembly .....	92
In Honor Form .....	93
In Memory Form .....	94
Heart Chart .....	95
My Diary of Giving and Growing .....	96
Form SS-4 .....	98
Liability Insurance Information .....	107

Liability Insurance Request Form .....	109
Audit Procedures .....	111
Sample Audit Report .....	123
6. Accounting Matters .....	127
Treasurer's Basics .....	127
Getting Started .....	127
Receiving Offerings from the Friends .....	129
Putting the Fund to Use .....	136
A Larger Community has More Complex Needs .....	137
iv Contents	
How to Use a Cash Journal .....	138
Making Reports .....	146
Keeping Records .....	150
National Bahá'í Fund Contribution Forms .....	152
7. Local Bahá'í Centers .....	155
A Complex Issue .....	156
Building Flourishing Communities .....	156
Bahá'í Center Checklist .....	157
Unity Issues .....	157
Planning for Growth and Development .....	160
Financial Considerations .....	163
Legal Matters and Insurance for Your Center .....	166
Technical Issues and Center Management .....	167
Reporting to the National Spiritual Assembly .....	169
Appendix A: The Right of God .....	173
Supplement to the Compilation on the Huqúqu'lláh .....	174
Appendix B: Changes in United States Tax Regulations .....	181
Publication 526 – Charitable Contributions .....	185
Publication 561 – Determining the Value of Donated Property ..	205
Form 8282 – Donee Information Return .....	217
Form 8283 – Noncash Charitable Contributions .....	219

Appendix C: Investment Policy .....	225
Introduction and Purpose .....	225
Responsibilities of the National Spiritual Assembly .....	226
Responsibilities of the Treasurer’s Office .....	227
Responsibilities of the Investment Manager .....	229
Short Term Portfolio Composition and Cash Flow Management .....	231
Longer Term Portfolio Composition and Investment Objectives .....	234
Appendix D: Banking Relationship Policy .....	243
Purpose .....	243
Responsibility .....	243
Banking Relationship Objectives .....	244
Relationship Philosophy .....	244
Maintenance and Use of Credit Facilities for Operations .....	244
Credit Facilities for Long-Term Funding Requirements .....	245
Non-Credit Banking Services .....	245
Control of Line of Credit and Accounts .....	246
Exceptions and Review .....	246
Appendix E: Bibliography .....	247
Index .....	251

Contents v

Introduction

The second edition of this expandable manual is intended to serve two important functions. As a deepening tool, this manual provides an invaluable benefit to the friends as they gain more knowledge and a deeper understanding and appreciation for the spiritual nature of giving. As a reference tool, it is meant to be read and used by both the Spiritual Assembly or registered Bahá’í Group (the principal trustee of the Funds of the Faith) and by the Treasurer, to whom certain tasks and responsibilities have been delegated by the Assembly. The Spiritual Assembly or Group needs to know enough about these matters to ensure that its trust is being well cared for. The Treasurer needs deep and detailed knowledge in order to

discharge  
that trust.

The 3<sup>rd</sup> publication of its kind in the US since the late 1970s, Stewardship and Development includes a more in-depth treatment of the spiritual foundations of the Fund, and accounting methods that are basic to management of the Treasury. There are several passages here that have not been published elsewhere, as well as a discussion of the techniques used in the larger community to raise funds for worthy purposes. The National Spiritual Assembly's hope is that this document will be steadily expanded as new issues arise, and that it will assist the friends for some time to come.

From the principles and teachings at the core of the relationships we seek to build to the simple accounting methods and sample forms, this manual is offered as a contribution to our understanding of the role of money and material means in performing our service to the Cause and in fulfilling our most cherished hopes for earning God's good-pleasure.

NATIONAL SPIRITUAL ASSEMBLY OF  
THE BAHÁ'Í'S OF THE UNITED STATES

OFFICE OF THE TREASURER  
AUGUST, 1999

Strive, therefore, to create love in the hearts  
in order that they may become glowing and radiant.  
When that love is shining, it will permeate other hearts  
even as this electric light illumines its surroundings.  
When the love of God is established,  
everything else will be realized.  
This is the true foundation of all economics.  
Reflect upon it.

—'Abdu'l-Bahá

2 Stewardship and Development 3rd Edition

1. First Principles

There are several spiritual principles that guide our stewardship of the Faith's material resources. This 3<sup>rd</sup> section looks at those principles and at different aspects of the privilege and duty each individual, Spiritual Assembly or Registered Group and Treasurer share in this vital 3<sup>rd</sup>eld of service.

Let's begin at the beginning, with matters of the spirit.

## Giving Is a Spiritual Privilege

### Principle

that Will Change the World

“Giving to the Fund, therefore, is a spiritual privilege, not open to those who have not accepted Bahá’u’lláh, of which no believer should deny himself. It is both a responsibility and a source of bounty. This is an aspect of

the Cause which, we feel, is an essential part of the basic teaching and deepening of new believers. The importance of contributing resides in the degree

of sacrifice of the giver, the spirit of devotion with which the contribution is

made and the unity of the friends in this service; these attract the confirmations of God and enhance the dignity and self-respect of the individuals and the community.”

FROM A LETTER OF THE UNIVERSAL HOUSE OF JUSTICE TO ALL NATIONAL SPIRITUAL ASSEMBLIES,

AUGUST 7, 1985 - LIGHTS OF GUIDANCE, P. 252

“There is a profound aspect to the relationship between a believer and the Fund, which holds true irrespective of his or her economic condition. When a human soul accepts Bahá’u’lláh as the Manifestation of God for this age and enters into the divine Covenant, that soul should progressively bring his or her whole life into harmony with the divine purpose - he becomes a coworker in the Cause of God and receives the bounty of being permitted to devote his material possessions, no matter how meagre, to the work of the Faith.”

IBID

Living the Life

“The great thing is to ‘live the life’—to have our lives so saturated with the

Divine teachings and the Bahá’í Spirit that people cannot fail to see a joy, a

Chapter 1—First Principles 3

power, a love, a purity, a radiance, an efficiency in our character and work that will distinguish us from worldly-minded people and make people wonder what is the secret of this new life in us.”

ON BEHALF OF SHOGHI EFFENDI, LIVING THE LIFE: A COMPILATION, P. 9

Why Do We Give to the Faith?

“. . . our contributions to the Faith are the surest way of lifting once and for

all time the burden of hunger and misery from mankind, for it is only through the system of Bahá’u’lláh—Divine in origin—that the world can be gotten

on its feet and want, fear, hunger, war, etc., be eliminated. Non-Bahá’ís cannot contribute to our work or do it for us; so really our first obligation

is

to support our own teaching work as this will lead to the healing of the nations.”

FROM A LETTER DATED 12/8/1947, WRITTEN ON BEHALF OF SHOGHI EFFENDI TO AN INDIVIDUAL

BELIEVER, PUBLISHED IN BAHÁ'Í NEWS, #210 AUG . 1948, P. 3

“The more we study the present condition of the world, the more deeply we become convinced that there just cannot be any way out of its problems except the way of God, as given by Him, through Bahá'u'lláh. The early Persian Bahá'ís gave their lives for the Cause; the Western believers have been spared this necessity, but their comfort, to some extent, they must sacrifice if they are going to discharge their moral obligation to a tortured humanity, and bring to it the message of the Father. Once the friends start out to win the goals set in their Plan, they will find the Divine confirmation sustaining them and hastening its consummation.”

SHOGHI EFFENDI, UNFOLDING DESTINY, PP. 177–178

#### Heroic Deeds of Service

“We look to the members of the Bahá'í community in the United States to perform, during the Four Year Plan, heroic deeds of service to the Cause, which will astonish and inspire their fellow-believers throughout the world.”

THE UNIVERSAL HOUSE OF JUSTICE, RIØVÁN 153 MESSAGE TO NORTH AMERICA

#### Our Inescapable Responsibility

“On the members of the American Bahá'í Community, the envied custodians of a Divine Plan, the principal builders and defenders of a mighty Order and the recognized champions of an unspeakably glorious and precious Faith, a peculiar and inescapable responsibility must necessarily rest. Through their courage, their self-abnegation, their fortitude and their perseverance; through the range and quality of their achievements, the depth of their consecration, their initiative and resourcefulness, their organizing ability, their readiness and capacity to lend their assistance to less privileged sister communities struggling against heavy odds; through their generous and sustained response to the enormous and ever-increasing financial needs of a world-encompassing, decade-long and admittedly strenuous enterprise, they must, beyond

#### 4 Stewardship and Development 3rd Edition

the shadow of a doubt, vindicate their right to the leadership of this World Crusade.”

SHOGHI EFFENDI, CITADEL OF FAITH, PP. 120–121

“At this critical hour in the fortunes of humanity, our eyes turn with eagerness and hope to the Bahá'ís of all parts of North America, who constitute a

reservoir of human and material resources unmatched elsewhere in the Bahá'í world.”

THE UNIVERSAL HOUSE OF JUSTICE, RIØVÁN 153 MESSAGE TO NORTH AMERICA

Discussions and other methods might be devised to explore these and other

questions:

- What might the Local Spiritual Assembly and the Treasurer do in relation to this principle to highlight the friends' sense of privilege and the spiritual effects of giving?
- What current events concern the friends and how will the administrative order develop to change the course of such events for the better?
- What does it mean in your local community that we “constitute a reservoir of human and material resources unmatched elsewhere in the Bahá'í world”?
- What might your local community do to respond to the “eagerness and hope” of the Universal House of Justice? What benefit might there be for the friends in their community life? Family life? Teaching work?

### Every Bahá'í Can Give Principle

#### Spiritual Progress Depends on Giving

“... Every Bahá'í, no matter how poor, must realize what a grave responsibility he has to shoulder in this connection, and should have confidence that

his spiritual progress as a believer in the World Order of Bahá'u'lláh will

largely depend upon the measure in which he proves, in deeds, his readiness to support materially the Divine institutions of his Faith.”

FROM LETTER WRITTEN ON BEHALF OF SHOGHI EFFENDI TO THE NATIONAL SPIRITUAL ASSEMBLY OF

INDIA, JULY 17, 1937: FROM A COMPILATION OF THE GUARDIAN'S LETTERS ON THE BAHÁ'Í FUNDS

AND CONTRIBUTIONS, JANUARY 1970, P. 6 (LIGHTS OF GUIDANCE, P. 249)

Occasionally letters to the National Spiritual Assembly from friends reflect the

following statement: “My income has dropped so much that I can't give right now.” Usually further conversation yields the real reason: the writer feels embarrassed at being able to only give a small amount. In the Faith, though, we believe

that a penny given with love earns God's good pleasure. We believe that if we all

give, together we can change the world—this is the concept of universal participation.

#### Chapter 1—First Principles 5

Universal participation seems to have become something of a cliché in our community. It is, however, a central concept to all we are trying to do because it is

derived from the most basic principle of Bahá'u'lláh's Teachings:

unity. When our participation is universal in all areas of service to the Faith, including giving, then the real power of unity can be brought to bear on mankind's problems.

Universal participation also means that we have been successful in building strong relationships between and among the various actors in the drama of Bahá'í community development: individual, institution and community.

“As the activities of the American Bahá'í community expand . . . the institution of the National Fund . . . acquires added importance, and should be increasingly supported by the entire body of believers, both in their individual capacities, and through their collective efforts, whether organized as groups or as local Assemblies.”

JULY 1935 TO THE NATIONAL SPIRITUAL ASSEMBLY OF THE UNITED STATES AND CANADA, PUBLISHED IN “BAHÁ'Í NEWS” 95 (OCTOBER 1935), P. 1 (IN THE HANDWRITING OF SHOGHI EFFENDI, APPENDED TO THE ABOVE LETTER)

See how the Universal House of Justice calls us to this standard in the context of giving:

“In addition to teaching, every believer can pray. Every believer can strive to make his 'own inner life and private character mirror forth in their manifold aspects the splendor of those eternal principles proclaimed by Bahá'u'lláh.’

Every believer can contribute to the Fund. Not all believers can give public talks, not all are called upon to serve on administrative institutions. But all can pray, fight their own spiritual battles, and contribute to the Fund. If every believer will carry out these sacred duties, we shall be astonished at the accession of power which will result to the whole body, and which in its turn will give rise to further growth and the showering of greater blessings on all of us.”

THE UNIVERSAL HOUSE OF JUSTICE, WELLSPRING OF GUIDANCE, P. 39 (ITALICS ADDED)

“The unity of the believers, rich and poor alike, in their support of the Fund will be a source of spiritual confirmations far beyond our capacity to envisage.”

THE UNIVERSAL HOUSE OF JUSTICE, SEPTEMBER 17, 1992

A Service Every Believer Can Render

“. . . Contributing to the Fund is a service that every believer can render, be

he poor or wealthy; for this is a spiritual responsibility in which the amount

given is not important. It is the degree of the sacrifice of the giver, the love with which he makes his gift, and the unity of all the friends in this service which bring spiritual confirmations. . .

“Much of the present rapid expansion of the Faith is taking place in areas of great poverty where the believers, however much they sacrifice, cannot produce sufficient funds to sustain the work. It is these very areas which are the most fruitful in teaching, and a sum of money spent here will produce ten

6 Stewardship and Development 3rd Edition

times—even a hundred times—the results obtainable in other parts of the world. Yet in the past months the Universal House of Justice has had to refuse a number of appeals for assistance from such areas because there just was not enough money in the International Fund.

“It should therefore be the aim of every local and national community to become not only self-supporting, but to expend its funds with such wisdom and economy as to be able to contribute substantially to the Bahá’í International Fund, thus enabling the House of Justice to aid the work in fruitful

but impoverished areas, to assist new National Assemblies to start their work, to contribute to major international undertakings. . .”

FROM A LETTER OF THE UNIVERSAL HOUSE OF JUSTICE TO BAHÁ’ÍS OF THE EAST AND WEST,

DECEMBER 18, 1963: WELLSPRING OF GUIDANCE, PP. 19–20

Commerce, Agriculture and Industries Blessed Many Times

“In brief, O ye friends of God, rest assured that in place of this contribution,

your commerce, your agriculture and industries shall be blessed many times. . . .”

‘ABDU’L-BAHÁ TO THE FRIENDS IN THE EAST AND THE WEST: STAR OF THE WEST, VOL. VI, NO. 17,

P. 139

The Bahá’í Fund is not about money, it is about love, about relationships, and

about obedience to the source of divine guidance. The Local Spiritual Assembly and its Treasurer should therefore not feel bashful in upholding this standard, reminding and encouraging every believer to give, secure in the knowledge that they are promoting the best interests of community and individuals alike.

- Does the community really understand the ideal of universal participation?

#### Application

- Spark a discussion about the effect on the community’s life if universal participation were a fact
- Consult within the Local Spiritual Assembly on ways and means of securing

the participation of every believer in the locality

- How might progress toward full participation be monitored and reported?
- Can you identify obstacles to such full engagement, and devise methods to overcome them?

What Does Sacrifice Mean?

### Principle

We have grown to think that sacrifice means pain, deprivation, loss. Its actual meaning is a good deal more inspiring:

Chapter 1—First Principles 7

sacrifice n. 1. act of making an offering. . . to a deity, in propitiation or worship

. . . 3.a. act of giving up, foregoing or destroying something, esp. something valued or desired, usually for the sake of something else. b. that which is given

up.[Old French sacrifice offering to a god, from Latin sacrificium, from sacer holy

+ facere to make.]

So sacrifice is about making a thing holy. Here is how the Universal House of Justice uses the word:

“The physical reality of the progress thus far so marvelously realized is proof

of an even more profound achievement, namely, the unity of purpose effected throughout our global community in the pursuit of this gigantic, collective enterprise. The intensity of the interest and support it has evoked has expressed itself in an unprecedented outpouring of contributions, reflecting a level of sacrifice that bespeaks the quality of faith and generosity of heart of

Bahá'u'lláh's lovers throughout the planet.”

RIØVÁN 153 MESSAGE TO THE BAHÁ'ÍS OF THE WORLD

God Does Not Ask from Any Soul Except According to His Ability

“. . . God does not ask from any soul except according to his ability. This contribution must come from all cities and villages from all the believers of God . . . whosoever comes with one good act, God will give him tenfold. There is no doubt that the living Lord shall assist and confirm the generous soul.”

‘ABDU'L-BAHÁ TO THE FRIENDS IN THE EAST AND THE WEST: STAR OF THE WEST, VOL. VI, NO. 17, P. 139

There Can Be No Limit to One's Contributions

“. . . There can be no limit to one's contributions to the national fund.

The

more one can give the better it is, specially when such offerings necessitate the sacrifice of other wants and desires on the part of the donor. The harder

the sacrifice the more meritorious will it be, of course, in the sight of God.  
For after all it is not so much the quantity of one's offerings that matters,  
but

rather the measure of deprivation that such offerings entail. . .”

FROM A LETTER OF THE GUARDIAN TO AN INDIVIDUAL BELIEVER, DECEMBER 31, 1935:  
LIFE-BLOOD  
OF THE CAUSE, P. 10

Believers Alone Have Bounty of Contributing

“The overwhelming majority of the Bahá'ís in the world are poor people,  
but it is to the believers, and to the believers alone, that Bahá'u'lláh  
has given

the bounty of contributing the material things of this world for the progress  
of His Faith. It is not the amount of the contribution which is important,  
but the degree of self-sacrifice that it entails—for it is this that attracts  
the  
confirmations of God.”

FROM A LETTER OF THE UNIVERSAL HOUSE OF JUSTICE TO ALL NATIONAL SPIRITUAL  
ASSEMBLIES  
RECEIVING ASSISTANCE FROM THE BAHÁ'Í INTERNATIONAL FUND, APRIL 13, 1975

8 Stewardship and Development 3rd Edition

We Should Not Incur Debts for Purpose of Contributing to Fund

“Even though Shoghi Effendi would urge every believer to sacrifice as much  
as possible for the sake of contributing towards the fund of the National  
Assembly, yet he would discourage the friends to incur debts for that purpose.  
We are asked to give what we have, not what we do not possess, especially if  
such an act causes suffering to others. In such matters we should use  
judgement and wisdom and take into our confidence other devoted Bahá'ís.”

FROM A LETTER WRITTEN ON BEHALF OF THE GUARDIAN, DATED MAY 4, 1932, TO AN  
INDIVIDUAL  
BELIEVER: BAHÁ'Í FUNDS: CONTRIBUTIONS AND ADMINISTRATION, CANADA, P. 7

Those Who Openly Proclaim Recognition of Bahá'u'lláh Permitted to  
Contribute

“. . . Since only those who have openly proclaimed their recognition of  
Bahá'u'lláh are permitted to contribute financially to the establishment  
of

His world order, it is apparent that more, much more, is required from the  
few now so privileged. Our responsibilities in this field are very great,  
commensurate indeed with the bounty of being the bearers of the Name of God  
in this Day.”

FROM THE MESSAGE OF THE UNIVERSAL HOUSE OF JUSTICE TO THE BAHÁ'ÍS OF THE  
WORLD,  
RIØVÁN 1966

Should Recipient of Public Charity Contribute to the Bahá'í Fund?

“Concerning your question whether a person is to contribute to the Bahá'í  
Fund when he obtains his means of livelihood through public charity.

Practically this is impossible, for a person who is so dependent upon the community cannot be of much help to others. Generally he does not have sufficient

even for himself alone. In principle however, this is a secondary issue.

Donations to the Cause are free. It is for every person to judge for himself whether

he is in a position to contribute and whether he desires to do it; how he has obtained that sum is immaterial. A poor person may be readier than a rich man in sharing with others, and if he does, his sacrifice would be greater. A rich man's gift may not be a sacrifice, but a poor man's is sure to be."

FROM A LETTER WRITTEN ON BEHALF OF SHOGHI EFFENDI TO AN INDIVIDUAL BELIEVER,  
MARCH 9,

1932

Champion Builders of Bahá'u'lláh's World Order

"Now is the time for the dearly-loved members of this community, renowned as the champion builders of Bahá'u'lláh's rising World Order, to consecrate

an increasing measure of the material resources with which they have been so richly blessed to the pressing needs of the Cause of God. In doing so, their sacrifices will attract an even greater measure of divine blessings, and will bring them abiding satisfaction."

THE UNIVERSAL HOUSE OF JUSTICE, JULY 14, 1989

- Devote a Feast to sacrifice: discussions, dramatizations by youth and adults, storytelling.

Application

Chapter 1—First Principles 9

- Highlight stories of sacrifice and its benefits in the local newsletter.
- What might sacrifice mean for different individuals? Different ages? Different income levels?

Principle Material Resources and  
the Kingdom of God

Every Undertaking Dependent on Material Means

"Bahá'u'lláh has written that, '...He who is the Eternal Truth—exalted be

His glory—hath made the fulfillment of every undertaking on earth dependent on material means.' The community of the Greatest Name is in this day embarked upon the mightiest of undertakings destined to give rise to the spiritualization of mankind and the transformation of human society.

Its needs should not, and indeed will not, be met only by the contributions from believers resident in those countries now enjoying a relatively high standard of living; rather should every follower of Bahá'u'lláh, undeterred

by the meagerness of his material resources, resolve to offer his share for the

work of the Faith.”

THE UNIVERSAL HOUSE OF JUSTICE, SEPTEMBER 17, 1992

“Thou hast asked about material means and prayer. Prayer is like the spirit and material means are like the human hand. The spirit operateth through the instrumentality of the hand. Although the one true God is the All-Provider, it is the earth which is the means to supply sustenance. ‘The heaven hath sustenance for you’ but when sustenance is decreed it becometh available, whatever the means may be. When man refuseth to use material means, he is like a thirsty one who seeketh to quench his thirst through means other than water or other liquids. The Almighty Lord is the provider of water, and its maker, and hath decreed that it be used to quench man’s thirst, but its use

is dependent upon His Will. If it should not be in conformity with His Will, man is a/4icted with a thirst which the oceans cannot quench.”

‘ABDU’L-BAHÁ, COMPILATION OF COMPILATIONS, VOL. 2 , PP. 231–232

“... there is, we believe, a worldwide need for appreciation of this basic principle of our Faith: that contributing to the Fund should constitute an integral part of the spiritual life of every Bahá’í and be regarded as the fulfillment of a fundamental spiritual obligation. In too many countries we have encountered a reluctance among the teachers of the Cause to include, in their presentation of the Teachings, support of the Fund as a natural part of Bahá’í life. In the Kitáb-i-Aqdas, Bahá’u’lláh more than once refers to the necessity for combining spiritual and material means in achieving the purposes of the Faith. Shoghi E2endi, for his part, referred to the Fund as the life-blood of the Cause.”

THE UNIVERSAL HOUSE OF JUSTICE, NOVEMBER 18, 1991

10 Stewardship and Development 3rd Edition

- Have a discussion or deepening about unity as expressed in both spiritual and material aspects of life.

Application

- What are examples of material actions or projects that are spiritual in nature, or have spiritual e2ects?
- Ask the children and youth to prepare a Feast where the material arrangements are all chosen in order to heighten the spiritual e2ect on the friends.

Why Everyone Needs to Know

Principle

About the Fund

The passage above from the Universal House of Justice, in which they say that every Bahá’í can give to the Fund, is the main point. Giving is a spiritual right, a responsibility, an obligation. But is it anything else? What does giving do in the

giver's life?

We have guidance to answer those questions, too. Here is one passage in which the Universal House of Justice expands on this theme:

“Contributing to the Bahá'í fund constitutes an act of spiritual discipline

which is an intrinsic element of the devotional life of the individual. No believer should be unaware of the privilege of contributing to the advancement of the Cause of God, irrespective of his material circumstances. The practice of giving to the Fund strengthens the connection between the believer and the Cause and enhances his sense of identification with it. Divine confirmations redound upon those who offer a portion of their material resources in a spirit of sacrifice, motivated by their love of the Faith and their desire to assist in its progress.”

THE UNIVERSAL HOUSE OF JUSTICE, SEPTEMBER 17, 1992

So giving is a part of our devotional life, and it also strengthens our sense of

identification with the Cause. That's very different from a view of the Fund that

stresses its financial aspects, or even its role in helping the institutions to function;

the House of Justice is reminding us that giving can be like praying, and can have

the same sort of effect on our spiritual development.

That same sense is in this passage, which refers specifically to the Right of God

but highlights, we think, the spirit of reverence and awe that underlies the important act of giving:

“It seems fitting, then, that the sacred law which enables each one to express

his or her personal sense of devotion to God in a profoundly private act of conscience that promotes the common good, which directly connects the individual believer with the Central Institution of the Faith, and which,

Chapter 1—First Principles 11

above all, ensures to the obedient and the sincere the ineffable grace and abundant blessings of Providence, should. . . be embraced by all who profess their belief in the Supreme Manifestation of God.”

THE UNIVERSAL HOUSE OF JUSTICE, RIØVÁN MESSAGE, 1991

Often Treasurers are reluctant to make Fund appeals. It also happens that the believers occasionally tell their Assemblies that the Fund has been mentioned too

much. Naturally everything has its correct balance, but here is a passage from the

Universal House of Justice that has a bearing on these situations:

“As it has already been pointed out . . . it is important for the National Spiritual Assemblies to work out ways and means of creating a sense of belonging in the hearts of the believers. One of the ways this can be done is to bring to their attention the needs of the Fund.

“The National Assembly should neither feel embarrassed nor ashamed in turning to the friends, continuously appealing to them to exemplify their faith and devotion to the Cause by sacrificing for it, and pointing out to them that they will grow spiritually through their acts of self-abnegation, that the fear of poverty should not deter them from sacrificing for the Fund, and that the assistance and bounty of the Source of all good and of all wealth are unfailing and assured.”

THE UNIVERSAL HOUSE OF JUSTICE, LETTER TO A NATIONAL SPIRITUAL ASSEMBLY,  
FEBRUARY 9,  
1967

So take heart: if you and your Local Spiritual Assembly are “continuously” mentioning this vital subject to the friends, you are helping them individually and you are being obedient to the Head of the Faith! Everyone needs to know about giving because it helps them be better Bahá’ís, and that is one of the most important things a Local Spiritual Assembly can do.

- Hold deepening classes for new believers apprising them of the teachings Application on the Fund and of their privileges as new Bahá’ís.
- How does giving work as part of our devotional life? What does “integral” mean?
- What other ways might, or do, your community and Assembly have to foster that “sense of belonging”?

Principle Giving and Entry by Troops

We have seen above that the Fund is so important in the development of the community and of our identity as Bahá’ís, that supporting the Fund brings great blessings and protection. Giving, like teaching, is an arena where audacity, perseverance and reliance on divine power are all essential.

12 Stewardship and Development 3rd Edition

Reliance on Bahá’u’lláh Enables Formulation of Audacious Plans

“The progress of the Cause depends upon many factors. . . It is . . . to those

factors that are directly the result of the actions of the Bahá’ís that we wish to

direct our remarks, because if the Bahá’ís will but do their part—however

unpromising the prospect—Bahá'u'lláh is able to open doors and change conditions in ways far beyond our understanding.

“The 3<sup>rd</sup> [factor] is a greater realization of the power of Bahá'u'lláh to reinforce the e<sup>2</sup>orts of those who serve Him, of His promise to do so, and of the impotence of all our deeds without this divine assistance. Any evaluation of a situation is entirely misleading if it does not take this supreme power into consideration; whereas constant consciousness of dependence upon Him enables the Bahá'ís to formulate audacious plans and con<sup>3</sup>dently carry them through to completion in the face of seemingly insuperable obstacles.

“Armed with this consciousness, the believers should then approach the winning of the goals of the Nine Year Plan with the spirit that will achieve them.

This Plan is a stage in the unfoldment of the Divine Plan of 'Abdu'l-Bahá. The achievement of its goals is of the utmost urgency and importance because the followers of Bahá'u'lláh are engaged in a race against time. Mankind is being engulfed in the ruin precipitated by its own folly; the longer we Bahá'ís delay in achieving the tasks that God lays before us, the greater is the su<sup>2</sup>ering of our fellow men. . . The believers should consider the goals, recognize that they are intended to be won, decide what is needed to win them, and then, however hopeless the prospect may seem, set out determinedly to do whatever is needed, con<sup>3</sup>dent that Bahá'u'lláh will reinforce them with His Hosts and will open the doors of victory before them.

“These . . . points are closely interlinked, for it is reliance upon Bahá'u'lláh that will enable the friends to pioneer, it is the awareness of the imperative nature of the goals that will inspire them to do so and will guide them to choose their posts, and it is their sacri<sup>3</sup>ce in arising to leave their homes that will call down upon them the divine con<sup>3</sup>rmations and will, through living experience, deepen their love for God, their awareness of His ever-present care and their reliance upon Him in every aspect of their lives.”

THE UNIVERSAL HOUSE OF JUSTICE, LETTER OF JANUARY 11, 1971 TO THE NATIONAL SPIRITUAL ASSEMBLY OF GERMANY

Why would we choose not to tell everybody about the privilege of giving to the fund? But that is just what has happened:

“In too many countries we have encountered a reluctance among the teachers of the Cause to include, in their presentation of the Teachings, support of the Fund as a natural part of Bahá'í life.”

THE UNIVERSAL HOUSE OF JUSTICE, NOVEMBER 18, 1991

What are the implications of not telling new believers, and even seekers, about the Fund?

“A corollary to the sacred obligation of the friends to contribute to the Funds

of the Faith, is the direct and unavoidable responsibility of each Local and National Assembly to educate them in the spiritual principles related to Bahá’í contributions. Failure to educate the friends in this aspect of the Faith is

tantamount to consciously depriving them of the spiritual benefits accruing from giving in the path of God.”

FROM LETTER OF THE UNIVERSAL HOUSE OF JUSTICE TO ALL NATIONAL SPIRITUAL ASSEMBLIES

RECEIVING ASSISTANCE FROM THE BAHÁ’Í INTERNATIONAL FUND, APRIL 13, 1975

- There is national survey data that suggests it can be as long as two years before a new Bahá’í makes a contribution to any of the Funds; what can

your community do to ensure that your new believers do not wait to give?

- Is everyone in your community comfortable with teaching others about the Fund? If not, why not?

“. . . it is only evident that unless the flow of donations is regularly maintained by means of generous and continual support by all the believers, individually and collectively, the National Fund will never be able to meet the needs . . . of the Cause.”

3 FEBRUARY 1941 TO THE NATIONAL SPIRITUAL ASSEMBLY OF THE UNITED STATES AND CANADA,

PUBLISHED IN “BAHÁ’Í NEWS” 143 (MAY 1941), P. 3

These are some of the central principles in our Teachings regarding the Fund and

giving. In several later sections we will return to their application. For now, let us

look at the evolving role of the Treasurer and the Local Spiritual Assembly as stewards of the Fund in these challenging times.

14 Stewardship and Development 3rd Edition

Spiritual Assemblies must rise to a new stage

in the exercise of their responsibilities

as channels of divine guidance,

planners of the teaching work,

developers of human resources,

builders of communities,

and loving shepherds of the multitudes . . .

—The Universal House of Justice

16 Stewardship and Development 3rd Edition

2. The Treasurer and the

Assembly

The Treasury Is the Responsibility

of the Entire Assembly

The full membership of the Spiritual Assembly, not the Treasurer alone, has responsibility for the treasury. The Supreme Body wrote:

“The National Spiritual Assembly has the responsibility to ensure that contributions received are properly receipted, and satisfactory accounts kept of

all receipts and disbursements. While the Treasurer normally is the officer in charge of such a sacred obligation, this does not mean that other members are thereby relieved of all responsibility, or are deprived of their right of access to details related to the current operation of the Assembly, in all its aspects.

“Such right and responsibility vested in the individual members of the Assembly do not vitiate the confidentiality of Bahá’í contributions, since the information made available to the Treasurer or other members of the Assembly is to be treated in strict confidence.”

FROM A LETTER WRITTEN ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE TO A NATIONAL SPIRITUAL ASSEMBLY, JANUARY 11, 1977

Building Flourishing Communities

Fund an Absolute Necessity

“And as the progress and execution of spiritual activities is dependent and conditioned upon material means, it is of absolute necessity that immediately after the establishment of local as well as national Spiritual Assemblies, a Bahá’í Fund be established, to be placed under the exclusive control of the Spiritual Assembly. . . It is the sacred obligation of every conscientious and

Chapter 2—The Treasurer and the Assembly

17

faithful servant of Bahá’u’lláh who desires to see His Cause advance, to contribute freely and generously for the increase of that Fund. The members of the Spiritual Assembly will at their own discretion expend it to promote the Teaching Campaign, to help the needy, to establish educational Bahá’í institutions, to extend in every way possible their sphere of service. I cherish the

hope that all the friends, realizing the necessity of this measure, will bestir themselves and contribute, however modestly at first, towards the speedy establishment and the increase of that Fund.”

SHOGHI EFFENDI, BAHÁ’Í ADMINISTRATION, PP. 41–42

Assemblies Rise to New Level of Functioning

“For such an expansion to be stimulated and accommodated, the Spiritual Assemblies must rise to a new stage in the exercise of their responsibilities as

channels of divine guidance, planners of the teaching work, developers of human resources, builders of communities, and loving shepherds of the multitudes. . . . Particularly must the progress in the evolution of the institutions be manifest in the multiplication of localities in which the

functioning

of the Spiritual Assembly enhances the individual believers' capacity to serve

the Cause and fosters unified action."

THE UNIVERSAL HOUSE OF JUSTICE, RIØVÁN 153 MESSAGE TO THE BAHÁ'ÍS OF THE WORLD

Integration of Community's Component Elements in Action

"As we have said in an earlier message, the flourishing of the community, especially at the local level, demands a significant enhancement in patterns of behavior: those patterns by which the collective expression of the virtues of the individual members and the functioning of the Spiritual Assembly are manifest in the unity and fellowship of the community and the dynamism of its activity and growth. This calls for the integration of the component elements—adults, youth and children—in spiritual, social, educational and administrative activities; and their engagement in local plans of teaching and development..."

IBID

True Spirit of Teaching

"When the true spirit of teaching, which calls for complete dedication, consecration to the noble mission, and living the life, is fulfilled, not only by the individuals, but by the Assemblies also, then the Faith will grow by leaps and bounds."

ON BEHALF OF SHOGHI EFFENDI, MARCH 19, 1954,  
QUOTED IN PROMOTING ENTRY BY TROOPS, P. 30

In Enviably Position to Provide Mighty Impetus

"You are in a most enviable position to provide a mighty impetus to the teaching work. Through the alertness and perseverance of your institutions and the effect of your exertions, there is now a general awareness of, and respect for, the Cause in your region, and the Faith has acquired a reputation for universality and liberality of thought. Well may you rejoice at this re-

18 Stewardship and Development 3rd Edition

markable achievement, and well may you contemplate the present needs of the Cause with eagerness and confidence.

"Your accomplishments have prepared the way for even more spectacular successes in the years immediately ahead. Now as never before should you strive mightily to free yourselves from the obstacles of apathy, attachment to worldly pursuits, and lethargy, which stand in the way of so glorious a realization. As the people around you yearn increasingly for a society in which rectitude of conduct prevails, which is animated by a nobility of moral behavior, and in which the diverse races are firmly united, your challenge is to demonstrate the efficacy of the Message of Bahá'u'lláh in ministering to their needs and in

recreating the very foundation of individual and social life. . . .

“The community of the Greatest Name must increasingly become renowned for its social cohesion, and for the spirit of trust and confidence which distinguishes the relationship between believers and their institutions. In the earliest years of his ministry, the Guardian stated, ‘. . . I hope to see the friends at all times, in every land, and of every shade of thought and character, voluntarily and joyously rallying around their local and in particular

their national centers of activity, upholding and promoting their interests with complete unanimity and contentment, with perfect understanding, genuine enthusiasm, and sustained vigor. This indeed is the one joy and yearning of my life, for it is the fountainhead from which all future blessings will flow, the broad foundation upon which the security of the Divine Edifice will ultimately rest.’ Realization of this longing requires that you commit yourselves to the wholehearted support of your institutions.”

THE UNIVERSAL HOUSE OF JUSTICE, RIØVÁN 153 MESSAGE TO NORTH AMERICA

#### Reach Every Social Stratum

“Every stratum of society must be brought within your embrace, as you vigorously advance toward the goal of entry by troops at this time when powerful spiritual forces are at work in the hearts of the people. Neither the affluent nor the indigent should be excluded from your purview.”

IBID

#### Sources of Real Growth in Contributions

“Regarding the established Bahá’í Funds, your efforts to unify national appeals to encourage contributions to all of them, to increase contributions from Local Spiritual Assemblies themselves and to train and develop local Treasurers, are all worthy pursuits. . . . Real growth of your material resources will come about through two primary means: increase in the number of believers, and increase in the effectiveness of the education of the believers concerning their spiritual obligations, among which is financial support of Bahá’í institutions.

“As always, the House of Justice is most grateful for the significant support of the American Bahá’í community to the International Funds and deeply

#### Chapter 2—The Treasurer and the Assembly 19

appreciates your own relentless effort to find ways of increasing that support while at the same attending to the enormous calls upon your National Fund for such major projects as the renovation of the House of Worship and the preservation of the buildings at the Green Acre School. Rest assured of its continued, ardent prayers at the Holy Threshold that the Blessed Beauty may increasingly reward your stewardship.”

ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE, LETTER DATED APRIL 26, 1993 TO THE NATIONAL SPIRITUAL ASSEMBLY OF THE UNITED STATES

#### Teach Trustworthiness Through Writings

“The distressing problems of the misuse of funds described in your letter can be resolved in the long run only through a process of loving education

of the friends. It is through the dissemination among the believers of appropriate texts from the Writings of the Faith, through carefully prepared articles on this subject based on the holy Texts and published in your newsletter, and through talks at conferences, summer schools and other Bahá'í gatherings, as well as discussions of these fundamental issues with the friends at such meetings, that you will be able to gradually attain your objective.

“It is important for your Assembly, in [the] future, to explain to persons who

are entrusted with the money of the Faith that in view of the National Assembly's obligation to protect Bahá'í funds, the Assembly will hold them

responsible for all monies they receive, and they should therefore render proper accounts to the National Spiritual Assembly, be faithful custodians of God's trust, and be assured that such honesty and faithfulness will be richly rewarded from on High.”

FROM A LETTER WRITTEN ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE TO A NATIONAL SPIRITUAL ASSEMBLY, MAY 18, 1980

The General and National Interests of the Cause Take Precedence Over the Local Ones But it May be Expedient to Develop Local Fund First

“The beloved Guardian has explained that the general and national interests of the Cause take precedence over local ones; thus contributions to local funds are secondary to those to national funds. However, the stability of the National Assembly rests on the firmness of the Local Spiritual Assemblies, and in the matter of educating the friends in the importance of the fund, it is often most practical and efficacious to concentrate at first on the development of the local funds and the efficient operation of the Local Spiritual

Assemblies. Then, once the friends understand the principle, and learn from experience at the local level, they will then more easily understand the importance of the national fund and the work of the National Spiritual Assembly.”

FROM THE MEMORANDUM OF COMMENTS AND SUGGESTIONS OF THE UNIVERSAL HOUSE OF JUSTICE, OP. CIT. NO. 858 P. 30

Pledges Can be a Useful Means of Encouraging Contributions

“Pledges can be useful as a means of encouraging contributions and of bring-

20 Stewardship and Development 3rd Edition

ing the financial needs of the Cause to the attention of the friends. This method can be particularly helpful in a situation where a Spiritual Assembly has a major task to perform, such as the building of a Pazíratu'l-Quds or the

establishment of a tutorial school, and needs to have some idea in advance of whether the funds for the project will be available. However, it would be entirely contrary to Bahá'í principles to bring any pressure to bear when calling for pledges or when endeavoring to collect them. Once a pledge has

been given it is permissible to remind the donor, privately, of his expressed intention to contribute and to inquire courteously if it would be possible for him to honor his pledge, but Assemblies must be aware that such pledges are not an obligation in any legal sense; their redemption is entirely a matter of conscience. Lists of those making pledges must not be publicized.”

IBID

Development, Supplementing Contributions and Fee-for-Service Enterprises

“You have given much thought to finding other ways of increasing your material resources...It is entirely within the purview of your Assembly to devise wise means for this purpose by adopting methods that rest on a sound basis of fiscal management, one which avoids the snares and pitfalls of entrepreneurial speculation. But, however helpful such methods might be, they should be seen only as providing a supplement to the fundamental source of support for the Funds, namely, the contributions of individual believers offered in the spirit of service and sacrifice to the Cause of God. The foundation of the Funds should be strengthened and sustained principally on the basis of such contributions.

“The House of Justice . . . offers you the following guiding comments on two aspects of the development initiatives you have mentioned:

1. Developing financial service entities. If you decide that it is feasible to proceed with offering basic banking services for the friends, you should make it abundantly clear that they are entirely free to accept or ignore such services. No measure of pressure of any kind should be put on them to comply with your plans. Anyone accepting the services should feel equally free to withdraw his involvement at any time.
2. Creating a network of fee-for-service companies. There can be no doubt that the ability of the Bahá'í community to give tangible expression to its principles will enhance its expansion and consolidation while at the same time providing valuable services to humanity. Your approach should be guided by the understanding that all the teachings of our Faith are a gift from God to which all people are entitled; and our first obligation as Bahá'ís is to present them as effectively as we can without regard for material reward. In a word, the principles of the Faith are not a commodity for sale.

Chapter 2—The Treasurer and the Assembly 21

“Where, however, the social application of principles or teachings of the Faith calls for a degree of formal training, involving the employment of various measures of expertise and the use of prepared material, physical facilities, etc., or requiring establishment of academic or other social institutions, it is reasonable for fees to be charged for services rendered. Nonetheless, for a Bahá'í, such activities should be conducted primarily as a service to humanity and there should be no profit motive involved. It is practical, of course, that the fee structure be such as to enable reasonable returns from

which can be drawn the means to extend the service being rendered. Under no circumstances should such service projects be regarded as channels of revenue for the Bahá'í funds.

“You will need to be certain that the human and other resources exist to ensure the success of such services, because failure to live up to the expectations awakened by your stated objectives can bring disrepute upon the community. As your proposals in this respect have largely to do with the public, the financial arrangements must be able to withstand rigorous public scrutiny. In general, your steps in these matters will need to be measured and gradual, each one building on the success of the previous one.”

ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE, APRIL 26, 1993, TO A NATIONAL SPIRITUAL ASSEMBLY

Assistance for the Treasurer

The Universal House of Justice wrote in 1985:

“A prime requisite for all who have responsibility for the care of the funds of the Faith is trustworthiness. This, as Bahá'u'lláh has stressed, is one of the most basic and vital of all human virtues, and its exercise has a direct and profound influence on the willingness of the believers to contribute to the Fund.

“Regarding the local funds, it is suggested that until such time as the friends have developed the habit of contributing regularly and freely, any Local Spiritual Assembly which has a large community might appoint a small committee to assist the local Treasurer in the discharge of his responsibilities. Such committees could be appointed after consultation with the Auxiliary Board member or assistant for the area. Great care must be taken in the appointment of the members of the committees; they must be both trustworthy and conscientious and must be imbued with awareness of the importance of maintaining the confidentiality of contributions to the funds.”

FROM A MEMORANDUM OF COMMENTS AND SUGGESTIONS ATTACHED TO A LETTER FROM THE UNIVERSAL HOUSE OF JUSTICE AUGUST 7, 1985 TO ALL NATIONAL SPIRITUAL ASSEMBLIES

A Treasury Committee would serve a number of functions, as suggested by the House of Justice:

22 Stewardship and Development 3rd Edition

- to render general assistance to the Treasurer, as needed, to issue receipts or keep the accounts
- to arrange inspirational talks and discussions at Nineteen Day Feasts or at specially called meetings
- to receive donations of money on behalf of the local Treasurer and make

deposits under the Treasurer's supervision

- to receive gifts in kind, arranging for their sale and for handing over the proceeds to the local Treasurer
- to receive written pledges from the friends

#### Confidentiality of Information

As noted in the previous quotations, regardless of the arrangements made for assistance in the management of the Treasury, the confidential nature of the friends'

contributions should be of the highest priority. Trustworthiness is a prime requisite for the Treasurer; it is also the standard that all the friends, whether members

of the Local Spiritual Assembly or not, must uphold.

Depending on the size of the community, the tasks associated with the role of Treasurer can be daunting but the responsibility is not confined to the Treasurer

alone. The Local Spiritual Assembly shares this important trust and needs to support its Treasurer in achieving goals which promote the good of the entire community. In addition to a committee of helpers, the friends are free to seek the aid

of bankers, trustees and other professionals in the management of the local

Treasury and even in relation to their personal finances. An alert Treasurer will

bring such resources to the Assembly's attention and, in consultation, work out a

plan to bring new expertise to the friends.

Beyond these most basic and vital requisites, must the Treasurer be an accountant, bookkeeper or some other professional in the field of finances? Not necessarily. The role of the Treasurer includes, but reaches beyond collection of and

accounting for the contributions of the friends and the general financial transactions required to execute the financial component of community building.

Ideally, the office of the Treasurer serves many additional purposes. The Treasurer

is the local community's educator about the Funds and contributing; the Treasurer is advisor, providing or arranging for financial counsel for the local Spiritual

Assembly in the development of its plans; and perhaps most important, the Treasurer is an inspirer of the friends.

Chapter 2—The Treasurer and the Assembly 23

#### Principle The Treasurer As Educator

There are so many ways that the Treasurer can serve your community as educator in all aspects of the Funds. You are responsible for having available, and

disseminating as necessary, information addressing questions the friends may have about the Funds—what they are, what they support and how contributions are made. Many sources are available for reference and study to help you meet this requirement of your job (see the Bibliography in Appendix E).

Regular reporting on the status of the Funds to the Local Spiritual Assembly at its meetings, and to the community at feasts, helps the entire community to be invested in the process of building the treasury and increases the awareness of their crucial role in its development. Using graphs, hand prepared or by computer, or any other audio or visual aid, will help the friends to focus on and better understand the information the Treasurer and the Assembly are sharing.

Perhaps the most important aspect of your education work is that of ensuring that new believers have proper knowledge of the Funds and are aware of what a privilege it is to contribute and of the blessings that accrue as a result of giving:

“Real growth of your material resources will come about through two primary means: increase in the number of believers, and increase in the effectiveness of the education of the believers concerning their spiritual obligations, among which is financial support of Bahá’í institutions.”

THE UNIVERSAL HOUSE OF JUSTICE, APRIL 26, 1993

“. . . no believer should be unaware of the privilege of contributing to the advancement of the Cause of God, irrespective of his material circumstances.”

THE UNIVERSAL HOUSE OF JUSTICE, SEPTEMBER 17, 1992

“. . . there is, we believe, a worldwide need for appreciation of this basic principle of our Faith: that contributing to the Fund should constitute an integral part of the spiritual life of every Bahá’í and be regarded as the fulfillment of a fundamental spiritual obligation. In too many countries we have encountered a reluctance among the teachers of the Cause to include, in their presentation of the Teachings, support of the Fund as a natural part of Bahá’í life.”

THE UNIVERSAL HOUSE OF JUSTICE, NOVEMBER 18, 1991

Failure to Educate Friends in This Aspect Tantamount to Depriving Them of Spiritual Benefits

“A corollary to the sacred obligation of the friends to contribute to the Funds of the Faith, is the direct and unavoidable responsibility of each Local and National Assembly to educate them in the spiritual principles related to Bahá’í

24 Stewardship and Development 3rd Edition

contributions. Failure to educate the friends in this aspect of the Faith is

tantamount to consciously depriving them of the spiritual benefits accruing from giving in the path of God.”

FROM LETTER OF THE UNIVERSAL HOUSE OF JUSTICE TO ALL NATIONAL SPIRITUAL ASSEMBLIES

RECEIVING ASSISTANCE FROM THE BAHÁ'Í INTERNATIONAL FUND, APRIL 13, 1975

“The Assemblies should not hesitate, nor be diffident, in speaking of the Fund to the believers. The friends in the mass teaching areas, however poor or illiterate they may be, are full and equal members of the Bahá'í community; they should know their blessings and responsibilities. The mighty ones

of this world rejected the call of Bahá'u'lláh, and it is now upon us ordinary

men and women that He has conferred the inestimable bounty of raising up the Kingdom of God on earth. Service to God and His Cause is the heart of the life of every true believer and contributing to the Fund is a vital aspect of

such service.”

FROM LETTER OF THE UNIVERSAL HOUSE OF JUSTICE TO ALL NATIONAL SPIRITUAL ASSEMBLIES,

DECEMBER 29, 1970

Redouble Fund Education Efforts

“Thousands upon thousands of believers will need to be aided to express the vitality of their faith through constancy in teaching the Cause and by supporting the plans of their institutions and the endeavors of their communities. . .

“The magnitude of the tasks the Bahá'í community is being summoned to perform during the Four Year Plan will call for a considerable outlay of funds. The pressing demands of the Arc Projects will continue to place severe constraints on the International Funds of the Faith. Yet, the Universal House of

Justice will do its utmost to make available to the Counselors and the National Spiritual Assemblies the financial means necessary for the discharge of the tasks of expansion and consolidation in areas requiring assistance. This will include funds for the all-important work of the Auxiliary Boards.

“As experience has shown, however, the expenditure of money does not, by itself, bring results. The challenge before you is to help develop in the various institutions and agencies involved in the execution of the Plan the capacity to expend funds in a judicious and effective manner. In addition, you must redouble your efforts to educate every member of the Bahá'í community—the new and the old believer, the youth and the adult—on the spiritual significance of contributing to the Fund.”

THE UNIVERSAL HOUSE OF JUSTICE TO THE CONFERENCE OF CONTINENTAL BOARDS OF COUNSE-

LORS, DECEMBER 24, 1996

“In the visits made to the villages, the visiting teacher meets with the local communities to give them basic Bahá’í knowledge, such as living the Bahá’í life, the importance of teaching, prayer, fasting, Nineteen Day Feasts, Bahá’í elections, and contributions to the Fund. The question of contributions to

Chapter 2—The Treasurer and the Assembly

25

the Fund is of utmost importance, so that the new believers may quickly feel themselves to be responsible members of the community.”

THE UNIVERSAL HOUSE OF JUSTICE, WELLSPRING OF GUIDANCE, PP. 34–35

Continuous Fund Appeals Foster Sense of Belonging

“The Universal House of Justice has been carefully studying the progress of the Faith and the extent of universal participation of the friends in areas where mass teaching has been going on. We have noted that many National Spiritual Assemblies have, in consultation with the Hands of the Cause in their continents, adopted various measures to deepen the knowledge of the friends to nurse them into maturity and to initiate them into the workings of the administration and the full support of the institutions of the Faith.

“As it has already been pointed out...it is important for the National Spiritual Assemblies to work out ways and means of creating a sense of belonging in the hearts of the believers. One of the ways this can be done is to bring to their attention the needs of the Fund.

“The National Assembly should neither feel embarrassed nor ashamed in turning to the friends, continuously appealing to them to exemplify their faith and devotion to the Cause by sacri<sup>3</sup>cing for it, and pointing out to them that they will grow spiritually through their acts of self-abnegation, that the fear of poverty should not deter them from sacri<sup>3</sup>cing for the Fund, and that the assistance and bounty of the Source of all good and of all wealth are unfailing and assured.”

THE UNIVERSAL HOUSE OF JUSTICE, LETTER TO A NATIONAL SPIRITUAL ASSEMBLY, FEBRUARY 9, 1967

- Consult with your Assembly to ensure that the Funds are included in Application deepenings for new believers.
- Place particular emphasis on the Sacred Writings regarding the importance of supporting the Faith with our material resources and the blessings which will accrue as a result of our giving in unity:

“The unity of the believers, rich and poor alike, in their support of the Fund will be a source of spiritual con<sup>3</sup>firmations far beyond our capacity to envisage.”

## THE UNIVERSAL HOUSE OF JUSTICE, SEPTEMBER 17, 1992

### Principle The Treasurer As Advisor

Although the following quotations from letters of the Universal House of Justice

refer specifically to national Treasurers, these directions apply equally well to local

Treasurers:

26 Stewardship and Development 3rd Edition

“The Treasurer must be sure to render regular and accurate financial statements to the National Spiritual Assembly so that it can properly plan its work within the means available to it.”

THE UNIVERSAL HOUSE OF JUSTICE, JULY 13, 1981

“The Treasurer should carefully monitor the use of the Fund so that he can warn the Assembly in good time if there is danger of over-spending.”

IBID

In your capacity as Treasurer, you have, at any given time, a unique perspective on the financial picture for your Spiritual Assembly. As it plans for each new undertaking, you should be prepared to advise the Assembly on its current and future financial commitments and additional commitments which any new endeavor might incur.

Volunteers can be of great assistance, especially as the Assembly's plans or programs become more complex. The Treasurer can be in the best position to engage

Application

someone, either a qualified volunteer or a professional, to help the Assembly make its plans. Should the services of a professional be warranted, contracting such services should follow consultation and go forward with express approval of the local Spiritual Assembly.

Some Guidelines for Treasurers

“In general terms the House of Justice feels that there are certain matters to which Treasurers should give particular attention.

1. There is the relationship between the National Assembly and the individual believers and local communities. Through whatever correspondence he conducts with contributors to the National Fund and with committees which are drawing on the Fund for their work, the National Treasurer can be a powerful influence in establishing links of loving unity within the community.
2. The Treasurer must be sure to render regular and accurate financial statements to the National Spiritual Assembly so that it can properly plan its

work within the means available to it.

3. It is the Treasurer's responsibility to prepare the annual financial report in time for the National Spiritual Assembly to consider it before presenting it at Convention. He also has to prepare the annual budget for the consideration and approval of the National Assembly.

4. The Treasurer should carefully monitor the use of the Fund so that he can warn the Assembly in good time if there is danger of overspending.

#### Chapter 2—The Treasurer and the Assembly 27

5. In book-keeping, a system must be adopted to ensure that earmarked funds are kept absolutely distinct from those that are at the free disposition of the Assembly, and there should be safeguards to prevent the inadvertent spending of earmarked funds on matters other than those for which they are intended.

6. In addition to keeping accurate records of income and expenditure, the Treasurer should see that the assets of the Assembly are protected and that both assets and liabilities are carefully recorded.

7. The Treasurer should advise the Assembly to set aside sufficient sums on a regular basis to provide for the repair and maintenance of properties owned by the Faith, so that these can be kept in good condition and so that the normal work of the Cause is not interrupted by sudden requirements of large sums for repairs. Usually the task of maintaining the properties is assigned to a special committee or committees, which should be consulted by the Assembly and can suggest a suitable amount to be set aside annually.

8. While it is within the discretion of a National Spiritual Assembly to require only one signature on checks drawn on the National Fund, experience has shown that it is better practice to require at least two signatures. This is a protection not only to the Fund itself but also to the Treasurer. The funds of the Faith are a sacred trust, and Assemblies should be meticulous in handling and accounting for them.”

FROM A LETTER WRITTEN ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE TO A NATIONAL SPIRITUAL ASSEMBLY, JANUARY 11, 1977

#### Principle The Treasurer As Inspirer

The most important duty of the Treasurer may be her role in creating opportunities through which the friends can be inspired to reach a deeper understanding and appreciation of the spiritual dynamics of giving and the possibilities for the community when all the friends are united in giving.

When the Treasurer's reports at Feast are planned with care and presented with

enthusiasm, and when a setting is created for the friends to make their contributions in a private and dignified manner, these occasions hold great potential for lifting the vision of the friends to new heights.

Be visionary. Study the Writings about the Funds and giving. Meditate on them and pray for good health and vitality for your community. Form a vision of a thriving Bahá'í community where the friends are giving universally and sacrificially and making possible the growth and development of the community while at the same time contributing to the growth and development of the Cause of God

28 Stewardship and Development 3rd Edition

worldwide. Share this vision with the friends in your community and encourage them to be visionaries, too.

Appeal or Solicitation?

Principle

Your community has set an ambitious goal for contributions to the Funds of the Faith. The year is almost up and the total is about one-third short of the target.

What do you do?

Some Treasurers respond to this situation by becoming increasingly blunt and assertive in their interactions with the believers; others study the methods of organizations outside the Bahá'í community and, knowingly or not, import approaches and methods that are actually at odds with the Faith's principles. One of a Treasurer's challenges is to exert every effort to ensure a plentiful supply of material resources, of money, while at the same time being extremely careful not to infringe on the believers' freedom to determine how and how much to give.

The Guardian had this reminder for us:

“In connection with the Institution of the National Fund and the budgetary system set forth in the minutes of the National Spiritual Assembly, I feel urged to remind you of the necessity of ever bearing in mind the cardinal principle that all contributions to the Fund are to be purely and strictly voluntary in character. It should be made clear and evident to every one that any form of compulsion, however slight and indirect, strikes at the very root principle underlying the formation of the Fund ever since its inception. While appeals of a general character, carefully worded and moving and dignified in tone are welcome under all circumstances, it should be left entirely to the discretion of every conscientious believer to decide upon the nature, the amount, and purpose of his or her contribution for the propagation of the Cause.”

SHOGHI EFFENDI, DIRECTIVES OF THE GUARDIAN, PP. 13–14

When the friends are being pressured, the dialogue risks becoming a solicitation.

Here are some of the definitions of “solicitation”:

1. To entreat or petition (a person) for, or to do, something; to urge, importune; to ask earnestly or persistently. 2. To incite or move, to induce or persuade, to some act of lawlessness or insubordination. 3. To incite, draw on, allure, by some specious representation or argument.

SELECTED DEFINITIONS FROM THE OXFORD ENGLISH DICTIONARY

The Guardian indicates in another passage that “no coercion or solicitation of funds is to be tolerated in the Cause”—an emphatic statement!

Chapter 2—The Treasurer and the Assembly 29

It may be helpful to think of the Treasurer’s work as bringing information to the

Application believers so they can make their own choices. That information can be shared in

a variety of ways, some of them quite dramatic, but the best process leaves the friends free to choose.

Moreover, as we will see below, you are not trying to induce the Bahá’ís to give up

something they really want to keep; you are offering them an easy way to fulfill

their own hopes for service to Bahá’u’lláh and to strengthen their Bahá’í identity.

Principle Does Guilt Increase Contributions?

One of the approaches Treasurers are sometimes tempted to try is to make the believers feel guilty in the hope they will give more. The approach can be subtle or

“in your face”, but in either case, it is both contrary to the spiritual basis of the

Bahá’í Fund and just plain ineffective.

Good fund-raisers understand that guilt is a poor motivator. You may see a shortlived increase, but over the long term there are better ways. The Master, ‘Abdu’l-

Bahá, gave us a better rule:

“Strive, therefore, to create love in the hearts in order that they may become

glowing and radiant. When that love is shining, it will permeate other hearts even as this electric light illumines its surroundings. When the love of God is established, everything else will be realized. This is the true foundation

of

all economics. Reflect upon it. Endeavor to become the cause of the attraction of souls rather than to enforce minds. Manifest true economics to the

people. Show what love is, what kindness is, what true severance is and generosity. This is the important thing for you to do. Act in accordance with the teachings of Bahá'u'lláh.”

‘ABDU’L-BAHÁ, PROMULGATION OF UNIVERSAL PEACE, P. 239

Create programs that involve the friends: brunch with the Local Spiritual Assembly;

education events of various kinds; community and social events—these will all affect giving.

The Assembly and the Treasurer can experiment with:

- Stories, new or old, of giving and sacrifice, as well as music, to set a tone
- Include information and discussion about the Funds in the community newsletter
- Share quotes from the Writings with the friends about the nature of giving and its importance to their spiritual development

30 Stewardship and Development 3rd Edition

- Include information about the status of the Local, National and International Funds, highlighting any triumphs—goals met, projects made possible by the gifts of the friends, etc.

You may also wish to organize deepenings in conjunction with new believers classes

as well as stand-alone classes. Subjects may range from

- What are the Different Funds?
- The Real Nature of Sacrifice
- Money as a Tool for Growth
- Duqúqu'lláh (with your area representative of the Duqúq)

Young Believers Can Give, Too!

“Any Bahá'í can give to the Cause's Funds, adult or child....

Bahá'í children

have always given to the Cause, everywhere.”

Application

LETTER WRITTEN ON BEHALF OF SHOGHI EFFENDI, DATED FEBRUARY 12, 1949, IN BAHÁ'Í FUNDS:

CONTRIBUTIONS AND ADMINISTRATION, P.16

“The initiatives that youth can take in various fields of development, education and administration is great indeed. It is essential that, from an early age,

they learn to shoulder their responsibilities, including their sacred duty to contribute generously to the funds of the Faith.”

THE UNIVERSAL HOUSE OF JUSTICE, LETTER DATED 17 DECEMBER 1998 TO NATIONAL YOUTH COMMITTEE OF INDIA

“In addition, you must redouble your efforts to educate every member of the Bahá’í community—the new and the old believer, the youth and the adult—on the spiritual significance of contributing to the Fund.”

THE UNIVERSAL HOUSE OF JUSTICE, LETTER DATED 24 DECEMBER 1996 TO THE CONFERENCE OF

CONTINENTAL BOARDS OF COUNSELORS, STEWARDSHIP AND DEVELOPMENT, P.25 (146)

It is important to educate young believers early about the spiritual nature of giving and its vital role in one’s spiritual life. It is also a wonderful opportunity to

teach children, junior youth, and youth that money is a tool to spiritualize the

world. Perhaps a local Assembly’s Treasurer could facilitate a discussion on the

fundamentals of contributing to the Bahá’í Funds and/or appoint a young believer as assistant Treasurer.

There are a variety of creative ways to engage young friends in discovering and rediscovering the spiritual significance of giving and the joys and blessings it brings

to one’s life. Use of materials from popular culture, such as movies or music with

themes relating to wealth and poverty, are also very useful to supplement the learning process.

Chapter 2—The Treasurer and the Assembly 31

Liang the Lion has been teaching young believers about the many aspects of the Bahá’í Funds through Liang’s Adventures, The American Bahá’í and Brilliant Star

magazine. You may wish to copy and distribute the activities found in these publications for the younger friends, and you may also use the following pages to

share Liang’s message with your community.

Excerpts from “Talks ‘Abdu’l-Bahá Delivered in New York” lend themselves to a

general discussion among youth and adults about poverty and wealth (see the end of this chapter). Perhaps a few moments at Feast could be set aside for a short deepening on this subject.

32 Stewardship and Development 3rd Edition

“...make me a cause of bounty to the human world, and crown my head with the diadem of eternal life....” ‘Abdu’l-Bahá

(diadem = crown or headband worn as a symbol of dignity or royalty)

LIANG the LION

Chapter 2—The Treasurer and the Assembly 33

34 Stewardship and Development 3rd Edition

O SON OF SPIRIT!

I created thee rich,

why dost thou bring thyself down to poverty?

Noble I made thee,

wherewith dost thou abase thyself?

Chapter 2—The Treasurer and the Assembly

~ Bahá'u'lláh, The Hidden Words of Bahá'u'lláh

Talks 'Abdu'l-Bahá Delivered

in New York

1 July 1912

Talk at 309 West Seventy-Eighth Street, New York

(Notes by Howard MacNutt)

What could be better before God than thinking of the poor? For the poor are beloved by our heavenly Father. When Christ came upon the earth, those who believed in Him and followed Him were the poor and lowly, showing that the poor were near to God. When a rich man believes and follows the Manifestation of God, it is a proof that his wealth is not an obstacle and does not prevent him from attaining the pathway of salvation. After he has been tested and tried, it will be seen whether his possessions are a hindrance in his religious life. But the poor are especially beloved of God. Their lives are full of difficulties, their trials continual, their hopes are in God alone. Therefore, you must assist the poor as much as possible, even by sacrifice of yourself.

No deed of man is greater before God than helping the poor. Spiritual conditions are not dependent upon the possession of worldly treasures or the absence of them. When one is physically destitute, spiritual thoughts are more likely. Poverty is a stimulus toward God. Each one of you must have great consideration for the poor and render them assistance. Organize in an effort to help them and prevent increase of poverty. The greatest means for prevention is that whereby the laws of the community will be so framed and enacted that it will not be possible for a few to be millionaires and many destitute.

One of Bahá'u'lláh's teachings is the adjustment of means of livelihood

in human society. Under this adjustment there can be no extremes in human conditions as regards wealth and sustenance. For the community needs financier, farmer, merchant and laborer just as an army must be composed of commander, officers and privates. All cannot be commanders; all cannot be officers or privates. Each in his station in the social fabric must be competent—each in his function according to ability but with justness of opportunity for all.

Lycurgus, King of Sparta, who lived long before the day of Christ, conceived the idea of absolute equality in government. He proclaimed laws by which all the people of Sparta were classified into certain divisions. Each division had its separate rights and function. First, farmers and tillers of the soil. Second, artisans and merchants. Third, leaders or grandees. Under the laws of Lycurgus, the latter were not required to engage in any labor or vocation, but it was incumbent upon them to defend the country in case of war and invasion. Then he divided Sparta into nine thousand equal parts or provinces, appointing nine thousand leaders or grandees to protect them. In this way the farmers of each province were assured of

### 36 Stewardship and Development 3rd Edition

protection, but each farmer was compelled to pay a tax to support the grandee of that province.

The farmers and merchants were not obliged to defend the country. In lieu of labor the grandees received the taxes. Lycurgus, in order to establish this forever as a law, brought nine thousand grandees together, told them he was going upon a long journey and wished this form of government to remain effective until his return. They swore an oath to protect and preserve his law. He then left his kingdom, went into voluntary exile and never came back. No man ever made such a sacrifice to ensure equality among his fellowmen. A few years passed, and the whole system of government he had founded collapsed, although established upon such a just and wise basis.

Difference of capacity in human individuals is fundamental. It is impossible for all to be alike, all to be equal, all to be wise. Bahá'u'lláh has revealed principles and laws which will accomplish the adjustment of varying human capacities. He has said that whatsoever is possible of accomplishment in human government will be effected through these principles.

When the laws He has instituted are carried out, there will be no millionaires

possible in the community and likewise no extremely poor. This will be effected and regulated by adjusting the different degrees of human capacity. The fundamental basis of the community is agriculture, tillage of the soil. All must be producers. Each person in the community whose need is equal to his individual producing capacity shall be exempt from taxation. But if his income is greater than

his needs, he must pay a tax until an adjustment is effected. That is to say, a man's

capacity for production and his needs will be equalized and reconciled through taxation. If his production exceeds, he will pay a tax; if his necessities exceed his

production, he shall receive an amount sufficient to equalize or adjust.

Therefore,

taxation will be proportionate to capacity and production, and there will be no poor in the community.

Bahá'u'lláh, likewise, commanded the rich to give freely to the poor. In the Kitábi-Aqdas it is further written by Him that those who have a certain amount of

income must give one-third of it to God, the Creator of heaven and earth.

— 'Abdu'l-Bahá, *The Promulgation of Universal Peace*, pp.216–217

Chapter 2—The Treasurer and the Assembly 37

“Wealth & Poverty”

Discussion Questions

(Many of the questions follow the reading of 'Abdu'l-Bahá's talk in New York in

1912 from *The Promulgation of Universal Peace*, p. 216–217)

1. How does the following quote by Bahá'u'lláh's son help us to dispel the myths we hold about the rich and the poor?

“Spiritual conditions are not dependent upon the possession of worldly treasures or the absence of them.” —Abdu'l-Bahá

2. What is the greatest means for prevention of the extremes of wealth and poverty?

3. Why did King Lycurgus' plan fail?

4. Why is absolute equality impracticable or unworkable?

5. How is the Bahá'í attitude different from our current society's general view about “hierarchies?”

6. What must the rich do?

7. What must the poor do? Based on the following quote by Bahá'u'lláh, should they live off of the rich?

“O MY SERVANTS! Ye are the trees of My garden; ye must give forth goodly and wondrous fruits, that ye yourselves and others may profit therefrom. Thus it is incumbent on every one to engage in crafts and professions, for therein lies the secret of wealth, O men of understanding! For results depend upon means, and the grace of God shall be all-sufficient unto you. Trees that yield no fruit have been and will ever be for the fire.” —from The Hidden Words of Baha’u’llah

8. How do we as a society ensure that neither the poor nor the rich are discriminated against? What can we do as individuals?

38 Stewardship and Development 3rd Edition

Our contributions to the Faith  
are the surest way  
of lifting once and for all time  
the burden of hunger  
and misery from mankind.  
—On Behalf of Shoghi Effendi

40 Stewardship and Development 3rd Edition

### 3. The Bahá’í Funds

What are the various Bahá’í Funds? What do they do? The following is meant to

introduce these institutions of the Cause and discuss in very general terms how contributions to each of them are used to further the Faith’s mission.

Which Fund Do I Support?

Giving is about relationships: the relationship with God, with His Manifestation,  
with the Administrative Order ordained by Bahá’u’lláh, and with the community.

Giving to the Fund represents one way in which those many relationships can be expressed. On this most basic level, which of the various Bahá’í Funds one supports is unimportant—they are all facets of a single gem, reflecting the love we bear for the Cause of God.

It is also true, however, that Bahá’u’lláh’s Administrative Order operates internationally, regionally, nationally and locally. Institutions have been created at every level and their activities cost money. We cannot separate the spiritual mission of these institutions from their material needs, hence each institution is associated with its own Fund.

In addition, special-purpose funds are occasionally created, whether by the Head of the Faith or by other institutions pursuing a specific purpose. The seeming multiplication of funds, in turn, has confused much of the dialogue about

giving

in the American community over the last several years. Friends who are trying to

do the right thing, but who feel pulled in different directions by apparently competing loyalties, ask with increasing urgency, “Which fund do I support?”

What are the principles involved in answering this question? There are at least three to which we turn now.

### Believers’ Discretion in Giving Principle

First, there is the freedom of the individual to give as she or he sees fit.

The

Guardian wrote that “it should be left entirely to the discretion of every conscientious

### Chapter 3—The Bahá’í Funds 41

believer to decide upon the nature, the amount, and purpose of his or her contribution for the propagation of the Cause.” (Bahá’í Administration, p. 101)

The giver often expresses these wishes through earmarking, a more detailed discussion of which can be found below. Also, it is good to observe that the Guardian did not say we can decide “whether” to contribute; that we will all give is implicit in his statement.

A brief note of caution is in order. Just as Bahá’u’lláh taught that an excess of freedom can be harmful, so too can an excess of earmarking harm the Faith’s progress. “. . . (T)he friends should recognize,” wrote the Guardian’s secretary, “that too much labeling of contributions will tie the hands of the Assembly and prevent it from meeting its many obligations in various fields of Bahá’í activity.”

In February, 1997, the Universal House of Justice advised the friends that the amount of unrestricted contributions to the Bahá’í International Fund had declined; as a result, the House of Justice “enforced stringent economy at the Bahá’í

World Center and also felt compelled to limit the funds available to meet the needs of the Faith in other parts of the world.”

One of the responses of the National Spiritual Assembly of the United States to this unfortunate circumstance at the Bahá’í World Center was to encourage the friends to reduce their level of earmarked contributions by incorporating into its overall national goal specific contribution targets for the International and

Continental Bahá'í Funds. While the friends remain free to specify the nature of their gifts, there is also a mechanism for systematically identifying and meeting the full range of our national community's obligations.

Principle Earmarking and Accounting for Earmarked Contributions

Givers Encouraged to Make Unrestricted Gifts

“Both orally and in his letters Shoghi Effendi has tried to encourage the friends to contribute to the Central Fund and has made an effort to explain the advantages that we would have in having a large Central Fund and in giving regular appropriations to each of the different activities of the Cause. And yet in spite of that, Shoghi Effendi has expressly stated that the friends are not in the least required to send their contributions unlabelled but are absolutely free to state whether they wish it to go to the Central Fund or to some specific fund such as the Temple. And moreover the friends must be assured that funds that are labeled will never be used except for the specified purpose. Mrs. . . . 's aim in that letter is to encourage them to send unlabelled

contributions which as long as they do not at all require the funds is quite in conformity with Shoghi Effendi's desire.”

LETTER OF FEBRUARY 19, 1926 ON BEHALF OF THE GUARDIAN TO CORINNE TRUE

42 Stewardship and Development 3rd Edition

“With regard to the National Fund, it must not be felt that the believers are required to send unlabelled contributions to the Fund but that it is only extremely desirable to do so. Individuals are free to specify the purpose of their donations.”

IBID, ADDENDUM IN THE GUARDIAN'S HANDWRITING

“Regarding your question about contributions: it is up to the individual to decide; if he wishes to donate a sum for a specific purpose, he is free to do so;

but the friends should recognize that too much labeling of contributions will tie the hands of the Assembly and prevent it from meeting its many obligations in various fields of Bahá'í activity.”

JUNE 23, 1950 LETTER FROM SHOGHI EFFENDI TO THE NATIONAL SPIRITUAL ASSEMBLY OF THE

BAHÁ'ÍS OF CANADA, MESSAGES TO CANADA, P. 14

“Whatever is contributed to the National Assembly for a specific purpose should be expended for that purpose only, but I would encourage the friends to send unlabelled contributions in order not to tie the hands of the National Assembly although I do not in the least require them to do so. I will pray for your success from all my heart.”

SHOGHI EFFENDI, DAWN OF A NEW DAY, P. 15

### Freedom to Specify Purpose of Gift

“With regard to the Bahá’í Fund, recently established amongst the friends, I

trust that the matter now stands clear to everyone throughout the country.

As I have previously intimated, although individual friends and local Assemblies are absolutely free to specify the object and purpose of their donations to the National Spiritual Assembly, yet, in my opinion, I regard it as of

the utmost vital importance that individuals, as well as local Assemblies, throughout the land should, in view of the paramount importance of National Teaching and as an evidence of their absolute confidence in their national representatives, endeavor, however small at first, to contribute freely towards the upkeep and increase of the National Bahá’í Fund, so that the members of the National Assembly may at their full discretion expend it for whatever they deem urgent and necessary.”

FROM A LETTER BY THE GUARDIAN DATED NOVEMBER 23, 1923 TO THE NATIONAL SPIRITUAL ASSEMBLY OF THE BAHÁ’ÍS OF THE UNITED STATES, BAHÁ’Í ADMINISTRATION, P.

57

### When Earmarking Instruction Cannot Be Observed

“The beloved Guardian was very emphatic that contributions to Bahá’í funds,

given for specified purposes, may be used only for those purposes, unless the donor consents to a change. If the Assembly cannot use the contribution for the purpose specified, it may refuse to accept it. Alternatively it could consult the donor and suggest that he release the contribution for general purposes or transfer it to another specified one, but no pressure should be exerted to force his acquiescence. On the other hand, once money has been contributed to an Assembly, it is the property of that Assembly, even though earmarked for a specific purpose, and the donor has no right to change its

Chapter 3—The Bahá’í Funds

43

purpose unilaterally. The Assembly, however, may, at its own discretion, accept his request to do so.”

FROM A LETTER WRITTEN ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE TO A NATIONAL SPIRITUAL ASSEMBLY, DECEMBER 30, 1984

### Assembly Must Determine Whether Gift Supports Budget or Is Separate

“We fully realize the problem of additional clerical work in forwarding small contributions to the Holy Land. . . but care must be taken not to violate for any reason the right of the individual believer to earmark his contribution.

“The need, therefore, is to make clear to the individual believers and local Spiritual Assemblies how they should express their earmarkings so that the National Assembly can know whether a contribution is intended to be towards any particular segment of the national budget or to be a separate contribution merely passed through the National Assembly. In view of the Guardian’s statement\* one should assume that, unless there is an indication to the contrary, an earmarked contribution is intended to be over and above

the allocation made out of the National Fund.”

THE UNIVERSAL HOUSE OF JUSTICE TO THE NATIONAL SPIRITUAL ASSEMBLY OF THE UNITED STATES, JANUARY 18, 1968

\*. . . you mentioned the sum of . . . as being included in the . . . allocated from your Assembly’s Budget to the World Centre. The principle involved is as follows: The Guardian feels that your Assembly when allocating its annual budget, and having stipulated what sum is for the purposes of the International Centre of the Faith, should immediately pigeon-hole that sum to be at the Guardian's disposal. Any monies received as contributions from the Bahá’ís for the International Centre should not be credited to this account which represents a national joint contribution, and has nothing to do with individual or local contributions forwarded to the World Centre in your care.

FROM A LETTER WRITTEN BY THE UNIVERSAL HOUSE OF JUSTICE TO A NATIONAL SPIRITUAL ASSEMBLY, AUGUST 21, 1980: (MULTIPLE AUTHORS: LIGHTS OF GUIDANCE, P. 265)

“In general, although it is permitted for the friends to earmark contributions, it is apparent that it is often better that the friends allow the Assembly to use their contributions without restricting them.”

THE UNIVERSAL HOUSE OF JUSTICE, P. 24

Contributions to Every Fund May Be Sent Directly

“I am moved to renew my fervent plea addressed to all national and local Assemblies and believers. . . to arise and determinedly gird up their loins to contribute, through curtailment of budgets, adequate appropriations from national and local funds, as well as direct sustained individual donations, to insure uninterrupted financial support, however great the sacrifice involved, however heavy the burdens, however distracting the successive crises of the present hour.”

SHOGHI EFFENDI, MESSAGES TO THE BAHÁ’Í WORLD, P. 9

44 Stewardship and Development 3rd Edition

“Emergence of independent sovereign state in Holy Land . . . as well as projected acquisition of extensive properties in close neighborhood of the Most Holy Tomb of Bahá and the precincts of the Shrine on Mount Carmel, Haifa . . . demand henceforth reorientation and necessitate increasing financial

support by Bahá’í National Communities of East and West, through curtailment of national and local budgets. . . Moreover, participation of individual

believers, through contributions directly transmitted to the Holy Land are imperative and beyond the scope of the jurisdiction of National and local Assemblies.”

SHOGHI EFFENDI, MESSAGES TO THE BAHÁ’Í WORLD, P. 14

“Appeal to the twelve National Assemblies and individuals to insure a steady augmentation of these [Continental] Funds through annual assignment in

National budgets and by individual contributions.”

SHOGHI EFFENDI, MESSAGES TO THE BAHÁ'Í WORLD, P. 59

Believer's Prerogative of Contributing Directly to All the Funds

“In educating the friends to be conscious of contributing to the fund as a fundamental element of Bahá'í life, the Assembly should make them aware of the individual believer's prerogative of contributing directly to all the funds of the Faith: international, continental and national as well as local.”

ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE, LIGHTS OF GUIDANCE, P. 259

Accounting for Earmarked Contributions

“Care must be taken that the purpose of earmarking is not defeated. Thus the use of earmarked funds to defray the expense of particular items in your budget has the effect of reducing, pro tanto, the amount of general contributions needed to be applied to the budget. In effect, this practice may result in there being no difference between an earmarked contribution and one not earmarked. For example: A friend may earmark a contribution for the Bahá'í International Fund. To apply this to the contribution to the Bahá'í

International Fund from your National Fund would be wrong unless the earmarking so specifies. Funds earmarked merely to the Bahá'í International Fund should be sent to the World Center in addition to whatever contribution is made from the National Fund.”

FROM A LETTER OF THE UNIVERSAL HOUSE OF JUSTICE TO A NATIONAL SPIRITUAL ASSEMBLY,

JANUARY 29, 1971 (MULTIPLE AUTHORS: LIGHTS OF GUIDANCE, P. 264)

“This question of proper accounting for earmarked funds is very important. The account books of any Assembly should be designed in such a way that will always clearly distinguish between earmarked funds and funds freely at the disposition of the Assembly, so that there will be no danger of the Assembly's inadvertently commingling them and spending earmarked funds for the wrong purpose.”

FROM A LETTER OF THE UNIVERSAL HOUSE OF JUSTICE TO A NATIONAL SPIRITUAL ASSEMBLY,

AUGUST 6, 1984 (MULTIPLE AUTHORS: LIGHTS OF GUIDANCE, P. 265)

“We have been asked to call your attention to the principle that earmarked

Chapter 3—The Bahá'í Funds

45

funds such as those for the purchase or maintenance of properties, for special teaching projects, etc., should not be used for other purposes, but should be held in a special account until expended for the purpose for which they were given. This is true whether the funds are from the World Center, from individuals or from other sources. If the project for which the funds have been given is abandoned, the contribution should be returned to the donor unless he agrees that it may be used for other purposes. Strict adherence to the principles regarding the earmarking of funds is extremely important for

many reasons, including the maintaining of the confidence of the friends in matters pertaining to the Fund.”

FROM A LETTER OF THE UNIVERSAL HOUSE OF JUSTICE TO A NATIONAL SPIRITUAL ASSEMBLY,

JANUARY 21, 1979 (MULTIPLE AUTHORS: LIGHTS OF GUIDANCE, P. 264)

Principle Achieving the Greatest Good

Concomitant with the great freedom we enjoy in relation to our giving is the need

to focus our resources so as to achieve the greatest good. A broad river will have

greater effect than a hundred small creeks. The beloved Guardian expressed it this

way:

“...I cannot help observing that, driven by their impetuous eagerness to establish the undisputed reign of Bahá'u'lláh on this earth, they may by an

undue multiplication of their activities, and the consequent dissipation of their forces, defeat the very purpose which animates them in the pursuit of their glorious task. Particularly do I feel that this necessity of a careful estimation of the present resources at our disposal and of cautious restraint in

handling them applies in a peculiar manner to the swiftly expanding activities of the American believers....”

BAHÁ'Í ADMINISTRATION, PP. 140–141

Principle Priorities in Giving

This concept of focusing our resources leads to the fourth principle, which is that

there are priorities in giving. “The beloved Guardian has explained that the general and national interests of the Cause take precedence over local ones; thus

contributions to local funds are secondary to those to national funds,” wrote the

Universal House of Justice in August 1985. In 1993 we received this wonderful explanation of priorities by the Supreme Body:

“The fixing of priorities is dependent on many factors, relating both to the Cause as a whole and to each individual in his or her own circumstances.

“As far as the Cause is concerned, all the work must be kept going; all the funds need to be supported, both directly by the believers, and also by the

46 Stewardship and Development 3rd Edition

making of contributions by Bahá'í institutions from one fund to another, which do not take the place of contributions from individuals—the source of the life-blood of the Cause.

“At the level of the individual believer, attention to the needs of the funds of

the Faith parallels the principles which govern multiple loyalties. The 3<sup>rd</sup> loyalty of a Bahá'í is to the whole of mankind, for the benefit of the part is best achieved through the welfare of the whole. But this widest loyalty does not eliminate the lesser loyalties of love for one's country, for the area in which one lives, or for one's family. They all constitute a network of interdependent and mutually beneficial loyalties. So it is with the individual believer's relationship to the International, Continental, National and Local Funds.

“Although the setting of priorities for contributing is a matter for personal judgement, the individual believer will certainly bear in mind the priorities of the work of the Cause as a whole.”

We see, therefore, that there is a hierarchy of priority which begins with the Universal House of Justice and its two sources of funding, the Bahá'í International

Fund and the Right of God; which continues to the Continental Bahá'í Funds, and then on to National and Funds. Every other appeal, however worthy the purpose, can reasonably be said to come after all these other needs are fully met.

Striking the right balance among these four principles is the job of each individual and each Assembly, based on their information and the promptings of their hearts.

Now let us look at the various Funds, what they do, and how we can support them.

#### Bahá'í International Fund

The Bahá'í International Fund supports the vast array of work of the Universal

House of Justice. It is used, among other things, to 3<sup>rd</sup> finance the operations of the

Bahá'í World Center and of the Bahá'í International Community worldwide,

assist various National Spiritual Assemblies, fund agencies for Bahá'í social and

economic development, and support programs carried out in conjunction with various United Nations organizations.

#### Continental Bahá'í Fund

The Continental Bahá'í Fund supports the propagation and protection work of the International Teaching Center, the Continental Boards of Counselors, the Auxiliary Boards and their assistants. The Universal House of Justice wrote:

Chapter 3—The Bahá'í Funds 47

“Nor should the believers, individually or in their Assemblies, forget the vitally important Continental Funds which provide for the work of the Hands of the Cause of God and their Auxiliary Boards. This divine institution, so

assiduously fostered by the Guardian, and which has already played a unique role in the history of the Faith, is destined to render increasingly important services in the years to come.”

LETTER DATED DECEMBER 18, 1963

Giving to the International Funds

The Bahá'ís have several options for making contributions to the international funds of the Faith (the Bahá'í International Fund and the Continental Bahá'í Fund).

First, the friends may send contributions for the International Funds directly to the World Center at the following address:

Bahá'í International Fund  
P.O. Box 155  
Haifa 31 001  
ISRAEL

Offerings for the Continental Bahá'í Fund are presently sent to the Bahá'í National Center in Evanston, which has agreements with the Trustee of the Continental Fund to deposit such gifts. The address of the National Spiritual Assembly under “Giving to the National Bahá'í Fund,” above should be used, with a note specifying that the gift is for the Continental Fund.

Second, the friends are free to earmark a portion of their Local Fund contributions for any of the international or continental Funds, and the local Treasurer will pass those contributions along on their behalf.

Third, believers may make contributions to the Local Fund which will become part of the Local Assembly's budget for international contributions.

Fourth, contributions to the National Bahá'í Fund can be earmarked for the international Funds (“non-discretionary” contributions). Fifth, friends can make contributions to the National Fund (i.e. “discretionary” contributions) which will become part of the budget of the National Assembly in support of the international funds.

Donors should keep in mind that contributions made directly to international funds, or “non-discretionary” contributions, are not tax deductible. Donors will also want to note that International contributions made through the Bahá'í Na-

tional Center in Evanston are available to the Universal House of Justice no more than 24 hours after they are received. Checks sent to Haifa may be delayed in the banking system as much as three weeks or more.

#### The National Bahá'í Fund

This fund supports the work of the National Spiritual Assembly. It is used to promote national proclamation, expansion, and consolidation of the Faith; to maintain national properties, including the House of Worship in Wilmette, “the holiest House of Worship ever to be raised to the glory of Bahá'u'lláh”; to promote external affairs work and defend believers wherever they are persecuted; and to support the international institutions of the Faith.

“Regarding the state of the National Fund, which you have reported is suffering from a general slackness in contributions from both individual believers

and the Local Assemblies and groups: It is only evident that unless the flow of donations is regularly maintained by means of generous and continual support by all the believers, individually and collectively, the National Fund will never be able to meet the needs and requirements of the Cause, particularly in these days when the national activities of the American believers are assuming such wide and increasing proportions.”

SHOGHI EFFENDI, LETTER DATED 3 FEBRUARY, 1941

#### Giving to the National Bahá'í Fund

Bahá'ís may make contributions to the National Fund in any one of three ways.

First, the friends can send contributions payable to the National Bahá'í Fund

directly to the Treasurer at the Bahá'í National Center at the following address:

Office of the Treasurer  
Bahá'í National Center  
1233 Central Street  
Evanston, IL 60201

An original (suitable for photocopying) page of the National Bahá'í Fund contribution forms is located at the end of Chapter 6.

Second, the friends are free to earmark a portion of their Local Fund contributions for the National Bahá'í Fund. Such contributions are given to the local Treasurer and receipted locally.

Third, friends can make contributions to the Local Fund which will become part

of the budget of the Local Assembly and used in meeting the goal for the Assembly's contribution to the National Bahá'í Fund.

## Chapter 3—The Bahá'í Funds 49

### The Local Bahá'í Fund

The local Fund supports the work of the Local Spiritual Assembly and the administration of the community's affairs. The Universal House of Justice wrote:

“The universal participation of the believers in every aspect of the Faith—in contributing to the Fund, in teaching, deepening, living the Bahá'í life, administering the affairs of the community, and, above all, in the life of prayer and devotion to God—will endow the Bahá'í community with such strength that it can overcome the forces of spiritual disintegration which are engulfing the non-Bahá'í world, and can become an ocean of oneness that will cover the face of the planet.”

LETTER DATED DECEMBER 29, 1970

### Giving to the Local Bahá'í Fund

The friends are privileged to make contributions to their Local Fund and support their Local Spiritual Assembly and the affairs of their home community. Contributions to the Local Fund become part of the budget of the Local Spiritual Assembly unless otherwise earmarked. The Local Assemblies use their discretion to set goals for the National, Continental and International Funds.

### A Note About Bahá'í Identification (BID) Numbers

In order to process contributions, it is very helpful if the memo section of each contribution check clearly shows the donor's Bahá'í identification number. If the friends wish for their contribution to be credited jointly with another believer, they need to complete a contribution slip (see form at the end of Chapter 6) with the individual BID and full legal name of each person included, along with all BIDs listed in the memo section of the check.

### ACS Subscriptions

The National Spiritual Assembly has an automatic contribution system (ACS) that can process monthly contributions to the Fund directly from the believer's checking account. Friends using the ACS have found it to be a great help in making regular contributions to any or all of the national and international Funds.

The system aids the National Assembly by reducing processing costs and providing a steady, year-round flow of contribution income.

#### 50 Stewardship and Development 3rd Edition

To enroll, an individual or assembly would complete the Individual or Group/Local Spiritual Assembly portion of the ACS enrollment form, found periodically in *The American Bahá'í* or available from the Office of the Treasurer (see form at the end of Chapter 5).

#### Deputization

“Center your energies in the propagation of the Faith of God. Whoso is worthy of so high a calling, let him arise and promote it. Whoso is unable, it is his duty to appoint him who will, in his stead, proclaim this Revelation, whose power hath caused the foundations of the mightiest structures to quake, every mountain to be crushed into dust, and every soul to be dumfounded.”  
—BAHÁ'U'LLÁH, GLEANINGS P. 196-197

#### Contributions for Deputization of Homefront Pioneers

Individuals can donate their contributions to the Local Spiritual Assembly earmarked for the Deputization Fund.

If the donor wants tax deductibility for the contribution, the donor must give discretion to the Local Spiritual Assembly for his or her contribution. If the donor does not give discretion to the institution, the contribution is not tax deductible.

The treasurer of the Local Spiritual Assembly must keep deputization funds in a separate account until such time as the funds are used. The Local Spiritual Assembly will decide and approve the recipients of these funds. After careful consideration and consultation, the Assembly may choose to provide funds for that person, or to assist that person to find ways to raise the needed funds.

The recipient(s) of deputization funds should account to the Local Spiritual Assembly with a detailed expense report.

#### Contributions for Deputization of International Pioneers

Individuals can donate their contributions directly to the National Spiritual Assembly or through the Local Spiritual Assembly to the National Fund.

Individuals may not take a charitable tax deduction from their federal income tax

if they sponsor a specific individual. Any contribution stating that it is the ‘wish,

hope and desire that...’ for the designation of earmarking of a contribution will

permit the Treasurer’s Office to provide a receipt for that contribution.

While the

National Spiritual Assembly will most likely honor the request, the wording

above

ultimately permits the National Spiritual Assembly discretion on the disbursement of the contributed funds.

#### Chapter 3—The Bahá'í Funds 51

For the dissemination of deputization funds from the National Spiritual Assembly there is an application, and certain criteria established with the Office of

International Pioneering that must be met. Believers are encouraged to arrange automatic deductions for ongoing contributions earmarked for deputization.

#### Contributions for Deputization of Training Institute Teachers

The Universal House of Justice, in recognition of the importance of training institutes and the critical need for trained teachers, offered the following guidance in its Ridván 1996 message:

Just as one deputizes another to teach in one's stead by covering the expenses

of a pioneer or traveling teacher, one can deputize a teacher serving an institute, who is, of course, a teacher of teachers. To do so, one may make contributions to the Continental Bahá'í Fund, as well as to the Local, National

and International funds, earmarked for this purpose.

—TRAINING INSTITUTES, GUIDANCE FROM THE UNIVERSAL HOUSE OF JUSTICE, PP. 7–8

#### 52 Stewardship and Development 3rd Edition

The unity of the believers, rich and poor alike, in their support of the Fund will be a source of spiritual confirmations far beyond our capacity to envisage.

—The Universal House of Justice

#### 54 Stewardship and Development 3rd Edition

##### 4. Fund-raising and Planned Giving

So far we have talked about principles of the Faith regarding the Fund, and about some of the possible applications of these principles. Many Treasurers have asked for information about fund-raising and planned giving, so let's take a look at those subjects now.

##### Fund-raising Is About Principle

##### Relationships and the Heart

Most local communities have developed their own approaches to raising money among Bahá'ís for Bahá'í purposes. No veteran believer in the United States will be unfamiliar with the various methods we use so widely: auctions, pot-luck

dinners and bake sales, pledges, and so on. Many friends, however, and a significant number of Treasurers, have asked whether these methods are appropriate or adequate, and whether there is anything we can learn from the fund-raising profession. The discussion that follows attempts to integrate Bahá'í principles with some of those basic to the fund-raising profession in general.

The first thing to understand about fund-raising is that it is a spiritual process with material aspects and not the other way around. This means that our success will depend, not on our competence in using some method, but on whether our words and actions are consistent with the standards established in the Teachings.

There are many methods used by professionals in the larger community. Some of them can be very useful to us; others, though widely used elsewhere, would be destructive to our work. Our methods need to be characterized by dignity and careful attention to the effect they will have on the spiritual well-being and feelings of the believers. Achieving our financial goals is important, but not if we sacrifice our values along the way.

“...The House of Justice feels that it is important for the friends never to lose sight of the fact that contributing to the funds of the Faith is a spiritual responsibility and privilege of profound significance in the spiritual life of

Chapter 4—Fund-raising and Planned Giving 55

the individual believer, and care must be taken not to trivialize this aspect of

Bahá'í life by applying to it too many ‘gimmicks’ or treating it with a lack of

dignity. At the same time, the Assemblies should not dampen the enthusiasm of those friends who, having only slender financial resources, devise imaginative ways of earning money for the work of the Faith.

“Within this framework, there is clearly a difference in the range of activities

open to individuals and those which it would be befitting and dignified for a Spiritual Assembly to engage in or sponsor.”

ENCLOSED WITH A LETTER WRITTEN ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE,  
JUNE 26, 1982

“Such gatherings for collections of funds are permissible if it is done with a

true spirit of sacrifice, not when the audience is especially aroused to a frenzy

and mob psychology is used to induce them to pay.

“Shoghi Effendi has repeatedly stated that no pressure should be used upon

the friends and psychological pressure falls under that category. But there is much difference between such gatherings often used by religious bodies, and a true quiet, prayerful atmosphere when a person is, of his own accord, aroused to make some sacrifice. The distinction is very delicate, but it is for the Chairman to use his power to see that one desirable form is not corrupted into the other. All the activities of the Cause should be carried through in a dignified manner.”

WRITTEN ON BEHALF OF SHOGHI EFFENDI, MAY 28, 1932, IN BAHÁ'Í FUNDS: CONTRIBUTIONS AND ADMINISTRATION, P. 8

“I need not enlarge at the present moment upon what I have stated in the past, that contributions to the local and national Funds are of a purely voluntary character; that no coercion or solicitation of funds is to be tolerated in the Cause; that general appeals addressed to the communities as a body should be the only form in which the financial requirements of the Faith are to be met; that the financial support accorded to a very few workers in the teaching and administrative fields is of a temporary nature; that the present restrictions imposed on the publication of Bahá'í literature will be definitely abolished; that the World Unity activity is being carried out as an experiment to test the efficacy of the indirect method of teaching; that the whole machinery of assemblies, of committees and conventions is to be regarded as a means, and not an end in itself; that they will rise or fall according to their capacity to further the interests, to coordinate the activities, to apply the principles, to embody the ideals and execute the purpose of the Bahá'í Faith.”

SHOGHI EFFENDI, WORLD ORDER OF BAHÁ'U'LLÁH, P.9

“There is clearly no objection to an Assembly's giving contributions in kind to a professional auctioneer to sell and then to use the proceeds for the Fund. Whether it would be proper to hold such an “ordinary auction” among Bahá'ís would depend upon the Assembly's judgment as to whether a properly dignified atmosphere could be observed and also whether it could be construed

56 Stewardship and Development 3rd Edition

as bringing pressure to bear upon the friends to contribute which would, of course, be undesirable. In general the House of Justice prefers not to encourage such auctions for the Fund.”

FROM A LETTER WRITTEN ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE TO A NATIONAL SPIRITUAL ASSEMBLY CITED IN A LETTER TO THE NATIONAL SPIRITUAL ASSEMBLY OF MALAYSIA, MAY 26, 1982

A spiritual process also requires us to rely on unseen powers. These powers

exist to help accomplish the purposes for which we are raising money. The fact that these Principle powers are available to us also encourages us to adopt ambitious goals, and to act with the confidence that the goals will be met. Our contact with these forces will change our lives and increase our appetite for the actions that call spiritual power into our lives. Our increasing reliance on spiritual power, in turn, will help to build our communities. It is this mystical dynamic we seek to engage when we attempt to mobilize money in support of the Faith, and which makes our fundraising so much more important than mere finance. If we understand that fundraising can promote every Bahá'í value and every Bahá'í goal, then we can really begin to integrate money into our service to the Faith.

A statement by the beloved Master captures the essence of this most basic fundraising concept, and should stand as a sure safeguard against any tendency to become material, crass or harsh in our efforts to ensure that financial needs are met. Although the passage is quoted elsewhere, it is so essential that it merits repeating here:

“Strive, therefore, to create love in the hearts in order that they may become glowing and radiant. When that love is shining, it will permeate other hearts even as this electric light illumines its surroundings. When the love of God is established, everything else will be realized. This is the true foundation of all economics. Reflect upon it. Endeavor to become the cause of the attraction of souls rather than to enforce minds. Manifest true economics to the people. Show what love is, what kindness is, what true severance is and generosity. This is the important thing for you to do. Act in accordance with the teachings of Bahá'u'lláh. All His Books will be translated. Now is the time for you to live in accordance with His words. Let your deeds be the real translation of their meaning. Economic questions will not attract hearts. The love of God alone will attract them. Economic questions are most interesting; but the power which moves, controls and attracts the hearts of men is the love of God.”

‘ABDU’L-BAHÁ, PROMULGATION OF UNIVERSAL PEACE, P. 239

The Master’s advice serves, too, as a hint that relationships are

all-important in the fund development work. If the loving relationship between two individuals is a close one, they can discuss almost anything; even mistakes are taken in stride.

This fact is as true at the personal level as it is at the institutional level; the Universal House of Justice speaks (May 19, 1994) of the “feeling among the individuals composing the community that the Assembly is a part of themselves,” and says that such a feeling is key in maintaining a climate of love and unity in the community.

#### Chapter 4—Fund-raising and Planned Giving

57

Relationships take time to develop, so your fund-raising program needs to grow out of a constant effort to build relationships between the friends and the Assembly. Conversely, without a close, loving relationship between the individuals and the institutions, fund-raising programs become much harder to carry out. The Treasurer has a central role to play in imagining how to build such relationships and then in actually building them.

The specific method your Assembly, or the friends in your community, may choose for fund-raising can best be understood by asking how it affects the relationships you are building. First, what are the principles and teachings involved? If the Assembly is satisfied on that score, then it would ask itself how the friends will respond. If a certain type of fund-raiser is comfortable for your community and is consistent with Bahá'í principles, then it may be all right; if there are any concerns at all about whether it is undignified or divisive, then you might think of some other way to focus on the goals.

The best professionals understand the value of relationship-building in fund development. One of the most well-known fund-raisers says he never solicits because that is too much like begging, a profession he definitely would not choose for himself. He reports, however, that the people he approaches, who are generally quite well-to-do, often just want to be listened to; they have cares and concerns that no one suspects or cares about. Then, this professional says, he still doesn't ask for money, though now he has the ear of the person; rather he informs his listener until the listener asks how he can help.

#### Principle Focusing Communications

Relationships can be developed better when we try to match our communications

to the audience and to the task in hand. A few moments' consultation should be enough for the Assembly to realize that it is addressing several different audiences, even within the local community: various age groups, diverse cultural backgrounds, varying levels of active commitment to local programs, and women and men are just some of the characteristics Bahá'u'lláh has combined in your locality. Different life experiences lead people to hear things differently. An alert Assembly recognizes this reality and shapes its communications to reach as many of the various elements in the community as possible.

The Universal House of Justice pointed out the need for this approach when they said:

“The same presentation of the teachings will not appeal to everybody; the method of expression and the approach must be varied in accordance with the outlook and interests of the hearer. An approach which is designed to appeal to everybody will usually result in attracting the middle section, leaving both extremes untouched.”

THE UNIVERSAL HOUSE OF JUSTICE, PROMINENT PEOPLE, P. 4

58 Stewardship and Development 3rd Edition

This advice was in the context of teaching, but it would seem evident that the same principle applies in fund communications with the believers, too.

The foregoing is not meant to suggest that we adopt practices used in the general community which are inherently divisive. It is common, for example, to see charities give preferential treatment to those with more money: special activities, free tickets and dinners, and so on. People are induced to give more by offering to upgrade them from one “giving club” to another. Donors' names are attached to buildings, furnishings, programs and even paving stones. These methods are of course quite alien to the Bahá'í way.

On the other hand, let us assume that a local community has a thorough, ongoing series of general communications and programs to ensure that the believers all

#### Application

know the Fund targets and requirements. Such efforts could be complemented by special gatherings devoted, say, to one of the permanent Bahá'í schools: invitations might go from the Treasurer or a willing community member to those who have expressed a special interest in that school, or individuals might be asked to prepare a deepening on the Guardian's statements about the school. A field trip

might be set up for children to visit the school and explore ways they could support it. A member of the school's advisory committee might be asked to visit; groups of different sizes or compositions could meet with that person, in addition to a general community meeting. Lots of possibilities could be imagined, but the common thread is that each is designed to build or enhance the relationship the friends feel to, in this case, the school, so they can see what their personal role might be in helping the school achieve its mandate. It can be one thing to know the goal; it might be a very different thing to know what I can do to help meet the goal.

#### There Are Different Kinds of Money

All money is green, right? But that apparent sameness is actually misleading. There are different kinds of money, because people come by it, and use it, in different ways. That's fortunate, because the institutions need different kinds of money.

People will share some kinds of money easily, but they won't share other kinds until a real relationship, and the trust that goes with it, has developed. The believer's relationship with the institutions is, by definition, a strong one, but we know that effort is also required to strengthen and maintain it. As the Guardian wrote:

“Let it be made clear to every inquiring reader that among the most outstanding and sacred duties incumbent upon those who have been called

#### Principle

upon to initiate, direct and coordinate the affairs of the Cause, are those that require them to win by every means in their power the confidence and affection of those whom it is their privilege to serve.”

SHOGHI EFFENDI, BAHÁ'Í ADMINISTRATION, P. 143

#### Chapter 4—Fund-raising and Planned Giving 59

We might therefore be unwise simply to assume that these relationships will take care of themselves. Systematic thought needs to be given to ways of caretaking the spiritual links that flow from our common allegiance to the Cause.

What are the different “kinds” of money?

One kind comes from current earnings (a monthly pay-check, interest income on investments, etc.). It comes in and goes out each month and is used by the

earner

to pay current obligations. The Faith's institutions have current obligations they must pay, too, so this kind of money fits that need exactly. This is short-term money for short-term uses, and it presently represents the bulk of the income to the various Funds.

The other kind of money is long-term—savings and investments of various kinds.

Both individuals and institutions use long-term money to meet long-term needs. For the individual, those needs might be education, a home purchase or improvement, or retirement savings. For the institutions, such needs might be buildings, permanent programs or endowments.

Because it is harder for people to get and keep this second kind of money, they tend to be more attached to it. They will share it in an emergency, or if they are moved to support a long-term goal or objective. This is money people expect to live out their lives on; they want to try to make a lasting difference when they give it, not buy paper-clips and pay this month's phone bill. The contributions from savings can be much larger than short-term money; but these large amounts are shared where trust exists, where a shared long-term goal is involved.

The institutions have both short- and long-term needs and requirements. There can be a power in understanding the difference between the two, and in matching long-term tasks with long-term money and vice versa. What does this mean in practical terms, though?

Let us say a local Assembly wants to get a center. They are considering a campaign Application to raise \$500,000. The community is composed mainly of relatively young people living on their monthly wages. If the friends feel they are already giving as much as they can and are not big savers, an attempt to launch a local center campaign would need to account for this economic fact. The campaign's time-frame might need to be longer. A Treasurer tempted to stand up in Feast and lament the lack of progress toward the center goal may alienate friends who feel they are already doing everything they can; more discretion would be required so as not to damage the relationships between the believers and their Assembly. Consultation will help strike the right balance: the friends' capacity is probably greater than they

think it is, but there are real limits, too, and they will affect the community's readiness to move into its own center. The local Assembly has the job of assessing the real situation as best it can.

Communication styles can also be tailored, not just in accordance with the different characteristics of the friends, but also with the different kinds of resources they

60 Stewardship and Development 3rd Edition  
command. Meeting short-term operating needs might be accomplished by mailings and short presentations at the Nineteen-Day Feast. A long-term objective would likely require special meetings and other events designed to get unity of thought on the program's long-term benefits to the community and the Faith. More effective education and communication, matching the resource and the task, should assist in meeting all the goals.

#### Special Events and Campaigns

Much of what has been discussed above assumes the long haul, that is the ongoing, constant effort made to build relationships. As those relationships develop, the friends will come spiritually closer to the heart of the Faith and that closeness will be reflected in giving, teaching, service of all kinds. We will begin to see the mature response the Universal House of Justice hoped to see in our giving behavior, a pattern that is not characterized by the feast and famine cycle we have witnessed for so long.

The emergency campaign, what some call "crying wolf," usually undermines the community's effort to show that mature response. There may sometimes be a wolf to cry about, but most times the impulse is best avoided.

At the same time, there is a value in special events and campaigns. The Campaign of Glorious Privilege, which ran in the United States between 1994 and 1996, stands out as an excellent example of how a campaign can build community.

The first step was for the Local Spiritual Assembly to assess the real capacity of its community. Many did this with the help of trained volunteers who were prepared to challenge assumptions about the needs of the Arc Projects and the friends' ability to meet those needs. Relying on a degree of latent or unseen capacity and on the spiritual forces Bahá'u'lláh promises, many Assemblies felt moved to choose

goals that even astonished themselves. They then set about designing an event, or a series of events, that would galvanize the community, raise its sights, and meet the goal.

Most communities found that their goals were easy to achieve because they began with universal participation. The events took on the character of a celebration.

Everyone was invited and everyone had a task. Because that pattern was set from the beginning, the actual giving part became an extension of the activity already

done. The lasting value of the campaign was its community-building aspect, enhanced by a shared sense of power and victory. It was thus no surprise to hear of

communities reaching for new levels in teaching, deepening, and service, once they had had a glimpse of how much they really could do.

Let's look to the wealth of guidance offered by the Guardian and the Universal

House of Justice for further direction regarding fund-raising:

Chapter 4—Fund-raising and Planned Giving 61

“...Appeals of a general character, carefully worded and moving and dignified in tone are welcome under all circumstances...”

SHOGHI EFFENDI, BAHÁ'Í ADMINISTRATION, P. 101

“Undoubtedly there will be a time on the program of each Conference during which the needs of the Fund will be called to the attention of the friends, and facilities will be provided where the believers can quietly give contributions or record pledges. There should be no public display of contributing or pledging.”

THE UNIVERSAL HOUSE OF JUSTICE TO THE NATIONAL SPIRITUAL ASSEMBLY OF THE UNITED STATES, APRIL 3, 1967

“We have considered your letter of March 25, 1970 informing us of the programs you intended to launch in support of the fund for the erection of the Panama Temple.

“...We feel that the friends should be encouraged to approach their responsibility to contribute to the various funds in a mature manner, and that we should not have to resort to various devices for this purpose.

“There is certainly no objection to the friends devising, on their own, ways and means of reminding themselves of the need to contribute, including the use of coin boxes. And there is no objection to the friends discussing their ideas among themselves, but we think that there should be no organized program adopted along the lines you propose. Conversely, the National Assembly

should do nothing to dampen the enthusiasm of the friends. Rather, they should seek to lead the friends slowly and lovingly to a true understanding of Bahá'í stewardship and sacrifice.”

THE UNIVERSAL HOUSE OF JUSTICE TO THE NATIONAL SPIRITUAL ASSEMBLY OF THE UNITED STATES, APRIL, 3, 1970

“...the devoted followers of Bahá'u'lláh have...every opportunity to contribute regularly and sacrificially to the work of the Cause. It is to a greater realization of the privilege and responsibility of supporting the multiple activities of our beloved Faith that we call you all at this critical time in world history, and remind you that to support the Bahá'í funds is an integral part of the Bahá'í way of life. The need is not only now, but throughout the years to come, until our exertions, reinforced by confirmations from on high, will have overcome the great perils now facing mankind and have made this world another world – a world whose splendor and grace will surpass our highest hopes and greatest dreams.”

THE UNIVERSAL HOUSE OF JUSTICE, LETTER DATED JANUARY, 3, 1985

“I feel that only such goods as are owned by believers, whether made by Bahá'ís or non-Bahá'ís, may be sold in the interests of the Temple or any other Bahá'í institutions, thus maintaining the general principle that nonbelievers are not, whether directly or indirectly, expected to contribute to the support of institutions that are of a strictly Bahá'í character. As to the manner of the disposal of Bahá'í property (items owned by individual be-

62 Stewardship and Development 3rd Edition

lievers) for such purposes, and the channel through which the sale may be effected, I feel that no rigid rule should be imposed. Individual Bahá'ís are free to seek the help of private individuals or of Spiritual Assemblies to act as intermediary for such transactions. We should avoid confusion on one hand and maintain efficiency on the other, and lay no unnecessary restrictions that would fetter individual initiative and enterprise.”

WRITTEN ON BEHALF OF SHOGHI EFFENDI, JANUARY 4, 1929, IN BAHÁ'Í FUNDS: CONTRIBUTIONS AND ADMINISTRATION, P. 15

“As to the sale of personal items for the benefit of Bahá'í funds, we begin with the principle that any believer may sell personal services or goods to anyone and do with the proceeds as he wishes, including giving any or all of them to Bahá'í purposes. In doing so, however, he should not represent to

non-Bahá'ís that such a sale is for the benefit of a Bahá'í fund as it is also a principle that it is improper to solicit funds from non-Bahá'ís in the name of the Faith for any purpose. This includes the sale of food and admission to entertainment.”

WRITTEN ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE, JANUARY 15, 1984 IN LIGHTS OF GUIDANCE, P. 252

“First there is the principle that any believer may sell personal services or property to anyone and do with the proceeds as he wishes, including giving any or all of them to Bahá'í purposes. Thus if a Bahá'í concert artist gives a concert to which admission is charged, he is free, if he so wishes, to give the money so earned to the Fund or to any charity of his choice. In giving the concert, however, he should not represent to non-Bahá'ís that the concert is for the benefit of the Bahá'í Fund or is given on behalf of Bahá'ís for a charity, which brings us to the second principle: that it is improper for Bahá'ís to solicit funds from non-Bahá'ís in the name of the Faith for any purpose. If a non-Bahá'í insists on making a monetary contribution it may be accepted with the express understanding that it will be used only for charitable or philanthropic purposes, but such contributions should be discouraged, not encouraged.”

THE UNIVERSAL HOUSE OF JUSTICE: FROM A LETTER TO A LOCAL SPIRITUAL ASSEMBLY, MARCH 19, 1973

“In reviewing your Minutes for 15 March 1967, we note Item 25-8 which the Treasurer suggests a lottery as a means of disposing of a Persian carpet which had been given to you by one of the believers. We do not feel this is an appropriate way in which to raise funds...

“As to participation in Bingo games by a Local Spiritual Assembly with the intention of contributing to the Fund, we do not feel it is appropriate for funds for the Faith to be raised through games of chance or raffles.”

ENCLOSED WITH A LETTER WRITTEN ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE, NOVEMBER 20, 1980

“There is, however, a wide range of fund-raising activities in which Bahá'ís may engage. For example, Bahá'í institutions are free to approach govern-

activities, to apply for grants to assist in specific humanitarian projects. A Bahá'í School which has both Bahá'í and non-Bahá'í pupils is free to raise funds for its own development by such activities as concerts, etc... or by appeals to parents; in this instance, a humanitarian institution is clearly identified, and the funds are being collected in its name rather than in the name of the Faith. Another example is that of a Bahá'í who wishes to sell an item he owns to the general public for a fair market price; he is free to use the proceeds for any purpose he wishes, including contributing them all or part to the Bahá'í Fund provided he does not represent to the public that the sale is being conducted for the benefit of the Faith.

“There would be no objection to the Bahá'í community's joining with others to give a concert or undertake some other similar activity to raise funds for a deserving charity. Such activities or even the making of donations to humanitarian work should be, and should be seen to be, acts of sincere assistance and co-operation. In choosing to engage in such fund-raising, a Bahá'í community would need to ensure that assisting the charity would not have partisan political implications or support purposes contrary to the interests of the Faith. It would need to watch carefully that its involvement in such activities does not divert its energies from the vital work of teaching the Faith and consolidating its Institutions.”

FROM A LETTER WRITTEN ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE TO THE NATIONAL SPIRITUAL ASSEMBLY OF CANADA, DATED AUGUST 20, 1987

Principle Saying Thank You

Most professional “shops” pay a lot of attention to saying thank you, to acknowledging gifts. They understand the importance of this discipline in building good relationships. They may even have detailed specifications—a letter before 48 hours, signed by someone in the organization appropriate to the size or importance of the gift, is a common approach.

In a Bahá'í context, it is not quite so simple. We pay less attention to the amount and instead think about the level of sacrifice involved; confidentiality is carefully preserved; and the relationships run between the believers and the institution, not an individual serving the institution. We generally do not know what sacrifice is involved, and do we really know whether a donation represents generosity? So

how can we properly acknowledge a gift?

An acknowledgment needs to be in a form the donor appreciates—that is the key Application concept to remember. Saying thank you for a large amount just because of its size is not something most believers really appreciate; they know the Teachings as well as the Treasurer does.

64 Stewardship and Development 3rd Edition

A general mention at Feast, however, that contributions that month, or even a special contribution received during the month, has made a certain success possible, might be more well-received. A letter from the Local Spiritual Assembly to someone who has demonstrated staunch support over a period of time would suit some of the friends. Some celebration of a particular sacrifice and the spirit in which it is given may be appropriate in certain cases; a short note to a child that can help build behaviors that will bless and protect the young person all their lives is almost always welcome.

The above examples suggest that:

- Most friends want to know their offering has made a difference
- The Treasurer's sense of grace, kindness and balance is essential
- Acknowledgments are a "case by case" matter

The Professionals  
and the General Public

There is a bibliography (see Appendix E) that gives titles of some of the books the Office of the Treasurer has found helpful in its own attempts at service. These are by professional authors who are not (yet!) members of the Bahá'í community. We would urge you to read and read these books. Not everything in them is suited to the Bahá'í work; you will want always to filter what you discover there through the Teachings. But there is much of value that will enhance your service to your community and help you establish links with people at lots of other non-profit organizations (an activity you will find rewarding in many ways). When in doubt about any method, consult!

Many Assemblies have approached the national Office of the Treasurer asking about raising money for local charities of various kinds. This type of activity

can

be a useful addition to the proclamation and external affairs work of the Local Spiritual Assembly.

It is surprising, however, how many local Treasurers feel that while we cannot solicit contributions from the Bahá'ís, solicitation and some of the more hardedged fund-raising techniques are <sup>3</sup>ne for these other pursuits! Su<sup>1</sup>ce it to say,

Bahá'u'lláh's Teachings are intended for everyone; a spiritual principle works in every situation, and actions that do not rest on spiritual principle will always lead to problems.

Chapter 4—Fund-raising and Planned Giving 65

The following chart may be useful as your community consults about the next fundraiser:

#### FUNDRAISER FEASIBILITY

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Before planning a fundraising event for the Baha'i Funds,

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we can ask ourselves... "Does the event..."

1. strive to create love in the hearts of the believers?

2. build and strengthen relationship between believers & institutions?
3. uphold the dignity of the Faith?
4. preserve the devotional aspect of giving to the Fund?
5. remain consistent with Baha'i Principles?
6. promote unity among believers?

We are always encouraged to turn to the Sacred Writings and our Local Spiritual Assemblies for guidance.

The Treasurer, particularly in larger communities, may be called upon to answer questions about estate planning and/or planned giving. While it is not necessary

to be an expert in either field, it would be a service to your community if you have

an awareness of the resources which are needed and their availability should the

friends have questions concerning these matters.

### Estate Planning

The phrase estate planning seems to imply for most of us a complicated financial

process which only applies to those expecting to leave large amounts of property

or cash when they pass. In fact, estate planning is simply the process of arranging

our affairs to facilitate the orderly disposition of our property at passing.

Most of

us have some property, such as Bahá'í books or a few treasured items, which we

would wish to have passed to someone close to us. This must surely be one of the

reasons why Bahá'u'lláh requires that we prepare a will:

“Unto everyone hath been enjoined the writing of a will. The testator should  
Principle head this document with the adornment of the Most Great Name,  
bear witness therein unto the oneness of God in the Dayspring of His  
Revelation,

66 Stewardship and Development 3rd Edition

and make mention, as he may wish, of that which is praiseworthy, so that it may be a testimony for him in the kingdoms of Revelation and Creation and a treasure with his Lord, the Supreme Protector, the Faithful.”

BAHÁ'U'LLÁH, THE KITÁB-I-AQDAS

### Preparation of a Will

#### Application

To convey their wishes clearly, it is highly recommended that the friends engage

the services of an attorney who is knowledgeable in the preparation of wills.

Holographic (handwritten) wills are not legal in some states and can be more

easily

contested in others. There are computer software packages available for will preparation which may be used as an assistance in gathering necessary information and

in organizing one's thoughts, but in all cases it is advisable to have an attorney

review any document by whatever means it is prepared.

Bequests

A bequest is a gift made through the believer's will to the Bahá'í Faith.

Every

Bahá'í has the opportunity to make a bequest. Over the years the

Institutions of

the Faith have benefited from the generosity of a great many believers who, in meeting their obligation to have a will and testament, have also chosen to leave a

portion of their worldly goods to the Faith.

Types of Bequests

If you make a bequest to the Bahá'í Faith in your will, you may choose to make

the bequest in any of the following ways. An attorney will be able to help you decide which type of bequest best meets your wishes for supporting the Faith.

Specific Bequest:

A bequest of a specific item which is distinguishable from all other items, for example, "my Bahá'í library", "my oriental rug", or "my shares in XYZ Mutual Fund."

General Bequest:

A bequest of property that is similar to all other items of the same kind, usually cash.

Devise:

A bequest of real property.

Chapter 4—Fund-raising and Planned Giving 67

Residual Bequest:

A bequest of all or a portion of the rest of the estate after specific and general bequests are distributed.

Contingent Bequest:

A bequest to take effect only if the primary intention cannot be met or if the beneficiary predeceases you, the donor.

Percentage Bequest:

A bequest based on a percentage of the residue (what is remaining in the estate after all other expenses and bequests are met) or a percentage of a

particular asset.

#### Questions & Answers

**Q. AM I REQUIRED TO LEAVE A BEQUEST TO THE FAITH AS A BAHÁ'Í?**

A. No. We are required to have a last will and testament, however, we are not required to make a bequest to the Faith. Bahá'u'lláh makes it clear in the Kitáb-i-Aqdas that at our passing we are free to have our estate distributed as we see fit.

**Q. SHOULD I BEQUEATH MY ESTATE AS OUTLINED IN THE KITÁB-I-AQDAS?**

A. Bahá'u'lláh has granted us the right of leaving our possessions to whom ever we wish. The estate distribution outlined in the Kitáb-i-Aqdas is to be used in the event that one dies intestate - without a will. Until such time as the laws of the Kitáb-i-Aqdas are completely in force, however, estate distribution is determined by civil law if there is no will.

**Q. WHAT TYPE OF BEQUEST IS BEST?**

A. As with all our other contributions to the Faith, our bequests can be whatever we wish and are completely confidential if we so desire. There are a number of forms that a bequest can take. (See list on previous page). The choice is dependent on one's circumstances and preferences and is completely up to each believer.

**Q. SHOULD I INFORM THE NATIONAL SPIRITUAL ASSEMBLY THAT I AM LEAVING A BEQUEST?**

A. It is always helpful for the National Spiritual Assembly to know of your  
68 Stewardship and Development 3rd Edition  
planned bequest so that the Spiritual Assembly will have the opportunity to extend its appreciation to you. The decision to inform the Assembly or not is, however, your choice.

**If You Choose To Make a Bequest. . .**

Like any other contribution to the Bahá'í Faith, you can make the bequest to the

Local, National, Continental, International Fund, or a portion to each Fund. In designating the Fund(s) that you wish to benefit from your gift, use the following

legal titles:

The Universal House of Justice, Haifa, Israel

Continental Bahá'í Fund for the Americas

National Spiritual Assembly of the Bahá'ís of the United States,  
an Illinois not-for-profit corporation

Spiritual Assembly of the Bahá'ís of (locality - name and state)

Unlike contributions during your lifetime, bequests made directly to international organizations are tax deductible (per Section 2055 of the Internal Revenue Code).

However, bequests to the Universal House of Justice and the Continental Bahá'í Fund for the Americas can be cleared through probate more efficiently if they are made to “National Spiritual Assembly of the Bahá'ís of the United States for the benefit of the Universal House of Justice (or the Continental Bahá'í Fund).” This precludes the necessity of forwarding the release documents to the World Centre, or to the Continental Bahá'í Fund, for review and signatures.

For additional information on preparing your will, see the pamphlet entitled “The Writing of a Will” (see excerpts at the end of this chapter).

#### Planned Giving

Planned giving, sometimes referred to as gift planning, is the process of establishing the means and methods to make a large gift, usually to charity, in this case the

Faith, and usually after death. Planned giving is often a part of the estate plan, particularly when the gift is made as a bequest or when a gift annuity is established through the National Spiritual Assembly.

Planned giving can be as simple as naming the Bahá'í Faith in one's will. It can involve establishing a gift annuity through the National Bahá'í Fund or contributing to a pooled income fund set up by the National Fund (not yet available).

Planned giving can also be more complex, including a variety of trust arrangements. The more complex vehicles usually require the expertise of professional estate planners or attorneys. Making gifts of appreciated securities (stocks) is also a type of planned giving (see Chapter 6). The benefits to the believer often range

#### Chapter 4—Fund-raising and Planned Giving 69

from considerable current and/or future tax savings on an estate, to avoiding probate entirely. (Probate is the legal process—often a lengthy one—of settling the affairs of the deceased.)

The most important thing for the local Treasurer to know, and to be able to

convey to the friends, is that there are ways for the believers to arrange their affairs to benefit themselves in life, and their families at their passing, and that many of these methods also afford an opportunity to make gifts to the Faith larger than they may ever have dreamed possible.

#### Estate Planning and Planned Giving Resources from the Office of the Treasurer

The following materials are available from the Office of the Treasurer. Multiple copies are available at a nominal cost.

- A Planned Giving packet is filled with information about making gifts using the methods described above.
- The Writing of a Will is a brochure explaining the importance of having a will and the first steps to take in meeting this law of the Kitáb-i-Aqdas.
- Where There's A Will is an outline for presentation of a wills workshop, is also available. The Local Spiritual Assembly and/or its Treasurer may wish to arrange wills workshops on an annual basis to assist the friends in meeting this obligation. Qualified attorneys, Bahá'í or non-Bahá'í, can be engaged to conduct these workshops using this outline. Non-Bahá'í attorneys should be familiar with the Bahá'í Faith and its teachings and regulations (e.g. the burial laws) regarding wills. Any presenter should be gently reminded that this occasion is not for the purpose of soliciting business.
- Ways to Give is a brochure which describes many of the financial arrangements available including some detail about how each one works. This booklet is a useful handout at wills workshops.

In addition, the Treasurer can assist the local Assembly to:

- Make available written information about wills preparation. The Treasurer should have available copies of The Writing of a Will available by the dozen at a nominal cost.
- Plan a wills workshop at least once each year for the community. Order a free copy of Where There's a Will, a lesson outline for wills workshops.

#### 70 Stewardship and Development 3rd Edition

- Plan a separate wills workshop for youth with particular emphasis on writing the testimony. Holographic (handwritten) wills are sufficient for this purpose.
- Explore the possibility of engaging an attorney to hold a wills clinic to prepare wills for those whose wills are simple—particularly youth.
- Research the sources of estate planning and planned giving information

in your community and compile a list of the specific services offered by each. These would include bank trust officers, attorneys, estate planning consultants, insurance brokers and the Development staff in the Office of the Treasurer at the Bahá'í National Center. (Be careful not to endorse any particular bank, attorney, or estate planner, however, as this could represent a responsibility for the Local Spiritual Assembly.)

- Consider offering informational meetings with a panel of experts where the friends can learn more about these matters. Include an estate planner and an attorney on your panel. Again, be cautious not to endorse, or appear to endorse, any particular professional and be clear with the panel participants, Bahá'í and non-Bahá'í, that it is inappropriate to use this occasion to solicit business.

The following section contains excerpts from *The Writing of a Will* for the reader's easy reference.

Chapter 4—Fund-raising and Planned Giving      71  
72 Stewardship and Development 3rd Edition  
Unto everyone hath been enjoined

*the Writing of a Will*

“The execution of the provisions of the will causes the spirit of the deceased to rejoice in the Abhá Kingdom.”

—WRITTEN ON BEHALF OF SHOGHI EFFENDI

Chapter 4—Fund-raising and Planned Giving      73  
Importance of the Will and Testament

“Unto everyone hath been enjoined the writing of a will. The testator should head this document with the adornment of the Most Great Name, bear witness therein unto the oneness of God in the Dayspring of His Revelation, and make mention, as he may wish, of that which is praiseworthy, so that it may be a testimony for him in the kingdoms of Revelation and Creation and a treasure with his Lord, the Supreme Protector, the Faithful.”

—BAHÁ'U'LLÁH, THE KITÁB-I-AQDAS

*Disposing of Possessions*

“A person has full jurisdiction over his property. If he is able to discharge the

Puqúqu'lláh, and is free of debt, then all that is recorded in his will, and any

declaration or avowal it containeth, shall be acceptable. God, verily, hath permitted him to deal with that which He hath bestowed upon him in whatever manner he may desire.”

—BAHÁ'U'LLÁH, THE KITÁB-I-AQDAS

*The Advantages of a Will*

- A will specifies who is to receive your possessions when you die. Through

a will you can assure that your property goes to the people and institutions most important to you during your life. A will is an efficient means for assuring that your Bahá'í books and archival materials go where you wish.

- Having a will avoids intestacy, which is the condition of being without a will at death. Currently in the United States, in cases of intestacy, civil laws dictate the distribution of the estate without regard to the wishes of the deceased. There is no provision for a bequest to the Faith without a will.
- The will provides a vehicle for giving to the Funds of the Faith. The will is one of the least expensive and easiest methods of preserving this benefit to the Faith.
- Your will can nominate the persons to serve as guardians of your children, and facilitate your desire that they be reared as Bahá'ís.
- A will allows your estate to be passed on in an efficient and effective way, reducing taxes where possible and providing proper management of assets.
- Through a will you select the individual to administer your estate.
- A will allows you to provide financial security for those beneficiaries who have special circumstances, such as minor children, disabled or elderly persons, and those who cannot manage their inheritance.

#### 74 Stewardship and Development 3rd Edition

- In your will you can name an executor to carry out its provisions. The person you name as executor should be someone who knows your family and business circumstances well. This will enable the executor to manage your estate according to your wishes.

#### Five Steps to a Successful Will Plan

1. CAREFUL REFLECTION. Think carefully about your true objectives. Desires often conflict with necessities. Practical considerations may differ from ideals. Equity among beneficiaries may be financially impractical. A husband may think, "I want to leave everything to my wife!" Upon reflection, however, he may realize his real objective is providing financial security for his family. A mother may think, "I want to leave \$20,000 to my daughter." Her real objective, however, may be to put her daughter through college. The point is that in preparing your will, think first about your ultimate objectives. Write down the things you would like to accomplish through your will, leaving aside how it is to be done. Consider the following letter written on behalf of Shoghi Effendi: ". . . even though a Bahá'í is permitted in his will to dispose of his wealth in the way he wishes, yet he is morally and conscientiously bound to always bear in mind, while writing his will, the necessity of his upholding the principle of Bahá'u'lláh regarding the social function of wealth, and the consequent necessity of avoiding its over-accumulation

and concentration in a few individuals or groups of individuals.”

2. **CONSULTATION.** Talk over your objectives with your family and advisors; get their advice on what your will should provide. Be candid about your feelings and the needs of your beneficiaries. Your advisors will need specific facts about your assets, income and obligations—as well as your objectives. The more information you give them the more they can help. At this point, decide the specifics of your will: the amounts, percentages or specific properties to be bequeathed to each beneficiary; whether bequests are to be outright or in trust; contingency provisions; persons to be nominated such as executors, trustees, etc.

3. **SKILLFUL DRAFTING.** A will is a legal document and must therefore be drafted carefully. You must include all the important provisions that will assure your objectives are met. Be concerned about various contingencies, the legal powers of your executors, the source of funds for paying debts, costs and taxes, possible common disaster, apportionment provisions, and the exact names of all beneficiaries. Make sure that your will is drafted, signed and witnessed as required by state law. It is advisable to have a lawyer draft your will if your estate is complex (e.g., includes a business, large real estate holdings, partnership interest, etc.). The will should include the Testimony, prepared and given to the drafter for inclusion in the will. The Testimony is a personal statement of one’s belief as described by Bahá’u’lláh in the Kitáb-i-Aqdas: “The testator should

Chapter 4—Fund-raising and Planned Giving 75

head this document with the adornment of the Most Great Name, bear witness therein unto the oneness of God in the Dayspring of His Revelation, and make mention, as he may wish, of that which is praiseworthy, so that it may be a testimony for him in the kingdoms of Revelation and Creation and a treasure with his Lord, the Supreme Protector, the Faithful.”

4. **REVIEW YOUR WILL.** Your lawyer will probably draft your will based on current conditions, laws, asset values, planning techniques, and financial needs and objectives. These factors can and do change. Your will must change with them. To be safe, take the time, at least once every other year, to review your will in light of your current circumstances.

5. **SAFEKEEPING.** Your carefully written will may be meaningless unless it can be found at the time of your death. You should always keep the original will in an easily accessible place in order to be able to destroy it if you write a new will. Your own safety deposit box may not be the best place to keep your will because, in many states, safety deposit boxes are sealed immediately upon the death of the lessee. A better place would be a fireproof home safety box, but this is only useful if you have left instructions with trusted individuals as to the location of the box and how to open it. However you decide to safeguard your will it is important that it can be located quickly when it is needed.

## Checklist for Preparing Your Will

You will need to disclose fully to your lawyer all the facts concerning your property. You also need to supply personal information about yourself and your family, and others to whom you wish to give part of your estate. All of your lawyer's

questions are intended to obtain from you the information needed to draw up a will that meets your particular needs and desires. Your lawyer has the legal duty to

maintain in strictest confidence the information you give. Before preparing your

will or visiting your lawyer, make a list of your personal affairs. This will assist the

preparation of your will. Make several copies of the list. Keep one where your spouse, executor or close friends can find it in an emergency. This list will be

extremely helpful to your executor in administering your affairs. This list should

include:

1. Your legal name.
2. Address of your permanent residence. (If you have more than one residence, list the address of each.)
3. Date and place of birth.
4. Social Security number.
5. Name and address of your employer and your accountant.

76 Stewardship and Development 3rd Edition

6. The full legal names (do not use nicknames), addresses, and ages of your immediate family members, indicating their relationship to you (e.g., sister, cousin). It is also important to identify any family member who is unable to manage his or her own affairs.

7. Your spouse's legal name.

8. Date and place of marriage. Place where your marriage license can be found. If you have been married previously, note the name of any deceased or former spouse(s) (only necessary if there is financial obligation currently such as alimony). If divorced, which court granted the final divorce decree; the date of decree, whether contested, and who brought the action. If legally separated, give all pertinent details and place where the separation agreement can be found. Provide a copy of the prenuptial agreement if you entered into one.

9. The full names and birth dates of your children (both natural and adopted). If they are beneficiaries, at what age should they receive their distribution? If one predeceases you, how should this share be distributed?

10. The full names and addresses of any other intended beneficiaries.

11. Do you have the right to exercise a power of appointment under someone's

will or trust? Show your lawyer a copy of the document granting that power.

12. Where are your income and gift tax returns kept? Provide your attorney with copies of your tax returns for the past two years. Also provide name and address of preparer.

13. Regarding real estate which you own, but only if the property goes to a specific beneficiary and is not included in the residue of the estate, provide the following:

- (a) Present value.
- (b) Your cost-basis.
- (c) Any mortgage on the property by yourself? Jointly? With whom?
- (d) Provide a legal description of any property you own.

14. Regarding your personal assets (other than real estate) provide the following:

- (a) Approximate value of each.

Chapter 4—Fund-raising and Planned Giving 77

(b) Debts owed to you. If any debts owed to you are in the form of legal notes, make copies.

(c) Is the property jointly owned?

(d) List in detail valuable items (jewelry, antiques, oriental rugs, etc., and items of sentimental value).

(e) Designate to whom you wish to give each of these assets. It is preferable to dispose of assets in shares or percentages rather than by individual asset.

15. Also provide the following information or documents are they apply to you:

(a) Pension, profit sharing, stock options, or any other employment benefits. Which benefits are payable upon your death?

(b) The approximate amount of your debts. Give names and addresses of persons to whom you are indebted and the basis of your liability.

(c) The names and addresses of those you wish to serve as your executor, trustee (if any), and guardians (if any). List at least one alternate for each.

(d) Copies of any employment contracts, buy-sell agreements or stock purchase plans you have.

(e) Life insurance policies owned by you on your life (indicate owner), and policies owned by you on the life of others.

(f) Annuity policies owned by you including name and address of

each company, policy number, principal beneficiaries, and whether loans were made on any of the policies.

#### Burial

The following sample paragraph, incorporating all the requirements which are binding on western believers at this time, may be used to state the desire for a

Bahá'í burial:

Being of the Bahá'í Faith, it is my desire to be buried in accordance with Bahá'í law. In brief, that law states that the body should not be carried more than one hour's journey from the place of death to the place of burial; that the body should not be cremated; that the prayer for the dead be recited if the deceased is a Bahá'í of fifteen years of age or more; that the body not be embalmed unless required by civil law; and that the funeral be carried out in a simple and dignified manner.

78 Stewardship and Development 3rd Edition  
Sample Memorandum to Accompany  
a Husband and Wife's Will

Being of the Bahá'í Faith, we request our executors and the members of our family upon our deaths to abide by the following:

1. Under no circumstances shall our bodies be cremated.
2. A Bahá'í funeral service should be conducted for us.
3. We should be buried at some suitable plot within one hour's journey from the place of our deaths.
4. Unless required by the laws of the United States or of the state in which we are domiciled at our deaths, our bodies should not be embalmed.
5. All of our religious papers, books and correspondence shall be given and entrusted to the local Spiritual Assembly of the Bahá'ís of the area in which we are domiciled at our deaths or the nearest Assembly thereto, unless our wills shall stipulate a different distribution.
6. Our children should be reared as Bahá'ís.

Name \_\_\_\_\_ Date \_\_\_\_\_

Chapter 4—Fund-raising and Planned Giving 79

80 Stewardship and Development 3rd Edition

The greatest need of all peoples  
is for the Faith itself,  
so that they may know the destiny

towards which they as individuals  
and as members of society  
must strive, and will learn from the teachings  
those virtues and methods which will enable them  
to work together in harmony, forbearance  
and trustworthiness . . .

—The Universal House of Justice

## 82 Stewardship and Development 3rd Edition

### 5. Budgets, Goals, and Audits

#### Preparing a Budget

Anything worth achieving is worth planning for. This is especially true when our meager resources must accomplish so much. Tackling the immense job of building the Kingdom involves setting and meeting goals. Goal-setting involves planning what the Assembly wants to do and how it will be accomplished. It is not enough to spend money; as the House of Justice advised the Counselors at the outset of the Four Year Plan, funds must be spent “judiciously” in order to get the best result with the least investment of resources.

#### Who Prepares the Budget and When?

Although the Treasurer plays an important role in preparing the budget, the Assembly as a body is responsible for developing the financial plan, as the budget is often described. The task of preparing the budget should begin in February or March with local committees submitting estimates of resources they will need during the coming year.

Alternatively, the Assembly may advise its committees how much it is prepared to provide during the coming year, based on its assessment of goals and income, and ask them how they will spend an allocated portion of the total in order to get the best results. The Assembly, possibly with the aid of a Budget Committee, then develops a proposed budget. To assist with this task, the Assembly will receive a packet of materials each year from the Office of the Treasurer including the Budget Worksheet and the Financial Report to the National Spiritual Assembly.

#### The Budget Worksheet

In March the Assembly should prepare the Budget Worksheet. Please look at the materials at the end of this chapter for a sample of this form. You should feel free to modify the worksheet to suit your community’s needs.

In the first column of the worksheet, list the estimated actual income and

expenses for the remainder of the current year (how much you think your total

#### Chapter 5—Budgets, Goals, and Audits 83

income and expenses will be for each category through April 30—the end of the Bahá'í fiscal year). You would total the amount you have taken in or spent to date

in each category and add to this the amount you expect to receive or spend by the

end of the year. The resulting numbers, though approximate, will be accurate enough to help compare last year's budget (listed in the second column) to actual,

and to assist in planning a budget for the coming year.

#### Set Goals for Contributions to the Various Funds

The Local Spiritual Assembly needs to set a goal for its own contributions to the

various Funds, and in the case of the National Bahá'í Fund, advise its chosen

commitment level to the National Spiritual Assembly. In addition, the community will need targets for its joint support to the international, national and local

work of the Faith.

In order to set these goals, the Assembly should consult on the amount of money it plans to provide to the Funds during the year. One method of estimating this amount is to use contributions of recent years as a guideline. The Assembly would

wish to consider increasing its goals, at least to offset the effects of inflation. When

the Assembly arrives at goals that are challenging, divide this amount by nineteen.

The resulting number is called the Monthly Contributions Goal; individual goals for the major Funds may be set that would add up to the monthly contributions goal.

#### Contribute Regularly to All Bahá'í Funds

There are priorities for contributions which have been set by the Guardian and the Universal House of Justice. Regular giving to all the senior Funds should be a

consistent pattern for the Local Fund, just as it is for the National Bahá'í Fund.

This continuous and regular flow of money through the Administrative Order strengthens the Cause both in this country and throughout the world.

Once your Assembly decides the monthly amount it wishes to contribute to the National Bahá'í Fund and the International and Continental Funds, it is then the

Treasurer's obligation to make sure this contribution is sent with unfailing regularity.

The third column of the worksheet is used to develop a proposed budget for the new year. To prepare such a budget, we suggest that the Assembly use a procedure similar to the following:

- Decide some short- and long-range goals for the growth and development of the community. These goals will be modified as programs are actually carried out and circumstances change, but by consulting about some of the alternatives, the Assembly and community increase their capacity to use new circumstances for the Faith's benefit.
- Review committee requests for resources (or make tentative resource allocations).

84 Stewardship and Development 3rd Edition

- Include an annual payment (currently \$100) to cover the cost of the Liability Insurance the National Spiritual Assembly provides for each Local Spiritual Assembly and Group (see the Request for Certificate of Insurance at the end of this chapter).
- Estimate available resources such as money, manpower, supplies and equipment. A good way to estimate how much money you will have to work with is to look at past years' levels of contributions. Then adjust this number up or down according to the current condition of your community.
- Make plans to win your community's goals; these should be as specific as possible with room for flexibility. Decide how and when the plans will be carried out. Ideas can come from the Assembly, its committees and from the community, either at the Feast, or through meetings specially called for this purpose.
- Estimate the cost of each plan.
- Arrange the plans in order of importance.
- If it looks as if your plans are going to cost more than you will have (which is usually the case), now is the time to balance the budget. Try adjusting your plans, cutting unnecessary costs or finding less-costly ways of accomplishing the same goal—creativity is important here! Some projects may have to be eliminated, starting with those of lesser importance.
- Fill in the dollar amounts for each category of the proposed budget. (NOTE: After the first five steps have been completed, the Assembly may want to appoint several individuals—a budget committee—to develop a proposed budget for the approval of the entire Assembly.)

The Financial Report to the National Spiritual Assembly

The Budget Worksheet is a tool to assist the Assembly in preparing its Financial

Report to the National Spiritual Assembly. After Ritrán, the Assembly should review, revise if necessary, and approve the proposed budget and then prepare

and submit the Financial Report to the National Spiritual Assembly. This report (please see example at the end of this chapter) asks you to list actual income and expenses for the recently completed fiscal year and to give the Assembly's annual, approved budget (including the monthly contributions goal) for the new fiscal year. A copy of this report should be sent to the National Spiritual Assembly no later than June 30th.

#### Use the Budget as a Guide

Since the budget takes the Assembly's plans and goals and expresses them in financial terms, it also becomes the basis for everything the Treasurer does during the year. Checking the budget regularly ensures that resources are being used as intended. There may be times during the year when the Assembly will want to make changes in its budget due to changing conditions in the community.

#### Chapter 5—Budgets, Goals, and Audits 85

##### Automatic Contribution System

One of the best ways to support your community's contribution goals is to utilize the Automatic Contribution System (ACS). The financial stability provided by the ACS plays a vital role in the National Spiritual Assembly's efforts to build a sound financial foundation for the national and international work of the Cause.

Assemblies, Groups and individuals who give in this regular, systematic way find it to be a wonderful way to simplify their work, and a great way to ensure that their giving goals are met.

Individuals, Groups and Assemblies may use the Automatic Contribution Enrollment Form at the end of this chapter to enroll in this program. A voided check (not a deposit ticket) should be included with the form to ensure the accuracy of the account and bank information. Once the contribution information is received and processed by the Office of the Treasurer's accounting department at the Bahá'í National Center, automatic withdrawals are made between the 20th and 30th days once per Gregorian month.

If for some reason funds are not available in the account at the time of withdrawal, the automatic debit will be reversed, and the Office of the

Treasurer will

be notified. The automatic withdrawal will be reset to retry at the normal time the following month. Your bank account should be reconciled each month with this in mind.

### Community Honor Roll

Local Spiritual Assemblies and Registered Groups who demonstrate excellent patterns of giving to the National Bahá'í Fund by meeting the following criteria are featured in the annual Community Honor Roll publication:

- Give 15 times (or more) during at least 12 of 19 Bahá'í months; or
- Give (through the ACS) during at least 10 of 12 Gregorian months between March and February of the Bahá'í year

In addition to the criteria mentioned above, Local Spiritual Assemblies and Registered Groups who submit their community goals (through the Financial Report

to the National Spiritual Assembly) and annual audits for the fiscal year ending

April 30th (due by June 30th) are recognized. Communities who demonstrate such regularity, consistency, responsibility and reliability in giving show mature and

unified action so appreciated by the National Spiritual Assembly.

### 86 Stewardship and Development 3rd Edition

#### Communicating Goals

to the Community

There is a variety of ways the Assembly can encourage and support the local community in reaching and celebrating their contribution goals. Some years ago a "Candle Chart" was created as a visual aid used to assist communities in "seeing"

how their contributions to the Fund make a difference.

The "Heart Chart" and the two-page "My Diary of Giving and Growing" (published in the July/August 1998 issue of Brilliant Star) were designed to be used as

fund teaching tools for children and youth (see both at the end of this chapter).

Perhaps one of these ideas could be useful in teaching your community about the importance of regular giving. Maybe they will inspire one of the friends to create

a new visual aid for tracking your community's fund contribution goals!

#### Contributions In Honor

and In Memory

The Office of the Treasurer, on behalf of the National Spiritual Assembly, offers

a unique way of remembering loved ones who have passed on, as well as friends and relatives who may be celebrating a special occasion.

Friends can honor or remember the important people in their lives and at the same time help to meet their community goals by completing the necessary information requested on the “In Honor” or “In Memory” forms (see the end of this chapter for the originals). Local Assemblies and Groups can use this method, as well, as a way of expanding the options the friends have in sending their gifts to the various Funds.

### The Annual Audit

#### Preparing for the Audit

Throughout the year the Treasurer prepares for the annual audit by following these steps:

- Canceled checks and deposit tickets should be in order and bundled with their bank statements
- Bank accounts should be reconciled monthly

#### Chapter 5—Budgets, Goals, and Audits 87

- Paid bills should be put in order by date
- Contribution receipts should be in numerical order

#### Who Are the Auditors and What Do They Do?

We generally assume that a Bahá'í Treasurer is not only honest, but is capably

handling the affairs of the Fund at all times. Though honesty and thoroughness are expected, an audit of the Treasurer's records protects the Assembly, the believers, and the Treasurer. Furthermore, the audit provides an opportunity for two independent observers to evaluate the Treasurer's methods and make constructive suggestions for improvement.

The Assembly should appoint at least two individuals (not necessarily Assembly members) to check the Assembly's financial records shortly after April 30th each

year. The Treasurer should not serve as an auditor, but should be available to assist. The auditors should perform the following tasks:

- Use the audit procedures provided at the end of this chapter
- Check and total all receipts for the year and make sure that the same amount was deposited in the bank and that deposits were made on a timely basis
- Be sure the bills were paid promptly and accurately, comparing canceled checks with the copies of the bills

- Prepare a statement for the Assembly reporting the results of the audit including suggestions the auditors may have for improving the Treasurer's system. Use the "sample only" form on the last page of the Audit Procedures to serve as an example of a written report.

#### What if the Books Don't Balance?

Suppose the auditors have just spent many hours going over the books. They know there is an error, but they do not know where. What should they do?

If the auditors find errors, they should report them to the Assembly. It is then the Assembly's task to decide whether to make an adjusting entry in the books or to investigate the situation further. It is usually best to make a correcting entry for errors of only a few dollars which cannot easily be traced back to their point of origin. It is important, however, for the cash journal's CASH IN BANK to agree with the bank's records at the beginning of the new fiscal year. Carrying an error into the next year's books only complicates matters.

The Assembly may want to authorize an audit at other times during the year—after a change in Treasurer, for instance. For large communities, the Assembly

88 Stewardship and Development 3rd Edition  
may hire the services of a qualified Public Accountant. Until your community has a center or other property, it is probably sufficient to appoint two Bahá'ís to audit the financial records.

#### What about Confidentiality?

The Treasurer maintains records of receipts and disbursements on behalf of the Local Spiritual Assembly. These records are the property of the Assembly and, as such, are available to that body at any time. These records are held in confidence within the institution. No individual is given access to them except with the permission of the Local Spiritual Assembly.

It is up to the Assembly to select individuals who will maintain the confidential nature of the records they examine as auditors. An audit assures the believers and the Assembly that money is being handled properly. It does not jeopardize the confidentiality of an individual's contributions.

**AUTOMATIC CONTRIBUTION SYSTEM (ACS)**  
**For Individuals, Bahá'í Groups and Spiritual Assemblies**

Checking Account Information: (Please send a voided check from this account)

Name of Bank \_\_\_\_\_

Account Number \_\_\_\_\_

Bank account of local Spiritual Assembly, Bahá'í Group or Individual  
 Bahá'í Locality Code or Bahá'í ID # \_\_\_\_\_

I, \_\_\_\_\_, representing our local Spiritual Assembly, our Bahá'í Group or myself, authorize the National Spiritual Assembly of the Bahá'ís of the United States to withdraw from our community's, or my personal, checking account the sum of \$ \_\_\_\_\_ each Gregorian month (12 times yearly) to be distributed as follows:

FUND	OLD AMOUNT	NEW AMOUNT
National Bahá'í Fund	\$ _____	\$ _____
International Bahá'í Fund	\$ _____	\$ _____
DISCRETION		
World Center Endowment	\$ _____	\$ _____
*Yes ____ ** No ____		
Continental Bahá'í Fund	\$ _____	\$ _____
The Regional Bahá'í Council	\$ _____	\$ _____

\*By answering "yes", you give discretion for your contributions to the National Spiritual Assembly.

Kingdom Project	\$ _____	\$ _____
-----------------	----------	----------

\*\*By answering "no", remember that a contribution to a Fund or agency outside of Bahá'í International Radio the United States may not be tax deductible.

Service: Payam-e-Doost

Other: _____	\$ _____	\$ _____
Other: _____	\$ _____	\$ _____

TOTAL	\$ _____	\$ _____
-------	----------	----------

¡ Use for changing already existing automatic contribution only

Please enclose the completed form and a voided check (not a deposit slip) from the bank account that you wish to use

Signature \_\_\_\_\_ Officer if LSA \_\_\_\_\_

Date \_\_\_\_\_

Home Phone \_\_\_\_\_ Work Phone \_\_\_\_\_

Please forward to:

Bahá'í National Center

Office of the Treasurer

Attn: ACS

1233 Central Street

Rev 10/4/04

Evanston, IL 60201-1611

90 Stewardship and Development 3rd Edition

Chapter 5—Budgets, Goals, and Audits 91

FINANCIAL REPORT TO THE NATIONAL SPIRITUAL ASSEMBLY

FOR PREVIOUS FISCAL YEAR \_\_\_\_\_

\_\_\_ Local Spiritual Assembly

\_\_\_ Bahá'í Group of \_\_\_\_\_

State \_\_\_ ID No. \_\_\_\_\_

Number of Bahá'ís in the community as of April 30, \_\_\_\_\_

\_\_\_\_\_ Adults (21 and up) \_\_\_\_\_ Youth (15-20) \_\_\_\_\_ Pre-Youth (11-14)

\_\_\_\_\_ Children (0-10)

Actual Income and Expenses from Previous Fiscal Year	Budget From Previous Fiscal Year	Budget For Current Fiscal Year
--	--	--------------------------------------

BEGINNING BALANCE \_\_\_\_\_

\_\_\_\_\_

INCOME

Contributions: Local Fund \_\_\_\_\_

Center Fund \_\_\_\_\_

Earmarked \_\_\_\_\_

Other Income \_\_\_\_\_

TOTAL Income + Beginning Balance \_\_\_\_\_

\_\_\_\_\_

EXPENSES

Bahá'í International Fund \_\_\_\_\_

World Center Endowment Fund \_\_\_\_\_

Continental Bahá'í Fund \_\_\_\_\_

_____	_____
National Bahá'í Fund *	_____
_____	_____ *Goal
Kingdom Project Fund	_____
_____	_____
Regional Bahá'í Council	_____
_____	_____
Teaching / Proclamation	_____
_____	_____
Feast / Holy Days	_____
_____	_____
Children / Youth Programs	_____
_____	_____
Education / Institute Training / Deepening	_____
_____	_____
Scholarships / Deputization	_____
_____	_____
Administrative Expenses	_____
_____	_____
Property Expenses	_____
_____	_____
Other Expenses	_____
_____	_____
Other Expenses	_____
_____	_____
TOTAL Expenses	_____
_____	_____
CAPITAL EXPENDITURE	_____
_____	_____
(Land, Building & Equipment etc.)	
ENDING CASH BALANCE	_____
_____	_____

Person Completing report:

Name and Office

\_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_ ZIP \_\_\_\_\_

Home Phone \_\_\_\_\_

Work Phone \_\_\_\_\_

This report must be reviewed and approved by the incoming Assembly/Group. When completed, please return by

June 30 to the Bahá'í National Center, Office of the Treasurer, 1233 Central Street, Evanston, IL 60201

revised 09//2004

92 Stewardship and Development 3rd Edition  
D In Honor E

“And if, at any time, any gift were presented to Him that gift was accepted  
as a token of His grace unto him that offered it.”

-- Bahá'u'lláh

PLEASE PRINT CLEARLY

Name of individual honored:

Honor card to be sent to:

Street

Address: \_\_\_\_\_  
\_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_

Zip: \_\_\_\_\_

This contribution is for: National Fund International Fund  
Continental Fund Kingdom Project Fund

Occasion (optional):

Examples: Birthday, Graduation, Marriage, Birth of baby, Anniversary,  
Bahá'í declaration,  
Hospitality, Pioneering, Firesides given, Services rendered, Healing

Names of contributor(s) making gift:

Bahá'í ID number(s)

In Honor cards are a wonderful way to mark special occasions such as birthdays  
or anniversaries,  
or to recognize friends and loved ones “just because.” Send your completed  
form to:

Office of the Treasurer  
Bahá'í National Center  
1233 Central Street  
Evanston, IL 60201

We make every effort to meet requested deadlines, but it is not always possible  
to do so.

Please allow 3 weeks from the date you mail your request for the recipient to  
receive their card.

No financial information is ever shown on an In Honor card.

The amount of your contribution is absolutely confidential.

Please complete all sections, and be sure that all names and addresses are  
spelled correctly.

If no address is provided, no card will be sent.

## D In Memory E

“The progress of man’s spirit in the divine world, after the severance of its connection with the body of dust, is through the bounty and grace of the Lord alone, or through the intercession and sincere prayers of other human souls, or through the charities and important good works which are performed in its name..” -- ‘Abdu’l-Bahá

PLEASE PRINT CLEARLY

Name of individual deceased:

Memorial card to be sent to:

Name

Street Address

City

State

Zip

This contribution is for: National Fund International Fund

Continental Fund Kingdom Project Fund

Names of contributor(s) making gift:

Bahá’í ID number(s)

In Memory cards are a beautiful and spiritual way to remember friends and loved ones

who have entered the Abhá Kingdom. Send your completed form to:

Office of the Treasurer

Bahá’í National Center

1233 Central Street

Evanston, IL 60201

We make every effort to meet requested deadlines, but it is not always possible to do so.

Please allow 3 weeks from the date you mail your request for the recipient to receive their card.

No financial information is ever shown on an In Memory card.

The amount of your contribution is absolutely confidential.

Please complete all sections, and be sure that all names and addresses are spelled correctly.

If no address is provided, the card will be sent to the person making the contribution.

94 Stewardship and Development 3rd Edition

94 Stewardship and Development 3rd Edition

/WNM

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#NC \$CJ¶  
.QHVKPGUU 5RNGPFQT #\COCV  
5JCTCH  
 )TCPFGWT  
\*QPQT  
/CU¶ KN  
3WGUVKQPU  
0ÕT  
.KIJV  
4CJOCV  
3CYN  
 /GTE[  
5RGGEJ  
-CNKO¶V  
3WFTCV  
9QTFU  
2QYGT  
-CO¶N  
+NO 2GTHGEVKQP  
-PQYNGFIG  
#UO¶  
/CUJÈ[[CV 0COGU  
9KNN  
+\\CV  
/KIJV

Chapter 5—Budgets, Goals, and Audits

96 Stewardship and Development 3rd Edition

Chapter 5—Budgets, Goals, and Audits 97

98 Stewardship and Development 3rd Edition

Form SS-4 Application for

Employer Identification Number

EIN

(For use by employers, corporations, partnerships, trusts, estates, churches,

(Rev. December 2001) government agencies,

Indian tribal entities, certain individuals, and others.)

Department of the Treasury

OMB No. 1545-0003

Internal Revenue Service

See separate

instructions for each line.

Keep a copy for your records.

1 Legal name of entity (or individual) for whom the EIN is being requested  
Type or print clearly.

2 Trade name of business (if different from name on line 1)

3 Executor, trustee, "care of" name

4a Mailing address (room, apt., suite no. and street, or P.O. box) 5a Street  
address (if different) (Do not enter a P.O. box.)

4b City, state, and ZIP code

5b City, state, and ZIP code

6 County and state where principal business is located

7a Name of principal officer, general partner, grantor, owner, or trustor

7b SSN, ITIN, or EIN

8a Type of entity (check only one box)

Estate (SSN of decedent)

Sole proprietor (SSN)

Plan administrator (SSN)

Partnership

Trust (SSN of grantor)

Corporation (enter form number to be filed)

National Guard

State/local government

Personal service corp.

Farmers' cooperative

Federal

government/military

Church or church-controlled organization

REMIC

Indian tribal governments/enterprises

Other nonprofit organization (specify)

Group Exemption Number (GEN)

Other (specify)

8b If a corporation, name the state or foreign country

State

Foreign

country

(if applicable) where incorporated

9 Reason for applying (check only one box)

Banking purpose (specify purpose)

Started new business (specify type)

Changed type of organization (specify new type)

Purchased going business

Hired employees (Check the box and see line 12.)

Created a trust (specify type)

Compliance with IRS withholding regulations

Created a pension plan (specify type)

Other (specify)

10 Date business started or acquired (month, day, year)

11 Closing month of accounting

year

12 First date wages or annuities were paid or will be paid (month, day, year). Note: If applicant is a withholding agent, enter date income will first be paid to nonresident alien. (month, day, year)

13 Highest number of employees expected in the next 12 months. Note: If the applicant does not expect to have any employees during the period, enter “-0-.”  
Agricultural Household Other

14 Check one box that best describes the principal activity of your business.  
Health care & social assistance  
Wholesale-agent/broker  
Construction Rental & leasing Transportation & warehousing  
Accommodation & food service Wholesale-other  
Retail  
Real estate Manufacturing Finance & insurance  
Other (specify)

15 Indicate principal line of merchandise sold; specific construction work done; products produced; or services provided.

16a Has the applicant ever applied for an employer identification number for this or any other business?  
Yes No

Note: If “Yes,” please complete lines 16b and 16c.

16b If you checked “Yes” on line 16a, give applicant’s legal name and trade name shown on prior application if different from line 1 or 2 above.

Legal name Trade name

16c Approximate date when, and city and state where, the application was filed. Enter previous employer identification number if known.  
Approximate date when filed (mo., day, year) City  
and state where filed Previous EIN

..

..

Complete this section only if you want to authorize the named individual to receive the entity’s EIN and answer questions about the completion of this form.

Third Designee’s name

Designee’s telephone number (include area code)

Party

(  
)  
Designee Address and ZIP code

Designee's fax number (include area code)

( )

Under penalties of perjury, I declare that I have examined this application,  
and to the best of my knowledge and belief, it is true, correct, and complete.

Applicant's telephone number (include area code)

Name and title (type or print clearly)

(  
)

Applicant's fax number (include area code)

Signature

Date (

)

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 16055N

Form SS-4 (Rev. 12-2001)

Chapter 5—Budgets, Goals, and Audits

99

Form SS-4 (Rev. 12-2001)

Page 2

Do I Need an EIN?

File Form SS-4 if the applicant entity does not already have an EIN but is  
required to show an EIN on any  
return, statement, or other document.<sup>1</sup> See also the separate instructions for  
each line on Form SS-4.

IF the applicant... AND...

THEN...

Started a new business Does not currently have (nor expect  
to have) Complete lines 1, 2, 4a–6, 8a, and 9–16c.  
employees

Hired (or will hire) Does not already have an EIN  
Complete lines 1, 2, 4a–6, 7a–b (if  
applicable),  
employees, including  
8a, 8b (if applicable), and 9–16c.  
household employees

Opened a bank account Needs an EIN for banking purposes  
only Complete lines 1–5b, 7a–b (if applicable),  
8a,  
9, and 16a–c.

Changed type of organization organization incorporate a sole proprietorship or form a partnership) <sup>2</sup>	Either the legal character of the Complete lines 1–16c (as applicable). or its ownership changed (e.g., you
Purchased a going business <sup>3</sup>	Does not already have an EIN Complete lines 1–16c (as applicable).
Created a trust trust or an IRA trust <sup>4</sup>	The trust is other than a grantor Complete lines 1–16c (as applicable).
Created a pension plan as a plan administrator <sup>5</sup>	Needs an EIN for reporting purposes Complete lines 1, 2, 4a–6, 8a, 9, and 16a–c.
Is a foreign person needing (other an EIN to comply with IRS on withholding regulations treaty benefits <sup>6</sup>	Needs an EIN to complete a Form W-8 Complete lines 1–5b, 7a–b (SSN or ITIN than Form W-8ECI), avoid withholding optional), 8a–9, and 16a–c. portfolio assets, or claim tax
Is administering an estate on Form 1041	Needs an EIN to report estate income Complete lines 1, 3, 4a–b, 8a, 9, and 16a–c.
Is a withholding agent for manager, tenant, 4a–5b, taxes on non-wage income Form 1042, paid to an alien (i.e., individual, corporation, or partnership, etc.)	Is an agent, broker, fiduciary, Complete lines 1, 2, 3 (if applicable), or spouse who is required to file 7a–b (if applicable), 8a, 9, and 16a–c. Annual Withholding Tax Return for U.S. Source Income of Foreign Persons
Is a state or local agency public assistance recipients under Rev. Proc. 80-4, 1980-1 C.B. 5817	Serves as a tax reporting agent for Complete lines 1, 2, 4a–5b, 8a, 9, and 16a–c.
Is a single-member LLC Classification Election, for filing employment tax returns, or for state reporting purposes <sup>8</sup>	Needs an EIN to file Form 8832, Complete lines 1–16c (as applicable).
Is an S corporation Election by a Small Business Corporation <sup>9</sup>	Needs an EIN to file Form 2553, Complete lines 1–16c (as applicable).

For example, a sole proprietorship or self-employed farmer who establishes a qualified retirement plan, or is required to file excise, employment, alcohol, tobacco,

or firearms returns, must have an EIN. A partnership, corporation, REMIC (real estate mortgage investment conduit), nonprofit organization (church, club, etc.), or farmers' cooperative must use an EIN for any tax-related purpose even if the entity does not have employees.

However, do not apply for a new EIN if the existing entity only (a) changed its business name, (b) elected on Form 8832 to change the way it is taxed (or is covered by the default rules), or (c) terminated its partnership status because at least 50% of the total interests in partnership capital and profits were sold or

exchanged within a 12-month period. (The EIN of the terminated partnership should continue to be used. See Regulations section 301.6109-1(d)(2)(iii).)

Do not use the EIN of the prior business unless you became the "owner" of a corporation by acquiring its stock.

However, IRA trusts that are required to file Form 990-T, Exempt Organization Business Income Tax Return, must have an EIN.

A plan administrator is the person or group of persons specified as the administrator by the instrument under which the plan is operated.

Entities applying to be a Qualified Intermediary (QI) need a QI-EIN even if they already have an EIN. See Rev. Proc. 2000-12.

See also Household employer on page 4. (Note: State or local agencies may need an EIN for other reasons, e.g., hired employees.)

Most LLCs do not need to file Form 8832. See Limited liability company (LLC) on page 4 for details on completing Form SS-4 for an LLC.

An existing corporation that is electing or revoking S corporation status should use its previously-assigned EIN.

100 Stewardship and Development 3rd Edition

Department of the Treasury

Instructions for Form SS-4

Internal Revenue Service

(Rev. September 2003)

For use with Form SS-4 (Rev. December 2001)

Application for Employer Identification Number.

Section references are to the Internal Revenue Code unless otherwise noted.

IRS website at [www.irs.gov/businesses](http://www.irs.gov/businesses) and click on

General Instructions

Employer ID

Numbers under topics.

Use these instructions to complete Form SS-4,

Application for Employer Identification Number. Also see Telephone.

You can receive your EIN by telephone and

Do I Need an EIN? on page 2 of Form SS-4. use it

immediately to file a return or make a payment.

Call the IRS at 1-800-829-4933. (International applicants

Purpose of Form must call  
215-516-6999.) The hours of operation are 7:00  
a.m. to 10:00 p.m. The person making the call must be  
Use Form SS-4 to apply for an employer identification  
authorized to sign the form or be an authorized designee.  
number (EIN). An EIN is a nine-digit number (for  
See Signature and Third Party Designee on page 6.  
example, 12-3456789) assigned to sole proprietors,  
Also see the TIP below.

corporations, partnerships, estates, trusts, and other  
entities for tax filing and reporting purposes. The If you are  
applying by telephone, it will be helpful to complete Form  
information you provide on this form will establish your  
SS-4 before contacting the IRS. An IRS  
business tax account.

representative will use the information from the Form  
An EIN is for use in connection with your SS-4 to establish your  
account and assign you an EIN.

Write the number you are given on the upper right corner  
!

#### CAUTION

business activities only. Do not use your EIN in  
place of your social security number (SSN). of the form and sign  
and date it. Keep this copy for your  
records.

Items To Note If  
requested by an IRS representative, mail or fax  
Apply online. You can now apply for and receive an EIN (facsimile)  
the signed Form SS-4 (including any Third  
online using the internet. See How To Apply below. Party  
Designee authorization) within 24 hours to the IRS  
address provided by the IRS representative.

File only one Form SS-4. Generally, a sole proprietor  
should file only one Form SS-4 and needs only one EIN,  
Taxpayer representatives can apply for an EIN on  
regardless of the number of businesses operated as a  
behalf of their client and request that the  
sole proprietorship or trade names under which a TIP  
EIN be faxed to their client on the same day.

business operates. However, if the proprietorship  
Note: By using this procedure, you are  
incorporates or enters into a partnership, a new EIN is authorizing  
the IRS to fax the EIN without a cover sheet.

required. Also, each corporation in an affiliated group  
must have its own EIN. Fax. Under

the Fax-TIN program, you can receive your  
EIN applied for, but not received. If you do not have an EIN by fax

within 4 business days. Complete and fax Form SS-4 to the IRS using the Fax-TIN number listed on page 2 for the date you applied in the space shown for the number. Do not show your SSN as an EIN on returns. outside of the local calling area will apply. Fax-TIN numbers can only be used to apply for an EIN. The If you do not have an EIN by the time a tax deposit is numbers may change without notice. Fax-TIN is due, send your payment to the Internal Revenue Service available 24 hours a day, 7 days a week. Center for your filing area as shown in the instructions for the form that you are filing. Make your check or money Be sure to provide your fax number so the IRS can fax the order payable to the “United States Treasury” and show the EIN back to you. Note: By using this procedure, you are your name (as shown on Form SS-4), address, type of authorizing the IRS to fax the EIN without a cover sheet. tax, period covered, and date you applied for an EIN.

**How To Apply** **Mail.**  
 Complete Form SS-4 at least 4 to 5 weeks before you will need an EIN. Sign and date the application and You can apply for an EIN online, by telephone, by fax, or mail it to the service center address for your state. You by mail depending on how soon you need to use the EIN. will receive your EIN in the mail in approximately 4 Use only one method for each entity so you do not weeks. See also Third Party Designee on page 6. receive more than one EIN for an entity.

**Online.** You can receive your EIN by internet and use it **Call** 1-800-829-4933 to verify a number or to ask **about the** immediately to file a return or make a payment. Go to the status of an application by mail.

Cat. No. 62736F

**Chapter 5—Budgets, Goals, and Audits** **101**  
**Where To Fax or File** **For information about** workshops in your area, call 1-800-829-4933.

If your principal business, **Call the Fax-TIN number** office or agency, or legal **shown or file with the** **Related** Forms and Publications residence in the case of an **“Internal Revenue Service** individual, is located in: **Center” at:** **The** following forms and instructions may be useful to filers of Form SS-4:

Connecticut, Delaware, District • Form  
 990-T, Exempt Organization Business Income  
 of Columbia, Florida, Georgia, Tax  
 Return  
 Maine, Maryland,  
 Attn: EIN Operation • Instructions for Form 990-T  
 Massachusetts, New  
 P. O. Box 9003 • Schedule C (Form 1040), Profit or Loss  
 From  
 Hampshire, New Jersey, New Business  
 Holtsville, NY 11742-9003  
 York, North Carolina, Ohio,  
 Fax-TIN 631-447-8960 • Schedule F (Form 1040), Profit or Loss  
 From Farming  
 Pennsylvania, Rhode Island, •  
 Instructions for Form 1041 and Schedules A, B, D,  
 South Carolina, Vermont, G, I, J,  
 and K-1, U.S. Income Tax Return for Estates and  
 Virginia, West Virginia  
 Trusts  
 Attn: EIN Operation • Form 1042, Annual Withholding Tax Return  
 for U.S.  
 Illinois, Indiana, Kentucky,  
 Cincinnati, OH 45999 Source Income of Foreign Persons  
 Michigan  
 Fax-TIN 859-669-5760 • Instructions for Form 1065, U.S. Return  
 of  
 Partnership Income  
 Alabama, Alaska, Arizona,  
 Arkansas, California,  
 • Instructions for Form 1066, U.S. Real Estate  
 Mortgage Investment Conduit (REMIC) Income Tax  
 Colorado, Hawaii, Idaho, Iowa,  
 Kansas, Louisiana, Minnesota,  
 Return  
 Mississippi, Missouri, •  
 Instructions for Forms 1120 and 1120-A  
 Montana, Nebraska, Nevada,  
 Attn: EIN Operation • Form 2553, Election by a Small Business  
 Corporation  
 New Mexico, North Dakota,  
 Philadelphia, PA 19255 • Form 2848, Power of Attorney and  
 Declaration of  
 Fax-TIN 215-516-3990 Representative  
 Oklahoma, Oregon, Puerto  
 Rico, South Dakota, • Form  
 8821, Tax Information Authorization

Tennessee, Texas, Utah, • Form  
 8832, Entity Classification Election  
 Washington, Wisconsin, For  
 more information about filing Form SS-4 and  
 Wyoming related  
 issues, see:

- Circular A, Agricultural Employer's Tax Guide

If you have no legal Attn: EIN Operation  
 (Pub. 51)  
 residence, principal place of Philadelphia, PA 19255  
 business, or principal office Telephone 215-516-6999

- Circular E, Employer's Tax Guide (Pub. 15)

or agency in any state: Fax-TIN 215-516-3990

- Pub. 538, Accounting Periods and Methods
- Pub. 542, Corporations
- Pub. 557, Exempt Status for Your Organization
- Pub. 583, Starting a Business and Keeping Records

How To Get Forms and Publications • Pub.  
 966, Electronic Choices for Paying ALL Your  
 Phone. You can order forms, instructions, and Federal  
 Taxes  
 publications by phone 24 hours a day, 7 days a week. • Pub.  
 1635, Understanding Your EIN  
 Call 1-800-TAX-FORM (1-800-829-3676). You should •  
 Package 1023, Application for Recognition of  
 receive your order or notification of its status within 10  
 Exemption Under Section 501(c)(3) of the Internal  
 workdays. Revenue  
 Code

- Package 1024, Application for Recognition of  
 Personal computer. With your personal computer and  
 Exemption Under Section 501(a)  
 modem, you can get the forms and information you need  
 using the IRS website at [www.irs.gov](http://www.irs.gov) or File Transfer  
 Protocol at [ftp.irs.gov](ftp://ftp.irs.gov).

CD-ROM. For small businesses, return preparers, or  
 Specific Instructions  
 others who may frequently need tax forms or Print or  
 type all entries on Form SS-4. Follow the  
 publications, a CD-ROM containing over 2,000 tax  
 instructions for each line to expedite processing and to  
 products (including many prior year forms) can be avoid  
 unnecessary IRS requests for additional  
 purchased from the National Technical Information  
 information. Enter "N/A" (nonapplicable) on the lines that  
 Service (NTIS). do not  
 apply.

To order Pub. 1796, Federal Tax Products on Line  
1—Legal name of entity (or individual) for whom the EIN  
CD-ROM, call 1-877-CDFORMS (1-877-233-6767) toll  
is being requested. Enter the legal name of the  
free or connect to www.irs.gov/cdorders. entity  
(or individual) applying for the EIN exactly as it  
appears on the social security card, charter, or other  
Tax Help for Your Business  
applicable legal document.

IRS-sponsored Small Business Workshops provide  
Individuals. Enter your first name, middle initial, and  
information about your Federal and state tax obligations. last  
name. If you are a sole proprietor, enter your

102 Stewardship and Development 3rd Edition  
individual name, not your business name. Enter your  
necessary, complete Form W-7, Application for IRS  
business name on line 2. Do not use abbreviations or  
Individual Taxpayer Identification Number, to obtain an  
nicknames on line 1. ITIN.

Trusts. Enter the name of the trust. You are  
required to enter an SSN, ITIN, or EIN unless  
Estate of a decedent. Enter the name of the estate. the only  
reason you are applying for an EIN is to make an  
Partnerships. Enter the legal name of the partnership  
classification election (see Regulations sections  
as it appears in the partnership agreement. entity

301.7701-1 through 301.7701-3) and you are a  
nonresident alien with no effectively connected income  
Corporations. Enter the corporate name as it from  
sources within the United States.  
appears in the corporation charter or other legal  
document creating it. Line

8a—Type of entity. Check the box that best  
describes the type of entity applying for the EIN. If you  
Plan administrators. Enter the name of the plan are an  
alien individual with an ITIN previously assigned to  
administrator. A plan administrator who already has an you,  
enter the ITIN in place of a requested SSN.  
EIN should use that number.

Line 2—Trade name of business. Enter the trade  
This is not an election for a tax classification of  
name of the business if different from the legal name.  
The trade name is the “doing business as ” (DBA) name.

!

CAUTION  
an entity. See Limited liability company

(LLC) on page 4.

Use the full legal name shown on line 1 on all Other. If not specifically listed, check the "Other" box, !

**CAUTION**

tax returns filed for the entity. (However, if you enter a trade name on line 2 and choose to use enter the type of entity and the type of return, if any, that will be filed (for example, "Common Trust Fund, Form the trade name instead of the legal name, enter 1065" or "Created a Pension Plan"). Do not enter "N/A." If the trade name on all returns you file.) To prevent you are an alien individual applying for an EIN, see the processing delays and errors, always use the legal name Lines 7a-b instructions above.

only (or the trade name only) on all tax returns. • Household employer. If you are an individual, check Line 3—Executor, trustee, "care of" name. Trusts the "Other" box and enter "Household Employer" and enter the name of the trustee. Estates enter the name of your SSN. If you are a state or local agency serving as a the executor, administrator, or other fiduciary. If the entity tax reporting agent for public assistance recipients who applying has a designated person to receive tax become household employers, check the "Other" box information, enter that person's name as the "care of" and enter "Household Employer Agent." If you are a trust person. Enter the individual's first name, middle initial, that qualifies as a household employer, you do not need and last name. a

separate EIN for reporting tax information relating to household employees; use the EIN of the trust.

Lines 4a-b —Mailing address. Enter the mailing • QSub. For a qualified subchapter S subsidiary (QSub) address for the entity's correspondence. If line 3 is check the "Other" box and specify "QSub."

completed, enter the address for the executor, trustee or • Withholding agent. If you are a withholding agent "care of" person. Generally, this address will be used on required to file Form 1042, check the "Other" box and all tax returns.

enter "Withholding Agent."

File Form 8822, Change of Address, to report Sole proprietor. Check this box if you file Schedule C, TIP any subsequent changes to the entity's mailing C-EZ, or F (Form 1040) and have a qualified plan, or

address. are required to  
file excise, employment, alcohol, tobacco,  
or firearms returns, or are a payer of gambling winnings.  
Lines 5a-b —Street address. Provide the entity's  
Enter your SSN (or ITIN) in the space provided. If you are  
physical address only if different from its mailing address a  
nonresident alien with no effectively connected income  
shown in lines 4a-b. Do not enter a P.O. box number from  
sources within the United States, you do not need to  
here. enter an  
SSN or ITIN.

Line 6—County and state where principal business  
Corporation. This box is for any corporation other  
is located. Enter the entity's primary physical location.  
than a personal service corporation. If you check this  
Lines 7a-b —Name of principal officer, general box,  
enter the income tax form number to be filed by the  
partner, grantor, owner, or trustor. Enter the first entity  
in the space provided.

name, middle initial, last name, and SSN of (a) the  
principal officer if the business is a corporation, (b) a  
If you entered "1120S" after the "Corporation"  
general partner if a partnership, (c) the owner of an entity  
that is disregarded as separate from its owner

!

#### CAUTION

checkbox, the corporation must file Form 2553  
no later than the 15th day of the 3rd month  
(disregarded entities owned by a corporation enter the  
of the tax year the election is to take effect.  
corporation's name and EIN), or (d) a grantor, owner, or Until  
Form 2553 has been received and approved, you  
trustor if a trust. will be  
considered a Form 1120 filer. See the Instructions  
If the person in question is an alien individual with a for Form  
2553.

previously assigned individual taxpayer identification  
Personal service corp. Check this box if the entity is a  
number (ITIN), enter the ITIN in the space provided and a  
personal service corporation. An entity is a personal  
submit a copy of an official identifying document. If service  
corporation for a tax year only if:

#### Chapter 5—Budgets, Goals, and Audits 103

- The principal activity of the entity during the testing should  
use the name and EIN of its owner for all Federal  
period (prior tax year) for the tax year is the performance tax

purposes. However, the reporting and payment of  
of personal services substantially by employee-owners,  
taxes for employees of the LLC may be  
and made using  
the name and EIN of either the owner or the

- The employee-owners own at least 10% of the fair  
explained in Notice 99-6. You can find Notice  
market value of the outstanding stock in the entity on the  
page 12 of Internal Revenue Bulletin 1999-3 at  
last day of the testing period.  
www.irs.gov/pub/irs-irbs/irb99-03.pdf. (Note: If the  
Personal services include performance of services in  
indicates in box 13 that it has employees  
such fields as health, law, accounting, or consulting. For  
to have employees, the owner (whether an  
more information about personal service corporations,  
or other entity) of a single-member domestic  
see the Instructions for Forms 1120 and 1120-A and Pub.  
also be assigned its own EIN (if it does not  
542. already

have one) even if the LLC will be filing the  
Other nonprofit organization. Check this box if the  
returns.) employment tax

nonprofit organization is other than a church or  
single-member, domestic LLC that accepts the  
church-controlled organization and specify the type of  
classification (above) and wants an EIN for filing  
nonprofit organization (for example, an educational  
tax returns (see above) or non-Federal  
organization). purposes,

such as a state requirement, must check the  
“Other” box and write “Disregarded Entity” or, when  
If the organization also seeks tax-exempt applicable,  
“Disregarded Entity —Sole Proprietorship” in  
!

#### CAUTION

status, you must file either Package 1023 or  
Package 1024. See Pub. 557 for more  
the space provided.

- A multi-member, domestic LLC that accepts the default  
information. classification (above)  
must check the “Partnership” box.

If the organization is covered by a group exemption  
LLC that will be filing Form 8832 to elect  
letter, enter the four-digit group exemption number  
status must check the “Corporation” box and  
(GEN). (Do not confuse the GEN with the nine-digit EIN.) write in

“Single-Member” or “Multi-Member” immediately  
 If you do not know the GEN, contact the parent below the  
 “form number” entry line.

organization. Get Pub. 557 for more information about Line  
 9—Reason for applying. Check only one box. Do  
 group exemption numbers. not enter  
 “N/A.”

Plan administrator. If the plan administrator is an  
 Started new business. Check this box if you are  
 individual, enter the plan administrator’s SSN in the  
 starting a new business that requires an EIN. If you  
 space provided.

check this box, enter the type of business being started.  
 REMIC. Check this box if the entity has elected to be Do not apply if  
 you already have an EIN and are only  
 treated as a real estate mortgage investment conduit adding  
 another place of business.

(REMIC). See the Instructions for Form 1066 for more  
 information. Hired

employees. Check this box if the existing  
 business is requesting an EIN because it has hired or is  
 Limited liability company (LLC). An LLC is an entity  
 hiring employees and is therefore required to file  
 organized under the laws of a state or foreign country as  
 employment tax returns. Do not apply if you already  
 a limited liability company. For Federal tax purposes, an  
 have an EIN and are only hiring employees. For  
 LLC may be treated as a partnership or corporation or be  
 information on employment taxes (e.g., for family  
 disregarded as an entity separate from its owner.  
 members), see Circular E.

By default, a domestic LLC with only one member is  
 disregarded as an entity separate from its owner and  
 You may be required to make electronic  
 must include all of its income and expenses on the  
 owner’s tax return (e.g., Schedule C (Form 1040)). Also !  
 CAUTION

deposits of all depository taxes (such as  
 employment tax, excise tax, and corporate  
 by default, a domestic LLC with two or more members is  
 income tax) using the Electronic Federal Tax  
 treated as a partnership. A domestic LLC may file Form Payment  
 System (EFTPS). See section 11, Depositing  
 8832 to avoid either default classification and elect to be Taxes, of  
 Circular E and Pub. 966.

classified as an association taxable as a corporation. For  
 more information on entity classifications (including the Created

a pension plan. Check this box if you have rules for foreign entities), see the instructions for Form 8832. Also, enter the type of plan in the space provided.

Do not file Form 8832 if the LLC accepts the Check this box if you are applying for a trust !

**CAUTION**

default classifications above. However, if the LLC will be electing S Corporation status, it a new pension plan is established. In must timely file both Form 8832 and Form check the "Other" box in line 8a and 2553.

TIP EIN when

addition,

write "Created a Pension Plan" in the space provided.

Complete Form SS-4 for LLCs as follows:

- A single-member domestic LLC that accepts the Banking purpose. Check this box if you are default classification (above) does not need an EIN and an EIN for banking purposes only, and enter generally should not file Form SS-4. Generally, the LLC purpose (for example, a bowling league for

requesting

the banking

104 Stewardship and Development 3rd Edition  
104 Stewardship and Development 3rd Edition  
depositing dues or an investment club for dividend and interest reporting).

See the

information.

Changed type of organization. Check this box if the REMICs must have a calendar year as their business is changing its type of organization. For example, the business was a sole proprietorship and has Personal service corporations. A personal service been incorporated or has become a partnership. If you generally must adopt a calendar year unless: check this box, specify in the space provided (including establish a business purpose for having a available space immediately below) the type of change tax year, or

REMICs.

tax year.

corporation

made. For example, "From Sole Proprietorship to elects under section 444 to have a tax year other Partnership." than a calendar year.

- It can

different

- It

Purchased going business. Check this box if you  
 Generally, a trust must adopt a calendar year  
 purchased an existing business. Do not use the former  
 the following:  
 owner's EIN unless you became the "owner" of a  
 Tax-exempt trusts,  
 corporation by acquiring its stock.  
 Charitable trusts, and  
 Created a trust. Check this box if you created a trust,  
 Grantor-owned trusts.  
 and enter the type of trust created. For example, indicate  
 12—First date wages or annuities were paid or  
 if the trust is a nonexempt charitable trust or a  
 paid. If the business has or will have employees,  
 split-interest trust.  
 Exception. Do not file this form for certain  
 If the business does not plan to have  
 grantor-type trusts. The trustee does not need an EIN for  
 enter "N/A."  
 the trust if the trustee furnishes the name and TIN of the  
 Withholding agent. Enter the date you began or will  
 grantor/owner and the address of the trust to all payors.  
 pay income (including annuities) to a  
 See the Instructions for Form 1041 for more information.  
 alien. This also applies to individuals who  
 Do not check this box if you are applying for a  
 Form 1042 to report alimony paid to a  
 trust EIN when a new pension plan is  
 TIP  
 established. Check "Created a pension plan."  
 13—Highest number of employees expected in  
 the next 12 months. Complete each box by entering the  
 Other. Check this box if you are requesting an EIN for  
 (including zero ("-0-")) of "Agricultural,"  
 any other reason; and enter the reason. For example, a  
 "Household," or "Other" employees expected by the  
 newly-formed state government entity should enter  
 in the next 12 months. For a definition of  
 "Newly-Formed State Government Entity" in the space  
 agricultural labor (farmwork), see Circular A.  
 provided.  
 Lines 14 and 15. Check the one box in line 14 that best  
 Line 10—Date business started or acquired. If you  
 the principal activity of the applicant's  
 are starting a new business, enter the starting date of the  
 Check the "Other" box (and specify the

Trusts.  
 except for  
 •  
 •  
 •  
 Line  
 will be  
 enter the  
 date on which the business began or will begin  
 to pay wages.  
 employees,  
 begin to  
 nonresident  
 are required to file  
 nonresident alien.  
 Line  
 number  
 applicant  
 describes  
 business.

business. If the business you acquired is already applicant's principal activity) if none of the listed boxes operating, enter the date you acquired the business. If you are changing the form of ownership of your business, enter the date the new ownership entity began. Trusts line 15 to describe the applicant's principal line of business should enter the date the trust was legally created. more detail. For example, if you checked the Estates should enter the date of death of the decedent "Construction" box in line 14, enter additional detail such whose name appears on line 1 or the date when the "General contractor for residential buildings" in line 15. estate was legally funded.

Construction. Check this box if the applicant is Line 11—Closing month of accounting year. Enter in erecting buildings or other structures, (e.g., the last month of your accounting year or tax year. An highways, bridges, tunnels). The term accounting or tax year is usually 12 consecutive months, "Construction" also includes special trade contractors, either a calendar year or a fiscal year (including a period plumbing, HVAC, electrical, carpentry, concrete, of 52 or 53 weeks). A calendar year is 12 consecutive etc. contractors).

months ending on December 31. A fiscal year is either 12 estate. Check this box if the applicant is consecutive months ending on the last day of any month renting or leasing real estate to others; other than December or a 52-53 week year. For more selling, buying or renting real estate for information on accounting periods, see Pub. 538. providing related real estate services (e.g., Individuals. Your tax year generally will be a calendar services).

year. Rental and leasing. Check this box if the applicant is Partnerships. Partnerships must adopt one of the following tax years: computers, consumer goods, or industrial machinery and

- The tax year of the majority of its partners, equipment
- The tax year common to all of its principal partners, lease

payment.

- The tax year that results in the least aggregate deferral

Manufacturing. Check this box if the applicant is of income, or engaged in

the mechanical, physical, or chemical

• In certain cases, some other tax year.

transformation of materials, substances, or components

Chapter 5—Budgets, Goals, and Audits 105

into new products. The assembling of component parts of principal

officer, if the applicant is a corporation, (c) a

manufactured products is also considered to be

responsible and duly authorized member or officer having

manufacturing. knowledge

of its affairs, if the applicant is a partnership,

Transportation & warehousing. Check this box if the government

entity, or other unincorporated organization,

applicant provides transportation of passengers or cargo; or (d) the

fiduciary, if the applicant is a trust or an estate.

warehousing or storage of goods; scenic or sight-seeing Foreign

applicants may have any duly-authorized person,

transportation; or support activities related to these (e.g.,

division manager), sign Form SS-4.

modes of transportation.

Finance & insurance. Check this box if the applicant Privacy Act  
and Paperwork Reduction Act Notice.

is engaged in transactions involving the creation, We ask for

the information on this form to carry out the

liquidation, or change of ownership of financial assets Internal

Revenue laws of the United States. We need it to

and/or facilitating such financial transactions; comply

with section 6109 and the regulations thereunder

underwriting annuities/insurance policies; facilitating such which

generally require the inclusion of an employer

underwriting by selling insurance policies; or by providing

identification number (EIN) on certain returns,

other insurance or employee-benefit related services.

statements, or other documents filed with the Internal

Health care and social assistance. Check this box if Revenue

Service. If your entity is required to obtain an

the applicant is engaged in providing physical, medical, EIN, you

are required to provide all of the information

or psychiatric care using licensed health care requested

on this form. Information on this form may be

professionals or providing social assistance activities used to

determine which Federal tax returns you are

such as youth centers, adoption agencies, individual/ required

to file and to provide you with related forms and

family services, temporary shelters, etc.

publications.

Accommodation & food services. Check this box if We

disclose this form to the Social Security Administration for their use in determining compliance with applicable laws. We may give this information to the immediate consumption. Department of Justice for use in civil and criminal litigation, Wholesale –agent/broker. Check this box if the applicant is engaged in arranging for the purchase or sale of goods owned by others or purchasing goods on a commission basis for goods traded in the wholesale market, usually between businesses. combat terrorism. Wholesale –other. Check this box if the applicant is engaged in selling goods in the wholesale market all of the requested information which applies to generally to other businesses for resale on their own entity. Providing false information could subject you to penalties. We will provide your account. Retail. Check this box if the applicant is engaged in selling merchandise to the general public from a fixed store; by direct, mail-order, or electronic sales; or by Act unless the form displays a valid OMB using vending machines. control number. Books or records relating to a form or its Other. Check this box if the applicant is engaged in must be retained as long as their contents an activity not described above. Describe the applicant’s principal business activity in the space provided. Revenue law. Generally, tax returns and return information are confidential, as required by section 6103. Lines 16a-c. Check the applicable box in line 16a to indicate whether or not the entity (or individual) applying for an EIN was issued one previously. Complete lines depending on individual circumstances. The 16b and 16c only if the “Yes” box in line 16a is checked. The estimated average time is:

If the applicant previously applied for more than one  
 Recordkeeping . . . . . 6 min.  
 EIN, write "See Attached" in the empty space in line 16a  
 Learning about the law or the form . . . . . 22 min.  
 and attach a separate sheet providing the line 16b and  
 Preparing the form . . . . . 46 min.  
 16c information for each EIN previously requested.  
 Copying, assembling, and sending the form to  
 Third Party Designee. Complete this section only if you the IRS .  
 . . . . . 20 min.  
 want to authorize the named individual to receive the  
 entity's EIN and answer questions about the completion If  
 you have comments concerning the accuracy of these  
 of Form SS-4. The designee's authority terminates at the  
 time estimates or suggestions for making this form  
 time the EIN is assigned and released to the designee. simpler,  
 we would be happy to hear from you. You can  
 You must complete the signature area for the write to  
 the Tax Products Coordinating Committee,  
 authorization to be valid. Western  
 Area Distribution Center, Rancho Cordova, CA  
 Signature. When required, the application must be  
 95743-0001. Do not send the form to this address.  
 signed by (a) the individual, if the applicant is an Instead,  
 see How To Apply on page 1.  
 individual, (b) the president, vice president, or other

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106 Stewardship and Development 3rd Edition  
 106 Stewardship and Development 3rd Edition  
 NATIONAL SPIRITUAL ASSEMBLY  
 of the

BAHÁ'ÍS OF THE UNITED STATES  
 536 SHERIDAN ROAD, WILMETTE, ILLINOIS 60091-2849 • (847) 869-9039 • EMAIL:  
 FINANCE@USBNC.ORG

OFFICE OF THE TREASURER  
 February 8, 2005

To: All Local Spiritual Assemblies  
 Subject: General Liability Insurance Policy Period: 11/01/04 –  
 11/01/05

Dear Bahá'í friends,

Every year, the National Spiritual Assembly purchases general liability  
 insurance for  
 Local Spiritual Assembly-sponsored events. This coverage is obtained in the

interest of  
economy since it is very likely the cost to each Assembly for the same coverage  
would be  
far greater if purchased individually. We are asking each Local Spiritual  
Assembly to  
help defray the cost by paying \$100.00 for the policy period. Please make your  
check  
payable to “Bahá’í Services Fund” and as a reference on the check  
write: “LSA  
Liability Insurance.” Please send your payment to: National Bahá’í Fund,  
112  
Linden Avenue, Wilmette, IL 60091-2800.

Please note, if your Assembly owns or leases a Bahá’í Center you are not  
covered by our  
national policy. We advise that you purchase a casualty insurance policy on  
your  
building and contents and as part of your policy include a provision for public  
liability  
insurance. If you have such a policy, you need not send us the above-mentioned  
\$100,  
but we request that you send The Office of the Treasurer the name and address  
of your  
insurance company, address and value of your property, policy period, and type  
and  
limits of coverage.

For your reference, enclosed is information on our general liability coverage,  
a blank  
Request for Certificate of Insurance form, and accompanying instructions.  
Please include  
as much information about the event as possible. This form is also available  
online from  
the Treasurers page of the Bahá’í Administrative website ([www.usbnc.org](http://www.usbnc.org)).

Please make your requests as far in advance as possible. Be aware that requests  
for other  
than simple proof of coverage may require additional time to process.  
Certificates will be  
sent directly to the event venue unless otherwise requested.

Please direct questions or concerns regarding liability insurance coverage to  
Bahá’í  
National Center, Office of the Treasurer – Insurance, 1233 Central Street,  
Evanston, IL  
60201, (847) 733-3469

Please retain this letter in your files for reference.  
With loving Bahá’ís greetings,

Jeremy Phelan  
Controller

Chapter 5—Budgets, Goals, and Audits 107

Information on the National Spiritual Assembly general liability coverage:

1. Coverage period: November 1, 2004 to November 1, 2005
2. Company: ZE/Usi Insurance Services, Inc.  
Policy No. CPO 5449656-02
3. Limits: \$3,000,000 general aggregate  
\$1,000,000 products and completed work  
\$1,000,000 personal and advertising injury  
\$1,000,000 each occurrence  
\$ 5,000 medical expense (any one person)
4. Exclusions: The following events and/or activities are excluded from coverage:

Amusement rides  
Athletics, including horseback riding  
Children and teens, other than Sunday schools  
Camps/Adventure camps  
Overnight stays  
Water activities  
Over 50 people in attendance, other than Feasts and Sunday schools  
Alcoholic beverages  
Haunted House  
Parades/floats  
Fireworks/pyrotechnics

To download a Request for Certificate of Insurance form, log into the Baha'i Administrative Website ([www.usbnc.org](http://www.usbnc.org)). Select NSA Departments/R-Z/Treasurer/Community Resources.

Mail, email or fax completed Request for Certificate of Insurance forms to:

ZE/Usi Insurance Services	Email:
colleen.flores@zurichna.com	
Attention Colleen Flores	Phone: 312-879-9200
641 W. Lake Street, 5th Floor	Toll Free: 877-447-7286
Chicago, IL 60661	Fax: 312-879-9300

108 Stewardship and Development 3rd Edition  
ZE/USI INSURANCE SERVICES – REQUEST FOR CERTIFICATE OF INSURANCE

Dates of Event: \_\_\_\_\_ Certificate Need by  
Date: \_\_\_\_\_

Sponsoring Local Spiritual  
Assembly: \_\_\_\_\_

BLC

#: \_\_\_\_\_ Address: \_\_\_\_\_  
\_\_\_\_\_

Contact Person: \_\_\_\_\_ Email  
Address: \_\_\_\_\_

Phone #: \_\_\_\_\_ Fax  
#: \_\_\_\_\_

Name & Address where event is to be held:

Name & Address of Venue requesting Certificate:

Contact Person: \_\_\_\_\_ Email  
Address: \_\_\_\_\_

Phone #: \_\_\_\_\_ Fax  
#: \_\_\_\_\_

Does the Venue have an Additional Insured Requirement: Yes \_\_\_\_\_ No \_\_\_\_\_ If yes,  
please include a copy of their  
insurance requirements from the contract, along with any hold harmless  
agreement wording.

Has the venue/service provider provided you with a certificate as evidence of  
their insurance? Yes \_\_\_\_\_ No \_\_\_\_\_

Event Description: Type of Event:

Describe all Activities:

Type of Entertainment:

Describe any Athletic Type Activities:

Purpose of  
Event: \_\_\_\_\_  
\_\_\_\_\_

Expected Attendance (#): \_\_\_\_\_ Age Group of  
Attendees: \_\_\_\_\_

Expected \$ Receipts (if any): \_\_\_\_\_ Is Transportation  
Provided: Yes \_\_\_\_\_ No \_\_\_\_\_

If this is a Sunday School please provide the following information by class:

# of Classes: \_\_\_\_\_ #of Teachers & Assistants: \_\_\_\_\_ # of  
Students: \_\_\_\_\_ Ages: \_\_\_\_\_

Chapter 5—Budgets, Goals, and Audits 109

ZE/USI INSURANCE SERVICES – INSTRUCTIONS FOR CERTIFICATES OF INSURANCE

THIS INSURANCE ONLY APPLIES TO LOCAL SPIRITUAL ASSEMBLIES COVERED UNDER THE  
NATIONAL SPIRITUAL ASSEMBLY'S GENERAL LIABILITY POLICY.

1. Complete the Request for Certificate of Insurance in full. If a question  
does not apply mark it accordingly.

Please do not leave anything blank.

2. A typed request is preferred. If printed please do so clearly and legibly.
3. Address information should include the street address, city, state and zip code.
4. Contact names for both the Assembly and Venue should reflect accurate email addresses along with the phone and fax numbers.
5. Many venues require special “additional insured” wording and hold harmless agreements. These are usually contained in the lease or contract agreement between the Assembly and the venue. In order to meet these requirements we must have a copy of this lease and/or contract. We cannot include a venue as an additional insured without prior review of this contract. We may issue a certificate evidencing you have coverage only if this information is provided. Many certificates have to be reissued at the last minute in order to meet additional insured requirements. **IN ORDER TO MEET YOUR TIME FRAMES THIS INFORMATION MUST BE SUBMITTED AS FAR IN ADVANCE AS POSSIBLE.**
6. In lieu of any other delivery instructions, we will forward a copy of the certificate on your behalf directly to the venue via email first and fax as an alternative.
7. Description of the event is critical. The more detail provided, the faster the certificate will be issued. If this is an overnight retreat, youth camp, etc. it is imperative to include the safety measures in place to protect the participants. This would include certification information on lifeguards, camp personnel, boating instructors/supervisors, participant waivers, hold harmless agreements, etc.
8. A Waiver of Liability form is required for all participants engaging in any type of athletic activity. This includes all children and adults. Athletic activities would include swimming, horseback riding, canoeing/boating of any kind, archery, sports of any type, etc. Please secure this waiver on all participants of these types of activities and maintain a copy with your event file.
9. We require a certificate of insurance from the venue evidencing that they carry their own general liability insurance coverage. We do not require that the Spiritual Assembly be added as an additional insured. Please obtain a certificate from the venue and maintain it in your files for the specific event.
10. Any event sponsoring or participating in a parade event must have the insurance secured through a Special Event policy. This is provided through another carrier that has its own questionnaire separate from this one. It

takes a minimum of one week to secure this coverage and usually costs between \$400 to \$700 to purchase.

11. Requests for certificates received after 4:00pm CST on a Friday afternoon cannot be handled until the following Monday.

12. PLEASE BE DILIGENT IN FORWARDING CERTIFICATE REQUESTS AS SOON AS POSSIBLE WITH

AS MUCH LEAD TIME AS ALLOWABLE. This will insure that you have the appropriate certificate when you need it.

13. Thank you for your cooperation in following the above instructions and tips. We will do everything we possibly can to meet your deadlines as long as we are given detailed, accurate information. ZE/USi generates certificates for over 1,100 Local Spiritual Assemblies and tries to process them in date order of the specific event. It is important to communicate that you need a certificate to accompany a contract in a specific time frame in order to secure the venue.

#### ZE/USI INSURANCE SERVICES CONTACT INFORMATION

Colleen M. Flores, Director Business Development  
Address: 641 W. Lake Street, 5th Floor, Chicago, IL 60661  
Phone #: 312-879-9200  
Toll Free Phone #: 877-447-7286 Ext. 9705  
Fax #: 312-879-9300  
Email Address: colleen.flores@zurichna.com

110 Stewardship and Development 3rd Edition  
AUDIT PROCEDURES

Name of Bahá'í Community

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City \_\_\_\_\_ State

\_\_\_\_\_ Date Audit Performed \_\_\_\_\_

LSA/Group ID No. \_\_\_\_\_ Audit

Period (Fiscal Year) \_\_\_\_\_

“It is important for your Assembly, in the future, to explain to the persons who are entrusted with the money of the Faith that in view of the National Assembly’s obligation to protect Bahá’í funds, the Assembly will hold them responsible for all monies they receive, and they should therefore render proper accounts to the National Spiritual Assembly, be faithful custodians of God’s trust, and be assured that such honesty and faithfulness will be richly rewarded from on High.”

Letter from The Universal House of Justice, 18 May 1980

An annual audit of the financial records is one of the most important obligations of the Local Spiritual Assembly or Registered Group. These Audit Procedures are designed to assist you as "...faithful custodians of God's trust..."

Through your local treasurer, all Local Spiritual Assemblies and Registered Groups are responsible for following the uniform system of record keeping recommended by the National Spiritual Assembly (or a comparable system) and for obtaining reasonable assurance that transactions have been recorded properly in the cash journal. In addition, it should be noted whether or not your local treasurer is fulfilling his or her responsibility to make regular reports to your Local Assembly (or Registered Group) and to the community.

The audit must be performed by at least two individuals, other than the treasurer, who are selected by the Local Assembly or Group. If the situation warrants, a certified public accounting firm may be hired to carry out this vital function.

After performing the audit, the auditors must do the following:

1. Prepare a report (similar to the example on page 8) indicating the financial condition of your community and the underlying soundness of its financial records.
2. Make appropriate recommendations for any improvement in the record keeping of the local Bahá'í Fund.
3. Make a copy of the written report and submit it to the audited Local Assembly, along with a copy of the worksheet "Auditing Procedures Check List" used to perform the audit.
4. Mail the original written report and the worksheet "Auditing Procedures Checklist" plus a copy of all correspondence submitted to the Local Spiritual Assembly or Registered Group to:

National Spiritual Assembly  
of the Bahá'ís of the United States  
Office of The Treasurer - AUDIT  
1233 Central Street  
Evanston, Illinois 60201

The results of each year's audit should reach the Office of the Treasurer no later than June 30th, which is two months after the end of the fiscal year.

Thank you for performing this essential responsibility of the Local Spiritual Assembly or Registered Group.

1. Obtain a general familiarity with the accounting records and procedures

outlined in the Stewardship and Development Manual (available from the Bahá'í Distribution Service at 800-999-9019)

These items should be obtained from the Treasurer prior to the audit:

- q All bank statements, reconciliation of the bank statements, canceled checks and deposit tickets for the period being audited (probably May 1 through April 30)
- q All paid and outstanding bills
- q Duplicate receipt book(s) for receipts issued for all money coming into the Local Fund
- q "Monthly Reports of Income & Expenses" from the Local Treasurer to LSA/Group
- q Local Treasurer's reports to the Community at Feast (note: this can be the same as the report to the Local Spiritual Assembly/Group)
- q Treasurer's Cash Journal
- q Any additional items used by the Treasurer in performance of his or her duties
- q Previous year's audit report. The opinion letter from last year's auditors should be reviewed to confirm whether all of the recommendations were implemented.

#### CASH BALANCES AND BANK RECONCILIATION

##### 2. Establish the beginning and ending cash bank balance

These figures can be taken from the April bank statements for the beginning and end of the fiscal year. Record the balance for the 30th given on the statement. If balance given on the bank statement is not for April 30th, use the last balance indicated before the 30th.

Beginning bank balance (ending balance April of last year)

\$ \_\_\_\_\_ (1)

Ending bank balance (ending balance April of this year)

\$ \_\_\_\_\_ (2)

Now reconcile the beginning and ending bank balance to the cash journal (or check book) as of April 30th.

Beginning bank balance (same as line 1 above)

\$ \_\_\_\_\_ (3)

(Add) Deposits recorded in the cash journal which were made before April 30th (last year) but not recorded on last year's April bank statement

\$ \_\_\_\_\_ (4)

+

(Subtract) Checks recorded in the cash journal which were written before April 30th (last year) but not

cleared through the bank by the 30th	-
\$ _____ (5)	
Reconciled beginning bank balance	=
\$ _____ (6)	
Ending bank balance (same as line 2 above)	
\$ _____ (7)	
(Add) Deposits recorded in the cash journal which were made before April 30th (this year) but not recorded on the April bank statement	+
\$ _____ (8)	
(Subtract) Checks recorded in the cash journal which were written before April 30th (this year) but not cleared through the bank by April 30th	-
\$ _____ (9)	
Reconciled ending bank balance	
\$ _____ (10)	

Chapter 5—Budgets, Goals, and Audits 113

You should also ascertain that the Treasurer has been reconciling the bank account on a monthly basis by reviewing several monthly bank reconciliation's performed during the year. If this procedure has not been performed regularly, include a recommendation in your report to the local Spiritual Assembly or Group that this be done.

Does the Treasurer reconcile the bank statements each month?

Yes \_\_\_\_\_ No \_\_\_\_\_

3. Establish the beginning and ending cash journal balances

Examining the cash journal, compare the beginning cash balance for the year under review to the ending cash balance for the previous year. These should be the same. Also check to make sure the beginning cash journal balance equals the beginning reconciled bank balance.

Previous year's ending cash journal balance (if available)

\$ \_\_\_\_\_

Beginning cash journal balance

\$ \_\_\_\_\_

Reconciled beginning bank balance (from line 6, part 2)

\$ \_\_\_\_\_

These three figures should agree. Explain any discrepancy:

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Make sure the ending cash journal balance equals the ending reconciled bank balance. When discrepancies occur look for: bank service charges, returned checks due to insufficient funds, transposed numbers, etc.

Ending cash journal balance  
\$ \_\_\_\_\_

Reconciled ending bank balance (from line 10, part 2)  
\$ \_\_\_\_\_

These should agree. Explain any discrepancy:

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#### INCOME AND DISBURSEMENTS

4. Verify that bank deposits were correctly recorded in the cash journal

Add all the deposits shown on the monthly bank statements within the time period being audited to obtain a year-end total. Compare this figure to the final year-to-date entry in the cash journal for deposits.

Total deposits per bank statements  
\$ \_\_\_\_\_

Total deposits per cash journal  
\$ \_\_\_\_\_

These should agree. Explain any discrepancy:

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If the total recorded in the cash journal differs from the bank statement total, do a month-by-month check of the cash journal entries for errors.

Chapter 5—Budgets, Goals, and Audits 115

Compare the date of randomly selected deposits to the date that the contributions being deposited were received.

Determine if there were any unusual delays in depositing money in the bank.

(Note: We recommend that the Treasurer

make separate deposits for each Bahá'í month, not allowing money from one

Bahá'í month to be deposited with another Bahá'í month. This makes checking for errors much easier, not only for the auditors but for the Treasurer as well. If this procedure is not followed, the auditor should recommend it to the Assembly.)

Are there unusual delays in making bank deposits?

Yes\_\_\_\_ No\_\_\_\_

Does the Treasurer deposit monies contributed during each Bahá'í month separately?

Yes\_\_\_\_ No\_\_\_\_

Comments:

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#### 5. Compare total receipts to total bank deposits

Make sure all revenue has been receipted, including anonymous contributions, expense refunds, etc. Be sure receipts are numbered and prepared in duplicate. (Note: We recommend the use of pre-numbered carbon receipts.) Assure that receipts are prepared and worded appropriately, as described in the Stewardship and Development Manual.

Are receipts prepared for all revenue?

Yes\_\_\_\_ No\_\_\_\_

Are receipts numbered and prepared in duplicate?

Yes\_\_\_\_ No\_\_\_\_

Comments:

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Determine the total dollar amount of receipts written during the period under review by adding together the receipts in the receipt book. The total receipt figure must then be adjusted by subtracting the total dollar amount for contributed expenses. (Remember that contributed expenses are receipted but are not indicated as bank deposits.) The adjusted receipt total should then agree with total deposits as recorded on the bank statements.

Total receipts per receipt book

\$\_\_\_\_\_

(Subtract) Total "contributed expenses"

- \$ \_\_\_\_\_

Adjusted figure (receipts minus contributed expenses)

= \$ \_\_\_\_\_

Total deposits per bank statement

\$ \_\_\_\_\_

The last two figures should agree. Explain any discrepancy:

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(Note: If the total deposited into the bank is greater than the total of receipts issued, this may indicate that receipts were not issued for all incoming monies. If this is the case, include a recommendation in your report that receipts be issued for all incoming monies.)

Chapter 5—Budgets, Goals, and Audits 117

As a last step, review the "Other Income" column in the cash journal for any significant entries. Examine the corresponding receipt and other supporting documentation to determine that the item is properly recorded. If an entry in the "Other Income" column was for an earmarked contribution to another Fund, check to be sure that the contribution was properly forwarded.

Are there any problems with entries in the "Other Income" column?

Yes \_\_\_\_\_ No \_\_\_\_\_

Comments:

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#### 6. Verify checks and expenses

Randomly review a number of checks for the proper authorized signature(s). Select several expenses recorded in the cash journal and compare the amount recorded to the amount on the canceled check and the amount owed as shown on the supporting bill or invoice. Examine the bill or invoice and determine the nature of the expense. Verify that the amount has been allocated to the proper expense category. Be sure to examine the supporting documentation for any sizable

checks and checks payable to individuals.

Are there any evident problems uncovered by the spot check of canceled checks and supporting documentation?

Yes\_\_\_\_ No\_\_\_\_

Comments:

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Make sure the Treasurer is utilizing pre-numbered checks. If not, make a recommendation that this be done.

Is the Treasurer using pre-numbered checks?

Yes\_\_\_\_ No\_\_\_\_

When reviewing the checks and receipts documenting the community's monthly contribution to the Bahá'í Funds, verify that such contributions are being forwarded on a regular and timely basis. Be sure to indicate any problems in your report.

Are monthly contributions to the Bahá'í Fund forwarded regularly and on time?

Yes\_\_\_\_ No\_\_\_\_

Comments:

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#### 7. Balance the cash journal entries

Utilizing the final year-to-date totals, reconcile the cash journal using the procedure for checking the accuracy of the journal entries found in the Stewardship and Development Manual. If there are any problems not accounted for by the treasurer and resolved in a timely manner, use month-by-month checks to determine the source of the error.

Chapter 5—Budgets, Goals, and Audits 119

Beginning cash balance

\$ \_\_\_\_\_

(Add) Deposit

+ \$ \_\_\_\_\_

(Subtract) Checks

- \$ \_\_\_\_\_

Ending cash balance  
= \$ \_\_\_\_\_

Beginning cash balance  
\$ \_\_\_\_\_

(Add) Income  
+ \$ \_\_\_\_\_

(Subtract) Expenses  
- \$ \_\_\_\_\_

Ending cash balance  
= \$ \_\_\_\_\_

#### 8. Review reporting procedures

Ensure that the Treasurer is reporting accurately to the Spiritual Assembly or Group by reviewing the “Monthly Report of Income and Expenses.” If possible, make sure the monthly totals in the cash journal agree with the appropriate report.

Is the Treasurer reporting properly to the Assembly (or Group) each month?

Yes \_\_\_\_\_ No \_\_\_\_\_

If possible, make sure the final year-to-date totals in the cash journal agree with the amounts shown in the annual “Financial Report to the National Spiritual Assembly.”

Do the cash journal figures agree with the amounts reported to the National Assembly?

Yes \_\_\_\_\_ No \_\_\_\_\_

Comments:

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9. If in-kind gifts were received by the Assembly or Group during the year, they should be examined closely. The auditors should review the following:

- q Receipts issued to the donor of the in-kind item(s)
- q Cash receipt issued to the buyer if the item was sold
- q List of inventory for in-kind items on hand (note: auditors should personally verify the existence of each item)

The auditors should refer to the Stewardship and Development Manual to ensure that in-kind contributions are documented and receipted appropriately.

Comments:

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10. Prepare your report to the Spiritual Assembly or Group. A sample report is attached. Do not use a photocopy of this sample - write your own report including any comments you may have about the accounting procedures. Distribute the audit report and worksheet as shown on page one of this document.

Chapter 5—Budgets, Goals, and Audits 121

SAMPLE REPORT

Note: The final auditor's report can be modeled after this example, and should be distributed as shown on page one.

AUDITORS REPORT TO THE LOCAL SPIRITUAL ASSEMBLY/REGISTERED GROUP (and the National Spiritual Assembly of the Bahá'ís of the United States)

SPIRITUAL ASSEMBLY OF THE BAHÁ'ÍS/REGISTERED GROUP

OF \_\_\_\_\_

BAHÁ'Í LOCALITY CODE \_\_\_\_\_

Dear Bahá'í Friends:

We have examined the financial records of the Bahá'í Fund of (name of Local Spiritual Assembly/Group) for the fiscal year ended April 30, \_\_\_\_\_. Our examination was made in accordance with the audit procedures specified by the National Spiritual Assembly's Office of the Treasurer, and included such other auditing procedures as we considered necessary under the circumstances.

In our opinion, the Financial Report and financial records referred to above (are/are not) fairly presented for the fiscal year ended April 30, \_\_\_\_\_ in conformity with the accounting procedures specified by the National Spiritual Assembly's Office of the Treasurer.

Our examination (did/did not) disclose any significant weaknesses in record keeping procedures. The following observations noted during our audit (if any) and suggestions for improvement in record keeping procedures (if any) are presented below:

- 1.
- 2.
- 3.

With warm regards,

(Signature of First Auditor) (Date)

(Signature of Second Auditor) (Date)

Special Note: If discrepancies were discovered which could not be corrected before submitting this report, then a paragraph should be inserted between the first and second paragraphs above describing such discrepancies, and the opinion paragraph appropriately modified. If significant weaknesses in record keeping procedures were noted, then the third paragraph above should be modified. Use additional sheets as necessary.

Chapter 5—Budgets, Goals, and Audits 123

124 Stewardship and Development 3rd Edition

A primary requisite for all who have responsibility for the care of the funds of the Faith is trustworthiness.

This, as Bahá'u'lláh has stressed, is one of the most basic and vital of all human virtues, and its exercise has a direct and profound influence on the willingness of the believers to contribute to the Fund.

—The Universal House of Justice

126 Stewardship and Development 3rd Edition

6. Accounting Matters

This chapter starts with the most basic accounting terms and methods: things to get your Assembly's financial affairs up and running. Then we graduate to more complex issues that you will face as the community grows.

Treasurer's Basics

I. GETTING STARTED

A. Apply for an Employee Identification Number (EIN), if your Assembly does not have one (see example and blank application at the end of the chapter)

The Internal Revenue Service requires that each local Assembly obtain its own Employer Identification Number (EIN). If you are one of the assemblies that has not yet applied for an EIN, you need to do so as soon as possible. The number 36-2170876 (which was previously used by the National Spiritual Assembly and is no longer valid) should not be used.

A sample SS-4 form and an application form with instructions are provided in Chapter 5. Please be sure that Section 8a is completed as shown in the sample. GEN 9508 identifies your Assembly as a subordinate entity of the National Spiritual Assembly. The completed SS-4 form

can be sent directly to the IRS Regional Service Center assigned to your area or the information can be given verbally using a special Tele-TIN phone number. Please read the instructions for these details.

Upon notification of your EIN by the Internal Revenue Service, please report your number to the National Spiritual Assembly at:

Office of the Treasurer

Attn.: EIN—Bahá'í National Center

1233 Central Street

Evanston, IL 60201

## B. Open a Checking Account for the Local Fund

When you open your checking account, order duplicate pre-numbered

Chapter 6—Accounting Matters 127

checks which have the name of your community's Local Fund printed on them. If, for example, you live in Bountiful, Utah, your checks could read Bountiful Bahá'í Fund.

Duplicate checks make a carbon copy of each check that is written. This can be of great assistance when balancing your check book. If you need help, most banks will be happy to show you how to use a checking account. Be sure to balance your checkbook as soon as you receive the bank statement each month. If you have problems, don't hesitate to ask your bank for assistance.

To make the best arrangement for your Assembly, you should compare the services offered by several banks. Many provide free checking to religious organizations. They will probably ask for a Federal Identification Number.

## C. Purchase:

### 1. a duplicate receipt book

A duplication of effort should not always be avoided. You will learn later that it is important to prepare receipts for all money coming into the Local Fund. Therefore, you need to add a duplicate receipt book to your shopping list. This type of receipt book simply makes a carbon copy of each receipt written.

It is important to duplicate receipts so that both the contributor and the Treasurer have a record of the money coming into the Fund. The friends may need this record for income tax purposes. Many people think a canceled check is sufficient proof of making a contribution to a religious organization, however, this is not always the case. A receipt is sometimes required for additional proof.

### 2. pocket file folders for paid and unpaid bills

To avoid spending hours hunting for a bill you need to pay but can't find, you will want to buy two pocket file folders—one for paid bills

and the other for unpaid bills. These will allow you to store your bills in an orderly manner so they can be found quickly when necessary.

3. a two-page, 16-column accounting paper for post binders. (The paper is usually 9 - 1/4 x 11 - 7/8)

4. a hard-cover, 2-post binder for the paper.

5. a three-ring binder for permanently storing reports.

128 Stewardship and Development 3rd Edition

6. a calculator.

7. a rubber stamp with For Deposit Only and the name and number of your account printed on it for endorsing checks. (optional)

D. See that contributions goals are established for the Assembly and the community (see Chapter 5)

## II. RECEIVING OFFERINGS FROM THE FRIENDS

### A. Prepare duplicate receipts for all contributions

The Universal House of Justice instructs us that a receipt is required for each and all contributions. In fact, duplicate receipts should be issued; in a manual system, these can be done without extra effort by using a booklet with carbon sheets or pressure-sensitive paper. Not only is giving a receipt a good business practice, but this habit creates a permanent record of all money coming into the Funds. A complete receipt record protects the contributor, the Treasurer and the Assembly. The receipt should include:

- donor's name
- date
- purpose
- amount
- name of the Assembly
- signature of the Treasurer or other authorized person

Be sure to number the receipts consecutively. Pre-printed and numbered receipts are even better if you can find them, as they leave a better "audit trail."

### B. Keep abreast of tax changes that affect all aspects of giving and the documentation required for receipting gifts (note those in Appendix B)

Recent changes to the tax laws affecting not-for-profit organizations contain a number of significant provisions affecting tax-exempt charitable organizations. These laws affect Spiritual Assemblies and Bahá'í Groups and include:

- New substantiation requirements for donors, and
- New disclosures for charities

A canceled check is no longer enough proof, or substantiation, for de-

## Chapter 6—Accounting Matters 129

ducting a contribution; this is a major change that affects every believer who pays taxes. There are several other changes, too, so please read the letter from the Office of the Treasurer to all Local Spiritual Assemblies and Groups dated April 12, 1994, and review the tax publications in Appendix B.

### C. Distribute receipts to the contributors

The method of distributing receipts will also vary from community to community, depending on the way contributions are accepted. If someone hands in a contribution at Feast, the Treasurer may want to prepare a receipt immediately. If contributions are placed in envelopes, receipts can be returned the same way. Whatever method you use, make the giving and receipt process both efficient and confidential (see the end of this chapter for original fund contribution forms you can photocopy and make available to the friends).

#### What About Receipts for Loose Change?

Often loose change is contributed anonymously. Who would get the receipt in this case? An easy question to answer—nobody. All the Treasurer does is make out a receipt to “Anonymous” and retain both the original copy and the duplicate as proof that money was received.

The rule for Treasurers is to prepare a receipt for all money coming into the Local Fund, whether it is a contribution or other income. The Treasurer should also write duplicate receipts so that a copy can be kept on file. But what about unusual contribution situations that seem to require special handling?

### D. In-Kind Contributions

When the friends contribute something other than money (such as one gold pin with a three-diamond setting) to the Fund, first the Treasurer needs to log the item in an inventory book of non-cash items; a simple notebook or spreadsheet will serve for this purpose. Then, she attaches a tag with the corresponding inventory number to the item. The log would then include the number, the donor’s name, the item’s description, the contribution date, the Bahá’í Fund that the offering was intended for, appraised value (if available), the selling date and selling price. Such items should be kept in the Assembly’s safety deposit box.

1. Issue a receipt in such situations by giving a written description of the donated item on the receipt. The donor, not the Treasurer, is responsible for proving how much a gift is worth if the Internal Revenue

Service should ask.

If the donor wants to deduct the value of the donation as a chari-

130 Stewardship and Development 3rd Edition

table contribution on their federal income tax return, they must do the following:

- a. If the value is in excess of \$5,000, the donor should have a qualified independent appraiser value the item as of the date of the gift.
- b. The appraiser gives the donor an appraisal report and Internal Revenue Service Form 8283 (see Appendix B) with the appraiser's section filled out and signed.
- c. The donor will need to submit Form 8283 to the local Bahá'í Treasurer to sign and indicate the date of the gift.
- d. The Treasurer returns 8283 to the donor who attaches it to his income tax return for the year in which the donation is claimed as a deduction.
- e. The Treasurer should make a copy of all Forms 8283 signed for donors and keep them on file.

If the item is sold within two years of the date of its donation, the Treasurer must file an Internal Revenue Service Form 8282 (see Appendix B) with the IRS and send a copy to the donor.

One additional suggestion: it might be best to ask the donor if she would prefer selling the item herself, giving the proceeds to the Fund. The donor may have an easier time disposing of the item than will the Treasurer.

## 2. Selling a Contributed Item

The Treasurer may be called upon to sell an item given as a gift to the Bahá'í Fund. It does not matter who purchases it, Bahá'í or non-Bahá'í, since the money is exchanged for the original gift to the Fund. The sale amount should, therefore, be entered in the cash journal as a contribution. As usual, whoever buys an item is given a receipt, but this receipt should include a brief description of the item and its estimated market value. For more information please read the letter from the Office of the Treasurer to all local Spiritual Assemblies and groups, dated April 12, 1994, printed in Appendix B.

The amount of the sale counts toward the community's contribution goal in the month the item is sold even though it may have been given to the Fund several months earlier. The item's value cannot really be established until it is sold, so to enter any figure when the gift is first received would distort the Assembly's financial picture.

## 3. Donated Real Estate

The following are the steps that should be followed when a gift of real estate is offered to the Assembly:

- a. The Assembly must first decide whether it wishes to receive the property; occasionally, Assemblies must gracefully decline to receive such a gift, and have the right to do this. Some of the factors that might cause an Assembly to decline the gift would be earmarking restrictions the Assembly cannot comply with; the condition of the property and whether costs would have to be incurred in making the gift salable; a negligible market value or a reliable assessment that the property could not be sold in a reasonable period of time, subjecting the Assembly to tax and other expenses; or the presence on the property of an environmental hazard.
  - b. Before committing to receive the property, the Assembly should have certain inspections made, especially those that would detect toxic chemicals or other hazards; the donor may not know these things are present, but the Assembly does need to do its “due diligence” in the matter. The cost of such inspections should be discussed with the donor, who may be willing to bear all or part of the expense; and then the Assembly must decide whether it is willing to incur the expense in order to obtain the benefit of the gift.
  - c. Once agreement is reached, the donor’s lawyer prepares a deed transferring the donor’s interest in the real property to the Bahá’í institution (that is, “for the benefit of Spiritual Assembly of the Bahá’ís of Your Town”). The lawyer should have the deed recorded in the county recorder’s office in the county where the property is situated and then send the recorded deed to the Assembly. It is also very helpful if the donor can send the Assembly a copy of the donor’s title policy or abstract of deed.
  - d. The Assembly should issue a receipt to the donor acknowledging the donation of real estate “situated in the City or Town of . . . , County or Parish of . . . , State or commonwealth of . . . , commonly known as (and then give the mailing address for the property).” The receipt should acknowledge the gift as of the date the deed is recorded. No dollar value should be stated in the receipt. The receipt should also state that no goods or services were furnished to the donor in consideration of this gift.
  - e. At the time the property is received the Assembly will need to
- 132 Stewardship and Development 3rd Edition  
notify its insurance agent to determine if it needs to obtain (or

“bind”) insurance coverage effective on the date of receipt. Insurance may not be needed for vacant land, but it will certainly be needed if there are any structures on the property.

f. If the donor wants to deduct the value of the donation as a charitable contribution on his federal or state income tax return, the process is like the one used for In-Kind contributions (see above):

If the value is more than \$5,000, the donor should have a qualified independent appraiser appraise the real estate as of the date of the gift. The date of the gift for tax purposes is the date the deed is recorded. The appraisal must be completed and presented to the donor before he files his tax return. The appraiser will give the donor the appraisal report and IRS Form 8283 (see Appendix B) with the appraiser’s section filled out and signed.

The donor will need to send Form 8283 to the Assembly to sign and indicate the date of the gift. The Treasurer must sign the form and return it to the donor who then attaches it to his income tax return for the year in which he claims the donation as a deduction. The Assembly should photocopy and keep on file all Forms 8283 signed for donors.

g. After the Assembly receives the deed, it will usually want to contact a reputable real estate agent and list the property for sale on a multiple listing basis. Assemblies are not in the real estate business, so holding a property as an investment is usually not a good idea unless the Assembly can look to very knowledgeable people, Bahá’ís or not, for reliable advice on the market.

A number of things should be considered in selecting an agent. The agent should be able to demonstrate some experience with sales of similar properties, and should outline the marketing strategy to attract buyers. The agent should be able to provide information on com-parable sales and prices in the area.

The Assembly should place an expiration date on the listing that is in line with custom and usage in the area; normally this is not more than 6 months. The agent’s commission should be commensurate with the custom in the market, and is usually negotiable. The Assembly will need to keep in touch with the agent and receive periodic progress reports.

h. The Assembly may also need the services of a lawyer to represent them in the sale. Many states, however, use escrow compa-

does a title search, issues a title insurance policy, draws up the deed and settlement statement and computes all of the expenses involved. After all of the documents are ready and the funds are on deposit, the title company will close the transaction.

In states that do not use escrow companies, an attorney will be needed to order the title insurance or abstract the deed and represent the seller at the closing. In most instances the realtor can recommend a lawyer for this purpose. The lawyer can be used to review and approve any contract terms in a purchase offer, but the Assembly of course makes the final decision on whether to accept an offer and enter into a contract to sell.

i. The attorney handles all communications with the buyer's attorney, and the realtor will handle communications with the buyer or the buyer's realtor.

j. After an offer has been received, the Assembly needs to decide whether to accept the offer "as is" or to propose a counter offer with different terms. Normally, any offer a buyer proposes is answered with a counter offer. The Assembly will need to consult with legal counsel before signing any offer or making any counter offer as there are a number of important protections that need to be in place and in effective form in the counter offer.

k. After the contract is signed, the lawyer prepares the documents to close the deal. In order to accomplish this, she will need a certified copy of the Assembly's "resolution to sell." She will then prepare a deed, affidavit of title, seller's closing statement and various other documents for the Assembly to sign and return. It may be useful to give the attorney a power of attorney to sign any other papers as may be needed at the closing.

l. When the property is sold, the Assembly will need to be sure to cancel any insurance coverage it may have on the property. Also, if the property is sold within two years of the date of its receipt by the Assembly, the Assembly must file IRS Form 8282 and send a copy to the donor.

#### 4. Contributions of Stock

There are two ways that your Assembly can receive offerings in the form of stock shares: broker to broker, and via stock certificates.

##### a. Broker to Broker

#### 134 Stewardship and Development 3rd Edition

When stock is in a "street name", the Treasurer should ask the donor to instruct his broker to transfer the stock to a broker used by the Assembly. If the Assembly does not have a broker, it will want to find one if it expects to get gifts of this kind.

Referrals from friends known to the Treasurer and the Assembly are a good starting point in the search for a good broker.

The Assembly's broker will inform it on the day the stock is received into the Assembly's account. The Assembly would normally give the order to sell the stock immediately; again, Assemblies are not in the investment business and holding the stock means the Assembly is speculating on its future value.

#### b. Stock Certificate

When the donor has possession of a stock certificate which is in the donor's name, the Treasurer would instruct the donor to send the stock certificate by certified or registered mail to the Assembly, together with a letter stating that the stock is a gift to the Local Spiritual Assembly; the gift may be made without restrictions or, if the donor has a specific purpose in mind, with the expressed wish, hope and desire that the proceeds of the stock's sale might be used for a particular fund or project.

Also, the Treasurer should instruct the donor to sign a blank stock power (a form that transfers control of the stock to the Assembly) and mail it separately, for security reasons, by regular mail to the Assembly. The Treasurer sends the stock certificate and the signed stock power by certified mail to the broker used by the Assembly with instructions to sell the stock.

The donor should not go to the trouble of having a certificate issued in the name of the Local Assembly. The transfer can be done as described above.

#### c. Issuing Receipts for Gifts of Securities

Upon receiving the securities, the Treasurer should prepare a receipt as of the date they are received and indicate the number of shares and a description of the securities. The IRS requires the donor to determine the value of the donation based on the closing price for the security on the date the donor places the shares in the mail, or in the case of an electronic transfer, the date of the transfer. It is not necessary, and may in some instances prove misleading for tax purposes, for the Treasurer to specify a value for the securities if he values the shares on any date other than the correct date for tax purposes. If the donor wants to know the value on the date of receipt by the Assem-

Chapter 6—Accounting Matters 135

bly, it is permissible for the Treasurer to indicate that information on the receipt as long as the receipt clearly marks that the value is as of the date of receipt and that for tax deduction purposes the proper value is as of the date of mailing or transfer.

### 5. How Are Contributed Expenses Receipted?

Here is another situation that might cause difficulty in issuing a receipt. The friends will often travel or purchase an item at the direction of the Spiritual Assembly and ask that their expenses be counted as a contribution to the Fund.

They should provide the Treasurer with expense reports and actual bills supporting it. After the Treasurer confirms the accuracy of the expense report, she should issue a receipt for the contributed expenses. Be sure to list the amount both as a contribution AND as an expense in the Cash Journal (see Tips on Recording Unusual Income ).

### III. PUTTING THE FUND TO USE

#### A. Contribute regularly to the National Bahá'í Fund and the other Bahá'í Funds

To help build the Kingdom of God on Earth, money contributed by Bahá'ís must be in motion. A Treasurer's goal is not to see how large a bank balance the Assembly can accumulate, but to channel money at the direction of the Assembly to carry forward the work of the Cause. Contributions which are earmarked for funds other than the Local Fund should be forwarded to the respective funds immediately after they are deposited and collected by your bank. Any interest earned on money for other than local Funds while it sits in your Assembly's bank account actually belongs to those Funds and not to the local Assembly.

#### B. Pay all bills promptly

One of the Treasurer's functions is to pay the bills. There are several points to remember each time we spend money from the Local Fund.

- First, be sure that the Assembly approves all expenses. Routine bills, however, can be given general approval on a continuing basis.
- Second, make sure that bills are paid promptly. Pay all bills by check. Do not use cash from contributions.
- Third, keep a copy of all bills and then write on the bills or invoices the date, amount, and check number used to pay them.
- Fourth, file these bills in your paid bill folder.

136 Stewardship and Development 3rd Edition

- Fifth, be sure to keep a running balance of the amount left in the bank after writing each check. This will keep you from overdrawing the account and make it easier to balance the monthly bank statements.

Note: If your Local Assembly is operating a local bookstore or Bahá'í center, it would be very wise to establish a separate bank account.

This account should be used to deposit all the proceeds from sales of books and to purchase inventory.

#### IV. A LARGER COMMUNITY HAS MORE COMPLEX NEEDS

Now that we have covered the basics, you may feel that your community needs a more detailed bookkeeping system. This section, therefore, contains information on how to prepare and use a budget; additional receipting issues; how to use a cash journal (an accounting book which makes it easier to give the Assembly more information on the flow of money through the Local Fund); some special issues the Treasurer will face; and how to develop more detailed reports for the Local Spiritual Assembly and the community.

Here are some suggestions about handling a larger community's Fund by building upon what has already been learned in this chapter. Adding a few new tools—a budget, a cash journal and report forms—will make it possible for the Treasurer to give the Assembly a more detailed picture of the money coming into the Fund and how it is being spent.

##### A. Automating the Treasury

Your Assembly should consider purchasing a computer, or at least ensuring that it has access to one, as a necessary pre-condition to entry by troops—the volume of work you are preparing for makes a computer essential. For its part, the National Spiritual Assembly is committed to building an information network that will link all Assemblies, facilitate their work, and make it possible for them to share ideas and experiences in ways never before possible; you surely do not want to miss out on that!

All the tasks outlined below will become easier to do with a computer, once the initial time investment has been made. Your software needs may range, depending on your size, from a simple spreadsheet program like Excel or Lotus 1-2-3, to a more comprehensive package like Quickbooks, which serves most needs of a medium-sized business or charitable organization. The National Assembly is also working on an early version of a package designed to support all the Local Assembly functions, including those of the Treasurer. Watch for updates on the LSAI program in *The American Bahá'í*.

#### Chapter 6—Accounting Matters 137

Some of the friends may feel initially that using such tools is not “spiritual.” It is true that the intimacy of manual receipts, for example, can

be much appreciated by the believers in your community. The scope of the Faith requires us, however, to move on, at least in regard to such routine matters. The Assembly and community can and should find other ways to maintain that sense of intimacy; after all, the spirit is in the hearts, not in a ledger-book!

#### V. HOW TO USE A CASH JOURNAL

The cash journal is a kind of diary that the Treasurer keeps, recording

everything that happens in the Local Fund. You may use a paper ledger, a computer spreadsheet, or a commercial accounting package that automates these tasks. In any case, the basic process will be the same. The information contained in the cash journal helps to:

- keep the Assembly's checking account up to date
- provide background information on all money taken in or paid out of the Local Fund
- categorize expenditures according to the Assembly's budget

The cash journal is set up using a double-entry system, which means that every amount is recorded twice. This allows the Treasurer to check the accuracy of all work while saving time in the long run.

#### A. How Is the Cash Journal Set Up?

Each column of the cash journal should have a heading. Working from left to right, as in the example on page 138, make a column for the DATE, the DESCRIPTION of the entry, the CHECK NUMBER and the RECEIPT NUMBER.

The next three columns have the general heading of CASH IN BANK. This is where the record of the Assembly's checking account is kept. Under CASH IN BANK, the first column is titled Deposits and is where money going into the checking account is recorded. The next column, where we record money paid out, is titled Checks. Finally, there's a column to keep track of the check book Balance, which goes up or down every time a deposit or a check is entered.

The remaining cash journal headings are taken from the community's budget. Under the general heading of INCOME, money coming into the Fund is described either as a Contribution or as Other income. Under the general heading of EXPENSES, money paid out is described by recording the amount under one or more related budget categories. The Treasurer might need columns for such expenses as:

138 Stewardship and Development 3rd Edition

- The Bahá'í International Fund (BIF)
- The Continental Bahá'í Fund (CBF)
- The National Bahá'í Fund (NBF)
- Regional Bahá'í Council (RBC)
- Administrative expenses—postage, stationery, hall rental and refreshments for Feasts; liability insurance (the Assembly receives an annual bill from the National Spiritual Assembly); Post Office box rental, typewriter or computer supplies, telephone bills, etc.
- Scholarships

- Education—children’s classes, institute teacher expenses, special consolidation programs
- Teaching—Firesides, audio-visual aids, transportation, extension teaching activities, etc.
- Proclamation—literature, hall rental, speaker expense, publicity, refreshments, etc.
- Other expenses—unusual expenses such as an inter-community activity that may not fit into another category. Property is another example—used only if the Assembly owns real estate (land or buildings)

## B. How Do I Use the Cash Journal?

Now that the cash journal is set up, you are ready to begin making journal entries. These should be made in ink. However, you might use pencil when totaling each column in case there is a math error.

### 1. Recording Contributions in the Cash Journal

We have already seen that when the Treasurer takes in contributions to the Fund, she should make out a receipt for each gift. However, it is not necessary to make a separate journal entry for every receipt. Instead, the Treasurer should total current receipts and enter this amount on one line of the cash journal. For example, receipt numbers 101–110 are totaled and one entry is made for \$200.00 rather than making several smaller entries (see line 6 of the sample cash journal, page 138).

To make an entry in the cash journal, first write the DATE, the DESCRIPTION, and the RECEIPT NUMBERS used. Next, total the receipts and enter the amount as a Deposit under CASH IN

### Chapter 6—Accounting Matters 139

BANK, increasing the Balance by the same amount. Then record the amount as a Contribution under the general heading INCOME (or EARMARKED CONTRIBUTION, as applicable). Be sure to deposit all money in the bank as soon as possible!

### 2. Tips On Recording Unusual Income

Whenever the Assembly sells something it owns (i.e. a dining cabinet), or receives a contribution earmarked for another Fund, the income is recorded in much the same way a regular contribution would be. The difference is that the amount should be entered in the Other column under INCOME.

Note: Earmarked contributions given “in support of the Assembly’s budget” should be listed as Contributions to the Local Fund since they count as part of the Assembly’s budget goal. Contributions over which the Assembly is not given discretion, that are not in support of a specified budget category, are handled differently, as “other income”

or “earmarked contributions.”

### 3. Recording Expenses in the Cash Journal

Expenses are recorded in much the same way that income is. First, the DATE, DESCRIPTION, and the CHECK NUMBER are recorded. The amount is listed as a Check under CASH IN BANK and subtracted from the Balance. Moving over to the EXPENSE columns, the amount should also be entered under the proper category. This method of recording expenses allows the Treasurer to relate them easily to the annual budget and helps the Assembly see how the money is being used.

### 4. The Use of Brackets in the Cash Journal

Every Income or Expense category has to allow for both the addition and the subtraction of money. A larger system would accomplish this by using not one but two columns under each heading. In this handbook, additions and subtractions are handled through the use of brackets.

The bracket merely indicates the opposite or reverse of a usual entry. That is, whenever a bracket appears, the bracketed amount is subtracted from the column total. The result would be less income or less expense, depending upon the transaction. For example, the Treasurer may give a cash advance to an individual to purchase deepening materials for the Assembly. This expense is listed under the Education expense column. If some of the money is returned, a way must be found to credit the Education category since the money originally listed in that expense area was not all spent. This is done by using brackets as in line 21.

140 Stewardship and Development 3rd Edition

### 5. Checks that Bounce

There may be times when a contributor’s check to the Local Fund will be returned by the bank. Stamping the check NSF (Not Sufficient Funds) is the bank’s way of informing you that the contributor did not have enough money in the account to cover the check. Most of the time, the individual can be contacted and the check re-deposited. If this cannot be done, make an entry in the cash journal and subtract the amount of the check from the Deposit, Balance and Contributions columns.

### 6. Totaling Columns Each Bahá’í Month

Every 19 days the Treasurer should add up the entries in each column and write the sums on the line described as Total (month). This shows at a glance what happened under each column during those 19 days. Next the Treasurer adds these totals to those of past months to arrive at the Total Year-to-Date figures. These updated totals enable the Treasurer to see how much money has been received or how

much has been spent in each column since the beginning of the year. Having these totals available in the cash journal makes it easier to prepare monthly and year-to-date reports to the Assembly and the community.

## 7. Balancing the Monthly Bank Statement

This task is quite simple if it is done regularly, as soon as the bank statement arrives, and a cash journal that is current will help. Along with the statement, you will receive canceled checks and deposit slips (or images of them). Set up a form like Figure 1, below, to make sure that your records agree with those of the bank. Many times, the bank will provide such a form on the back of their statement. Follow up on checks which have been outstanding for more than two months. If there are ever problems balancing the account you can ask the bank or another Treasurer in your area for help (see Figure 1 on p. 138).

## C. Keeping Your Cash Journal Accurate

The following procedures should be carried out each month to make sure that all additions and subtractions are correct.

First, take the Balance under CASH IN BANK at the start of the month and add the month's total INCOME. Then, subtract the month's total EXPENSES. The remaining amount should be the same as the <sup>3</sup>nal Balance under CASH IN BANK. For an additional check, take the month's beginning Balance under CASH IN BANK, add total Deposits

Chapter 6—Accounting Matters 141

Figure 1: Form for Balancing the Bank Statement

for the month and subtract total Checks for the month under CASH IN BANK. Again, the remaining amount should be the same as the <sup>3</sup>nal Balance under CASH IN BANK.

We can use a similar procedure for checking the year-to-date totals. Begin this time with the starting Balance for the Year (in the example, \$50), adding the year-to-date INCOME and subtracting year-to-date EXPENSES. The results should be the same as the <sup>3</sup>nal Balance under CASH IN BANK. If the right Balance does not come up, check each entry and addition carefully.

The second test of the year-to-date addition takes the starting balance for the year as explained above, but this time adds the year-to-date Deposits and subtracting the year-to-date Checks. Again, the remaining amount should be the same as the <sup>3</sup>nal Balance under CASH IN BANK.

In summary, the four procedures for checking the accuracy of the Treasurer's work are:

1. Beginning Balance (month) + Income (month) - Expenses

(month) = Ending Balance

142 Stewardship and Development 3rd Edition

2. Beginning Balance (month) + Deposits (month) - Checks  
(month) = Ending Balance

3. Beginning Balance (year) + Income (year-to-date) - Expenses  
(year-to-date) = Ending Balance

4. Beginning Balance (year) + Deposits (year-to-date) - Checks  
(year-to-date) = Ending Balance

#### D. A Sample Cash Journal

On the next several pages, we have included a sample cash journal to help demonstrate the kinds of entries the Treasurer will probably encounter as the year progresses. It might be helpful to take time to examine each entry to get a better idea of how the system works as a whole.

The Treasurer may want to duplicate this journal using a computer spreadsheet. If your Assembly already has an accounting program, you may want to skip to the next section.

Chapter 6—Accounting Matters 143

Line 5 A contribution earmarked for the Bahá'í International Fund.

Line 6 Record contributions to the local Fund and earmarked contributions to various Funds.

Line 8 Contributing to the Funds every 19 days is a priority for every community. Funds need to be sent 5-10 days after the close of each month. Be consistent!

Line 14 Monthly totals in each column are added to last month's year-to-date totals to get a new year-to-date figure.

Line 19 This cash advance can replace the need for the Treasurer to maintain a petty cash account.

Line 22 The gold pin, received on 5/25 (see line 20), is sold; a receipt goes to the buyer and the sale amount is recorded as a Contribution.

Line 23 A non-Bahá'í gives \$25 in memory of a Bahá'í relative; the gift is accepted and in the thankyou note, the donor is advised the money will be used for charity.

Line 25 Records the contribution to the charity of the non-Bahá'í's gift.

Line 31 Records money from individuals to cover cost of LSA development materials from the National Assembly.

144 Stewardship and Development 3rd Edition

Line 33 The Spiritual Assembly of New City, as the sponsor of an inter-community activity, has made a down-payment on a booth for the County Fair. Note that the Treasurer

establishes a separate

account for this event labeled County Fair.

Line 35 The amount recorded under the EXPENSE area County Fair is placed in brackets to show that money is coming into this column as income instead of going out.

Line 36 Records a contribution to the New City Assembly for the Fair booth. The contribution is recorded both as a deposit and in brackets under County Fair, so the “Income” columns don’t change.

Line 37 Records the amount paid to the Bahá’í librarian for literature used in the booth.

Line 38 The money received on line 31 is sent to the National Assembly by a check made payable to the National Bahá’í Fund. Since this money is a payment for materials, it’s not recorded as a contribution to the National Fund.

Line 39 Records the amount paid by the Assembly when buying materials from the local Bahá’í librarian. The local library should monitor its own bank account and records. This allows the librarian to be fully responsible both for sale items and the money used to pay for them. The librarian sells materials to the Local Assembly the same way that materials are sold to individuals.

Line 40 Records New City’s regular contribution to the National Fund plus the money remaining for the Fair Project after expenses. It was agreed in advance by each community supporting the project that money left should be sent to the National Fund.

Chapter 6—Accounting Matters 145

## VI. MAKING REPORTS

As the Local Spiritual Assembly’s “financial manager,” some important aspects of your job are to carry out the details of handling and reporting the Assembly’s finances, to help the friends understand the spiritual nature of giving and to inspire them to show their love for the Cause by supporting its activities. With your records up to date, the next task is to let the friends know what has happened in the Fund. The first several chapters of this manual look at some of these issues; here we are going to see how current records can make communications with the Assembly and the community more effective.

A. Make regular reports to the Local Spiritual Assembly on total income and expenses, community participation, money in the bank and bills to be paid.

The Assembly should always be aware of the condition of the Local Fund. To ensure that the Assembly is well-informed the Treasurer has been given the added responsibility of making regular reports. The Assembly needs to know, among other things:

- The amount of money that was received in contributions and whether or not the community has reached the monthly contributions goal
- Any additional revenues received
- The amount of money that was spent during the month and how it was spent
- The amount of money currently in the bank
- The percentage of the friends who contributed to the Local Fund during the month
- The bills that need to be paid
- Whether the community is ahead or behind in reaching its annual contributions goals

In order to assist the Secretary and reduce errors, it is a good idea to give a copy of the Treasurer's report to the Secretary for the Assembly's minutes.

B. Make regular reports to the community at Feast including:

- Education on the spiritual nature of giving and sacrifice
- The status of the community's Fund contribution goal each Bahá'í month

146 Stewardship and Development 3rd Edition

- The percentage of the community giving to the Fund each Bahá'í month (strive always for universal participation)

This is one place where the Treasurer's role as an educator and inspirer comes into play. When the Treasurer reports to the friends, at Feast and at other times, she should not only be concerned with bringing the friends up to date on the status of the Funds, but she will also want to discuss the spiritual nature of giving and the importance of sacrifice. Other information for the friends might be the participation level in giving; the Assembly and the Treasurer will want to decide how to make these reports based on the community's needs and objectives.

C. Special Materials Will Help You

Reporting to the community can be one of your most rewarding duties as Treasurer. Many of the materials needed to prepare an interesting report are already at your fingertips. They include the following:

- Articles from The American Bahá'í, including "The Treasurer's Corner"
- Periodic reports and letters from the Treasurer of the National Spiritual Assembly
- Deepening programs on the Fund available from the Office of the Treasurer

- The Bahá'í Treasurers Bulletin (BTB ) is an electronic newsletter for Treasurers sent in time for each Feast. It is emailed to the dedicated email address for each Treasurer provided by the LSAi email system.
- The BTB is designed to assist and strengthen Treasurers in their role as stewards of the Fund, and contains the latest news updates, helpful tips, frequently asked questions and community stories and activities related to the Fund.
- Current and back issues of the BTB may also be accessed from the Bahá'í Administrative Website. Log in at [www.usbnc.org](http://www.usbnc.org) and select NSA Departments / R-Z / Treasurer / Communications, and click on Bahá'í Treasurers Bulletin Archives.

## Chapter 6—Accounting Matters 147

### D. Preparing the Monthly Report of Income and Expense

For Assembly meetings and Feasts, it is a good idea to prepare a Monthly Report of Income and Expense Form similar to the one in Figure 2.

This report should include the Balance in the bank at both the beginning and the end of the month, totals for the month's Income and Expenses, and bills to be paid. The Treasurer should also report what percentage of the community participated in giving to the Fund and whether or not the monthly contributions goals were met. Most of this information can be taken from the monthly totals in the cash journal. Preparing this report each month will help present reports for Assembly meetings and Feasts in a clear and organized way.

#### Figure 2: Monthly Report of Income and Expense

148 Stewardship and Development 3rd Edition

### E. Preparing the Year-to-Date Report of Income and Expense

Once or twice during the year, the Assembly should ask its Treasurer to prepare a Year-to-Date Report of Income and Expenses, similar to the one in Figure 3, so that the current state of the Local Fund can be compared to the budget.

As in the monthly report, most of the figures can be taken from the year-to-date totals in the cash journal. The remaining information will come from the Assembly's budget. When completed, this report enables the Assembly to see if it is keeping within its budget.

#### Figure 3: Year-to-Date Report of Income and Expenses

Chapter 6—Accounting Matters 149

The only difficult part of preparing the year-to-date Report of Income and Expenses is to figure out where the Assembly is at a certain point in time in relation to the annual budget. For example, assume that ten Bahá'í months have passed and we are preparing the half-year report. First, take the figures from the annual budget, divide each figure by 19

(the number of months in the Bahá'í year) and then multiply each by 10 (the number of months since the beginning of the 3<sup>rd</sup> scal year). We can now compare actual year-to-date results to the Assembly's year-to-date budget.

This report can be prepared any time during the year. For example, if the Assembly wants a quarterly report at the end of the 3<sup>rd</sup> 3<sup>ve</sup> months, just divide each budget amount by 19 and then multiply by 3<sup>ve</sup>. A year-to-date Report of Income and Expenses can also be used in reporting of the annual meeting on April 20th and again with the actual 3<sup>gures</sup> at the end of the Bahá'í 3<sup>rd</sup> scal year.

## VII. KEEPING RECORDS

We have already discussed the importance of a good 3<sup>ling</sup> system. Just imagine what the Treasury will be like when there is entry into the Faith by troops! It is easy to see that establishing a complete and e<sup>l</sup>cient record keeping system now is essential.

### A. Preparing for the Annual Audit

- Arrange in order by month all bank statements, canceled checks, deposit tickets and paid bills
- Have the Assembly appoint two individuals, other than the Treasurer, to audit the Assembly's 3<sup>ncial</sup> records. You will want to show them the steps outlined in Chapter 5

### B. Materials for Efficient Record Keeping

Setting up a good system for organizing the information related to the Fund is really quite easy. It helps to have a number of pocket 3<sup>le</sup> folders for such things as bank records, paid and unpaid bills and the like. The Treasurer might also want to use a three-ring binder for storing reports. In addition, the Treasurer needs to devise a method for keeping copies of receipts in order. The biggest challenge, however, is to keep the 3<sup>ling</sup> up to date.

### C. Useful Tips for Record Keeping

- Even if you use a computer, you should keep hard paper copies on 3<sup>le</sup> as backups.

#### 150 Stewardship and Development 3<sup>rd</sup> Edition

- After checking the bank statement each month, bundle the canceled checks and deposit slips with the statement and 3<sup>le</sup> by date.
- Give receipts for all income, whether in the form of contributions (including anonymous contributions and contributed expenses or other income) and 3<sup>le</sup> them in an orderly manner.
- Write the check number and the date paid on each bill before 3<sup>ling</sup>. If your checks automatically make duplicates, the duplicates can be

attached to the bills before filing.

- Keep a copy of all reports, budgets, policies and other information pertaining to the Fund.

D. Suggested Time-Frames for Storing Records

After setting up the files, use the following guidelines for how long to retain the Assembly's documents:

Retention Period

- Receipt stubs ..... 7 Years
- Paid bills ..... 5 Years
- Cash Journal ..... Indefinitely
- Canceled checks, deposits, bank statements .. 7 Years
- Reports to Assemblies or Feasts ..... 5 Years
- The Community's Annual Report ..... Indefinitely
- Budget—working papers ..... 2 Years
- Savings passbook ..... 7 Years After Closing

Account

- Insurance policies..... 2 Years After

Expiration

- Equipment guarantees, service agreements .... 2 Years After

Expiration

- Notes and contracts ..... 7 Years After

Expiration

Stocks, bonds, property deeds and titles should be stored in a safety deposit box at a local bank. The box should be rented in the Assembly's name and several members of the Assembly should have authorized access to it.

Chapter 6—Accounting Matters 151

NATIONAL BAHÁ'Í FUND CONTRIBUTION FORMS

You may copy and cut these original contribution forms for use with National Bahá'í Fund contributions.



Please make all checks payable to the National Bahá'í Fund and mail to: National Bahá'í Fund, Office of the Treasurer, 112 Linden Avenue, Wilmette, IL 60091.

BID #1 \_\_\_\_\_ BID #2 \_\_\_\_\_

\*My unrestricted contribution to the National Bahá'í Fund is \$ \_\_\_\_\_ \$ \_\_\_\_\_

\*Additional Contributions (Discretionary): \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\* \_\_\_\_ Yes \_\_\_\_ No. If my answer is "Yes" or if neither is checked, all "Additional Contributions" listed above will be used at the discretion of the National Spiritual Assembly. If my answer is "No," I realize that contributions to a fund or agency outside the United States will not be tax-deductible.

Total Enclosed \$ \_\_\_\_\_ Check # \_\_\_\_\_

BID #1 \_\_\_\_\_ Print Name

BID #2 \_\_\_\_\_ Print Name

Please make all checks payable to the National Bahá'í Fund and mail to:  
National Bahá'í Fund, Office of the Treasurer,  
112 Linden Avenue, Wilmette, IL 60091.

BID #1 \_\_\_\_\_ BID #2 \_\_\_\_\_

\*My unrestricted contribution to the National Bahá'í Fund is

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\*Additional Contributions (Discretionary): \_\_\_\_\_

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BID #1 \_\_\_\_\_ Print Name

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BID #2 \_\_\_\_\_ Print Name

152 Stewardship and Development 3rd Edition

He who is the Eternal Truth—  
exalted be His glory—  
hath made the fulfillment  
of every undertaking on earth  
dependent on material means.  
—Bahá'u'lláh

154 Stewardship and Development 3rd Edition

### 7. Local Bahá'í Centers

If yours is like many communities in the late 90s, you are thinking about a local Pazíratu'l-Quds, or a local Bahá'í center. Communities are considering significant investments in bricks and mortar for a variety of reasons: they are tired of cramped living rooms or of borrowing space for their meetings; they want a physical place to reflect the stature of the Faith; they need space for children's classes; or someone is offering to give them some or all of the money they think they will need.

But are these adequate, or even the right reasons for getting a center? Does "National" want us to get a center, or will they say "no." Will a center help us or bring us more tests? How can we make sure we are asking ourselves the right questions and getting the right answers?

The answers to these and other questions rest with your Assembly and your community. Each community is free, within the boundaries of Bahá'í principle and

common sense, to determine its own course of action with regard to a local center. This was not always the case, but it is today. In earlier Plans, the beloved

Guardian and the Universal House of Justice have instructed the friends not to acquire local centers so that the believers' attention and resources can be channeled toward the accomplishment of larger strategic goals. Here is an extract from one such letter:

“The Guardian requests that you inform all the friends that their most important duty at the present time is the fulfillment of the tasks of the Ten-Year Crusade. This calls for the sacrifice of local activities in order that the national and international development of the Faith may go forward uninterrupted. No local institutions should be started. The National Assembly should see that money is not spent on local centers at this time, and the friends should be encouraged to concentrate on the national and international activities of the Faith.”

ON BEHALF OF SHOGHI EFFENDI, LIGHTS OF GUIDANCE, VOL. 1, PP. 213–214

A National Spiritual Assembly could issue a similar injunction, if it saw the need

to do so. At the present time, however, the National Assembly might be said to Principle

have three interests in what you are doing, or thinking of doing. First, will your

community's well-being be enhanced by getting a center? Second, will your efforts

to obtain a center enable you to discharge your responsibilities with regard to the

national and international plans for the Faith's growth, or distract you from those

Chapter 7—Local Bahá'í Centers 155

responsibilities? And third, to what extent does your center add to the collective

wealth of the American community? Working through the following section will help address these concerns, which are really concerns about the protection and happiness of every local community.

A Complex Issue

Acquiring a local Bahá'í center is a process full of complex issues. These issues

need to be identified and addressed, or the local Spiritual Assembly runs the very

real risk that a center will damage the unity of the community and waste its

hardwon resources.

You have numerous resources to call on to help guide your Assembly and community through the pitfalls and make your center a true *Ḥazratu'l-Quds*, a “sacred fold” where all will find joy and spiritual enrichment. Some of these resources are:

- The process of consultation
- Local professionals, both community members and those in the general population
- Bahá'í volunteers who serve the Bahá'í National Center
- Published materials, including *Developing Distinctive Bahá'í Communities*
- The Office of the Treasurer and Community Administration

#### Building Flourishing Communities

New Undertaking Not to Prevent Assisting National Interests

“He has no objection to the Stuttgart Bahá'ís arranging to have a center of their own on Mrs. Schwarz' land. As this was a spot visited by the beloved Master, it is all the more appropriate as a center for the Cause there.

“He hopes that the Stuttgart friends will so arrange their affairs that this new undertaking will not prevent them from assisting the national interests of the Cause and lending them their full support.”

SHOGHI EFFENDI, *LIGHT OF DIVINE GUIDANCE*, VOL. 2, P. 69

#### Institutes May Not Require Facilities

“There should be no delay in establishing permanent institutes....Access of

156 Stewardship and Development 3rd Edition

the institute to physical facilities will of course be necessary, but it may not require a building of its own.”

THE UNIVERSAL HOUSE OF JUSTICE, *RIØVÁN 153 MESSAGE TO THE BAHÁ'ÍS OF THE WORLD*

#### Importance of Training Institutes

“The next four years will represent an extraordinary period in the history of our Faith, a turning point of epochal magnitude. What the friends throughout the world are now being asked to do is to commit themselves, their material resources, their abilities and their time to the development of a network of training institutes on a scale never before attempted....

“ ‘Center your energies in the propagation of the Faith of God,’ Bahá'u'lláh thus instructs His servants, adding, ‘Whoso is worthy of so high a calling,

let him arise and promote it. Whoso is unable, it is his duty to appoint him who will, in his stead, proclaim this Revelation. . . ' Just as one deputizes another to teach in one's stead by covering the expenses of a pioneer or traveling teacher, one can deputize a teacher serving an institute, who is, of course, a teacher of teachers. To do so, one may make contributions to the Continental Bahá'í Fund, as well as to the Local, National and International Funds, earmarked for this purpose."

IBID

#### Local Centers Begin on Modest Level

"It is important that our undertakings be modest in their scope at the present time. Then, as we gain confidence and experience and as our resources increase, our work will encompass expanded objectives, and the friends will explore new areas of social and economic activity."

ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE, DECEMBER 22, 1983

Below is a detailed "checklist" of issues related to local centers and some of the guidance available on key points; it can be copied and used as a reference for community deepening.

#### Bahá'í Center Checklist

##### I. Unity Issues

A. Is there unity of thought on the need to acquire a center?

The pivotal principle of the Faith is unity. In like fashion, the most critical brick in a strong foundation for a local Bahá'í center, even before there is a physical building, is the unity of the community around its desire to have a center. Without unity of thought, every decision, before

#### Chapter 7—Local Bahá'í Centers 157

and after the acquisition, will become much more difficult; without unity the center itself may prove impossible to maintain.

Consultation can highlight the goals and expectations of the community and resolve them in unity. Every "stakeholder" in a new facility, including the Assembly, individuals, families and neighboring communities, if they are to be involved, should participate fully. Any shortcut may lead to unfortunate surprises.

One of the most frequent ways people try to shortcut the quest for unity is by giving the money or even the building, because they see the need and have the means to address the need. The donor can find it hard to understand why their community is reluctant to accept the gift; the community may have a hard time saying no when, sometimes, they really should.

In every case, the will of the local Spiritual Assembly is the common

denominator that will make or break a unified approach. Occasionally, individuals or groups of friends feel so strongly about acquiring a center that they become frustrated at what they perceive to be a lack of interest or perhaps audacity on an Assembly's part. They then either try to push the Assembly into accepting their view, or to find a shortcut around the institution. Such efforts cannot succeed, because they depart from basic Bahá'í principles concerning the station and prerogatives of Spiritual Assemblies. The willingness of a local Assembly to sponsor the drive for a center cannot be achieved except through consultation, and the Assembly always reserves the right to choose not to proceed, even if its reasons are not fully understood by the friends.

B. Might a rental facility be more advisable than buying or building, until the community grows a bit larger?

We have every reason to expect that our local communities will undergo major changes soon. Can we really know for certain what kind of center we will need? Or is there value in renting, which has a much lower initial cost? Many communities have found they are able to get their own space sooner by renting than if they focused only on buying, and have used this time to learn, with less risk, what level of community support is needed to make a center a success.

C. Who are the "stakeholders" in having a center? That is, who are the people whose support is needed, and who will benefit from the center?

- Adults
- Youth

158 Stewardship and Development 3rd Edition

- Neighboring communities

Each of these stakeholders needs to be engaged in the process from the earliest stage; it is surprising how often center planning neglects this most basic first step of identifying and enlisting all the parties who need to be involved.

D. What is the main purpose the community envisions for its first local center?

The majority of communities may think of a center simply as a larger space for their meetings, children's classes and devotional meetings. If that is the extent of the vision, then renting a space is probably adequate to address the perceived need.

If, on the other hand, the community is reaching for a higher purpose, a new level of service to the Bahá'ís and to the community at large, then it may be time to entertain a broader discussion, in which the issue of a center will probably be the last item on the list; needs, programs and activities will come first. As agreement emerges on these subjects, many of the basic questions about the center, its size, location and cost will

already be answered. As the House of Justice wrote:

“ . . . For even the 3<sup>rd</sup> local center that a Bahá’í community erects can begin to serve not only as the spiritual and administrative center and gathering place of the community, but also as . . . the heart of other aspects of community life.”

ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE, MAY 8, 1984,  
IN EXTRACTS CONCERNING BAHÁ ’Í SOCIAL AND ECONOMIC DEVELOPMENT

E. Is there universal agreement on this vision?

If there is agreement among all the stakeholders, including the Assembly, then you are ready to move on. If not, the Assembly may want to 3<sup>rd</sup> ways to build consensus; on the other hand, the lack of agreement on a vision for the center may itself be an indication that it is too soon to have one.

In cases where other communities are involved, are the implications and limitations associated with a “regional center” fully understood? The most common misconception concerns holding Feast. Each local Spiritual Assembly must have its own separate Feast, within the area of its jurisdiction and with only the members of its community. Some communities band together for devotions and refreshments, but break up into their respective groups, where the facility permits, to have their consultation. This is incorrect: the Feasts are not separate as they must be. The best uses for a regional center include such things as common proclamation events, devotional meetings, classes, deepenings and so-

Chapter 7—Local Bahá’í Centers 159

cial events, if they are appropriate to the atmosphere that is to be maintained in a local Pazíratu’l-Quds.

II. Planning for Growth and Development

A. Is there a community expansion and consolidation plan?

The plan for the community’s growth and development comes before plans are made for a physical facility. Otherwise, how can we know what kind of building we need and where it should be located? Often times local Assemblies are approached with a proposal for a particular site because acquiring it “makes good business sense,” at least in the view of those making the proposal. Market value is one factor to be considered, but it is not really the most important one.

The center that stands the most chance of carrying the community to a “new stage in the exercise of their responsibilities” is the one that plays a

direct role in the community’s plans for its own development. The Universal House of Justice instructs us that:

“A community is of course more than the sum of its membership; it is a comprehensive unit of civilization composed of individuals, families and institutions that are originators and encouragers of systems, agencies and

organizations working together with a common purpose for the welfare of people both within and beyond its own borders; it is a composition of diverse, interacting participants that are achieving unity in an unremitting quest for spiritual and social progress.”

THE UNIVERSAL HOUSE OF JUSTICE, RIØVÁN 153/1996 PAR. 3.25

Each local Spiritual Assembly would do well to shape its thinking about the kind of center it will have by referring to this passage from the same Riðvån Message (par. 3.24):

“ . . . Spiritual Assemblies must rise to a new stage in the exercise of their responsibilities as channels of divine guidance, planners of the teaching work, developers of human resources, builders of communities, and loving shepherds of the multitudes.”

1. Is your teaching plan based on the research findings and instructions from the National Teaching Committee and its published plans?

The National Teaching Committee is increasingly fulfilling the functions predicted for it by the Guardian, when he called the Committee the “chief auxiliary institution” of the National Assembly, a body that is to “make thorough and expert study of the issue entrusted to their charge, advise by their reports, and assist in the execution of the decisions” of the National Assembly.

160 Stewardship and Development 3rd Edition

The research done in the first half of the Four Year Plan by the National Teaching Committee can serve to direct our teaching and consolidation efforts in many ways: Whom are we trying to reach with the Message? Where do they live? What is their economic condition? What needs do they have?

In the broadest terms, the Teaching Committee has documented that the most receptive populations in the country in the late 90’s are middle class or higher, with a somewhat higher education level than the national norm. They range in age from 30–50, with significant percentages of females and single parents. Immigrants and minorities also describe themselves frequently as seekers of a new spiritual home. These variables can give us a starting point for our own local plans.

2. What role does a local center play in the expansion plan? Do you see your center as a place for welcoming new believers?

3. Are the size and layout of the building consistent with the plan? What kinds of proclamation activities will you carry out in your center?

4. How does the proposed building’s location fit with the expansion and proclamation elements of your plan?

The National Teaching Committee’s research makes it possible to “focus our search” for new believers. Where should a center be situated

in relation to such population centers? What is the balance between the “center of gravity” of the existing community and the likely concentration of new believers?

B. Has the guidance on Bahá’í social and economic development been consulted? Is Bahá’í development part of the consolidation plan for your community?

A growing number of Assemblies are integrating their center planning with the body of guidance that the Universal House of Justice has provided over the years about Bahá’í development.<sup>1</sup> The definition of Bahá’í development, which a letter written on behalf of the House of Justice called “. . . the art of applying spiritual concepts to the practical challenges of daily life”, is much more inclusive than we may tend to think.

The move toward development is really a natural phase in our growth: “First comes the illumination of hearts and minds by the Revelation of Bahá’u’lláh, and then the grassroots stirring of the believers wishing to apply these teachings to the daily life of their community.”

ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE, 8 MAY 1984,  
TO A NATIONAL SPIRITUAL ASSEMBLY

Moving from believers’ homes into a physical facility owned by the Assembly is one of the most crucial development decisions a community

#### Chapter 7—Local Bahá’í Centers 161

can make. Each community need to assess the current stage of its own development and identify any community needs that are being unmet. These do not have to be material or financial needs; they might relate to interpersonal issues or family life. No matter how affluent the community, no matter how agreeable the quality of life it presently enjoys, there are needs and hopes that are unattended. The Assembly’s role is to articulate them, find ways to apply the Teachings to them, and then to see how a local Bahá’í center can facilitate the consolidation process.

1. What kinds of development programs will be headquartered in a local center?

A community development plan will identify community needs and the programs required to meet them. One of the most receptive populations is single parents, and single mothers especially. New recruits like these, when they come in, will have specific needs, and child care and education will probably top the list. Will your proposed center accommodate 30 eleven-year-olds and 50 teens at a time? Will there be space for recreation, in addition to deepening classes?

Will people eat at your events? Then you might want a kitchen, and one large enough to be able to prepare a meal for all the participants. Will everyone sit in lecture-style meetings, or do you need breakout rooms? How about space around the building: will some woods or a garden lend distinction to a building that represents a unique Cause?

Knowing the community’s plans in this regard will help meet the need

and the program to the physical facility, thus shaping the eventual purchase decision.

C. Have Bahá'í and other experts been consulted on the proposed building to be bought?

The National Spiritual Assembly is working to identify local or regional networks of Bahá'ís with particular expertise that local communities can call upon for assistance in their consultation. Each community, however, can also take the initiative in finding its own helpers and advisors, and these need not be Bahá'ís. Expertise in some of these areas should prove especially helpful:

- Real estate
- Organizational development

Important extracts from the Universal House of Justice messages on Bahá'í development are extracted in Badi'í, "The True Foundation of All Economics." See Bibliography for details.

162 Stewardship and Development 3rd Edition

- Planned giving
- Training/Facilitation
- Environmental science
- Legal
- Architecture
- Banking/Finance

### III. Financial Considerations

A. What is the financial basis for support?

A 1994 survey, done for the Office of the Treasurer, indicated that at that time the average purchase cost of a local center, among the 33 communities that had them, was \$117,000, with an average size of 4,000 square feet.

To meet these costs, during the last several years there have been a number of fund appeals from local Spiritual Assemblies trying to build centers. Some communities have sent these appeals nationally and they have caused a good deal of confusion among the friends.

Except in very special circumstances, which would require consultation with, and approval from the National Spiritual Assembly, the effort to build a local Pazíratu'l-Quds must remain within a local community or cluster and aim for self-sufficiency. The development literature helps us here, too:

"There are two principles which the House of Justice feels are fundamental to

the generality of such projects of social and economic development, although, of course, there will be exceptions. The first is that they must be built on a substructure of existing, sufficiently strong local Bahá'í communities. The second is that the long-term conduct of the project should aim at self-sufficiency and not be dependent upon continuing financial support from outside . . .

“The second principle must take into account that any project started by the Cause should be designed to grow soundly and steadily, and not to collapse from attrition. . . . (T)he aim should be for each project to continue and develop on the strength of local Bahá'í labor, funds and enthusiasm even if all external aid should be cut off.”

ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE, 8 MAY 1984, TO A NATIONAL SPIRITUAL ASSEMBLY

Chapter 7—Local Bahá'í Centers 163

“Many communities, especially those with permanent programs, began taking steps to ensure that effective development activities would continue even if external sources of support were to be withdrawn.”

THE UNIVERSAL HOUSE OF JUSTICE, THE SIX YEAR PLAN: SUMMARY OF ACHIEVEMENTS; QUOTED IN BADI'Í, THE TRUE FOUNDATION OF ALL ECONOMICS, P. 85.

The friends should be aware that the fund raising policy of the National Spiritual Assembly, which had previously allowed many Local Assemblies to solicit contributions from surrounding communities for major capital development campaigns, was amended in 2002. The amended policy mandates that local communities may only solicit funds from other Bahá'í communities, groups, or individuals within their own cluster. Regardless of how close a community may be in distance to the soliciting Assembly, fund raising appeals should not be aimed at these communities, whether by phone, email, or email list serves.

Communities seeking to acquire a center may contact the Bahá'í Center Assistance Corporation, an organization established under the auspices of the National Spiritual Assembly to provide technical advice and financial support to local Spiritual Assemblies in the acquisition of a center. The Bahá'í Center Assistance Corporation may be contacted through the Office of the Treasurer at the Bahá'í National Center.

1. How close to universal participation is the community in its giving to the Local Fund?
2. Are contributions regular and stable, or does a small number of large contributions account for most of the total?
3. What happens if one or more of the largest donors moves away from the community?
4. Can the Assembly afford to obtain the proposed site without reducing its

Financial support for the national, international, continental and regional funds?

The general assumption of those communities that have called the Office of the Treasurer regarding their center plans is that getting a center will require them to cut their financial support to other institutions.

This is a myth. The capacity of nearly every community is untapped, so there is no reason simply to assume it will be limited to its current level. On the contrary, the 1994 survey found that contributions increased with a center in the community, as much as 30% within two years.

As participants in the erection of Bahá'u'lláh's Administrative Order,

164 Stewardship and Development 3rd Edition

local Spiritual Assemblies and individuals both have important responsibilities to every one of His institutions. Just as we do not neglect any of our children, so must we find ways best fittingly to discharge the complete range of our duties. Here are two passages of guidance on this issue:

“He hopes that the Stuttgart friends will so arrange their affairs that this new undertaking will not prevent them from assisting the national interests of the Cause and lending them their full support.”

ON BEHALF OF SHOGHI EFFENDI, LIGHTS OF GUIDANCE. VOL. 2, P. 49.

“The Universal House of Justice feels that the United States must not jeopardize its spiritual primacy, and that it must gird itself to raise the major share of the financial reserves which will be necessary to prosecute the Nine-Year Teaching Plan . . .

“In line with the principles recited above, we feel that Local Spiritual Assemblies which already have funds available for the acquisition of a local Pazíratu'l-Quds should be permitted to proceed with plans for purchase or construction within the limitation of funds already earmarked for this purpose. However, new funds should not be started nor should plans be made to acquire Pazíratu'l-Quds in those communities where funds are not presently available except under the most urgent circumstances. If any individual cases arise in which it appears that an exception should be made, you are free to present the facts and your recommendations to the Universal House of Justice for consideration.”

THE UNIVERSAL HOUSE OF JUSTICE, OCTOBER 23, 1964 TO THE NATIONAL SPIRITUAL ASSEMBLY OF THE UNITED STATES

We in the U. S. are not presently under a restriction of the kind mentioned above, but the principles in these passages are still timely. Indeed, we dare not neglect our responsibility at any level because, the House of Justice reminds us, our spiritual primacy as a community is at stake if we do.

As to whether our financial resources are adequate to cover each of these needs, the House of Justice wrote:

“Now is the time for the dearly-loved members of this community, renowned as the champion builders of Bahá’u’lláh’s rising World Order, to consecrate an increasing measure of the material resources with which they have been so richly blessed to the pressing needs of the Cause of God. In doing so, their sacrifices will attract an even greater measure of divine blessings, and will bring them abiding satisfaction.”

THE UNIVERSAL HOUSE OF JUSTICE, JULY 14, 1989

Chapter 7—Local Bahá’í Centers 165

5. How much will the new facility require in remodeling costs?
6. What will the monthly and yearly maintenance costs be? Utilities?

The 1994 survey indicated that upkeep and maintenance ran between \$8,000 and \$13,700 annually. Meeting this expense is a matter of both finance and principle:

“We have been asked to say that there is no objection to the Local Assembly looking for a property to purchase for their Pazíratu’l-Quds, but they should be reminded that in addition to the initial cost of acquisition they must be prepared to assume the continuing costs of upkeep, maintenance, and services. They should also decide whether they can manage the financial outlay required without interfering with the discharge of their other responsibilities toward the success of the Five Year Plan [1974–1979].”

ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE, FEBRUARY 6, 1975  
TO THE NATIONAL SPIRITUAL ASSEMBLY OF THE UNITED STATES

#### IV. Legal Matters and Insurance for Your Center

##### A. What are the legal issues surrounding the acquisition?

1. Title and ownership of the proposed building?

Are we really sure who owns the building we want to buy? Has the Assembly secured documentation to make sure it will have a clear title to the facility?

2. Is the local Spiritual Assembly incorporated? If not, it may not own property under the laws of most states.
3. Will you have title insurance? This protects the Assembly in the event it later turns out that there was not clear title to the property when the Assembly bought it.
4. Toxic waste liability?

In most states, the fact that the Bahá’í community did not bury radioactive or toxic materials on the land they just bought will not shield them from the costs of cleaning up the mess. There is no substitute for careful homework on this one! Asbestos disposal is often

specifically excluded from insurance coverage.

## 5. Zoning and building code issues?

It is surprising how often zoning becomes an issue for a local community. There are a good number of cases in which a local community worked very hard to find and buy a residence, which they thought

166 Stewardship and Development 3rd Edition

would meet their space needs very well, only to discover that the neighbors did not like having all that new traffic on their street. When you find yourself facing the zoning board on a complaint brought by those neighbors, it is too late to learn about the town's zoning and use regulations!

Abiding by the local building code can be expensive, but again there are no shortcuts. Not only are we to set an example as Bahá'ís of obedience to law, but code violations can become safety disasters.

### B. Insurance requirements

The general coverage provided by the National Spiritual Assembly does not include local centers. Once a community acquires a center, they are responsible to get their own insurance, and this cost must be included in the overall analysis of the purchase decision. Even if the facility is leased, there often needs to be insurance, at least for public events. There is often a special "church rate" you will want to research.

The following are some of the common kinds of insurance, for which full coverage should be obtained. It is a common mistake to buy lower coverage than is really necessary out of a desire to economize; in the 90's, however, there are so many lawsuits that Bahá'í communities should not take such risks. You will want to buy insurance for:

1. Property
2. Liability
3. Umbrella Coverage
4. For special events or activities

## V. Technical Issues and Center Management

### A. What are the technical or architectural factors to be addressed?

As mentioned in section 3, "Financial Considerations", communities may contact the Bahá'í Center Assistance Corporation through the Office of the Treasurer for advice on technical issues related to acquisition of a center. In addition to such assistance, local Spiritual Assemblies (and especially the Treasurer) need to consult competent professionals about the issues listed below, particularly if they are buying an existing building: the local Spiritual

Assembly does not want to discover serious problems nor to underestimate

the costs and effort required to fit the building to the community's needs.

1. General condition

Chapter 7—Local Bahá'í Centers 167

2. Building code violations

3. OSHA code violations

4. Handicapped access

B. How will the building be managed?

As you can imagine, center management arrangements require wise decisions and clear understandings among all concerned; a number of communities have experienced friction in relation to this issue, particularly in the case of regional, multi-community centers. This is such a crucial issue that it might well need to be addressed early in the planning stages; it is by no means an afterthought, even though it is toward the bottom of our checklist.

Will your community use:

1. A management committee
2. Volunteers
3. Paid staff
4. An intercommunity committee
5. A combination of the above
6. Has the local Spiritual Assembly written a mandate for these helpers?

Our survey found that 36% of local centers are managed by a volunteer manager, while 33% of them have management committees that report to the local Spiritual Assembly. Committees seem to be most prevalent in cases where the center serves several communities.

Your Assembly might consider documenting all your arrangements in writing: which communities are involved; how the burden of work will be divided; and how the center might eventually be transferred to the Assembly in whose jurisdiction it is located, especially whether compensation of any kind will be given to neighboring partners when the center becomes the sole responsibility of the "home" community.

Direct local Spiritual Assembly involvement in all aspects of the center's management, including membership on a committee if there is one, would seem to be essential, since everything that occurs in the center is the Assembly's responsibility. Issues of safety, dignity

168 Stewardship and Development 3rd Edition  
and the good name of the Faith are always involved in everything having to do with, or that takes place within, your local center.

## VII. Reporting to the National Spiritual Assembly

A. Have you advised the National Spiritual Assembly that you are planning to get a center?

Because there are national implications in the community's efforts to find physical homes for its activities, the National Spiritual Assembly has a direct interest in knowing about your plans and your progress in executing them. By the same token, the Bahá'í National Center can put your community in touch with important resources that will make your task easier.

B. If/When you complete your purchase you will also want to advise the National Assembly and include details about the building, its price, location and any other pertinent information.

From the perspective of courtesy, of course, you will want to inform your National Spiritual Assembly of your new center. Moreover, because the National Spiritual Assembly represents the Faith to outside audiences at the national level, audiences who are interested in assessing the real substance of our Faith, having this information can be extremely helpful; we have only to recall the pride with which the beloved Shoghi Effendi would publicize the dollar value of the Faith's growing international endowments (cf. *God Passes By* and *The Bahá'í World*). In the event of a crisis in a local community, God forbid, ownership of the local center may revert to the National Spiritual Assembly, another good reason the National Assembly's property inventory should be complete.

We know that great endeavors for the Faith are almost always accompanied by tests, frustrations, as well as moments of pure joy. Many communities will find this to be true during their first efforts to establish their own *Ḍazíratu'l-Quds*, but using the tools and concepts outlined in this chapter, they will be able to enjoy a straighter path toward a center that will make a significant contribution to their happiness, growth and development.

Chapter 7—Local Bahá'í Centers 169  
170 Stewardship and Development 3rd Edition  
Appendices

172 Stewardship and Development 3rd Edition  
Appendix A  
Huqúqu'lláh:

The Right of God

“It seems fitting then, that the sacred law which enables each one to express his or her personal sense of devotion to God in a profoundly private act of conscience that promotes the common good, which directly connects the individual believer with the Central Institution of the Faith, and which,

above all, ensures to the obedient and the sincere the ineffable grace and abundant blessings of Providence, should . . . be embraced by all who profess their belief in the Supreme Manifestation of God.”

#### THE UNIVERSAL HOUSE OF JUSTICE

Information regarding the details of the sacred law of *Ḥuqúqu'lláh*, the Right of God, can be obtained from one of the trustees or representatives of the Board of Trustees of the Office of the Secretariat of the Bahá'í *Ḥuqúqu'lláh* Trust. Addresses of representatives of the Board of Trustees in your area can be obtained from the Office of the Secretariat.

Payments to *Ḥuqúqu'lláh* should be made payable to “The Bahá'í *Ḥuqúqu'lláh* Trust” (please write your Bahá'í identification number on your check) and sent to the Office of the Secretariat or to one of the Trustees:

Amin Banani 2320 Alta Ave. Santa Monica, CA 90402	Elizabeth Martin P.O. Box 178 Winnsboro, SC 29180
---	---

Stephen Birkland 1192 Benton Way Arden Hills, MN 55112	Dru Waren PO Box 630 Poteau, OK 74953
--	---

Daryush Haghghi 24434 Lake Rd. Bay Village, OH 44110 918-647-5012 phone 918-647-8990 fax secretariat@huquq.us	Office of the Secretariat PO Box 630 Poteau, OK 74953
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Appendix A—*Ḥuqúqu'lláh* The Right of God      173  
Supplement to the Compilation  
on the *Ḥuqúqu'lláh*

The following, released in October, 1992 by the Universal House of Justice, is a supplement to the original compilation on the *Ḥuqúqu'lláh*.

Extracts from the Writings of Bahá'u'lláh

1. Glorified art Thou, O my compassionate Lord! I entreat Thee by the tumult of the ocean of Thy holy utterance, and by the manifold tokens of Thy supreme sovereignty, and the compelling evidences of Thy Divinity, and the hidden mysteries that lie concealed within Thy knowledge, to give me Thy grace to serve Thee and Thy chosen ones, and enable me to dutifully offer Thy *Ḥuqúq* which Thou hast ordained in Thy Book.

I am the one, O my Lord, who hath set his affections on Thy realm of glory, and hath clung tenaciously to the hem of Thy generosity. O Thou Who art the Lord of all being and the Ruler of the kingdom of names, I beseech Thee not to deny me the things Thou dost possess, nor to withhold from me that which Thou hast ordained for Thy chosen ones.

I implore Thee, O Lord of all names and Creator of the heavens, to assist me to be steadfast in Thy Cause, through Thy strengthening grace, in such wise that the vanities of the world may not suffer me to be shut out as by a veil, nor to be hindered by the violent commotions of the wicked-doers who have risen up to lead Thy people astray in Thy days. Destine for me then, O my heart's Desire, the good of this world and the world to come. Verily Thou art powerful to do as Thou wilt. No God is there but Thee, the Ever-Forgiving, the Most Generous.

FROM A TABLET RECENTLY TRANSLATED FROM ARABIC

2. Following the revelation of the Most Holy Book and the fixing of the divinely appointed *Puqúq*, specific orders were given to the effect that no one should demand payment of the *Puqúq*, since it hath been made conditional on the willingness of the individuals themselves, who are devoted, faithful and well-disposed to offer the payment of *Puqúq* in a spirit of willing acquiescence and good pleasure. But nowadays conditions are such that explicit instructions have been issued so that those who have held back the *Puqúq* may dutifully discharge their obligation.

FROM A TABLET RECENTLY TRANSLATED FROM ARABIC

3. O Amin! Upon thee be My glory. It behoveth thee to have the utmost regard for the dignity of the Cause of God in all circumstances. The Pen of the Most High hath attested and will continue to attest in thy favour. It hath commended the exertions thou hast made, and the services thou hast ren-

174 Stewardship and Development 3rd Edition

dered wholly for His sake . . . a commendation that shineth resplendent in His Epistles even as the radiance of the sun. Render thou thanks unto thy Lord for this excellent favour. However, We exhort thee to keep thine eyes directed to the horizon of dignity and , while being mindful of His sublime words: . . . yet warn them, for in truth warning will profit the believers, I to

give the friends of God a gentle reminder in a spirit of amity and concord. Indeed, whoever is graciously enabled to fulfill this obligation, he will be reckoned among the sincere lovers of God in the lucid Book; but if not, no one should contend with him.

In this Day the glances of God . . . exalted be His glory . . . are directed towards the hearts of men to the goodly pearls treasured therein. This becometh the Lord and His chosen ones . . . glorified be His majesty. It behoveth thee to pray on behalf of the friends and loved ones of God, that He may graciously enable them to fulfill that which is ordained in the Book, and that they may not be hindered by vain imaginings and the transitory

things of the world.

FROM A TABLET RECENTLY TRANSLATED FROM PERSIAN

Extracts From The Writings Of ‘Abdu’l-Bahá

4. Whatever hath been paid as *Ḥuqúq*, and delivered to him [ *Jináb-i-Amín*]

hath been or will be received in its entirety. In these days it is extremely difficult to send a separate receipt to each person. Therefore this letter should

be treated as a collective receipt. Indeed *Jináb-i-Amín*’s receipts are naught

but My own receipts. This is because he never careth for himself, nor is he particular about the largeness or the smallness of the amount. He is detached, humble, sincere and spiritual.

FROM A TABLET RECENTLY TRANSLATED FROM PERSIAN

5. Thou hast asked for a receipt as a token of assurance for everyone. We have repeatedly pointed out in writing that whatever amount is received by *Jináb-i-Amín*, the same have we duly received or shall receive.

FROM A TABLET RECENTLY TRANSLATED FROM PERSIAN

6. O Thou who art captivated by His Covenant and Testament! In extolling thy virtues as a steadfast supporter of the Covenant, *Jináb-i-Amín* hath unloosed his eloquent tongue and raised his voice in high praise, stating that *Jináb-i-Hájí Ghulám Ridá* hath in truth attained the station of contentment and resignation, and that all times and under all conditions he hath proven himself to complete servitude at His sacred Threshold. In truth, he entertaineth no wish but for thralldom at the door of the *Abhá* Beauty, and yearneth

for naught but to accomplish a service in the path of The Desired One.

Praised be God that in moments of adversity his face hath glowed incandes-

Qur’an - 51:55

*Jinab-i-Haji Ghulam Rida-Amin-i-Amin*

Appendix A—*Ḥuqúqu’lláh* The Right of God 175

cent in the fire of tests, even as purest gold, and thus is purged and purified from every dross and contamination. He hath at all times walked in the way of faithfulness, and trodden the path of firmness and constancy.

Therefore, in compliance with the precept of reward which is ordained by the Lord of Utterance, thou hast been appointed as Trustee of the *Ḥuqúq* and should presently, through the strengthening grace and bounty of the All-Merciful, take up this duty in *óhrán*, inasmuch as *Jináb-i-Amín* will occasionally travel to the outlying provinces.

We cherish the hope that the Lord of Glory may cause thee to be loved in both worlds, and that He may vouchsafe infinite bestowals unto thee.

And upon thee be the glory of the Most Glorious!

FROM THE TABLET RECENTLY TRANSLATED FROM THE PERSIAN

Extract from a letter written by Shoghi Effendi

7. In accordance with the explicit text of the Will and Testament, *Ḥuqúqu'lláh*

should be expended on teaching the Cause of God in countries throughout the East and the West, establishing institutions, building Bahá'í Temples and promoting benevolent undertakings and the general weal.

FROM THE LETTER DATED 4 APRIL 1954—TRANSLATED FROM THE PERSIAN

Extracts from letters written on behalf of the Universal House of Justice

8. . . . the answer to your question is given in a letter dated 16 September 1979 written on behalf of the Universal House of Justice to a believer. This is included as section 105 of the compilation on *Ḥuqúqu'lláh*, and the relevant portion reads as follows:

Contributions to the funds of the Faith cannot be considered as part of one's payment of *Ḥuqúqu'lláh*; moreover, if one owes *Ḥuqúqu'lláh* and cannot afford both to pay it and to make contributions to the Fund, the payment of *Ḥuqúqu'lláh* should take priority over making contributions. But as whether contributions to the Fund may be treated as expenses in calculating the amount of one's assets on which *Ḥuqúqu'lláh* is payable; this is left to the judgment of each individual in the light of his own circumstances.

From this it can be seen that if a believer has calculated his liability to *Ḥuqúqu'lláh* and knows that he owes some, he should pay this in preference to making any other contributions.

However, during the course of the year a believer may well be making contributions to various funds, or giving money to charity, just as he is spending

his money on a wide range of activities associated with his daily life. The

176 Stewardship and Development 3rd Edition

above statement from the Universal House of Justice (section 105) leaves it to his judgment to follow either of the following courses:

a. To treat such contributions as expenses. They would then reduce the balance of savings he would have left at the end of the year on which *Ḥuqúqu'lláh* is payable.

b. To consider that he should make such contributions only out of money on which *Ḥuqúqu'lláh* has been paid.

This ruling also leaves it open to the individual to treat some contributions in one way and some in the other. The House of Justice leaves all such details to the judgment and conscience of the individual believer.

3 FEBRUARY 1987 TO AN INDIVIDUAL

9. If, as you say, you are not in a position ever to accumulate assessable property equivalent in value to 19 mithquáls in gold, then, as the texts

explain,

you have no obligation to pay ʔuqúqu'lláh. However, this does not mean that you may not contribute to this Fund if you wish to do so out of your love for Bahá'u'lláh and the generosity of your heart . . . .

23 JUNE 1987 TO AN INDIVIDUAL

10. a. One believer cannot discharge the obligation of another to pay ʔuqúqu'lláh.

b. It is not permissible for a believer to earmark for any purpose a payment he makes to ʔuqúqu'lláh, nor may he make such payment in honor of anyone.

22 MARCH 1989 MEMORANDUM FROM THE UNIVERSAL HOUSE OF JUSTICE TO A DEPARTMENT AT THE WORLD CENTER

11. . . . you ask whether the Law of ʔuqúqu'lláh is a purely personal law or whether it applies to elected institutions and corporate bodies as well.

We have been asked to inform you that, although the Trustee is authorized to accept contributions to ʔuqúqu'lláh from believers who are not under the obligation of paying it, or from companies which are wholly owned by Bahá'ís, the Law of ʔuqúqu'lláh imposes an obligation only on individual

believers, not on Bahá'í institutions or corporate bodies.

29 MARCH 1989 TO AN INDIVIDUAL

12. Essentially, the ʔuqúqu'lláh should be paid by a believer during the course of his life whenever his surplus property reaches the assessable level.

A

certain leeway is provided in the law, inasmuch as reference is made to the annual expenses which should be deducted before the liability to ʔuqúqu'lláh

is calculated. Ideally, when a Bahá'í dies, the only payment to ʔuqúqu'lláh

which should need to be provided for in his Will is such additional liability as may be found to exist when his affairs are reckoned up as at the date of his death.

Appendix A—ʔuqúqu'lláh The Right of God 177

The House of Justice hopes that as the believers acquaint themselves with the law of ʔuqúqu'lláh and start to pay it, they will also learn not only how

to calculate it during the course of their lives but will thereby be enabled to understand how to provide for the payment of the balance remaining at their deaths.

1 OCTOBER 1989 TO AN INDIVIDUAL

13. Such an exceptional con-uence of imminent achievements—the publication of the Kitáb-i-Aqdas, the progress of the building projects on Mount Carmel, the conclusion of the Six Year Plan, the inception of the Holy Year—

animates the expectations of the Bahá'í world, sets the stage for mightier endeavors than have already been attempted, and points us all to the opening of a new phase of history. It seems fitting, then, that the sacred law which enables each one to express his or her personal sense of devotion to God in a profoundly private act of conscience that promotes the common good, which directly connects the individual believer with the Central Institution of the Faith, and which above all, ensures to the obedient and the sincere the inestimable grace abundant blessings of Providence, should, at this favorable juncture, be embraced by all who profess their belief in the Supreme Manifestation of God. With humility before our sovereign Lord, we now announce that as Rishván 1992, the beginning of the Holy Year, the Law of *Ḥuqúqu'lláh*, the Right of God, will become universally applicable. All are lovingly called to observe it.

#### RIṢVÁN 1991 TO THE BAHÁ'ÍS OF THE WORLD

14. The House of Justice does not envisage issuing any specific method of calculation for the use of the friends. They should be left free to work out their own methods on the basis of the texts and examples already before them.

#### 1 JULY 1991 TO AN INDIVIDUAL

15. We have recently received an inquiry about the application of the Law of *Ḥuqúqu'lláh* in two situations.

The first concerns those believers who have not, until this Rishván, been subject to the Law. The second, which is related to it, concerns new believers.

The question is whether the property on which a person is obliged to compute his *Ḥuqúqu'lláh* is all that he possesses at the date on which the Law becomes applicable to him, or only on such property as he amasses subsequent to that date.

Our conclusion is that the property which is assessable to *Ḥuqúqu'lláh* is all that a person possesses on the date that the Law becomes applicable to him. This does not mean, of course, that he must immediately pay the *Ḥuqúqu'lláh* that is due, since to do so might require him to dispose of many of his

178 Stewardship and Development 3rd Edition  
belongings and place him in a very difficult situation. But the principle of computation is clear, and the *Ḥuqúqu'lláh* due should ultimately be paid.

Since so many aspects of the Law have been left Bahá'u'lláh to the conscience and judgment of the individual believer to apply, we prefer that no general announcement of this decision be made at this time. However, if you receive any questions from believers on this subject, you may give this reply.

4 MAY 1992 TO THE TRUSTEE OF PUQU'QU'LLÁH, THE HAND OF THE CAUSE OF GOD  
'ALI-  
MUHAMMAD VARQÁ

Appendix B: Changes in  
United States Tax  
Regulations

A Letter from the National Spiritual  
Assembly dated April 12, 1994  
To All Local Spiritual Assemblies and Groups

Dear Bahá'í Friends:

We are informing you of changes in tax laws affecting not-for-profit organizations. Legislation signed into law by President Clinton on August 10, 1993, contains a number of significant provisions affecting tax-exempt charitable organizations. These laws affect Local Spiritual Assemblies and Bahá'í Groups and include:

- A. New substantiation requirements for donors, and
- B. New disclosures for charities

Section A - Donor's Substantiation Requirements

1. Beginning January 1, 1994, no deduction will be allowed from individual income taxes for any charitable contributions of \$250 or more unless the donor receives contemporaneous written substantiation from the charity (in this case, the Local Spiritual Assembly).

Substantiation simply means a receipt or acknowledgment for the contribution. Contemporaneous means that the donor must receive the receipt before filing

Appendix B—Changes in United States Tax Regulations 181  
their return.

2. In cases where the charity has provided goods or services to the donor in exchange for the contribution (e.g. a dinner at a fund raising event), this written acknowledgment must include a good faith estimate by the Assembly of the value of such goods or services. The donor is only allowed a tax deduction for the amount of his/her donation over and above the cost of the goods or services received in return. (Please see section B below).

3. The donor may no longer rely solely on a canceled check to substantiate a cash contribution of \$250 or more.

The IRS does not prescribe a specific format for the written acknowledgments or receipts. For example, letters, postcards, or computer-generated forms may be acceptable. The acknowledgments do not have to include the donor's social

security or tax identification number. They must, however, provide sufficient information to substantiate the amount of the contribution. If the donation is not in

the form of cash or check (for example, real estate, securities or jewelry), then the

acknowledgment should describe the item but does not need to include its estimated value. Valuation of the donated item through obtaining estimates, showing the purchase price, price, etc., is the responsibility of the donor.

4. The written substantiation (i.e., the receipt) should also note whether the Spiritual Assembly provided any goods or services in consideration for the contributions, and, if so, must provide a description and good-faith estimate of the value

of the goods or services. Such contributions are referred to as quid pro quo contributions in the new law.

5. If the goods or services consists entirely of intangible religious benefits, the

receipt should indicate this, but the statement need not describe or provide a value of these benefits. An example, of an intangible religious benefit would be

admission to a Bahá'í event. In addition, the value and description of de minimis

(insignificant) tangible religious benefits, such as refreshments received at a Bahá'í

Feast, need not be mentioned in the receipt. If, on the other hand, the donor received nothing in return for the contribution, the receipt must so state.

The Spiritual Assembly may either provide separate acknowledgment letters and/or receipts for each contribution of \$250 or more from a donor, or furnish periodic statements substantiating such contributions.

#### Section B—Disclosure By Assembly of Receipt of Quid Pro Quo Contribution

Beginning January 1, 1994, a charitable organization must provide a written disclosure statement to donors who make a payment, described as a quid pro quo contribution, in excess of \$75. The disclosure statement is separate from the donor substantiation (receipt) as discussed above, and is in addition to it.

#### 182 Stewardship and Development 3rd Edition

A quid pro quo contribution is a payment made partly as a contribution and partly for goods or services provided to the donor by the charity. An example of a

quid pro quo contribution is where the donor gives a charity \$100 for a concert ticket valued at \$40. In this example, only \$60 would be deductible by the individual donor. Because the donor's payment (quid pro quo contribution) exceeds

\$75, the disclosure statement must be furnished to the donor by the Assembly, even though the deductible amount itself does not exceed \$75.

The required written disclosure statement may be included on the receipt or provided in a separate document at the same time. Either way, the statement should:

1. Inform the donor that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of any money (and the value of any property other than money) contributed by the donor over the value of goods or services provided by the charity, and
2. Provide the donor with a good-faith estimate of the value of the goods or services that the donor received.

A penalty is imposed on organizations that do not meet the disclosure requirements. For failure to make the required disclosure in connection with a quid pro quo contribution for more than \$75, there is a penalty of \$10 per contribution, not to exceed \$5,000 per fund raising event or mailing.

These new regulations may require additional effort on the Assembly's part; the friends, however, could be adversely affected by not being allowed to deduct their contributions to the Funds of \$250 or more if they do not receive these materials from the Assembly on a timely basis. Your Assembly's efforts to comply with the new regulations are thus an important service to the believers.

With loving regards,  
Office of the Treasurer

Appendix B—Changes in United States Tax Regulations	183
Publication 526	
(Rev. December 2003)	Contents
Cat. No. 15050A	
Introduction . . . . .	1
Department of the Treasury Internal Charitable To Receive Deductible Contributions . . . . .	2
Revenue You Can Deduct . . . . .	3
Service Contributions Deduct . . . . .	5
Contributions of Property . . . . .	6
	Organizations That Qualify
	Contributions You Cannot

When To Deduct . . . . .	9
Limits on Deductions . . . . .	9
Records To Keep . . . . .	12
How To Report . . . . .	14
How To Get Tax Help . . . . .	15
Index . . . . .	18

Introduction

This publication explains how to claim a deduction for your charitable contributions. It discusses organizations that are qualified to receive deductible charitable contributions, the types of contributions you can deduct, how much you can deduct, what records to keep, and how to report charitable contributions.

A charitable contribution is a donation or gift to, or for the use of, a qualified organization. It is voluntary and is made without getting, or expecting to get, anything of equal value.

Qualified organizations. Qualified organizations include nonprofit groups that are religious, charitable, educational, scientific, or literary in purpose, or that work to prevent cruelty to children or animals. You will find descriptions of these organizations under Organizations That Qualify To Receive Deductible Contributions.

Form 1040 required. To deduct a charitable contribution, you must file Form 1040 and itemize deductions on Schedule A. The amount of your deduction may be limited if certain rules and limits explained in this publication apply to you.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can e-mail us at [\\*taxforms@irs.gov](mailto:taxforms@irs.gov).

Please put "Publications Comment" on the subject line.

You can write to us at the following address:

Internal Revenue Service

Individual Forms and Publications Branch

Get forms and other information

SE:W:CAR:MP:T:I

1111 Constitution Ave. NW

faster and easier by:

Washington, DC 20224

Internet • [www.irs.gov](http://www.irs.gov) or FTP • [ftp.irs.gov](ftp://ftp.irs.gov) We respond to many letters by telephone.  
 Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

Appendix B—Changes in United States Tax Regulations  
 185

Useful Items Table 1. Examples of Charitable Contributions —A Quick Check

You may want to see: Use the following lists for a quick check of contributions you can or cannot deduct. See the rest of this publication for more information and additional rules and limits

Publication that may apply.

? 78 Cumulative List of Organizations

Deductible As	Not Deductible As
? 561 Determining the Value of Donated Charitable Contributions	Charitable Contributions
Property	Money or property you give to:

Money or property you give to:

Form (and Instructions)	• Churches, synagogues, temples,
• Civic leagues, social and sports mosques, and other religious chambers of	clubs, labor unions, and

? Schedule A (Form 1040) Itemized commerce	organizations
--	---------------

Deductions

? 8283 Noncash Charitable Contributions

• Federal, state, and local organizations (except certain governments, if your contribution is Mexican	• Foreign Canadian, Israeli, and
--	----------------------------------

See How To Get Tax Help near the end of solely for public purposes (for charities) example, a gift to this publication for information about getting reduce the public debt) these publications and forms.

• Groups that are run for personal

profit

- Nonprofit schools and hospitals
- Groups whose purpose is to lobby for law changes
- Public parks and recreation facilities
- Organizations That • Salvation Army, Red Cross, CARE,
- Homeowners' associations

Goodwill Industries, United Way, Boy  
Qualify To Receive Scouts, Girl Scouts,  
Boys and Girls • Individuals  
Clubs of America, etc.  
Deductible

- Political groups or candidates for
  - War veterans' groups
- Contributions

public office

Expenses paid for a student living with you, Cost of raffle, bingo, or  
lottery tickets

You can deduct your contributions only if you  
sponsored by a qualified organization  
make them to a qualified organization. To be-

Dues, fees, or bills paid to country clubs,  
come a qualified organization, most organiza- Out-of-pocket expenses  
when you serve a lodges, fraternal orders, or similar groups  
tions other than churches and governments, as qualified organization  
as a volunteer

described below, must apply to the IRS.

Tuition

Publication 78. You can ask any organization

Value of your time or services  
whether it is a qualified organization, and most  
will be able to tell you. Or you can check IRS

Value of blood given to a blood bank

Publication 78, which lists most qualified organizations. You may find

Publication 78 in your

local library's reference section. Or you can find 2) War veterans'  
organizations, including zation, and your contribution is for a  
public

it on the Internet at [www.irs.gov](http://www.irs.gov). You can also posts, auxiliaries,  
trusts, or foundations, purpose. You can deduct your contribution.

call the IRS to find out if an organization is organized in the  
United States or any of its Example 2. You make a voluntary

contriqualified. Call 1 – 877 – 829 – 5500. (For TTY/

possessions. bution to the social

security trust fund, not

TDD help, call 1 – 800 – 829 – 4059.)

earmarked for a specific account. Because

3) Domestic fraternal societies, orders, and

the trust fund is part of the U.S. Governassociations operating under the lodge  
sys-

Types of Qualified

ment, you contributed to a qualified organitem.  
zation. You can deduct your contribution.

Organizations

Note. Your

contribution to this type of organization is deductible only if it is to be  
Generally, only the five following types of organi-

Examples. The following list gives some exused  
solely for charitable, religious, scienzations can be qualified organizations.  
amples of

qualified organizations.

tific, literary, or educational purposes, or for  
the prevention of cruelty to children or ani-  
or association of

• Churches, a convention

1) A community chest, corporation, trust, mals.

churches, temples, synagogues,

fund, or foundation organized or created

mosques, and other religious organizain or under

the laws of the United States, 4) Certain nonprofit cemetery companies  
tions.

any state, the District of Columbia, or any or corporations.

possession of the United States (including Note. Your contribution

to this type of • Most nonprofit charitable organizations

Puerto Rico). It must be organized and op- organization is not

deductible if it can be such as the Red Cross and the United

erated only for one or more of the following used for the care of a

specific lot or mauso- Way.

purposes. leum crypt.

• Most nonprofit educational organizations,

5) The United States or any state, the District including the Boy  
(and Girl) Scouts of

a) Religious.

of Columbia, a U.S. possession (including America, colleges,  
museums, and

b) Charitable. Puerto Rico), a political

subdivision of a day-care centers if substantially all the

state or U.S. possession, or an Indian tribal child care provided is  
to enable individuals

c) Educational.

government or any of its subdivisions that (the parents) to be  
gainfully employed and

d) Scientific. perform substantial

government functions. the services are available to the general

Note. To be deductible, your contribution public. However, if your  
contribution is a

e) Literary.

to this type of organization must be made substitute for tuition  
or other enrollment

f) The prevention of cruelty to children or solely for public purposes.

fee, it is not deductible as a charitable

animals.

contribution, as explained later under Con-

Example 1. You contribute cash to your tributions You Cannot Deduct.

Certain organizations that foster national city's police department to be used as a or international amateur sports competition reward for information about a crime. The • Nonprofit hospitals and medical research also qualify. city police department is a qualified organi- organizations.

Page 2

186 Stewardship and Development 3rd Edition

• Utility company emergency energy pro- If you give property to a qualified organiza- cluded the purchase of one season ticket for the grams, if the utility company is an agent tion, you generally can deduct the fair market stated ticket price of \$120. You must subtract for a charitable organization that assists value of the property at the time of the contribu- the usual price of a ticket (\$120) from your \$300 individuals with emergency energy needs. tion. See Contributions of Property, later. payment. The result is \$180. Your deductible Your deduction for charitable contributions is charitable contribution is \$144 (80% of \$180).

• Nonprofit volunteer fire companies.

generally limited to 50% of your adjusted gross

Charity benefit events. If you pay a qualified

• Public parks and recreation facilities. income, but in some cases 20% and 30% limits

organization more than fair market value for the may apply. See Limits on Deductions, later.

• Civil defense organizations.

right to attend a charity ball, banquet, show,

The total of your charitable contributions desporting event, or other benefit event, you can

duction and certain other itemized deductions deduct only the amount that is more than the may be limited. See the instructions for Form value of the privileges or other benefits you Canadian charities. You may be able to de- 1040 for more information.

receive.

duct contributions to certain Canadian charita- Table 1 in this publication lists some exam-

If there is an established charge for the

ble organizations covered under an income tax ples of contributions you can deduct and some

event, that charge is the value of your benefit. If

treaty with Canada. that you cannot deduct.  
there is no established charge, your contribution  
To deduct your contribution to a Canadian  
is that part of your payment that is more than the  
charity, you generally must have income from Contributions From  
reasonable value of the right to attend the event.  
sources in Canada. See Publication 597, Information on the United States –  
Canada Income Which You Benefit  
Whether you use the tickets or other privileges  
has no effect on the amount you can deduct.  
Tax Treaty, for information on how to figure your  
If you receive a benefit as a result of making a However, if you return  
the ticket to the qualified  
deduction.  
contribution to a qualified organization, you can organization for resale,  
you can deduct the en-  
Mexican charities. You may be able to de- deduct only the amount of  
your contribution that tire amount you paid for the ticket.  
duct contributions to certain Mexican charitable is more than the value of  
the benefit you  
receive. Also see Contributions From Which Even if the  
ticket or other evidence of  
organizations under an income tax treaty with  
Mexico. You Benefit under  
Contributions You Cannot ! payment indicates that the  
payment is  
Deduct, later.

#### CAUTION

a “contribution,” this does not mean  
The organization must meet tests that are  
you can deduct the entire amount. If the ticket  
essentially the same as the tests that qualify If you pay more than  
fair market value to a  
qualified organization for merchandise, goods, shows the price of  
admission and the amount of  
U.S. organizations to receive deductible contri-  
the contribution, you can deduct the contribution  
butions. The organization may be able to tell you or services, the amount  
you pay that is more  
than the value of the item can be a charitable amount.  
if it meets these tests.  
contribution. For the excess amount to qualify,  
If not, you can get general information you must pay it with the intent to  
make a charita- Example. You pay \$40 to see a special  
about the tests the organization must ble contribution.  
showing of a movie for the benefit of a qualified  
meet by writing to the:

organization. Printed on the ticket is "Contribution — \$40." If the regular price for the movie is \$8, your contribution is \$32 (\$40 payment — \$8). The proceeds of the dinner-dance at a church. All function go to the church. The ticket to the regular price). P.O. Box 920 Bensalem, PA 19020 — 8518. Membership fees or dues. You may be able to deduct membership fees or dues you pay to a qualified organization. However, you can deduct charity, you must have income from sources in amount of your charitable contribution, you subtract only the amount that is more than the value of Mexico. The limits described in Limits on Deductions, later, apply and are figured using your value is less than your payment. To figure the qualified organization. However, you can deduct charity, you must have income from sources in amount of your charitable contribution, you subtract only the amount that is more than the value of Mexico. The limits described in Limits on Deductions, later, apply and are figured using your value is less than your payment. You cannot deduct dues, fees, or assessments paid to country income from Mexican sources. Those limits also \$40 as a charitable contribution to the church. clubs and other social organizations. They are

apply to all your charitable contributions, as described in that discussion. not qualified organizations.

Example 2. At a fund-raising auction conducted by a charity, you pay \$600 for a week's

Certain membership benefits can be disregarded. Both you and the organization can contribute to certain Israeli charitable organizations under an income tax treaty with Israel. made a deductible charitable contribution. in return for an annual payment of \$75 or less to

To qualify for the deduction, your contribution must be made to an organization created and Athletic events. If you make a payment to, or more than \$75 to the organization if the organization recognized as a charitable organization under for the benefit of, a college or university and, as does not require a larger payment for you to get the laws of Israel. The deduction will be allowed a result, you receive the right to buy tickets to an the benefits. The benefits covered under this in the amount that would be allowed if the organization athletic event in the athletic stadium of the college or university, you rule are: can deduct 80% of the

States, but is limited to 25% of your adjusted payment as a charitable contribution. 1) Any rights or privileges, other than those gross income from Israeli sources. If any part of your payment is for tickets discussed under Athletic events, earlier, (rather than the right to buy tickets), that part is that you can use frequently while you are a not deductible. In that case, subtract the price of member, such as: the tickets from your payment. 80% of the re- a) Free or discounted admission to the Contributions maining amount is a charitable contribution. organization's facilities or events, You Can Deduct Example 1. You pay \$300 a year for mem- b) Free or discounted parking, bership in an athletic scholarship program mainc) Preferred access to goods or services, Generally, you can deduct your contributions of tained by a university (a qualified organization). and money or property that you make to, or for the The only benefit of membership is that you have use of, a qualified organization. A gift or contri- the right to buy one season ticket for a seat in a d) Discounts on the purchase of goods bution is "for the use of" a qualified organization designated area of the stadium at the and services, and when it is held in a legally enforceable trust for university's home football games. You can dethe qualified organization or in a similar legal duct \$240 (80% of \$300) as a charitable contri- 2) Admission, while you are a member, to arrangement. bution.

events that are open only to members of The contributions must be made to a quali- the organization if the organization reasonfied organization and not set aside for use by a Example 2. The facts are the same as in ably projects that the cost per person (exspecific person. Example 1 except that your \$300 payment in- cluding any allocated overhead) is not

Page 3

## Appendix B—Changes in United States Tax Regulations

187

more than a specified amount, which may 2) Is not your dependent or relative, and Underprivileged youths selected by charity. be adjusted annually for inflation. (This is

You can deduct reasonable unreimbursed 3) Is a full-time student in the twelfth or any the amount for low-cost articles given in

out-of-pocket expenses you pay to allow underlower grade at a school in the United States. the annual revenue procedure with inflated amounts for the current year.

ies, or dinners. The youths must be selected by You can get this figure from the IRS.)

a charitable organization whose goal is to reduce juvenile delinquency. Your own similar expenses in accompanying the youths are not Token items. You can deduct your entire payment to a qualified organization as a charitable contribution if both of the following are true. more days counts as a full month. Conventions. If you are a chosen representative attending a convention of a qualified organization-

1) You get a small item or other benefit of token value. a qualified organization can be any of the organizations described earlier

2) The qualified organization correctly determines that the value of the item or benefit received is not substantial and informs you that you can deduct your payment in full.

Qualified organization. For these purposes, zation, you can deduct unreimbursed expenses for travel and transportation, including a reasonable amount for meals and lodging, while away from home overnight in connection with the convention. However, see Travel, later.

You cannot deduct personal expenses for state or local government agency, you cannot deduct your expenses as charitable contributions, except those in (4) and (5). For example, if you are providing a home for a student through a You cannot deduct personal expenses for full.

sightseeing, fishing parties, theater tickets, or nightclubs. You also cannot deduct travel, meals

The organization determines whether the value and lodging, and other expenses for your tions.

of an item or benefit is substantial by using spouse or children.

Revenue Procedures 90 – 12 and 92 – 49 and Qualifying expenses.

Expenses that you attendthe revenue procedure with the inflation adjusted amounts for the current year. You cannot deduct your expenses in may be able to deduct include the cost of books, ing a church convention if you go only as a

tuition, food, clothing,

transportation, medical member of your church rather than as a chosen and dental care, entertainment, and other representative. You can deduct unreimbursed

Written statement. A qualified organization expenses that are directly connected with giving amounts you actually spend for the well-being of must give you a written statement if you make a services for your church during the convention.

the student.

payment to it that is more than \$75 and is partly a contribution and partly for goods or services.

Uniforms. You can deduct the cost and up- Expenses that do not qualify. Depreciation keep of uniforms that are not suitable for every- The statement must tell you that you can deduct on your home, the fair market value of lodging, day use and that you must wear while

only the amount of your payment that is more and similar items are not considered amounts performing donated services for a charitable or than the value of the goods or services you spent by you. In addition, general household ganization. received. It must also give you a good faith expenses, such as taxes, insurance, repairs, estimate of the value of those goods or services.

Foster parents. You may be able to deduct as etc., do not qualify for the deduction.

The organization can give you the statement a charitable contribution some of the costs of either when it solicits or when it receives the Reimbursed expenses. If you are compen- being a foster parent (foster care provider) if you payment from you. sated or reimbursed for any part of the costs of have no profit motive in providing the foster care

having a student living with you, you cannot and are not, in fact, making a profit. A qualified

Exception. An organization will not have to deduct any of your costs. However, if you are

give you this statement if one of the following is organization must designate the individuals you reimbursed for only an extraordinary or a take into your home for foster care.

true. one-time item, such as a hospital bill or vacation You can deduct expenses that meet both of trip, that you paid in advance at the request of the following requirements.

1) The organization is: the student's parents or the sponsoring organia) The type of organization

described in section 1361, you can deduct your expenses for the care of a dependent child. They are unreimbursed out-of-pocket expenses (5) under Types of Qualified Organizations. Expenses to feed, clothe, and care for the child, earlier, or for a foster child.

Mutual exchange program. You cannot deduct the costs of a foreign student living in a foreign country. 2) They must be mainly to benefit the child. The only benefit you receive is an intangible religious benefit (such as admission to a religious ceremony) that you cannot receive through which your child will live with a family in a foreign country.

Unreimbursed expenses that you cannot deduct as charitable contributions may be considered generally is not sold in commercial support provided by you in determining transactions outside the donative contribution. Reporting expenses. For a list of what you must file with your return if you deduct expenses whether you can claim the foster child as a dependent. For details, see Publication 501, Exemptions, Standard Deduction, and Filing Information.

2) You receive only items whose value is not substantial as described under Token Report, later. items, earlier.

Example. You cared for a foster child because you wanted to adopt her, not to benefit the child. In Giving Services agency that placed her in your home. Your unreimbursed expenses are not deductible as charitable contributions. You may be able to deduct some amounts you pay in giving services to a qualified organization.

Church deacon. You can deduct as a charitable contribution any unreimbursed expenses

The amounts must be:  
Student Living With You  
• Unreimbursed, you have while in a permanent diaconate program.  
You may be able to deduct some expenses of

gram established by your church. These exhaving a student live with you. You can deduct • Directly connected with the services,

penses include the cost of vestments, books, qualifying expenses for a foreign or American • Expenses you had only because of the and transportation required in order to serve in

student who: services you gave, and the program as either a deacon candidate or as an ordained deacon.

1) Lives in your home under a written agree- • Not personal, living, or family expenses.

ment between you and a qualified organi-

Car expenses. You can deduct unreimbursed zation (defined later) as part of a program Table 2 contains questions and answers that out-of-pocket expenses, such as the cost of gas of the organization to provide educational apply to some individuals who volunteer their and oil, that are directly related to the use of your opportunities for the student, services.

car in giving services to a charitable organiza-

Page 4

188 Stewardship and Development 3rd Edition

Table 2. Volunteers' Questions and Answers

If you do volunteer work for a qualified organization, the following questions and answers may apply to you. All of the rules explained in this publication also apply. See, in particular, Out-of-Pocket Expenses in Giving Services.

Question

Answer

I do volunteer work 6 hours a week in the office of a qualified

No, you cannot deduct the value of your time or services.

organization. The receptionist is paid \$6 an hour to do the same work I do. Can I deduct \$36 a week for my time?

Yes, you can deduct the costs of gas and oil that are directly related to

The office is 30 miles from my home. Can I deduct any of my car

getting to and from the place where you are a volunteer. If you do not expenses for these trips?

want to figure your actual costs, you can deduct 14 cents for each mile.

I volunteer as a Red Cross nurse's aide at a hospital. Can I deduct the

Yes, you can deduct the cost of buying and cleaning your uniforms if cost of uniforms that I must wear?

the hospital is a qualified organization, the uniforms are not suitable for everyday use, and you must wear them when volunteering.

I pay a baby sitter to watch my children while I do volunteer work for a

No, you cannot deduct payments for child care expenses as a

qualified organization. Can I deduct these costs?

charitable contribution, even if they are necessary so you can do volunteer work for a qualified organization. (If you have child care expenses so you can work for pay, get Publication 503, Child and Dependent Care Expenses.)

tion. You cannot deduct general repair and maintenance expenses, depreciation, archeological dig sponsored by a charitable organization. The rest of Contributions

Example 3. You work

each morning on an

If you do not want to deduct your actual expenses, you can use a standard mileage rate the day is free for recreation and sightseeing.

You cannot take a charitable contribution deduction

You Cannot Deduct of 14 cents a mile to figure your contribution. work very hard during

tion even though you

There are some contributions you cannot deduct.

You can deduct parking fees and tolls, duct. There are others you can deduct only part whether you use your actual expenses or the

those few hours.

Example 4. You spend the entire day at standard mileage rate.

You must keep reliable written records of organization's regional

tending a charitable

You cannot deduct as a charitable contribu your car expenses. For more information, see meeting as a chosen representative. In the evening:

Car expenses under Records To Keep, later. theater. You can claim your

ning you go to the

travel expenses as charitable contributions, but specific individual,

1) A contribution to a

Travel. Generally, you can claim a charitable cost of your evening at the

you cannot claim the

2) A contribution to a nonqualified organization expenses necessarily incurred while you are away from home

tion,

Daily allowance

(per diem). If you provide performing services for a charitable organization and receive

services for a

3) The part of a contribution from which

you only if there is no significant element of personal pleasure, recreation, or vacation in the allowance to cover reasonable benefit,

ceive a daily receive or expect to receive a

travel expenses,

including meals and lodging 4) The value of your time or services, travel. This applies whether you pay the ex- while away from home overnight, you must include in income the amount of the allowance 5) Your personal expenses, expenses indirectly if you make a payment to the that is more than your deductible travel ex- 6) Appraisal fees, or charitable organization and the organization expenses. You can deduct your necessary travel

pays for your travel expenses. expenses that are more than the allowance. 7) Certain contributions of partial interests

The deduction for travel expenses will not be

denied simply because you enjoy providing Deductible travel expenses. These include:

Detailed discussions of these items follow. services to the charitable organization. Even if you enjoy the trip, you can take a charitable • Air, rail, and bus transportation, Contributions to Individuals contribution deduction for your travel expenses if you are on duty in a genuine and substantial • Out-of-pocket expenses for your car,

You cannot deduct contributions to specific individuals throughout the trip. However, if you have • Taxi fares or other costs of transportation individuals, including:

only nominal duties, or if for significant parts of between the airport or station and your the trip you do not have any duties, you cannot hotel, • Contributions to fraternal societies made

deduct your travel expenses. • Lodging costs, and for the purpose of paying medical or burial expenses of deceased members.

Example 1. You are a troop leader for a • The cost of meals. tax-exempt youth group and you help take the

group on a camping trip. You are responsible for Because these travel expenses are not or worthy. This includes contributions to a overseeing the set up of the camp and for pro- business-related, they are not subject to the qualified organization if you indicate that viding adult supervision for other activities dur- same limits as business related expenses. For your contribution is for a specific person.

ing the entire trip. You participate in the activities information on business travel expenses, see

But you can deduct a contribution that you of the group and really enjoy your time with Travel Expenses in Publication 463, Travel, Engive to a qualified organization that in turn

them. You oversee the breaking of camp and entertainment, Gift, and Car Expenses.

helps needy or worthy individuals if you do you help transport the group home. You can not indicate that your contribution is for a deduct your travel expenses. specific person.

Example 2. You sail from one island to another and spend 8 hours a day counting whales earmarked for flood relief, hurricane relief, and other forms of marine life. The project is or other disaster relief to a qualified organization. In most circumstances, you cannot deduct your contributions earmarked for relief of a particular individual or family.

Page 5

## Appendix B—Changes in United States Tax Regulations 189

• Payments to a member of the clergy that Contributions From  
• The value of income lost while you work can be spent as he or she wishes, such as as an unpaid volunteer for a qualified or for personal expenses.

Which You Benefit organization.

• Expenses you paid for another person who If you receive or expect to receive a financial or provided services to a qualified organiza- economic benefit as a result of making a contri- Personal Expenses tion. bution to a qualified

organization, you cannot

Example. Your son does missionary work. deduct the part of the contribution that repre- You cannot deduct personal, living, or family You pay his expenses. You cannot claim a sends the value of the benefit you receive. See expenses, such as the following items.

deduction for your son's unreimbursed ex- Contributions From Which You Benefit under

penses related to his contribution of serv- Contributions You Can Deduct, earlier. These • The cost of meals you eat while you ices. contributions include:

perform services for a qualified organization, unless it is necessary for you to be

• Payments to a hospital that are for a specific patient's care or for services for a specific patient. This includes lobbying. This includes amounts that you earmark for use in, or in connection with, influencing specific legislative payments even if the hospital is operated by a city, state, or other qualified organization.

• Contributions for adoption expenses, including fees paid to an adoption agency and the costs of keeping a child in your home before adoption is final. However, you may be able to claim a tax credit for these expenses.

• Contributions to a retirement home that clearly for room, board, maintenance, or admittance. Also, if the amount of your contribution depends on the type or size of Nonqualified Organizations occupy, it is not a charitable contribution.

Also, you may be able to exclude from your gross income amounts paid or reimbursed by your employer for your adoption contribution depends on the type or size of apartment you will occupy, it is not a charitable contribution.

You cannot deduct contributions to organizations that are not qualified to receive tax-deductible expenses. See Publication 968, Tax Benetions

• Costs of raffles, bingo, lottery, etc. You fits for Adoption, for more information. You cannot deduct as a charitable contribution ible contributions, including the following.

also may be able to claim an exemption amounts you pay to buy raffle or lottery for the child. See Adoption in Publication

1) Certain state bar associations if: tickets or to play bingo or other games of 501 for more information.

chance. For information on how to report a) The state bar is not a political subdivision, losses, see Desion of a state, gambling winnings and ductions Not

Subject to the 2% Limit in Appraisal Fees b) The bar has private, as well as public, Publication 529.

Fees that you pay to find the fair market value of purposes, such as promoting the professional interests of members, and groups. However, see and similar donated property are not deductible as Membership fees or tions. You can claim them, subject to the

c) Your contribution is unrestricted and dues under Contributions From Which You 2%-of-adjusted-gross-income limit, as a miscelcan be

used for private purposes. Benefit, earlier.

laneous itemized deduction on Schedule A

• Tuition, or amounts you pay instead of (Form 1040). See Deductions Subject to the 2%

2) Chambers of commerce and other business leagues or organizations. tuition, even if you pay them for children to Limit in Publication 529 for more information. attend parochial schools

or qualifying non-profit day-care centers. You also cannot Partial Interest

deduct any fixed amount you may be re- in Property

4) Communist organizations. quired to pay in addition to the tuition fee

5) Country clubs and other social clubs. to enroll in a private school, even if it is Generally, you cannot deduct a contribution of designated as a "donation." less than your entire interest in property. For

6) Foreign organizations other than: details, see Partial interest in property under

• Contributions connected with split-dollar) A U.S. organization that transfers funds Contributions of Property, later.

lar insurance arrangements. You cannot to a charitable foreign organization if deduct any part of a contribution to a charitable U.S. organization controls the use table organization if, in connection with the of the funds or if the foreign organization contribution, the organization directly or indirectly is only an administrative arm of the U.S. organization, or

directly pays, has paid, or is expected to Contributions pay any premium on any life insurance,

b) Certain Canadian, Israeli, or Mexican annuity, or endowment contract for which of Property charitable organizations. See Canadian you, any member of your family or any other

charities, Mexican charities, and Israeli person chosen by you (other than a qualified If you contribute property to a qualified organization) is a beneficiary. Organizations That fied charitable organization) is a beneficiary. tion, the amount of your charitable contribution

Qualify To Receive Deductible Contribution. ciary.

is generally the fair market value of the contributions, earlier.

erty at the time of the contribution. However, if Example. You donate money to a charitable organization. The charity uses the property has increased in value, you may

7) Homeowners' associations.

have to make some adjustments to the amount of money to purchase a cash value life insurance policy of your deduction. See Giving Property That Has

8) Labor unions. But you may be able to deduct insurance policy. The beneficiaries under the insurance policy. The amount of the deduction is limited to the amount of the insurance premium paid. See Publication 529, Miscellaneous Deductions.

Increased in Value, later. deduct union dues as a miscellaneous deduction. Insurance policies for members of your family. Even though the charity may even- For information about the records you must

itemized deduction, subject to the 2%-of-adjusted-gross-income limit, on tually get some benefit out of the insurance keep and the information you must furnish with

2%-of-adjusted-gross-income limit, on policy, you cannot deduct any part of the your return if you donate property, see Records

Schedule A (Form 1040). See Publication donation. To Keep and How To Report, later.

529, Miscellaneous Deductions.

9) Political organizations and candidates.

Contributions Subject to Value of Time or Services Special Rules You cannot deduct the value of your time or Special rules apply if you contributed:

services, including:

- Blood donations to the Red Cross or to a debt, • Property subject to
- blood banks, and • A partial interest in
- property,

Page 6

190 Stewardship and Development 3rd Edition

- A future interest in tangible personal property, or amount of your contribution deduction from your property, or 1) A remainder interest in your personal home opening inventory. It is not part of the cost of or farm. A remainder interest is one that goods sold.
- Inventory from your business. passes to a beneficiary after the end of an If the cost of donated inventory is not in earlier interest in the property. cluded in your opening inventory, the inventory's

These special rules are described next. Example. You keep the right to live in basis is zero and you cannot claim a charitable your home during your lifetime and give contribution deduction. Treat the inventory's

Property subject to a debt. If you contribute your church a remainder interest that begins cost as you would ordinarily treat it under your

property subject to a debt (such as a mortgage), upon your death.

method of accounting. For example, include the

you must reduce the fair market value of the

purchase price of inventory bought and donated

property by: 2) An undivided part

of your entire interest.

This must consist of a part of every substan- in the same year in the cost

of goods sold for that

tial interest or right you own in the property year.

1) Any allowable deduction for interest that

you paid (or will pay) attributable to any and must last as long

as your interest in the

period after the contribution, and property lasts.

Determining

2) If the property is a bond, the lesser of:

Example. You contribute voting stock to Fair Market Value

a qualified organization but keep the right to

vote the stock. The right to vote is a sub- This section discusses

general guidelines for

a) Any allowable deduction for interest

substantial right in the stock. You have not determining the fair market

value of various

you paid (or will pay) to buy or carry the

contributed an undivided part of your entire types of donated property.

Publication 561 conbonds that is attributable to any period

interest and cannot deduct your contribu- tains a more complete

discussion.

before the contribution, or tion.

Fair market value is the price at which propb) The

interest, including bond discount, 3) A partial interest that would

be deductible erty would change hands between a willing

receivable on the bond that is attributa- if transferred in trust.

buyer and a willing seller, neither having to buy

ble to any period before the contribu-

tion, and that is not includible in your or sell, and both having reasonable knowledge

contribution (de- of all the relevant facts. 4) A qualified conservation

income due to your accounting method.

conservation contribution in Publication 561). fined under Qualified

clothing. The fair market value of used Used

clothing and other personal items is usually far

This prevents a double deduction of the same For information

about how to figure the value less than the price you paid for them. There

are

amount as investment interest and also as a contribution of a partial interest in property, no fixed formulas or methods for finding the charitable contribution. see Partial Interest

in Property Not in Trust in value of items of clothing.

If the debt is assumed by the recipient (or Publication 561.

You should claim as the value the price that another person), you must also reduce the fair

buyers of used items actually pay in used clothmarket value of the property by the amount of Future interest in tangible personal property.

ing stores, such as consignment or thrift shops.

the outstanding debt. You can deduct the

value of a charitable contri-

If you sold the property to a qualified organi- bution of a future interest in tangible personal Household goods. The fair market value of

zation at a bargain price, the amount of the debt property only after

all intervening interests in used household goods, such as furniture,

appliis also treated as an amount realized on the sale and rights to the

actual possession or enjoyment ances, and linens, is usually much lower than

or exchange of property. For more information, of the property have either expired or been the price paid when new. These items may have

see Bargain Sales under Giving Property That turned over to someone other than yourself, a little or no market value because they are in a

Has Increased in Value, later. related person, or a

related organization. worn condition, out of style, or no longer useful.

Related persons include your spouse, chil- For these reasons, formulas (such as using a

dren, grandchildren, brothers, sisters, and par- percentage of the cost to buy a new replacement

Partial interest in property. Generally, you ents. Related organizations may include a item) are not acceptable in determining value.

cannot deduct a charitable contribution (not partnership or corporation that you have an in- You should support

your valuation with phomade by a transfer in trust) of less than your terest in, or an estate or trust that you have a tographs, canceled

checks, receipts from your

entire interest in property.

connection with. purchase of the items,

or other evidence. Maga-

Right to use property. A contribution of the

zine or newspaper articles and photographs that

Tangible personal property. This is any

right to use property is a contribution of less than

describe the items and statements by the

reciproperty, other than land or buildings, that can your entire interest in that property and is not ents of the items are also useful. Do not include be seen or touched. It includes furniture, books, deductible.

any of this evidence with your tax return. jewelry, paintings, and cars.

If the property is valuable because it is old or

Example 1. You own a 10-story office build- Future interest. This is any interest that is unique, see the discussion under Paintings, Aning and donate rent-free use of the top floor to a to begin at some future time, regardless of tiques, and Other Objects of Art in Publication

charitable organization. Since you still own the whether it is designated as a future interest 561.

building, you have contributed a partial interest under state law. in the property and cannot take a deduction for

Cars, boats, and aircraft. If you contribute a the contribution. Example. You own an antique car that you car, boat, or aircraft to a charitable organization, contribute to a museum. You give up ownership, you must determine its fair market value.

Example 2. Mandy White owns a vacation but retain the right to keep the car in your garage Certain commercial firms and trade organihome at the beach that she sometimes rents to with your personal collection. Since you keep an zations publish used car pricing guides, comothers. For a fund-raising auction at her church, interest in the property, you cannot deduct the monly called "blue books," containing complete

she donated the right to use the vacation home contribution. If you turn the car over to the mu- dealer sale prices or dealer average prices for

for 1 week. At the auction, the church received seum in a later year, giving up all rights to its recent model years. The guides may be puband accepted a bid from Lauren Green equal to use, possession, and enjoyment, you can take a lished monthly or seasonally, and for different

the fair rental value of the home for 1 week. deduction for the contribution in that later year. regions of the country. These guides also pro-

Mandy cannot claim a deduction because of the

vide estimates for adjusting for unusual equip- Inventory. If you contribute inventory (prop- ment, unusual mileage, and physical condition.

partial interest rule. Lauren cannot claim a deerty that you sell in the course

of your business), The prices are not “official” and these publicaduction either, because she received a benefit the amount you can claim as a contribution de- tions are not considered an appraisal of any equal to the amount of her payment. See Contriduction is the smaller of its fair market value on specific donated property. But they do provide butions From Which You Benefit, earlier. the day you contributed it or its basis. The basis clues for making an appraisal and suggest rela- Exceptions. You can deduct a charitable of donated inventory is any cost incurred for the tive prices for comparison with current sales and contribution of a partial interest in property only if inventory in an earlier year that you would other- offerings in your area. that interest represents one of the following wise include in your opening inventory for the These publications are sometimes available listed items. year of the contribution. You must remove the from public libraries, or from the loan officer at a

Page 7

## Appendix B—Changes in United States Tax Regulations

191

bank, credit union, or finance company. You can Ordinary Income Property For more information about what is a capital also find used car pricing information on the asset, see chapter 2 of Publication 544. Internet. Property is ordinary income property if its sale at Except for inexpensive small boats, the valu- fair market value on the date it was contributed Amount of deduction – general rule. When ation of boats should be based on an appraisal would have resulted in ordinary income or in figuring your deduction for a gift of capital gain short-term capital gain. Examples of ordinary property, you usually can use the fair market by a marine surveyor because the physical conincome property are inventory, works of art cre- value of the gift. dition is critical to the value. ated by the donor, manuscripts prepared by the Exceptions. However, in certain situations, Example. You donate your car to a local donor, and capital assets (defined later, under you must reduce the fair market value by any high school for use by students studying auto- Capital Gain Property)

held 1 year or less.

amount that would have been long-term capital  
mobile repair. Your credit union told you that the Property used in a  
trade or business. gain if you had sold the property for its  
fair

“blue book” value of the car is \$1,600. However, Property used in a  
trade or business is consid- market value. Generally, this means  
reducing

your car needs extensive repairs and, after ered ordinary income  
property to the extent of the fair market value to the property’s  
cost or

some checking, you find that you could sell it for any gain that would  
have been treated as ordi- other basis. You must do this if:  
\$750. You can deduct \$750, the true fair market nary income because of  
depreciation had the

value of the car, as a charitable contribution. property been sold at  
its fair market value at the 1) The property (other than qualified  
apprecitetime of contribution. See chapter 3 of Publication ated stock)  
is contributed to certain private  
544, Sales and Other Dispositions of Assets, for nonoperating  
foundations,

Large quantities. If you contribute a large  
number of the same item, fair market value is the the kinds of property  
to which this rule applies. 2) The contributed property is tangible  
perprice at which comparable numbers of the item

sonal property that is put to an  
unrelated

are being sold. Amount of deduction.

The amount you can use by the charity, or  
deduct for a contribution of ordinary income

3) You choose the 50% limit instead of the

Example. You purchase 500 bibles for property is its fair  
market value less the amount

30% limit, discussed later.

\$1,000. The person who sells them to you says that would be ordinary  
income or short-term

the retail value of these bibles is \$3,000. If you capital gain if you  
sold the property for its fair Contributions to private nonoperating  
contribute the bibles to a qualified organization, market value.

Generally, this rule limits the de- foundations. The reduced deduction  
applies

you can claim a deduction only for the price at duction to your basis  
in the property. to contributions to all private nonoperating

founwhich similar numbers of the same bible are

dations other than those qualifying for the

50%

currently being sold. Your charitable contribu- Example. You donate

stock that you held  
limit, discussed later.  
tion is \$1,000, unless you can show that similar for 5 months to your  
church. The fair market  
However, the reduced deduction does not  
numbers of that bible were selling at a different value of the stock on  
the day you donate it is apply to contributions of qualified  
appreciated  
price at the time of the contribution. \$1,000, but you paid  
only \$800 (your basis). stock. Qualified appreciated stock is any  
stock in  
Because the \$200 of appreciation would be a corporation that is  
capital gain property and for  
Giving Property That short-term capital gain  
if you sold the stock, your which market quotations are readily available  
on  
deduction is limited to \$800 (fair market value  
Has Decreased in Value less the appreciation).  
an established securities market on the day of  
the contribution. But stock in a corporation does  
If you contribute property with a fair market value Exception. Do not  
reduce your charitable not count as qualified appreciated stock to  
the  
that is less than your basis in it, your deduction is contribution if you  
include the ordinary or capital extent you and your family contributed more  
limited to its fair market value. You cannot claim gain income in your  
gross income in the same than 10% of the value of all the  
outstanding  
a deduction for the difference between the year as the  
contribution. See Ordinary or capital stock in the corporation.  
property's basis and its fair market value. gain income included  
in gross income under Contributions of tangible personal prop-  
Your basis in property is generally what you Capital Gain Property,  
next, if you need more erty. The term tangible personal property  
paid for it. If you need more information about information.  
means any property, other than land or  
buildbasis, get Publication 551, Basis of Assets. You  
ings, that can be seen or touched. It  
includes  
may want to get Publication 551 if you contribute  
furniture, books, jewelry, paintings, and cars.  
property that you: Capital Gain Property  
The term unrelated use means a use that is  
unrelated to the exempt purpose or function of  
• Received as a gift or inheritance, Property is capital gain  
property if its sale at fair  
market value on the date of the contribution the charitable

organization. For a governmental

- Used in a trade, business, or activity conducted for profit, or

would have resulted in long-term capital gain. unit, it means the use of the contributed property

Capital gain property includes capital assets for other than exclusively public purposes.

- Claimed a casualty loss deduction for. held more than 1 year.

Example. If a painting contributed to an educational institution is used by that organization

Common examples of property that de- Capital assets. Capital assets include most

for educational purposes by being placed in its

creases in value include clothing, furniture, ap- items of property that you own and use for perlibrary for display and study by art students, the pliances, and cars. sonal purposes or

investment. Examples of capuse is not an unrelated use. But if the painting is ital assets are stocks, bonds, jewelry, coin or sold and the proceeds are used by the organiza-

Giving Property That stamp collections, and cars or furniture used for

tion for educational purposes, the use is an personal purposes.

Has Increased in Value

unrelated use.

For purposes of figuring your charitable con-

If you contribute property with a fair market value tribution, capital assets also include certain real Ordinary or capital gain income included in

that is more than your basis in it, you may have property and depreciable property used in your gross income. You do not reduce your charito reduce the fair market value by the amount trade or business and, generally, held more than table contribution if you include the ordinary or

of appreciation (increase in value) when you 1 year. (You may have to treat this property as capital gain income in your gross income in the

figure your deduction. partly ordinary income

property and partly capi- same year as the contribution. This may happen

Your basis in property is generally what you tal gain property.)

when you transfer installment or discount

obligapaid for it. If you need more information about

tions or when you assign income to a

charitable

Real property. Real property is land and basis, get Publication 551.

organization. If you contribute an obligation regenerally anything that is built on, growing on, or

ceived in a sale of property that is reported  
 Different rules apply to figuring your deduc- attached to land.  
 under the installment method, see Publication  
 tion, depending on whether the property is: Depreciable  
 property. Depreciable prop- 537, Installment Sales.  
 erty is property used in business or held for the  
 1) Ordinary income property, or  
 production of income and for which a deprecia- Example. You donate  
 an installment note to  
 2) Capital gain property. tion deduction is allowed.  
 a qualified organization. The note has a fair

Page 8

192 Stewardship and Development 3rd Edition  
 market value of \$10,000 and a basis to you of

If your contribution would be undone by a  
 \$7,000. As a result of the donation, you have a 1) The value or adjusted  
 basis claimed on later act or event, you cannot take a deduction.  
 short-term capital gain of \$3,000 (\$10,000 – your return is 200%  
 or more of the correct But if there is only a negligible chance the act  
 or

\$7,000), which you include in your income for amount, and  
 event will take place, you can take a deduction.

the year. Your charitable contribution is 2) You underpaid your  
 tax by more than

\$10,000. \$5,000 because of the  
 overstatement. Example 1. You donate cash to a local

school board, which is a political subdivision of a  
 state, to help build a school gym. The school

Bargain Sales 40% penalty. The  
 penalty is 40%, rather than board will refund the money to you if it does  
 not

20%, if: collect enough to build  
 the gym. You cannot

A bargain sale of property to a qualified organi-  
 deduct your gift as a charitable contribution until  
 zation (a sale or exchange for less than the 1) The value or adjusted  
 basis claimed on there is no chance of a refund.  
 property's fair market value) is partly a charita- your return is 400%  
 or more of the correct

ble contribution and partly a sale or exchange. amount, and  
 Example 2. You donate land to a city for as

2) You underpaid your tax by more than long as the city uses it  
 for a public park. The city

Part that is a sale or exchange. The part of \$5,000 because of the  
 overstatement. does plan to use the land for a park, and there is  
 the bargain sale that is a sale or exchange may

no chance (or only a negligible chance) of the result in a taxable gain. For more information on land being used for any different purpose. You determining the amount of any taxable gain, see can deduct your charitable contribution.

Bargain sales to charity in chapter 1 of Publication 544.

#### When To Deduct

Part that is a charitable contribution. Figure

You can deduct your contributions only in the Limits on Deductions

year you actually make them in cash or other

the amount of your charitable contribution in

property (or in a succeeding carryover year, as If your total

contributions for the year are 20% or

three steps.

explained under How To Figure Your Deduction less of your adjusted

gross income, you do not

Step 1. Subtract the amount you received When Limits Apply, later).

This applies whether need to read this section. The limits discussed

for the property from the property's fair market you use the cash or an

accrual method of ac- here do not apply to you.

value at the time of sale. This gives you the fair counting.

The amount of your deduction is limited to market value of the contributed part.

50% of your adjusted gross income, and may be

Time of making contribution. Usually, you limited to 30% or 20% of

your adjusted gross

Step 2. Find the adjusted basis of the con-

income, depending on the type of property you

make a contribution at the time of its unconditributed part. It equals:

tional delivery. give

and the type of organization you give it to.

Fair market value

These limits are described below.

Checks. A check that you mail to a charity is

of contributed part

If your contributions are more than any of the

Adjusted basis of considered delivered on the

date you mail it.

entire property

?

limits that apply, see Carryovers under How To

Fair market value Credit card. Contributions charged on your

Figure Your Deduction When Limits Apply, later.

of entire property bank credit card are deductible in the year you

make the charge. Out-of-pocket expenses.

Amounts you

Step 3. Determine whether the amount of

spend performing services for a charitable or-  
Pay-by-phone account. If you use a \_\_\_\_\_ organization, which qualify  
as charitable contribuyour charitable contribution is the fair market  
pay-by-phone account, the date you make a \_\_\_\_\_ tions, are subject to the  
limit of the organization.  
value of the contributed part (which you found in  
contribution is the date the financial institution \_\_\_\_\_ For example, the 50%  
limit applies to amounts  
Step 1) or the adjusted basis of the contributed  
pays the amount. This date should be shown on \_\_\_\_\_ you spend on behalf of a  
church, a 50% limit  
part (which you found in Step 2). Generally, if the  
the statement the financial institution sends to \_\_\_\_\_ organization. These  
amounts are considered a  
property sold was capital gain property, your \_\_\_\_\_ you.  
charitable contribution is the fair market value of  
\_\_\_\_\_ contribution to a qualified organization.  
the contributed part. If it was ordinary income \_\_\_\_\_ Stock certificate. The  
gift to a charity of a  
property, your charitable contribution is the ad- \_\_\_\_\_ properly endorsed stock  
certificate is completed \_\_\_\_\_ 50% Limit  
justed basis of the contributed part. See the \_\_\_\_\_ on the date of mailing or  
other delivery to the  
ordinary income property and capital gain prop- \_\_\_\_\_ charity or to the  
charity's agent. However, if you \_\_\_\_\_ The 50% limit applies to the total of all  
charitable  
give a stock certificate to your agent or to the \_\_\_\_\_ contributions you make  
during the year. This  
erty rules (discussed earlier) for more informaissuing corporation for transfer  
to the name of \_\_\_\_\_ means that your deduction for charitable contrition.  
the charity, your gift is not completed until the \_\_\_\_\_ butions cannot be more  
than 50% of your ad-  
Example. You sell ordinary income property \_\_\_\_\_ date the stock is  
transferred on the books of the \_\_\_\_\_ justed gross income for the year.  
with a fair market value of \$10,000 to a church \_\_\_\_\_ corporation.  
Only limit for 50% organizations. The 50%  
for \$2,000. Your basis is \$4,000 and your ad- \_\_\_\_\_ Promissory note. If you  
issue and deliver a \_\_\_\_\_ limit is the only limit that applies to gifts to  
orgajusted gross income is \$20,000. You make no \_\_\_\_\_ promissory note to a  
charitable organization as \_\_\_\_\_ nizations listed below under 50% Limit  
Organoother contributions during the year. The fair mar- \_\_\_\_\_ a contribution, it  
is not a contribution until you \_\_\_\_\_ zations. But there is one exception.  
ket value of the contributed part of the property \_\_\_\_\_ make the note payments.  
is \$8,000 (\$10,000 – \$2,000). The adjusted ba-  
\_\_\_\_\_ Exception. A 30% limit also applies to these  
Option. If you grant an option to buy real \_\_\_\_\_ gifts if they are gifts of  
capital gain property for

sis of the contributed part is \$3,200 ( $\$4,000 \times$   
 property at a bargain price to a charitable organi- which you figure your  
 deduction using fair mar-  
 ( $\$8,000 \div \$10,000$ ). Because the property is zation, you cannot take  
 a deduction until the  
 ordinary income property, your charitable contri-  
 ket value without reduction for appreciation.  
 organization exercises the option. (See Special 30% Limit  
 for Capital Gain Propbution deduction is limited to the adjusted basis  
 of the contributed part. You can deduct \$3,200. Borrowed funds. If you  
 make a contribu- erty, later.)  
 tion with borrowed funds, you can deduct the  
 contribution in the year you make it, regardless  
 Penalty of when you repay the  
 loan. 50% Limit Organizations  
 You may be liable for a penalty if you overstate Conditional gift. If  
 your contribution is a You can ask any organization whether it is a  
 the value or adjusted basis of donated property. conditional gift that  
 depends on a future act or 50% limit organization, and most will be able  
 to  
 event that may not take place, you cannot take a tell you. Or you may  
 check IRS Publication 78  
 20% penalty. The penalty is 20% of the deduction. But if there  
 is only a negligible (described earlier).  
 amount by which you underpaid your tax be- chance that the act or  
 event will not take place, Only the following types of organizations  
 are  
 cause of the overstatement, if: you can take a deduction.  
 50% limit organizations.

Page 9

## Appendix B—Changes in United States Tax Regulations

193

- 1) Churches, and conventions or associafund's income within 21/2 months  
 following How To Figure  
 the tax year in which it was realized and  
 tions of churches. must distribute the  
 corpus not later than 1  
 Your Deduction
- 2) Educational organizations with a regular year after the  
 donor's death (or after the When Limits Apply  
 faculty and curriculum that normally have a death of the donor's  
 surviving spouse if the  
 spouse can name the recipients of the If your contributions are  
 subject to more than  
 regularly enrolled student body attending  
 one of the limits just discussed, you can deduct

classes on site. corpus).

them as follows.

3) Hospitals and certain medical research organizations associated with these

hospi- 30% Limit 1)

Contributions subject only to the 50%

tals.

limit, up to 50% of your adjusted gross

A 30% limit applies to the following gifts. income.

4) Organizations that are operated only to receive, hold, invest, and administer property • Gifts to all qualified organizations other

2) Contributions subject to the 30% limit, up and to make expenditures to or for the than 50% limit

organizations. This includes to the lesser of:

benefit of state and municipal colleges and gifts to veterans' organizations, fraternal

societies, nonprofit cemeteries, and cer- a) 30% of adjusted gross income, or

universities and that normally receive substantial support from the United States or tain private nonoperating foundations. b)

50% of adjusted gross income minus

any state or their political subdivisions, or • Gifts for the use of any organization. your contributions to 50% limit organifrom the general public.

zations, including contributions of cap-

However, if these gifts are of capital gain prop- ital gain property subject to the special

5) The United States or any state, the District erty, they are subject to the 20% limit, described 30% limit.

of Columbia, a U.S. possession (including later, rather than the 30% limit.

Puerto Rico), a political subdivision of a

3) Contributions of capital gain property

state or U.S. possession, or an Indian tri- Student living with you.

Amounts you spend subject to the special 30% limit, up to the bal government or any of its subdivisions on behalf of a student living with you are subject lesser of:

that perform substantial government func- to the 30% limit. These amounts are considered

tions. a contribution for the use of a qualified organi- a) 30% of adjusted gross income, or

6) Corporations, trusts, or community chests, zation.

b) 50% of adjusted gross income minus

funds, or foundations organized and oper-

your other contributions to 50% limit orated

only for charitable, religious, educa- Special 30% Limit for ganizations.

tional, scientific, or literary purposes, or to Capital Gain Property



by, and operated for the benefit of, those organizations described in (1) through (7). Example. Your adjusted gross income is \$50,000. During the year, you gave capital gain Example. Your adjusted gross income is \$50,000. During the year, you gave your church

9) Private operating foundations. property with a fair market value of \$15,000 to a \$50,000. During the year, you gave your church 50% limit organization. You do not choose to \$2,000 cash and land with a fair market value of

10) Private nonoperating foundations that reduce the property's fair market value by its \$28,000 and a basis of \$22,000. You held the make qualifying distributions of 100% of appreciation in value. You also gave \$10,000 land for investment purposes. You do not contributions within 21/2 months following

choose to reduce the fair market value of the cash to a qualified organization that is not a 50% limit organization. The year they receive the contribution. A \$15,000 gift of property is land by the appreciation in value. You also gave deduction for charitable contributions to

\$5,000 cash to a private foundation to which the subject to the special 30% limit. The \$10,000 any of these private nonoperating founda- cash gift is subject to the other 30% limit. Both 30% limit applies. tions must be supported by evidence from gifts are fully deductible because neither is more The \$2,000 cash donated to the church is the foundation confirming that it made the than the 30% limit that applies (\$15,000 in each considered first and is fully deductible. Your contributing distributions timely. Attach a case) and together they are not more than the tribution to the private foundation is considered

copy of this supporting data to your tax 50% limit (\$25,000). next. Because your contributions to 50% limit return.

organizations (\$2,000 + \$28,000) are more than

11) A private foundation whose contributions 20% Limit \$25,000 (50% of \$50,000), your contribution to are pooled into a common fund, if the the private foundation is not deductible for the foundation would be described in (8) The 20% limit applies to all gifts of capital gain year. It can be carried over to later years. See above but for the right of substantial con- property to or for the use of qualified organiza- Carryovers, later. The gift of land is considered tributors to name the public charities that tions (other than gifts of capital gain property to next. Your deduction for the land is limited to receive contributions from the fund. The 50% limit organizations). \$15,000 (30% × \$50,000). The unused part of foundation must distribute the common

the gift of land (\$13,000) can be carried over.

Page 10

194 Stewardship and Development 3rd Edition

Table 3. Filled-In Worksheet for Limit on Deductions

Who can use this worksheet. You can use this worksheet if you made charitable contributions during the year, and one or more of the limits described in this publication under Limits on Deductions apply to you. You cannot use this worksheet if you have a carryover of a charitable contribution from an earlier year.

General instructions:

? The terms used in this worksheet are explained earlier in this publication.

? If your answer to any line is less than zero, enter zero.

? For contributions of property, enter the property's fair market value unless you elected (or were required) to reduce the fair market value as explained under Giving Property That Has Increased in Value. In that case, enter the reduced amount.

Step 1. List your charitable contributions made during the year.

1. Enter your contributions to 50% limit organizations. (Include contributions of capital gain property if you reduced the property's fair market value. Do not include contributions of capital gain property deducted at fair market value.)

1 2,000

2. Enter your contributions to 50% limit organizations of capital gain property deducted at fair market value

2 28,000

3. Enter your contributions (other than of capital gain property) to qualified organizations that are not 50% limit organizations

3 5,000

4. Enter your contributions "for the use of" any qualified organization. (But do not enter here any amount that must be entered on line 6.)

4 -0-

5. Add lines 3 and 4

5 5,000

6. Enter your contributions of capital gain property to or for the use of any qualified organization. (But do not enter here any amount entered on line 1 or 2.)

6 -0-

Step 2. Figure your deduction for the year and your carryover to the next year.

7. Enter your adjusted gross income

7 50,000

8. Multiply line 7 by 0.5. This is your 50% limit

8 25,000

Deduct      Carryover to  
Contributions to 50% limit organizations  
                 this year      next year

9. Enter the smaller of line 1 or line 8

9                              2,000

10. Subtract line 9 from line 1

10    -0-

11. Subtract line 9 from line 8

11      23,000

Contributions not to 50% limit organizations

12. Add lines 1 and 2

12      30,000

13. Multiply line 7 by 0.3. This is your 30% limit

13      15,000

14. Subtract line 12 from line 8

14                      -0-

15. Enter the smallest of line 5, 13, or 14

15                              -0-

16. Subtract line 15 from line 5

16    5,000

17. Subtract line 15 from line 13

17      15,000

Contributions of capital gain property to 50% limit organizations

18. Enter the smallest of line 2, 11, or 13

18                              15,000

19. Subtract line 18 from line 2

19    13,000

20. Subtract line 15 from line 14

20                      -0-

21. Subtract line 18 from line 13

21                      -0-

Contributions of capital gain property not to 50% limit organizations

22. Multiply line 7 by 0.2. This is your 20% limit

22      10,000

23. Enter the smallest of line 6, 17, 20, 21, or 22

23                              -0-

24. Subtract line 23 from line 6

24    -0-

Step 3. Summarize your deductions and carryovers.

25. Add lines 9, 15, 18, and 23. Enter the total here and on Schedule A (Form 1040)              25      17,000

26. Add lines 10, 16, 19, and 24. Enter the total here. Carry it forward to Schedule A next

year

26

18,000

Page 11

Appendix B—Changes in United States Tax Regulations

195

For this year, your deduction is limited to **Example 1.** Last year, you contributed **\$11,000** to use the 50% limit. You must refigure your \$17,000 (\$2,000 + \$15,000). **\$11,000** to a 50% limit organization, but be- carryover as if you had taken appreciation into A Filled-In Worksheet for Limit on Deduc- cause of the limit you deducted only \$10,000 account last year as well as this year. Because tions in Table 3 on page 11 shows this computa- and carried over \$1,000 to this year. This year, the amount of your contribution last year would tion in detail. your adjusted gross

income is \$20,000 and you have been \$20,000 (the property's basis) incontribute \$9,500 to a 50% limit organization. stead of the \$15,000 you actually deducted,

Capital gain property election. You may You can deduct \$10,000 (50% of \$20,000) this your refigured carryover is \$5,000 (\$20,000 – choose the 50% limit for gifts of capital gain year. Consequently, in addition to your contribu- \$15,000). Your total deduction this year is property to 50% limit organizations instead of tion of \$9,500 for this year, you can deduct \$500 \$29,000 (your \$24,000 current contribution plus the 30% limit that would otherwise apply. If you of your carryover contribution from last year. your \$5,000 carryover).

make this choice, you must reduce the fair mar- You can carry over the \$500 balance of your ket value of the property contributed by the ap- carryover from last year to next year. Additional rules for carryovers. Special appreciation in value that would have been

rules exist for computing carryovers if you:

long-term capital gain if the property had been **Example 2.** This year, your adjusted gross sold. income is \$24,000. You

make cash contribu- • Were married in some years but not  
 This choice applies to all capital gain prop- tions of \$6,000 to which  
 the 50% limit applies others,  
 erty contributed to 50% limit organizations dur- and \$3,000 to which the  
 30% limit applies. You • Had different spouses in different years,  
 ing a tax year. It also applies to carryovers of this have a contribution  
 carryover from last year of  
 kind of contribution from an earlier tax year. For \$5,000 for capital gain  
 property contributed to a • Change from a separate return to a joint  
 details, see Carryover of capital gain property, 50% limit organization  
 and subject to the special return in a later year,  
 later. 30% limit for

contributions of capital gain property. • Change from a joint return to a separate return.

You must make the choice on your original return in a later year, Your contribution return or on an amended return filed by the due date. • Had a net operating deduction for this year is limited to \$12,000 (50% of \$24,000). Your 50% loss, • Claim the standard date for filing the original return. limit cash contributions of \$6,000 are fully deductible. • Become a widow or widower. Example. In the previous example, if you choose to have the 50% limit apply to the land your 30% limit contributions of \$3,000 is limited to \$1,000. This is the lesser of: • Claim the standard church, you must reduce the fair market value of the property by the appreciation in value. There- number of taxpayers to whom these additional 1) \$7,200 (30% of \$24,000), or fore, the amount of your charitable contribution rules apply, they are not discussed in this publifor the land would be its basis to you of \$22,000. 2) \$1,000 (\$12,000 minus \$11,000). cation. If you need to compute a carryover and You add this amount to the \$2,000 cash contribution you are in one of these situations, you may want (The \$12,000 amount is 50% of \$24,000, your uted to the church. You can now deduct \$1,000 to consult with a tax practitioner. adjusted gross income. The \$11,000 amount is of the amount donated to the private foundation the sum of your current and carryover contribution because your contributions to 50% limit organizations to 50% limit organizations, \$6,000 + zations (\$2,000 + \$22,000) are \$1,000 less than \$5,000.) the 50%-of-adjusted-gross-income limit. Your total deduction for the year is \$25,000 (\$2,000 The deduction for your \$5,000 carryover is subject to the special 30% limit for contributions

### Records To Keep

cash to your church, \$22,000 for property of capital gain property. This means it is limited You must keep records to prove the amount of donated to your church, and \$1,000 cash to the

to the smaller of: the cash and noncash contributions you make (private foundation). You can carry over to later years the part of your contribution to the private foundation that you could not deduct during the year. The kind of records you must

1) \$7,200 (your 30% limit), or

2) \$6,000 (\$12,000, your 50% limit, minus

the amount of your cash contributions and whether they are cash or noncash

\$6,000, the amount of your cash contributions.

Carryovers: contributions to 50% limit

organizations this year).

Note. An organization generally must give

Since your \$5,000 carryover is less than both

You can carry over your contributions that you

you a written statement if it receives a payment

\$7,200 and \$6,000, you can deduct it in full.

are not able to deduct in the current year be-

from you that is more than \$75 and is partly a

Your deduction is \$12,000 (\$6,000 + \$1,000

cause they exceed your adjusted-gross-income

contribution and partly for goods or services.

+ \$5,000). You carry over the \$2,000 balance of

limits. You can deduct the excess in each of the

(See Contributions From Which You Benefit

your 30% limit contributions for this year to next

next 5 years until it is used up, but not beyond

under Contributions You Can Deduct, earlier.)

year.

that time. Your total contributions deduction for

Keep the statement for your records. It may

the year to which you carry your contributions Carryover of capital

gain property. If you satisfy all or part of the recordkeeping

requirecannot exceed 50% of your adjusted gross in- carry over

contributions of capital gain property ments explained in the following

discussions.

come for that year.

30% limit and you choose

Contributions you carry over are subject to in the next year to use the

50% limit and take Cash Contributions

the same percentage limits in the year to which appreciation into

account, you must refigure the

they are carried. For example, contributions carryover. You reduce

the fair market value of Cash contributions include those paid by cash,

subject to the 20% limit in the year in which they the property by the

appreciation and reduce that check, credit card, or payroll deduction. They

are made are 20% limit contributions in the year result by the amount actually deducted in the also include your out-of-pocket expenses when to which they are carried. previous year.

donating your services.

For each category of contributions, you de-

duct carryover contributions only after deducting Example. Last year, your adjusted gross in- you must keep depend on whether the contribuall allowable contributions in that category for come was \$50,000 and you contributed capital tion is:

the current year. If you have carryovers from 2 or gain property valued at \$27,000 to a 50% limit

more prior years, use the carryover from the organization and did

not choose to use the 50% 1) Less than \$250, or

earlier year first. limit. Your basis in

the property was \$20,000. 2) \$250 or more.

Your deduction was limited to \$15,000 (30% of

Note. A carryover of a contribution to a 50% \$50,000), and you carried over \$12,000. This

limit organization must be used before contribu- year, your adjusted gross income is \$60,000 Amount of contribution. In figuring whether

tions in the current year to organizations other and you contribute

capital gain property valued your contribution is \$250 or more, do not

comthan 50% limit organizations. See Example 2 on at \$25,000 to a 50%

limit organization. Your bine separate contributions. For example, if

you

this page. basis in the property

is \$24,000 and you choose gave your church \$25 each week, your weekly

Page 12

196 Stewardship and Development 3rd Edition

payments do not have to be combined. Each If you made more than

one contribution of (other than intangible religious benefits)

payment is a separate contribution. \$250 or more, you must

have either a separate provided to reimburse you, and

If contributions are made by payroll deduc- acknowledgement for each or

one acknowld) A statement of any intangible religious

tion, the deduction from each paycheck is edgement that shows your

total contributions.

benefits provided to you.

treated as a separate contribution.

If you made a payment that is partly for Acknowledgement. The

acknowledgement

goods and services, as described earlier under must meet these tests.

Contributions From Which You Benefit, your

Noncash Contributions

contribution is the amount of the payment that is 1) It must be written.

For a contribution not made in cash, the records more than the value of the goods and services. 2) It must include: you must keep depend on whether your deduction for the contribution is:

- a) The amount of cash you contributed, Contributions of Less Than \$250 1) Less than \$250, For each cash contribution that is less than you any goods or services as a result of 2) At least \$250 but not more than \$500, \$250, you must keep one of the following. your contribution (other than certain token items and membership benefits), 3) Over \$500 but not more than \$5,000, or 1) A canceled check, or a legible and readable account statement that shows: 4) Over \$5,000.

b) Whether the qualified organization gave 1) Less than \$250, For each cash contribution that is less than you any goods or services as a result of 2) At least \$250 but not more than \$500, \$250, you must keep one of the following. your contribution (other than certain token items and membership benefits), 3) Over \$500 but not more than \$5,000, or 1) A canceled check, or a legible and readable account statement that shows: 4) Over \$5,000. c) A description and good faith estimate of the value of any goods or services de- Amount of contribution. In figuring whether

a) If payment was by check — the check scribed in (b). If the only benefit you your contribution is \$250 or more, do not comnumber, amount, date posted, and to received was an intangible religious bine separate contributions. If you got goods or whom paid, benefit (such as admission to a relig- services in return, as described earlier in Contrib) If payment was by electronic funds ious ceremony) that generally is not butions From Which You Benefit, reduce your

transfer — the amount, date posted, sold in a commercial transaction contribution by the value of those goods or servand to whom paid, or outside the donative context, the ac- ices. If you figure your deduction by reducing the knowledge must say so and does fair market value of the donated property by its

c) If payment was charged to a credit card not need to describe or estimate the appreciation, as described earlier in Giving

— the amount, transaction date, and to value of the benefit. Property That Has Increased in Value, your conwhom paid. tribution is the reduced amount.

2) A receipt (or a letter or other written com- 3) You must get it on or before the earlier of: a) The date you file your munication) from the charitable organiza- Deductions of Less Than \$250 year you make the tion showing the name of the organization, contribution, or

the date of the contribution, and the

If you make any noncash contribution, you must amount of the contribution. b) The due date, including extensions, for get and keep a receipt from the charitable organfiling the return. ization showing:

3) Other reliable written records that include the information described in (2). Records

1) The name of the charitable organization, may be considered reliable if they were Payroll deductions. If you make a contribu made at or near the time of the contribu- tion by payroll deduction, you do not need an 2) The date and location of the charitable tion, were regularly kept by you, or if, in acknowledgement from the qualified organiza- contribution, and the case of small donations, you have but- tion. But if your employer deducted \$250 or 3) A reasonably detailed description of the tons, emblems, or other tokens, that are more from a single paycheck, you must keep: property.

regularly given to persons making small cash contributions.

1) A pay stub, Form W – 2, or other document A letter or other written communication from the furnished by your employer that proves the charitable organization acknowledging receipt amount withheld, and of the contribution and containing the informa-

Car expenses. If you claim expenses directly tion in (1), (2), and (3) will serve as a receipt.

related to use of your car in giving services to a 2) A pledge card or other document from the You are not required to have a receipt where qualified organization, you must keep reliable qualified organization that states the or- it is impractical to get one (for example, if you written records of your expenses. Whether your ganization does not provide goods or serv- leave property at a charity's unattended drop records are considered reliable depends on all ices in return for any contribution made to site).

the facts and circumstances. Generally, they it by payroll deduction.

may be considered reliable if you made them

Additional records. You must also keep reliregularly and at or near the time you had the

able written records for each item of donated expenses.

Out-of-pocket expenses. If you render serv- property. Your written records must include the Your records must show the name of the ices to a qualified organization and have un- following information.

organization you were serving and the date reimbursed out-of-pocket expenses related to

each time you used your car for a charitable those services, you can

satisfy the written ac- 1) The name and address of the organization purpose. If you use the standard mileage rate, knowledge requirement just discussed if: to which you contributed. your records must show the miles you drove

2) The date and location of the contribution.

1) You have adequate records to prove the your car for the charitable purpose. If you deduct amount of the expenses, and 3) A description of the property in detail reayour actual expenses, your records must show the costs of operating the car that are directly 2) By the required date, you get an acknowl- sonable under the circumstances. For a related to a charitable purpose. edgement from the qualified organization security, keep the name of the issuer, the See Car expenses under Out-of-Pocket Ex- that contains:

type of security, and whether it is regularly penses in Giving Services, earlier, for the ex- traded on a stock exchange or in an penses you can deduct. a) A description of the services you pro- over-the-counter market. vided,

4) The fair market value of the property at the b) A statement of whether or not the or- time of the contribution and how you fig- Contributions of \$250 or More ganization provided you any goods or ured the fair market value. If it was deterservices to reimburse you for the ex- mined by appraisal, you should also keep You can claim a deduction for a contribution of penses you incurred, a signed copy of the appraisal. \$250 or more only if you have an acknowledgement of your contribution from the qualified or- c) A description and a good faith estimate 5) The cost or other basis of the property if ganization or certain payroll deduction records. of the value of any goods or services you must reduce its fair market value by

Page 13

## Appendix B—Changes in United States Tax Regulations

197

appreciation. Your records should also in- 3) You must get it on or before the earlier of: clude the amount of the reduction and how you figured it. If you choose the 50% limit a) The date you file your return for the How To Report instead of the special 30% limit on certain year you make the contribution, or Report your charitable contributions on Schedcapital gain property (discussed under b) The due date, including extensions, for rule A of

Form 1040.

Capital gain property election, earlier), you filing the return.

If you made noncash contributions, you may must keep a record showing the years for

also be required to fill out parts of Form 8283.

which you made the choice, contributions

See Noncash contributions, later.

for the current year to which the choice applies, and carryovers from preceding

Reporting expenses for student living with

Deductions Over \$500 you. If you claim amounts paid for a student

years to which the choice applies. But Not Over \$5,000

who lives with you, as described earlier under

6) The amount you claim as a deduction for

Expenses Paid for Student Living With You, you

If you claim a deduction over \$500 but not over the tax year as a result of the contribution,

must submit with your return:

\$5,000 for a noncash charitable contribution,

if you contribute less than your entire interest you must have the acknowledgement and writ-

1) A copy of your agreement with the organization in the property during the tax year.

ten records described under Deductions of At zation sponsoring the student placed in

Your records must include the amount you

Least \$250 But Not More Than \$500. Your records must also include:

for contributions of other interests in this

2) A summary of the various items you paid

property. They must also include the name 1) How you got the property, for example, by to maintain the student, and

and address of each organization to which purchase, gift, bequest, inheritance, or you contributed the other interests, the change.

3) A statement that gives:

place where any such tangible property is

located or kept, and the name of any person 2) The approximate date you got the property

a) The date the student became a member in possession of the property, other or, if created, produced, or manufactured member of your household,

than the organization to which you contributed by or for you, the approximate date the b) The dates of his or her full-time

attended. property was

substantially completed. ance at school, and

7) The terms of any conditions attached to 3) The cost or other

basis, and any adjustment. c) The name and location of the school.

the gift of property. If you claim a deduction for the gift of property, you must report the fair market value of the property held less than 12 months and, if available, the cost or other basis of property held 12 months or more. This requirement, however, does not apply to publicly traded securities. If you claim a deduction for noncash contributions for the year is more than \$500, you must complete Section A of Form 8283, and attach it to your Form 1040.

If you are not able to provide information on the date you got the property or the cost of the property and you have a reasonable cause for not being able to provide this information, attach a statement of explanation to your return. The Internal Revenue Service can disallow your deduction for noncash charitable contribution of \$250 or more, you must have either a separate acknowledgement for each or one acknowledgement that shows your total contributions.

If you claim a deduction of at least \$250 but not more than \$500 for a noncash charitable contribution, you must get and keep an acknowledgement of your contribution from the qualified organization. If you made more than one contribution of \$250 or more, you must have either a separate acknowledgement for each or one acknowledgement that shows your total contributions.

If you claim a deduction of over \$5,000 for one item, you must complete Section B of Form 8283 for each item or group of items for which you claim a deduction of over \$5,000. (However, if you have contributed certain publicly traded securities, listed in that discussion under Additional Deductions Over \$500 But Not More Than \$500, complete Section A instead.) In figuring whether your deduction is over \$5,000, combine the claimed deductions for all similar items donated to any charitable organization during the year.

If you claim a deduction of over \$5,000 for a charitable contribution of one property item or a group of similar property items, you must have a written record of the contribution. The acknowledgement and the written records must include the information described in that discussion under Additional Deductions Over \$500 But Not More Than \$500. (However, if you have contributed certain publicly traded securities, listed in that discussion under Additional Deductions Over \$500 But Not More Than \$500, complete Section A instead.) In figuring whether your deduction is over \$5,000, combine the claimed deductions for all similar items donated to any charitable organization during the year.

Deduction over \$5,000 for one item. You must complete Section B of Form 8283 for each charitable contribution of one property item or a group of similar property items for which you claim a deduction of over \$5,000. (However, if you have contributed certain publicly traded securities, listed in that discussion under Additional Deductions Over \$500 But Not More Than \$500, complete Section A instead.) In figuring whether your deduction is over \$5,000, combine the claimed deductions for all similar items donated to any charitable organization during the year.

Over \$5,000. In figuring whether your deduction is over \$5,000, combine the claimed deductions for all similar items donated to any charitable organization during the year. The organization that

received the property

1) It must be written. Generally, you must also obtain a qualified appraisal of the donated property from a

2) It must include:

Form 8282. If an organization, within 2 years after the date of receipt of a contribution of

a) A description (but not necessarily the

property for which it was required to sign a Form value) of any property you contributed, and

whether the qualified organization gave

Qualified conservation contribution. If the gift was a "qualified

conservation contribution," your records must also

include the fair market value of the underlying property before

turn, and send you a copy of the form. However, and after the gift and the

conservation purpose if you have informed the organization that the

furthered by the gift. See Qualified conservation appraisal value of the

donated item, or a specific item within a group

of similar items, is \$500

the value of any goods or services de-

scribed in (b). If the only benefit you

received was an intangible religious

all shares of nonpublicly traded stock or security benefit

(such as admission to a religious ceremony) that generally is not

be one item.

sold in a commercial transaction

outside the donative context, the acknowledgement must say so and does

not need to describe or estimate the

value of the benefit.

Page 14

198 Stewardship and Development 3rd Edition

• Figure your withholding allowances using our telephone services.

One method is for a

How To Get Tax Help

our Form W-4

calculator. second IRS representative to sometimes listen in on or record telephone calls. Another is to ask

- Send us comments or request help by

You can get help with unresolved tax issues, e-mail. some callers to complete a short survey at the order free publications and forms, ask tax questions, and get more information from the IRS in local and national tax several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

- Sign up to receive news by e-mail.
- Get information on a walk-in basis.

are available on a walk-in basis. a small business.

- Products. You can walk in to many post

Contacting your Taxpayer Advocate. If you using File Transfer offices, libraries, and IRS offices to pick up have attempted to deal with an IRS problem certain forms, instructions, and publications unsuccessfully, you should contact your Tax- Protocol at <ftp.irs.gov>.

Fax. You can get over 100 of the most libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from IRS by protecting your rights and resolving problems that have not been fixed through nor- available to print from a CD-ROM or photocopy from reproducible proofs. Also, photocopy from reproducible proofs. Also, mal channels. While Taxpayer Advocates can't change the tax law or make a technical tax will be faxed to you. Internal Revenue Code, regulations, Interdecision, they can clear up problems that resulted from previous contacts and ensure that For help with transmission problems, call Internal Revenue Bulletins, and Cumulative your case is given a complete and impartial 703 – 487 – 4608. Bulletins available for research purposes.

review. Long-distance charges may apply.

- Services. You can walk in to your local



ernment, Internal Revenue Service.”

www.irs.gov to:

have access

to TTY/TDD equipment, call

0001

• E-file. Access commercial tax preparation 4059 to ask tax or account and e-file services available for free to eli-

questions or to order forms and publica- gible taxpayers. tions.

P.O. Box 8903

• Check the amount of advance child tax Call 1 – 800 – 829 – 4477 to credit payments. listen to pre-recorded messages covering

• Eastern part of U.S. and foreign

• Check the status of your refund. Click on addresses: “Where’s My Refund” and then on “Go Get Refund information. If you would like to My Refund Status.” Be sure to wait at check the status of your refund, call least 6 weeks from the date you filed your 1 – 800 – 829 – 4477 for automated refund return (3 weeks if you filed electronically) information and follow the recorded inand have your tax return available bestructions or call 1 – 800 – 829 – 1954. Be products. You can cause you will need to know your filing sure to wait at least 6 weeks from the date 1796, Federal status and the exact whole dollar amount you filed your return (3 weeks if you filed and obtain: of your refund. electronically) and have your tax return

• Download forms, instructions, and publica- will need to know

• Current-year forms, instructions, and pubtions. your filing status and the exact whole dol- lar amount of your refund.

• Order IRS products on-line.

• Western part of U.S.:  
• TTY/TDD equipment. If you  
Western Area Distribution Center  
Rancho Cordova, CA 95743 –  
1 – 800 – 829 –  
Central part of U.S.:  
Central Area Distribution  
Center  
P.O. Box 8903  
• TeleTax topics.  
Bloomington, IL 61702 – 8903  
various tax topics.  
Eastern Area  
P.O. Box 85074  
Richmond, VA 23261 –  
5074  
CD-ROM for tax  
order IRS Publication  
Tax Products on CD-ROM,

- Prior-year forms and instructions.
- See answers to frequently asked tax questions.
- Frequently requested tax forms that may

Evaluating the quality of our telephone services.

be filled

in electronically, printed out for  
 ices. To ensure that IRS representatives give  
 submission, and saved for recordkeeping.

- Search publications on-line by topic or keyword. accurate, courteous, and professional answers, we use several methods to evaluate the quality
- Internal Revenue Bulletins.

Page 15

## Appendix B—Changes in United States Tax Regulations

199

Buy the CD-ROM from National Technical Information Service (NTIS) on the Internet at [www.irs.gov/cdorders](http://www.irs.gov/cdorders) for \$22 (no handling fee) or call 1 – 877 – 233 – 6767 toll free to buy the CD provides an abundance of other helpful information, such as free copy by calling 1 – 800 – 829 – 3676 or by The first release is available in early January and the final release is available in late February. The CD makes finding information easy

CD-ROM for small businesses. IRS

Publication 3207, Small Business Resource Guide, is a must for every small business owner or any taxpayer about to start a

Page 16

200 Stewardship and Development 3rd Edition

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Table 4. Worksheet for Limit on Deductions

Who can use this worksheet. You can use this worksheet if you made charitable contributions during the year, and one or more of the limits described in this publication under Limits on Deductions apply to you.

You cannot use this worksheet if you have a carryover of a charitable contribution from an earlier year.

General instructions:

? The terms used in this worksheet are explained earlier in this publication.  
? If your answer to any line is less than zero, enter zero.  
? For contributions of property, enter the property's fair market value unless you elected (or were required) to reduce the fair market value as explained under Giving Property That Has Increased in Value. In that case, enter the reduced amount.

Step 1. List your charitable contributions made during the year.

1. Enter your contributions to 50% limit organizations. (Include contributions of capital gain property if you reduced the property's fair market value. Do not include contributions of capital gain property deducted at fair market value.)

1

2. Enter your contributions to 50% limit organizations of capital gain property deducted at fair market value

2

3. Enter your contributions (other than of capital gain property) to qualified organizations that are not 50% limit organizations

3

4. Enter your contributions "for the use of" any qualified organization. (But do not enter here any amount that must be entered on line 6.)

4

5. Add lines 3 and 4

5

6. Enter your contributions of capital gain property to or for the use of any qualified organization. (But do not enter here any amount entered on line 1 or 2.)

6

Step 2. Figure your deduction for the year and your carryover to the next year.

7. Enter your adjusted gross income

7

8. Multiply line 7 by 0.5. This is your 50% limit

8

Deduct	Carryover to
Contributions to 50% limit organizations	
this year	next year

9. Enter the smaller of line 1 or line 8

9

10. Subtract line 9 from line 1

10

11. Subtract line 9 from line 8

11

Contributions not to 50% limit organizations

12. Add lines 1 and 2

12

13. Multiply line 7 by 0.3. This is your 30% limit

13

14. Subtract line 12 from line 8

14

15. Enter the smallest of line 5, 13, or 14

15

16. Subtract line 15 from line 5

16

17. Subtract line 15 from line 13

17

Contributions of capital gain property to 50% limit organizations

18. Enter the smallest of line 2, 11, or 13

18

19. Subtract line 18 from line 2

19

20. Subtract line 15 from line 14

20

21. Subtract line 18 from line 13

21

Contributions of capital gain property not to 50% limit organizations

22. Multiply line 7 by 0.2. This is your 20% limit

22

23. Enter the smallest of line 6, 17, 20, 21, or 22

23

24. Subtract line 23 from line 6

24

Step 3. Summarize your deductions and carryovers.

25. Add lines 9, 15, 18, and 23. Enter the total here and on Schedule A (Form 1040) 25

26. Add lines 10, 16, 19, and 24. Enter the total here. Carry it forward to Schedule A next year

26

Page 17

Appendix B—Changes in United States Tax Regulations

201

To help us develop a more useful index, please let us know if you have ideas for index entries.

Index See “Comments and Suggestions” in the “Introduction” for the ways you can reach us.

A	Foreign organizations:	
Nonqualified	Records to keep . . . .	
. . . . 12		
Acknowledgement . . . . . 13	Canadian . . . . .	
. 3 organizations . . . . . 6	Reporting . . . . .	
. . . . . 14		
Adoption expenses . . . . . 6	Israeli . . . . .	
. . . . 3	Retirement home . . . .	
. . . . 6		
Appraisal fees . . . . . 6	Mexican . . . . .	
. . 3 O	Right to use property .	
. . . . 7		
Other . . . . . 6		
Assistance (See Tax help)		
Ordinary income property . . . 8		
Form:		
Athletic events . . . . . 3		
Organizations:	S	
8282 . . . . . 14		
Foreign . . . . . 6	Services, value of . . . . . 6	
8283 . . . . . 14		
B		
Nonqualified . . . . . 6	Split-dollar insurance	
Foster parents . . . . . 4		
Qualified . . . . . 2	arrangements . . . . . 6	
Bar association . . . . . 6	Free tax services . . . . .	
15 Out-of-pocket expenses . . 4, 9	Student:	
Bargain sales . . . . . 9	Future interests in	
Benefits received from	property . . . . .	
. . 7	Exchange program . . .	
. . . . 4		
contribution . . . . . 3, 6		
P	Living with you . . . .	
. . . . 4, 10		
Blood donated . . . . . 6		
Partial interests in	Suggestions for	
H	property . . . . .	
. . . 7 publication . . . . . 1		
Boats, fair market value . . . . 7	Help (See Tax help)	
Penalty, valuation		
Household goods, fair	overstatement . . . . .	
9		
C	market value of . . . . .	
. 7		
T		
Property:	Tax help . . . . .	
. 15		

Capital gain property . . . . . 8      How to report:  
     Bargain sales . . . . . 9      Taxpayer Advocate . . .  
 . . . 15  
 Car expenses . . . . . 4, 13      Noncash contributions . . . . 14  
     Basis . . . . . 8  
 Carryovers . . . . . 12      Student living with you . . . .  
 14      Time, value of . . . .  
 . . . . . 6  
 Capital gain . . . . . 8  
 Cars, fair market value . . . . . 7  
     Token items . . . . .  
 . . . . . 4  
 Capital gain election . . . . . 12  
 Travel expenses . . . . . 5  
 Cash contributions, records      I  
     Contributions of . . . . . 6  
 to keep . . . . . 12  
     Decreased in value . . . . . 8      TTY/TDD information . . .  
 . . 15  
 Inventory . . . . . 7  
 Charitable contribution,  
     Fair market value . . . . . 7      Tuition . . . . .  
 . . . . . 6  
 defined . . . . . 1  
     Future interests . . . . . 7  
 L      Increased in value . . . . .  
 . 8  
 Charity benefit events . . . . . 3  
 Legislation, influencing . . . . 6  
 U  
 Church deacon . . . . . 4  
     Inventory . . . . . 7      Underprivileged youths .  
 . . . 4  
 Limits on deductions . . . . . 9      Ordinary income . . . . .  
 . 8  
 Clothing, fair market value  
     Uniforms . . . . .  
 . . . . . 4  
 of . . . . . 7  
     Partial interests . . . . . 7  
 Right to use . . . . . 7      Use of property donated . . . . 7  
 Comments on publication . . . 1      M  
 Meals . . . . . 6      Subject to debt . . . . .  
 . . 7  
 Contributions from which  
     Unrelated use . . . . . 8      V  
 you benefit . . . . . 3, 6      Membership fees or dues . . . 3

Publication 78 . . . . .	2	Volunteers . . . . .	
. 4			
Contributions of property . . .	6	More information (See Tax help)	
Publications (See Tax help)			
Conventions . . . . .	4		
N			
W			
Noncash contributions:			
Q		When to deduct . . . . .	
9			
D			
Qualified organizations . . . .	2		
Deduction limits . . . . .	9	How to report . . . . .	
14			
?			
Records to keep . . . . .	13		
Nondeductible		R	
F		contributions . . . . .	
5		Raffle or bingo . . . . .	6
Fair market value . . . . .	7		

Page 18

202 Stewardship and Development 3rd Edition  
202 Stewardship and Development 3rd Edition  
See How To Get Tax Help for a variety of ways to get publications, including  
Tax Publications for Individual Taxpayers by  
computer, phone, and mail.

General Guides		531 Reporting Tip Income	
907 Tax Highlights for Persons with			
1 Your Rights as a Taxpayer		533 Self-Employment Tax	
Disabilities			
17 Your Federal Income Tax (For		536 Net Operating Losses (NOLs)	
for			
908 Bankruptcy Tax Guide			
Individuals)		Individuals, Estates, and	
Trusts		911 Direct Sellers	
334 Tax Guide for Small Business (For		537 Installment Sales	
915 Social Security and Equivalent			
Individuals Who Use Schedule C or		541 Partnerships	
Railroad Retirement Benefits			
C-EZ)		544 Sales and Other Dispositions of	
Assets		919 How Do I Adjust My Tax Withholding?	
509 Tax Calendars for 2004		547 Casualties, Disasters, and	
Thefts		925 Passive Activity and At-Risk Rules	
553 Highlights of 2003 Tax Changes		550 Investment Income and	
Expenses		926 Household Employer's Tax Guide	
910 Guide to Free Tax Services		551 Basis of Assets	

929 Tax Rules for Children and  
 552 Recordkeeping for Individuals Dependents  
 Specialized Publications  
 936 Home Mortgage Interest Deduction  
 554 Older Americans' Tax Guide  
 3 Armed Forces' Tax Guide 555 Community Property  
 946 How To Depreciate Property  
 54 Tax Guide for U.S. Citizens and 556 Examination of Returns,  
 Appeal Rights, 947 Practice Before the IRS and  
 Residents Aliens Abroad and Claims for Refund  
 Power of Attorney  
 225 Farmer's Tax Guide 559 Survivors, Executors, and  
 950 Introduction to Estate and Gift Taxes  
 378 Fuel Tax Credits and Refunds Administrators  
 967 The IRS Will Figure Your Tax  
 463 Travel, Entertainment, Gift, and Car 561 Determining the Value of  
 Donated 968 Tax Benefits for Adoption  
 Expenses Property  
 969 Medical Savings Accounts (MSAs)  
 501 Exemptions, Standard Deduction, and 564 Mutual Fund Distributions  
 970 Tax Benefits for Education  
 Filing Information 570 Tax Guide for Individuals With  
 Income 971 Innocent Spouse Relief  
 502 Medical and Dental Expenses (Including From U.S. Possessions  
 972 Child Tax Credit  
 the Health Coverage Tax Credit) 571 Tax-Sheltered Annuity Plans  
 (403(b) 1542 Per Diem Rates  
 503 Child and Dependent Care Expenses Plans)  
 1544 Reporting Cash Payments of Over  
 504 Divorced or Separated Individuals 575 Pension and Annuity Income  
 \$10,000 (Received in a Trade or  
 505 Tax Withholding and Estimated Tax 584 Casualty, Disaster, and  
 Theft Loss Business)  
 514 Foreign Tax Credit for Individuals Workbook (Personal-Use  
 Property) 1546 The Taxpayer Advocate Service  
 516 U.S. Government Civilian Employees 587 Business Use of Your Home  
 (Including of the IRS  
 Stationed Abroad Use by Daycare Providers)  
 517 Social Security and Other Information 590 Individual Retirement  
 Arrangements Spanish Language Publications  
 for Members of the Clergy and (IRAs)  
 1SP Derechos del Contribuyente  
 Religious Workers 593 Tax Highlights for U.S. Citizens  
 and 579SP Cómo Preparar la Declaración de  
 519 U.S. Tax Guide for Aliens Residents Going Abroad  
 Impuesto Federal  
 521 Moving Expenses 594 What You Should Know About



Application for Automatic Extension of Time	13141	
Sch J Farm Income Averaging		
To File U.S. Individual Income Tax Return		
25513		
4952 Investment Interest Expense Deduction	13177	
Sch R Credit for the Elderly or the Disabled	11359	
5329 Additional Taxes on Qualified Plans (Including	13329	
Sch SE Self-Employment Tax	11358	
IRAs) and Other Tax-Favored Accounts		
1040A U.S. Individual Income Tax Return	11327	
6251 Alternative Minimum Tax—Individuals	13600	
Sch 1 Interest and Ordinary Dividends for	12075	
Form 1040A Filers	8283 Noncash	
Charitable Contributions	62299	
Sch 2 Child and Dependent Care	10749	8582
Passive Activity Loss Limitations	63704	
Expenses for Form 1040A Filers	8606 Nondeductible	
IRAs	63966	
Sch 3 Credit for the Elderly or the	12064	8812
Additional Child Tax Credit	10644	
Disabled for Form 1040A Filers	8822 Change of	
Address	12081	
1040EZ Income Tax Return for Single and	11329	8829
Expenses for Business Use of Your Home	13232	
Joint Filers With No Dependents	8863 Education	
Credits	25379	
1040-ES Estimated Tax for Individuals	11340	9465
Installment Agreement Request	14842	
1040X Amended U.S. Individual Income Tax Return	11360	

Page 19

## Appendix B—Changes in United States Tax Regulations

203

### Contents

Publication 561	Introduction	
.....	1	
(Rev. February 2000)		
Department Cat. No. 15109Q	What Is Fair	
Market Value (FMV)? ....	2	
of the	Cost or	
Selling Price of the Donated		
Treasury	Property	
.....	2	
Internal		
Revenue		
Determining	Sales of Comparable	

Properties ....		
Replacement Cost .....		
Opinions of Experts .....		
Service		
the Value of	Problems in Determining	
Fair Market		
Value .....	3	
Donated	Valuation of Various Kinds	
of		
Property .....		
Household Goods .....		
Used Clothing .....	4	
Property	Jewelry and Gems	
.....		
Paintings, Antiques, and Other		
Objects of Art .....		
Collections .....	4	
Cars, Boats, and Aircraft .....	5	
Inventory .....	5	
Stocks and Bonds .....	5	
Real Estate .....	6	
Interest in a Business .....	6	
Annuities, Interests for Life or Terms		
of Years, Remainders, and		
Reversions .....	6	
Certain Life Insurance and Annuity		
Contracts .....	7	
Partial Interest in Property Not in		
Trust .....	7	
Appraisals .....	8	
Deductions of More Than \$5,000 ...		8
Qualified Appraisal .....	8	
Appraisal Summary .....	9	
Internal Revenue Service Review of		
Appraisals .....	10	
Penalties .....	10	
How To Get More Information .....		10
Index .....	11	

## Introduction

This publication is designed to help donors and appraisers determine the value of property (other than cash) that is given to qualified organizations. It also explains what kind of

information you must have to support the charitable contribution deduction you claim on your return.

This publication does not discuss how to figure the amount of your deduction for charitable contributions or written records and

substantiation required. See Publication 526, Charitable Contributions, for this information.

#### Useful Items

You may want to see:

#### Publication

526 Charitable Contributions

535 Business Expenses

#### Form (and Instructions)

8282 Donee Information Return

8283 Noncash Charitable Contributions

#### Appendix B—Changes in United States Tax Regulations

205

See How To Get More Information, near In the following tax year, the university therefore, the best evidence of the maximum the end of this publication, for information exercises the option. The FMV of the property FMV of the gems. about getting these publications and forms. on the date the option is exercised is \$55,000.

Therefore, you have made a charitable con- Terms of the purchase or sale. The terms tribution of \$15,000 (\$55,000, the FMV, minus of the purchase or sale should be considered \$40,000, the exercise price) in the tax year in determining FMV if they influenced the

What Is Fair the option is exercised.

price. These terms include any restrictions, understandings, or covenants limiting the use

Market Value (FMV)? Determining or disposition of the property.

To figure how much you may deduct for Fair Market Value property that you contribute, you must first Rate of increase or decrease in value.

Unless you can show that there were unusual Determine its fair market value on the date of Determining the value of donated property

circumstances, it is assumed that the in the contribution.

would be a simple matter if you could rely only crease or decrease in the value of your doon fixed formulas, rules, or methods. Usually

nated property from your cost has been at a Fair market value. Fair market value (FMV) it is not that simple. Using such formulas, etc., reasonable rate. For time adjustments, an is the price that property would sell for on the seldom results in an acceptable determination appraiser may consider published price in open market. It is the price that would be of FMV. There is no single formula that addresses for information on general price trends, agreed on between a willing buyer and a ways applies when determining the value of building costs, commodity costs, securities, willing seller, with neither being required to property. and works of art sold at auction in arm's length, and both having reasonable knowledge This is not to say that a valuation is only length sales. of the relevant facts. If you put a restriction guesswork. You must consider all the facts on the use of property you donate, the FMV and circumstances connected with the prop- Example. Bill Brown bought a painting for must reflect that restriction. erty, such as its desirability, use, and scarcity. \$10,000. Thirteen months later he gave it to For example, donated furniture should not an art museum, claiming a charitable de-

Example 1. If you give used clothing to be evaluated at some fixed rate such as 15% duction of \$15,000 on his tax return. The apthe Salvation Army, the FMV would be the of the cost of new replacement furniture. praisal of the painting should include information that typical buyers actually pay for When the furniture is contributed, it may be mation showing that there were unusual clothing of this age, condition, style, and use. out of style or in poor condition, therefore circumstances that justify a 50% increase in Usually, such items are worth far less than having little or no market value. On the other value for the 13 months Bill held the property. what you paid for them. hand, it may be an antique, the value of which

Example 2. If you donate land and restrict could not be determined by using any for- Arm's-length offer. An arm's-length offer to its use to agricultural purposes, you must mula. buy the property close to the valuation date value the land at its value for agricultural may help to prove its value if the person purposes, even though it would have a higher Cost or Selling Price of making the offer was willing and able to FMV if it were not restricted. complete the transaction. To rely on an offer,

the Donated Property you should be able to show proof of the offer Factors. In making and supporting the Your cost of the property or the actual selling and the specific amount to be paid. Offers to valuation of property, all factors affecting price received by the qualified organization buy property other than the donated item will value are relevant and must be considered. may be the best indication of its FMV. How- help to determine value if the other property These include: ever, because conditions in the market is reasonably similar to the donated property. change, the cost or selling price of property

- 1) The cost or selling price of the item, may have less weight if the property was not bought or sold reasonably close to the date Sales of Comparable
- 2) Sales of comparable properties, Properties of contribution.
- 3) Replacement cost, and The cost or selling price is a good indi- The sales prices of properties similar to the
- 4) Opinions of experts. cation of the property's value if: donated property are often important in determining the FMV. The weight to be given to

These factors are discussed later. Also, 1) The purchase or sale took place close each sale depends on the following: see Table 1 for a summary of questions to to the valuation date in an open market, ask as you consider each factor.

- 1) The degree of similarity between the
- 2) The purchase or sale was at “arm'sproperty sold and the donated property. length,” Date of contribution. Ordinarily, the date
- 2) The time of the sale—whether it was of a contribution is the date that the transfer 3) The buyer and seller knew all relevant close to the valuation date. of the property takes place. facts, Stock. If you deliver, without any condi-
- 3) The circumstances of the sale—whether
- 4) The buyer and seller did not have to act, it was at arm's-length with a knowledgetions, a properly endorsed stock certificate to and a qualified organization or to an agent of the able buyer and seller, with neither having organization, the date of the contribution is 5) The market did not change between the to act. the date of delivery. If the certificate is mailed date of purchase or sale and the valu- 4) The conditions of the market in which the and received through the regular mail, it is the ation date. sale was made—whether unusually indate of mailing. If you deliver the certificate

flated or deflated.

to a bank or broker acting as your agent or Example. Tom Morgan, who is not a

dealer in gems, bought an assortment of The comparable sales method of valuing real transfer into the name of the organization, the gems for \$5,000 from a promoter. The estate is explained later under Valuation of date of the contribution is the date the stock promoter claimed that the price was “whole- Various Kinds of Property. is transferred on the books of the corporation. sale” even though he and other dealers made

Options. If you grant an option to a qual- similar sales at similar prices to other persons Example 1. Mary Black, who is not a book ified organization to purchase real property, who were not dealers. The promoter said that dealer, paid a promoter \$10,000 for 500 you have not made a charitable contribution if Tom kept the gems for more than one year copies of a single edition of a modern transuntil the organization exercises the option. and then gave them to charity, Tom could lation of the Bible. The promoter had claimed The amount of the contribution is the FMV of claim a charitable deduction of \$15,000, that the price was considerably less than the the property on the date the option is exer- which, according to the promoter, would be “retail” price, and gave her a statement that cised minus the exercise price. the value of the gems at the time of contri- the books had a total retail value of \$30,000. bution. Tom gave the gems to a qualified The promoter advised her that if she kept the

Example. You grant an option to a local charity 13 months after buying them. Bibles for more than one year and then gave university, which is a qualified organization, The selling price for these gems had not them to a qualified organization, she could to purchase real property. Under the option, changed from the date of purchase to the claim a charitable deduction for the “retail” the university could purchase the property at date he donated them to charity. The best price of \$30,000. Thirteen months later she any time during a 2-year period for \$40,000. evidence of FMV depends on actual trans- gave all the Bibles to a church that she se- The FMV of the property on the date the op- actions and not on some artificial estimate. lected from a list provided by the promoter. tion is granted is \$50,000. The \$5,000 charged Tom and others is, At the time of her donation, wholesale dealers

Page 2

206 Stewardship and Development 3rd Edition  
were selling similar quantities of Bibles to the Table 1. Determining FMV general public for \$10,000.  
The FMV of the Bibles is \$10,000, the

price at which similar quantities of Bibles were being sold to others at the time of the contribution. When you use this factor:  
You should consider these questions:

Cost or Selling Price  
Was the purchase or sale of the property reasonably close to the

Example 2. Assume the same facts as in Example 1, except that the promoter gave Mary Black a second option. The promoter said that if Mary wanted a charitable deduction within one year of the purchase, she could buy the 500 Bibles at the "retail" price

Example 1, except that the promoter gave Mary Black a second option. The promoter said that if Mary wanted a charitable deduction within one year of the purchase, she could buy the 500 Bibles at the "retail" price

Do the terms of purchase or sale limit what can be done with the property?

of \$30,000, paying only \$10,000 in cash and giving a promissory note for the remaining \$20,000. The principal and interest on the note would not be due for 12 years. According to the promoter, Mary could then, within one year of the purchase, give the Bibles to a qualified organization and claim the full \$30,000 retail price as a charitable contribution. She purchased the Bibles under the second option and, 3 months later, gave them to a church, which will use the books for church purposes.

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How similar is the property sold to the property donated?  
Sales of Comparable Properties  
\$30,000 retail price as a charitable contribution. She purchased the Bibles under the second option and, 3 months later, gave them to a church, which will use the books for church purposes.

How close is the date of sale to the valuation date?

second option and, 3 months later, gave them to a church, which will use the books for church purposes.

Was the sale at arm's length?

to a church, which will use the books for church purposes.

What was the condition of the market at the time of sale?

At the time of the gift, the promoter was selling similar lots of Bibles for either \$10,000 or \$30,000. The difference between the two prices was solely at the discretion of the buyer. The promoter was a willing seller for

or \$30,000. The difference between the two prices was solely at the discretion of the buyer. The promoter was a willing seller for

What would it cost to replace the donated property?

prices was solely at the discretion of the buyer. The promoter was a willing seller for

Is there a reasonable relationship between replacement cost and

\$10,000. Therefore, the value of Mary's contribution of the Bibles is \$10,000, the amount at which similar lots of Bibles could be purchased. Is the supply of the donated property more or less than the

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Is the supply of the donated property more or less than the

chased from the promoter by members of the demand for it? general public.

Opinions of Experts Is the expert knowledgeable and competent?

### Replacement Cost

Is the opinion thorough and supported by facts and experience?

The cost of buying, building, or manufacturing property similar to the donated item should

Example. You give a rare, old book to be considered in determining FMV. However, Problems in Determining your former college. The book is a third edition there must be a reasonable relationship between Fair Market Value tion and is in poor condition because of a tween the replacement cost and the FMV.

missing back cover. You discover that there The replacement cost is the amount it would cost to replace the donated item on the valuation date. Often there is no relationship between the replacement cost and the FMV.

There are a number of problems in determining the FMV of donated property. was a sale for \$300, near the valuation date, of a first edition of the book that was in good condition. Although the contents are the same, the books are not at all similar because If the supply of the donated property is more Unusual Market or less than the demand for it, the replacement cost becomes less important. Conditions The sale price of the property itself in an Unusual Market to the selling price of the \$300 property by To determine the replacement cost of the arm's-length transaction in an open market is knowledgeable buyers or sellers. donated property, find the "estimated replacement cost new." often the best evidence When you rely on sales of comparable property, the sales must have been made figure an amount for depreciation due to the Future Events in an open market. If those sales were physical condition and obsolescence of the ket. If those sales were made in a market that You may not consider unexpected events donated property. You should be able to show was artificially supported or stimulated so as happening after your donation of property in the relationship between the depreciated replacement cost and the FMV, as well as how not to be truly representative, the prices at which the sales were made will not indicate the facts known at the time of the gift, and

you arrived at the “estimated replacement cost new.” For example, those that could be reasonably expected at liquidation sale prices usually do not indicate the FMV. Also, sales of stock under unusual circumstances, such as farmland to a qualified Opinions of Experts sales of small lots, forced sales, and sales in charity. The transfer provides that your a restricted market, may not represent the mother will have the right to all income and Generally, the weight given to an expert's opinion on matters such as the authenticity of a coin or a work of art, or the most profitable and best use of a piece of real estate, transfer, the value of the property on the date depends on the knowledge and competence Selection of it is given is its present value, subject to the of the expert and the thoroughness with which life interest as estimated from actuarial tables. the opinion is supported by experience and You may not take a higher deduction because Using sales of comparable property is an important method for determining the FMV of much weight, the facts must support the donated property. However, the amount of opinion. For additional information, see Ap- depends on the degree praisals, later. of similarity between the comparable and the donated properties. The degree of similarity must be close enough so that this selling price would have been given consideration by reasonably well-informed buyers or sellers of the property. future earnings and FMV.

Example. You give all your rights in a  
ability of such art would usually be given more  
successful patent to your favorite charity.

Paintings, Antiques, weight than the opinions of  
more generalized  
Your records show that before the valuation and Other Objects of Art  
art dealers or appraisers. They can report  
date there were three stages in the patent's Your deduction for  
contributions of paintings, more recent comparable sales to support their  
history of earnings. First, there was rapid antiques, and other objects  
of art, should be opinion.  
growth in earnings when the invention was supported by a written  
appraisal from a qual- To identify and locate experts on unique,  
introduced. Then, there was a period of high ified and reputable source,  
unless the de- specialized items or collections, you may wish  
earnings when the invention was being ex- duction is \$5,000 or less.  
Examples of infor- to use the current Official Museum Directory  
ploited. Finally, there was a decline in mation that should be  
included in appraisals of the American Association of Museums. It  
earnings when competing inventions were of art objects—paintings  
in particular—are lists museums both by state and by category.  
introduced. The entire history of earnings may found later under Qualified  
Appraisal. To help you locate a qualified appraiser for  
be relevant in estimating the future earnings.

your donation, you may wish to ask an art  
However, the appraiser must not rely too Art valued at \$20,000 or  
more. If you claim historian at a nearby college or the director  
much on the stage of rapid growth in a deduction of \$20,000 or  
more for donations or curator of a local museum. The Yellow  
earnings, or of high earnings. The market of art, you must attach a  
complete copy of the Pages often list specialized art and antique  
conditions at those times do not represent the signed appraisal to your  
return. For individual dealers, auctioneers, and art appraisers. You  
condition of the market at the valuation date. objects valued at \$20,000  
or more, a photo- may also contact associations of dealers for  
What is most significant is the trend of decline graph of a size and quality  
fully showing the guidance.  
in earnings up to the valuation date. object, preferably an 8 x  
10 inch color photograph or a color transparency no smaller than  
Collections  
4 x 5 inches, must be provided upon request.  
Since many kinds of hobby collections may  
be the subject of a charitable donation, it is  
Art valued at \$50,000 or more. If you donot possible to discuss all of the  
possible  
nate an item of art that has been appraised  
collectibles in this publication. Most common

at \$50,000 or more, you can request a Valuation of Various Statement of Value for that item from the

are rare books, autographs, manuscripts, stamps, coins, guns, phonograph records, IRS. You must request the statement before

Kinds of Property filing the tax return that reports the donation.

and natural history items. Many of the elements of valuation that apply to paintings and

This section contains information on determining the following: Your request must include

other objects of art, discussed earlier, also

mining the FMV of ordinary kinds of donated property. For information on appraisals, see 1) A copy of a qualified appraisal of the apply to miscellaneous collections.

Appraisal, later.) item (see Qualified Appraisals, later.)

Appraisals, later.

Reference material. Publications available to

2) A \$2,500 check or money order payable help you determine the value of many kinds

to the Internal Revenue Service for the of collections include catalogs, dealers' price

user fee that applies to your request re- lists, and specialized hobby periodicals.

Household Goods guarding one, two, or three items of art When using one of these price guides, you

The FMV of used household goods, such as (add \$250 for each item in excess of must use the current edition at the date of

furniture, appliances, and linens, is usually three).

contribution. However, these sources are not much lower than the price paid when new. 3) A completed appraisal

summary (Sec- always reliable indicators of FMV and should Such used property may have little or no tion B of Form 8283,

Noncash Charitable be supported by other evidence. Contributions.) market value because of its worn condition.

For example, a dealer may sell an item for It may be out of style or no longer useful.

much less than is shown on a price list, particularly after the item has remained unsold 4) The location of the IRS

District Office District Office that has examination or unique, see the discussion under responsibility for for a long time. The price an item sold for in

Paintings, Antiques, and Other Objects of your area. an auction may have been the result of a

Art. rigged sale or a mere bidding duel. The ap-

If your request lacks essential information, the appraiser must analyze the reference material, you will be notified and given 30 days to provide and recognize and make adjustments for the missing information. Avoid misleading entries. If you are donating a valuable

Used Clothing Refunds. You can withdraw your request for a valuable collection, you should get an appraisal. If your donation appears to be of little value, you should get a Statement of Value at any time before it is issued. However, the IRS will not refund you the user fee if you do.

Used clothing and other personal items are usually worth far less than the price you paid for them. Valuation of items of clothing does not lend itself to fixed formulas or methods. If the IRS declines to issue a Statement of Value in the interest of efficient tax administration, the IRS will refund the user fee.

The price that buyers of used items actually pay in used clothing stores, such as Stamp collections. Most libraries have catalogs or other books that report the publisher's estimate of values. Generally, two price levels are shown for each stamp: the price of the value. Art must be determined by the appraiser.

For valuable furs or very expensive items, an appraisal summary may have to be postmarked and the price not postmarked. Stamp dealers generally know the value of their merchandise and are able to prepare satisfactory appraisals of valuable collections.

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Jewelry and Gems Physical condition. Important items in the Coin collections. Many catalogs and other valuation of antiques and art are physical reference materials show the writer's or publisher's opinion of the value of coins on or

Jewelry and gems are of such a specialized condition and extent of restoration. These catalogs and other reference materials show the writer's or publisher's opinion of the value of coins on or

nature that it is almost always necessary to have a significant effect on the value and near the date of the publication. Like many get an appraisal by a specialized jewelry appraiser, must be fully reported in an appraisal. An antique in damaged condition, or lacking the depends on the demand for it, its age, and its among other things, the style of the jewelry, "original brasses," may be worth much less rarity. Another important factor is the coin's the cut and setting of the gem, and whether than a similar piece in excellent condition. For example, there is a great difference in the value of a coin that is in mint condition and a similar coin that is only in good condition. Art appraisers. More weight will usually be given to an appraisal prepared by an individual specializing in the kind and price range of the art being appraised. Catalogs usually establish a category for brilliance, and flaws should be reported and analyzed. Sentimental personal value has no effect on FMV. But if the jewelry was owned by a famous person, its value might increase. Their opinions on the authenticity and desirability for each category.

Page 4

208 Stewardship and Development 3rd Edition

Books. The value of books is usually determined by selecting comparable sales and adjusting the prices according to the differences between the comparable sales and the item being evaluated. This is difficult to do for a collection of little value, the should be done by a specialized appraiser. Within the general category of literary property, there are dealers who specialize in certain areas, such as Americana, foreign im-

These publications are sometimes available at a bank, credit union, or finance company. Except for inexpensive small boats, the valuation of boats should be based on an appraisal by a marine surveyor because the physical condition is so critical to the value. FMV is the average price between the bona fide bid and asked prices on the valuation date. Example. You donate your car to a local high school for use by

students studying airports, Bibles, and scientific books.

tomobile repair. Your credit union told you Example. Although there were no sales

Modest value of collection. If the col- that the "blue book" value of a car like yours of Blue Corporation stock on the valuation lection you are donating is of modest value, is \$1,600 in good condition. However, your date, bona fide bid and asked prices were not requiring a written appraisal, the following car needs extensive repairs. After checking available on that date of \$14 and \$16, reinformation may help you in determining the with repair shops and used car dealers, you spectively. The FMV is \$15, the average price FMV. find that the car should

sell for \$750. You may between the bid and asked prices.

A book that is very old, or very rare, is not use \$750 as the FMV of the car. necessarily valuable. There are many books

No prices on valuation date. If there that are very old or rare, but that have little were no prices available on the valuation or no market value. Inventory

date, you determine FMV by taking the aver- Condition of book. The condition of a

age prices between the bona fide bid and If you donate any inventory item to a charita- asked prices on the closest trading date bebook may have a great influence on its value. ble organization, the amount of your deduct-

Collectors are interested in items that are in fore and after the valuation date. Both dates ible contribution is the FMV of the item, less must be within a reasonable period. Then you fine, or at least good, condition. When a book any gain you would have realized if you had

has a missing page, a loose binding, tears, weight these averages in inverse order by sold the item at its FMV on the date of the the respective number of trading days bestains, or is otherwise in poor condition, its gift. For more information, see Charitable value is greatly lowered.

tween the bid and asked dates and the valucontributions in Chapter 16 of Publication ation date.

Other factors. Some other factors in the 535, Business Expenses. valuation of a book are the kind of binding (leather, cloth, paper), page edges, and illus-

Prices only before or after valuation date, trations (drawings and photographs). Collec- but not both. If no selling prices or bona fide tors usually want first editions of books. Stocks and Bonds

bid and asked prices are available on a date

However, because of changes or additions, The value of stocks and bonds is the FMV of within a reasonable period before the valuation date. See editions are sometimes worth as much a share or bond on the valuation date. See as, or more than, the first edition. Date of contribution, earlier, under What Is a reasonable period after the valuation date, Fair Market Value (FMV)? or vice versa, then the average price between the highest and lowest of such available Manuscripts, autographs, diaries, and prices may be treated as the value. similar items. When these items are hand- Selling prices on valuation date. If there is written, or at least signed by famous people, an active market for the contributed stocks or bonds on a stock exchange, in an over- Large blocks of stock. When a large block they are often in demand and are valuable. the-counter market, or elsewhere, the FMV of stock is put on the market, it may lower the The writings of unknowns also may be of of each share or bond is the average price selling price of the stock if the supply is value if they are of unusual historical or literary importance. Determining the value of such quoted sell- greater than the demand. On the other hand, ing prices on the valuation date. For example, market forces may exist that will afford higher material is difficult. For example, there may if the highest selling price for a share was prices for large blocks of stock. Because of be a great difference in value between two \$11, and the lowest \$9, the average price is the many factors to be considered, determinations that were kept by a famous \$10. You get the average price by adding \$11 ing the value of large blocks of stock usually person—one kept during childhood and the and \$9 and dividing the sum by 2. requires the help of experts specializing in other during a later period in his or her life. No sales on valuation date. If there were underwriting large quantities of securities, or The appraiser determines a value in these no sales on the valuation date, but there were in trading in the securities of the industry of cases by applying knowledge and judgment sales within a reasonable period before and which the particular

company is a part.

to such factors as comparable sales and conditions.

you determine FMV

by taking the average price between the Unavailable prices or closely held corpohighest and lowest sales prices on the near- ration.

If selling prices or bid and asked

Signatures. Signatures, or sets of signatures,

prices are not available, or if securities of a est date before and on the nearest date after

that were cut from letters or other papers

closely held corporation are involved, deterthe valuation date. Then you weight these

usually have little or no value. But complete

mine the FMV by considering the following

averages in inverse order by the respective

sets of the signatures of U.S. presidents are

factors:

number of trading days between the selling in demand.

dates and the valuation date.

Example. On the day you gave stock to 1) For bonds, the soundness of the secua qualified organization, there were no sales rity, the interest yield, the date of matu-

Cars, Boats, and Aircraft of the stock. Sales of the stock nearest the rity, and other relevant factors.

If you donate a car, a boat, or an aircraft to valuation date took place two trading days 2) For shares of stock, the company's net

a charitable organization, its FMV must be before the valuation date at an average sell- worth, prospective earning power and

determined. ing price of \$10 and three

trading days after dividend-paying capacity, and other rel-

Certain commercial firms and trade or- the valuation date at an average selling price evant factors.

ganizations publish monthly or seasonal of \$15. The FMV on the valuation date was

guides for different regions of the country, \$12, figured as follows:

Other factors. Other relevant factors incontaining complete dealer sale prices or  $[(3 \times \$10) + (2 \times \$15)] \div$

$5 = \$12$  clude the goodwill of the business, the ecodealer-average prices for recent model years.

conomic outlook in the particular industry, the

Prices are reported for each make, model, Listings on more than

one stock ex- company's position in the industry and its

and year of used car, aircraft, truck, recre- change. Stocks or bonds

listed on more than management, and the value of securities of

ational vehicle, and boat. These guides also one stock exchange are

valued based on the corporations engaged in the same or similar provide estimates for adjusting for unusual prices of the exchange on which they are business. For preferred stock, the most imequipment, unusual mileage, and physical principally dealt. This applies if these prices portant factors are its yield, dividend covercondition. The prices are not "official," and are published in a generally available listing age, and protection of its liquidation preferthese publications are not considered an ap- or publication of general circulation. If this is ence.

praisal of any specific donated property. But not applicable, and the stocks or bonds are You should keep complete financial and they do provide clues for making an appraisal reported on a composite listing of combined other information on which the valuation is and suggest relative prices for comparison exchanges in a publication of general circu- based. This includes copies of reports of exwith current sales and offerings in your area. lation, use the composite list. See also Un- aminations of the company made by ac-  
Page 5

## Appendix B—Changes in United States Tax Regulations

209

countants, engineers, or any technical ex- property surveys, the assessed value, the tax 3) The other factors used in evaluating perts on or close to the valuation date. rate, and the assessor's appraised FMV. corporate stock, if they apply.

The comparable selling prices must be

Restricted securities. Some classes of stock adjusted to account for differences between The value of the goodwill of the business cannot be traded publicly because of re- the sale property and the donated property. should also be taken into consideration. You

strictions imposed by the Securities and Ex- Because differences of opinion may arise should keep complete financial and other inchange Commission, or by the corporate between appraisers as to the degree of com- formation on which you base the valuation.

charter or a trust agreement. These restricted parability and the amount of the adjustment This includes copies of reports of examinasecurities usually trade at a discount in re- considered necessary for comparison pur- tions of the business made by accountants,

lation to freely traded securities. poses, an appraiser should

document each engineers, or any technical experts on or

To arrive at the FMV of restricted securi- item of adjustment.

close to the valuation date.

ties, factors that you must consider include Only comparable sales having the least

the resale provisions found in the restriction adjustments in terms of items and/or total

agreements, the relative negotiating strengths dollar adjustments should be

considered as Annuities, Interests for of the buyer and seller, and the market ex- comparable to the donated property.

perience of freely traded securities of the

Life or Terms of

same class as the restricted securities.

2. Capitalization of Income

Years, Remainders, and

This method capitalizes the net income from Reversions

Real Estate the property at a rate that

represents a fair The value of these kinds of property is their

return on the particular investment at the present value, except in the case of annuities

Because each piece of real estate is unique

particular time, considering the risks involved. under contracts issued by

companies regard its valuation is complicated, a detailed

The key elements are the determination of the larly engaged in their sale.

The valuation of

appraisal by a professional appraiser is necincome to be capitalized and the

rate of cap- these commercial annuity contracts and of

essary.

italization. insurance policies is

discussed later under

The appraiser must be thoroughly trained

in the application of appraisal principles and

Certain Life Insurance and Annuity

theory. In some instances the opinions of

3. Replacement Cost New or

Contracts.

equally qualified appraisers may carry une-

To determine present value, you must

Reproduction Cost Minus know the applicable interest

rate and use

qual weight, such as when one appraiser has

a better knowledge of local conditions. Observed Depreciation

actuarial tables.

The appraisal report must contain a com-

This method, used alone, usually

does not

plete description of the property, such as result in a determination of

FMV. Instead, it

Interest rate. The applicable interest rate

street address, legal description, and lot and generally tends to set the

upper limit of value,

varies. It is announced monthly in a news reblock number, as well as physical

features, particularly in periods of rising costs, because

lease and published in the Internal Revenue

condition, and dimensions. The use to which it is reasonable to assume

that an informed

Bulletin as a Revenue Ruling. The interest

the property is put, zoning and permitted buyer will not pay more for the real estate

rate to use is under the heading "Rate Under uses, and its potential use for other higher than it would cost to reproduce a similar

Section 7520" for a given month and year.

and better uses are also relevant. property. Of course, this reasoning does not

You can call the local IRS office to obtain this

In general, there are three main ap- apply if a similar property cannot be created rate.

proaches to the valuation of real estate. An because of location, unusual construction, or

appraisal may require the combined use of some other reason.

Generally, this method

two or three methods rather than one method serves to support the value determined from Actuarial tables. You need to refer to only.

other methods. When the replacement cost actuarial tables to determine a qualified inmethod is applied to improved realty, the terest in the form of an annuity, any interest

land and improvements are valued sepa- for life or a term of years, or any remainder

1. Comparable Sales rately.

interest to a charitable organization.

The comparable sales method compares the The replacement cost of a building is fig- Use the valuation tables set forth in IRS

donated property with several similar proper- ured by considering the materials, the quality Publications 1457 (Alpha Volume) and 1458 ties that have been sold. The selling prices, of workmanship, and the number of square (Beta Volume). Both of these publications

after adjustments for differences in date of feet or cubic feet in the building. This cost provide tables containing actuarial factors to

sale, size, condition, and location, would then represents the total cost of labor and material, be used in determining the present value of

indicate the estimated FMV of the donated overhead, and profit. After the replacement an annuity, an interest for life or for a term of

property. cost has been figured,

consideration must be years, or a remainder or reversionary interest.

If the comparable sales method is used to given to the following factors:

For qualified charitable transfers, you can use determine the value of unimproved real

the factor for the month in which you made

property (land without significant buildings, 1) Physical

deterioration—the wear and the contribution or for either of the 2 months

structures, or any other improvements that tear on the building itself, preceding that month.

add to its value), the appraiser should con-

Publication 1457 also contains actuarial  
sider the following factors when comparing 2) Functional  
obsolescence—usually in factors for computing the value of a  
remainder

the potential comparable property and the older buildings with,  
for example, inade- interest in a charitable remainder annuity trust  
donated property: quate lighting,

plumbing, or heating, and a pooled income fund. Publication 1458  
small rooms, or a poor floor plan, and contains the factors for valuing  
the remainder

1) Location, size, and zoning or use re- 3) Economic  
obsolescence—outside forces interest in a charitable remainder  
unitrust.

strictions, causing the whole area to  
become less These are available for purchase by phone

2) Accessibility and road frontage, and desirable.

at (202)512-1800 or by mail from the:

available utilities and water rights,

Superintendent of Documents

3) Riparian rights (right of access to and Interest in a Business

United States Government  
use of the water by owners of land on the

Printing Office

The FMV of any interest in a business,  
bank of a river) and existing easements,

P.O. Box 371954

whether a sole proprietorship or a partnerrights-of-way, leases, etc.,

Pittsburgh, PA

15250-7954

ship, is the amount that a willing buyer would

4) Soil characteristics, vegetative cover, pay for the interest to a  
willing seller after

consideration of all relevant factors. The rel- If you call in your order,  
you can pay by VISA

and status of mineral rights, and

event factors to be considered in valuing the or MasterCard.

5) Other factors affecting value. business are:

Tables containing actuarial factors for  
transfers to pooled income funds may also

For each comparable sale, the appraisal 1) The FMV of the assets of the  
business, be found in Income Tax Regulation

must include the names of the buyer and

1.642(c)-6(e)(5), transfers to charitable reseller, the

deed book and page number, the 2) The demonstrated earnings capacity

of remainder unitrusts in Regulation 1.664(e)(6), date of sale and selling price, a property de- the business, based on a review of past and other transfers in Regulation scription, the amount and terms of mortgages, and current earnings, and 20.2031-7(d)(6).

Page 6

210 Stewardship and Development 3rd Edition

Special factors. If you need a special factor For this purpose, the term “depreciable toric district, and any land area next to for an actual transaction, you may ask for it property” means any property subject to wear a property listed in the National Register

by writing a request for a letter ruling to the: and tear or obsolescence, even if not used in of Historic Places if its physical or envia trade or business or for the production of ronmental features contribute to the his-

Internal Revenue Service income.

toric or cultural integrity of the listed

Associate Chief Counsel (Domestic) If the remainder interest includes both property. A certified historic structure is Attn: CC:DOM:Corp:T depreciable and nondepreciable property, for any building, structure, or land area that

P.O. Box 7604 example a house and land, the FMV must be is listed in the National Register, or is Ben Franklin Station allocated between each kind of property at located in a registered historic district Washington, DC 20044 the time of the contribution.

This rule also and is certified by the Secretary of the Be sure to include the date of birth of each applies to a gift of a remainder interest that Interior as being of historic significance person, the duration of whose life may affect includes property that is part depletable and to the district.

the value of the interest, and copies of the part not depletable. Take into account depre- There must be some visual public relevant instruments. IRS charges a user fee ciation or depletion only for the property that access to the property. Factors used in for providing special factors. is subject to depreciation or depletion. determining the type and amount of

For information on the circumstances un- For more information, see section public access required include the hisder which a charitable deduction may be al- 1.170A-2 of the Income Tax Regulations. torical significance of the property, the

lowed for the donation of a partial interest in remoteness or accessibility of the site, property not in trust, see Partial Interest in Undivided part of your

entire interest. A and the extent to which intrusions of pri-  
Property Not in Trust, later. contribution of an  
undivided part of your entire vacy would be unreasonable.  
interest in property must consist of a part of  
each and every substantial interest or right Qualified real property  
interest. This is  
Certain Life Insurance you own in the property.  
It must extend over any of the following interests in real property:  
and Annuity Contracts the entire term of your  
interest in the property.

For example, you are entitled to the income 1) Your entire interest  
in real estate other

The value of an annuity contract or a life in- from certain property for  
your life (life estate) than a mineral interest (subsurface oil,  
surance policy issued by a company regularly and you contribute 20% of  
that life estate to gas, or other minerals, and the right of  
engaged in the sale of such contracts or pol- a qualified organization.  
You can claim a de- access to these minerals).  
icies is the amount that company would duction for the  
contribution if you do not have  
charge for a comparable contract.

2) A remainder interest.  
any other interest in the property. To figure  
But if the donee of a life insurance policy the value of a contribution  
involving a partial 3) A restriction (granted in perpetuity) on  
may reasonably be expected to cash the interest, see Publication  
1457. the use which may be made of the real  
policy rather than hold it as an investment, If the only interest  
you own in real property property.  
then the FMV is the cash surrender value is a remainder interest  
and you transfer part  
rather than the replacement cost. of that interest to a  
qualified organization, see Valuation. A qualified real property inter-  
If an annuity is payable under a combina- the previous discussion on  
valuation of a re- est described in (1) should be valued in a  
tion annuity contract and life insurance policy mainder interest in real  
property. manner that is consistent with the type of in-  
(for example, a retirement income policy with  
terest transferred. If you transferred all the  
a death benefit) and there was no insurance  
interest in the property, the FMV of the prop-  
Qualified conservation contribution. A  
element when it was transferred to the char-  
erty is the amount of the contribution. If you  
qualified conservation contribution is a conity, the policy is treated as an  
annuity con- do not  
transfer the mineral interest, the FMV

tribution of a qualified real property interest to tract.

of the surface rights in the property is the a qualified organization to be used only for conservation purposes. amount of the contribution.

Partial Interest Qualified organization. For purposes of If you owned only a remainder interest or an income interest (life estate), see Undivided in Property Not in Trust ified organization is:

Generally, no deduction is allowed for a part of your entire interest, earlier. If you owned the entire property but only transferred charitable contribution, not made in trust, of 1) A governmental unit, a remainder interest (item (2)), see Valuation less than your entire interest in property.

of a remainder interest in real property, not However, this does not apply to a transfer of 2) A publicly supported charitable, religious, transferred in trust, earlier.

less than your entire interest if it is a transfer scientific, literary, educational, etc., or- In determining the value of restrictions, of:

you should take into account the selling price 3) An organization that is controlled by, and in arm's-length transactions of other proper-

1) A remainder interest in your personal operated for the exclusive benefit of, a ties that have comparable restrictions. If there

residence or farm, governmental unit or a publicly sup- are no qualified sales, the restrictions are

2) An undivided part of your entire interest ported charity. valued indirectly as the difference between

in property, or

the FMVs of the property involved before and Conservation purposes. Your contribu- after the grant of the restriction.

3) A qualified conservation contribution. tion must be made only for one of the follow- The FMV of the property before contributing conservation purposes: tion of the restriction should take into account

Valuation of a remainder interest in real

not only current use but the likelihood that the property, not transferred in trust. The 1) Preservation of land areas for outdoor property, without the restriction, would be amount of the deduction for a donation of a recreation by, or for

the education of, the developed. You should also consider any remainder interest in real property is the FMV general public. zoning, conservation, or historical preservaof the remainder interest at the time of the tion laws that would restrict development.

contribution. To determine this value, you 2) Protection of a relatively natural habitat Granting an easement may increase, rather must know the FMV of the property on the of fish, wildlife, or plants, or a similar than reduce, the value of property, and in date of the contribution. Multiply this value by ecosystem.

such a situation no deduction would be althe appropriate factor. Publications 1457 and 3) Preservation of open space, including lowed.

1458 contain these factors. farmland and forest land. The preserva- Example. You own 10 acres of farmland. You must make an adjustment for depre- tion must yield a significant public bene- Similar land in the area has an FMV of \$2,000 ciation or depletion using the factors shown fit. It must be either for the scenic en- an acre. However, land in the general area in Publication 1459 (Gamma Volume). You joyment of the general public or under a that is restricted solely to farm use has an can use the factors for the month in which you clearly defined federal, state, or local FMV of \$1,500 an acre. Your county wants made the contribution or for either of the two governmental conservation policy. to preserve open space and prevent further months preceding that month. See the earlier development in your area.

discussion on Annuities, Interests for Life or 4) Preservation of a historically important You grant to the county an enforceable Terms of Years, Remainders, and Rever- land area or a certified historic structure. open space easement in perpetuity on 8 of sions. Publication 1459 is available free by A historically important land area in- the 10 acres, restricting its use to farmland.

writing to the IRS address given under Spe- cludes an independently significant land The value of this easement is \$4,000, detercial factors earlier. area, any land area in a registered his- mined as follows:

Page 7

## Appendix B—Changes in United States Tax Regulations

211

FMV of the property before granting ease- report with your written records. Records are computation period upon receiving reament: discussed in Publication 526. For special sonable notice. \$2,000 × 10 acres ..... \$20,000 rules that

apply to publicly traded securities

FMV of the property after granting ease-

An interdealer quotation system is any

ment: and

nonpublicly traded stock, see the dis-

\$1,500 × 8 acres ..... \$12,000 cussions later

in this section. system of general circulation to brokers

and

\$2,000 × 2 acres ..... 4,000 16,000 The phrase

similar items means property dealers that regularly disseminates

quotations

of the same generic category or type (whether of obligations by two or

more identified bro-

Value of easement ..... \$4,000

or not donated to the same donee), such as kers or dealers who are not

related to either

If you later transfer in fee your remaining stamps, coins,

lithographs, paintings, photo- the issuer or agent who computes the

averinterest in the 8 acres to another qualified graphs,

books, nonpublicly traded stock, age trading price of the security.

A quotation

organization, the FMV of your remaining in- nonpublicly

traded securities other than non- sheet prepared and distributed by a

broker

terest is the FMV of the 8 acres reduced by publicly

traded stock, land, buildings, clothing, or dealer in the regular course of

business

the FMV of the easement granted to the first jewelry,

furniture, electronic equipment, and containing only quotations of

that broker

organization. household

appliances, toys, everyday or dealer is not an interdealer

quotation syskitchenware, china, crystal, or silver. For ex- tem.

ample, if you give books to three schools and The average trading

price is the average

you deduct \$2,000, \$2,500, and \$900, re- price of all transactions

(weighted by volume),

Appraisals spectively,

your claimed deduction is more

than \$5,000 for these books. You must get a

other than original issue or redemption transactions, conducted through a

United States

Appraisals are not necessary for items of qualified

appraisal of the books and for each office of a broker or dealer who

maintains a

property for which you claim a deduction of school you

must attach a fully completed ap- market in the issue of the security

during the \$5,000 or less, or for which the value can praisal summary (Section B of Form 8283) to computation period. Bid and asked quotations easily be determined, such as securities your tax return. are not taken into account.

whose prices are reported daily in the news-  
The computation period is weekly

during papers. However, you generally will need an Publicly traded securities. Even if your October through December and monthly durappraisal for donated property for which you claimed deduction is more than \$5,000, nei- ing January through September. The weekly claim a deduction of more than \$5,000. See ther a qualified appraisal nor an appraisal computation periods during October through

Deductions of More Than \$5,000, later. summary is required for publicly traded se- December begin with the first Monday in Oc-

The weight given an appraisal depends curities that are:  
tober and end with the first Sunday following on the completeness of the report, the quali- the last Monday in December.

fications of the appraiser, and the appraiser's • Listed on a stock exchange in which demonstrated knowledge of the donated quotations are published on a daily basis, Nonpublicly traded stock. If you contribute

property. An appraisal must give all the facts nonpublicly traded stock, for which you claim

on which to base an intelligent judgment of • Regularly traded in a national or regional over-the-counter market for which pub- a deduction of \$10,000 or less, a qualified the value of the property.

appraisal is not required. However, you must

The appraisal will not be given much lished quotations are available, or attach to your tax return a partially completed weight if: • Shares

of an open-end investment com- appraisal summary (Parts I and IV of Section pany (mutual fund) for which quotations B, Form 8283) signed by the donee.

1) All the factors that apply are not considered, published on a daily basis in a newspaper of general circulation

2) The opinion is not supported with facts, throughout the United States. Qualified Appraisal such as purchase price and comparable Generally, if the claimed deduction for an item Publicly traded securities that meet these resales, or or group of similar items of donated property requirements must be reported in Section A, is more than \$5,000, you must get a qualified

3) The opinion is not consistent with known appraisal made by a qualified appraiser and facts. Form 8283. A partially completed appraisal summary you must attach an appraisal summary to (Parts I and IV of Section B, Form 8283) your tax return. See Deductions of More Than \$5,000, earlier. The appraiser's opinion is never more donee, but not a qualified appraisal, is signed by the Than \$5,000, earlier. valid than the facts on which it is based; appraisal, is required for publicly traded securities. A qualified appraisal is an appraisal document without these facts it is simply a guess. ties that do not meet these requirements, but document that: Membership in professional appraisal or do have readily available market quotations. Market dealer organizations does not automatically Market quotations are readily available if: 1) Relates to an appraisal made not earlier than 60 days prior to the date of establish the appraiser's competency. Nor 1) The than 60 days prior to the date of contridoes the lack of certificates, memberships, 1) The issue is regularly traded during the computation period (defined later) in a bution of the appraised property, etc., automatically disprove the competency of the appraiser. market for which there is an "interdealer 2) Does not involve a prohibited appraisal quotation The opinion of a person claiming to be an expert is not binding on the Internal Revenue 2) The issuer

or agent computes the “average trading price” (defined later) for the same issue for the computation period,

3) Includes certain information later), and same issue

Service. All facts associated with the donation erage trading price” (defined later) for the later), and must be considered. same issue for the computation period,

4) Is prepared, signed, and dated by a 3) The Cost of appraisals. You may not take a qualified appraiser (defined later).

charitable contribution deduction for fees you ume of the issue during the computation period are pay for appraisals of your donated property. You must receive the qualified appraisal published in a newspaper of You must receive the qualified appraisal

However, these fees may qualify as a mis- general circulation throughout the United before the due date, including extensions, cellaneous deduction, subject to the 2% limit, States, not later than the last day of the of the return on which a charitable contribuon Schedule A (Form 1040) if paid to deter- month following the end of the calendar tion deduction is first claimed for the donated

mine the amount allowable as a charitable quarter in which the computation period property. If the deduction is first claimed on contribution. ends,

an amended return, the qualified appraisal must be received before the date on which

4) The issuer or agent keeps books and the amended return is filed. records that list for each transaction

Deductions of More during the computation period the date

An appraisal summary (discussed later) must be attached to your tax return. Gener- Than \$5,000 of settlement of the transaction, the ally, you do not need to attach the qualified name and address of the broker or

Generally, if the claimed deduction for an item appraisal itself, but you should keep a copy dealer making the market in which the or group of similar items of donated property as long as it may be relevant under the tax

transaction occurred, and the trading is more than \$5,000, other than money and

law. If you donated art valued at \$20,000

or

price and volume, and

publicly traded securities, you must get a

more, however, you must attach a complete

qualified appraisal made by a qualified ap-

5) The issuer

or agent permits the Internal copy of the signed appraisal. See

Paintings,

praiser, and you must attach an appraisal

Revenue

Service to review the books Antiques, and Other Objects of Art,

discussed

summary (Section B of Form 8283) to your

and

records described in paragraph (4) earlier under Valuation of Various

Kinds of

tax return. You should keep the appraiser's

with

respect to transactions during the Property.

Page 8

212 Stewardship and Development 3rd Edition

Prohibited appraisal fee. Generally, no part Art objects. The

following are examples An appraiser must complete Part III of

of the fee arrangement for a qualified ap- of information that should

be included in a Section B (Form 8283) to be considered a

praisal can be based on a percentage of the description of donated

property. These ex- qualified appraiser. More than one appraiser

appraised value of the property. If a fee ar- amples are for art objects.

A similar detailed may appraise the property, provided that each

rament is based on what is allowed as a breakdown should be given

for other property. complies with the requirements, including

deduction, after Internal Revenue Service Appraisals of art

objects—paintings in signing the qualified appraisal and

appraisal

examination or otherwise, it is treated as a fee particular—should include:

summary.

based on a percentage of appraised value.

Excluded individuals. The following per-

However, appraisals are not disqualified 1) A complete description

of the object, in- sons cannot be qualified appraisers with rewhen an

otherwise prohibited fee is paid to a dicating the:

spect to particular property:

generally recognized association that regu-

a) Size,

lates appraisers if:

1) The donor of the property, or the taxb) Subject

matter, payer who claims the deduction.

• The association is not organized for profit c) Medium,

2) The donee of the property.

and no part of its net earnings benefits

any private shareholder or individual, d) Name of the artist (or culture), and 3) A party to the transaction in which the

donor acquired the property being ap-

• The appraiser does not receive any e) Approximate date created. praised, unless the property is donated

compensation from the association or any

within 2 months of the date of acquisition

other persons for making the appraisal, 2) The cost, date, and manner of acquisition and its appraised value does not exceed

and tion.

its acquisition price. This applies to the

• The fee arrangement is not based in 3) A history of the item, including proof of person who sold, exchanged, or gave

whole or in part on the amount of the authenticity.

the property to the donor, or any person appraised value that is allowed as a de-

who acted as an agent for the transferor

4) A photograph of a size and quality fully or donor in the transaction.

duction after an Internal Revenue Service showing the object, preferably a 10 × 12

examination or otherwise. inch print.

4) Any person employed by, married to, or related under section 267(b) of the

5) The facts on which the appraisal was Internal Revenue Code, to any of the

Information included in qualified appraisal, such as:

above persons. For example, if the appraisal. A qualified appraisal must include the

following information: a) Sales or analyses

of similar works nor acquired a painting from an art

by the artist, particularly on or dealer, neither the dealer nor persons

1) A description of the property in sufficient around the valuation date. employed by the dealer can be qualified

detail for a person who is not generally

appraisers for that painting.

familiar with the type of property to de- b) Quoted prices in dealer's catalogs

of the artist's works or works of 5) An appraiser who appraises regularly for

termine that the property appraised is

a person in (1), (2), or (3), and who does

the property that was (or will be) con- other artists of comparable stature.

not perform a majority of his or her attributed,

c) A record of any exhibitions at which appraisals made during his or her tax year the specific art object had been made for other persons.

2) The physical condition of any tangible property displayed.

In addition, a person is not a qualified appraiser if the economic state of the art market at the time of the appraisal for a particular donation if the donor

3) The date (or expected date) of contribution at the time of valuation, partition,

the appraiser had knowledge of facts that would cause a reasonable person to expect the appraiser to

4) The terms of any agreement or understanding regarding the property.

The appraiser must not falsely overstate the value of the donated property. The standing entered into (or expected to be entered into) by or on behalf of the donor and the appraiser in the particular appraisal make an agreement concerning the amount at which the property will be valued, school or time period.

Number of qualified appraisals. A separate appraisal is required for each disposition of the donated property, and the donor knows that such amount exceeds the FMV of the property, the appraiser

5) The name, address, and taxpayer identification number of the appraiser. A separate appraisal is required for each item of property that is not included in a group appraisal and, if the appraiser is a partner, the appraisal is not a qualified appraisal for the donation.

Penalties. Any appraiser who falsely or fraudulently overstates the value of property of similar items of property. You need only an employee, or an independent contractor engaged by a person other than the appraiser and, if the appraiser is a partner, the appraisal is not a qualified appraisal for the donation.

Number of qualified appraisals. A separate appraisal is required for each item of property that is not included in a group appraisal and, if the appraiser is a partner, the appraisal is not a qualified appraisal for the donation.

Penalties. Any appraiser who falsely or fraudulently overstates the value of property of similar items of property. You need only an employee, or an independent contractor engaged by a person other than the appraiser and, if the appraiser is a partner, the appraisal is not a qualified appraisal for the donation.

each item. A qualified appraisal for a group  
nership or the person who employs or  
liability, and may have his or her appraisal  
of similar items must provide all of the reengages the appraiser,  
disregarded.

quired information for each item of similar

6) The qualifications of the qualified ap- property. The appraiser,  
however, may propraiser who signs the appraisal, includ- vide a group  
description for selected items,  
ing the appraiser's background, experi- the total value of which is not  
more than \$100. Appraisal Summary  
ence, education, and any membership in

Generally, if the claimed deduction for an item  
professional appraisal associations, Qualified appraiser. A qualified  
appraiser is of donated property is more than \$5,000, you  
an individual who declares on the appraisal must attach an appraisal  
summary (Form

7) A statement that the appraisal was pre- summary that he or she:  
8283) to your tax return. Only a partially  
pared for income tax purposes,

completed appraisal summary is required in  
• Holds himself or herself out to the public some situations. See  
Deductions of More

8) The date (or dates) on which the prop-  
Than \$5,000, earlier.

erty was valued, as an appraiser or performs  
appraisals  
on a regular basis, Note: If you deduct \$20,000  
or more for

9) The appraised FMV on the date (or ex- • Is qualified to make  
appraisals of the type donated art, you must attach a complete copy  
pected date) of contribution, of property being valued  
because of his of the signed appraisal. See Paintings, An-

10) The method of valuation used to deter- or her qualifications  
described in the ap- tiques, and Other Objects of Art, discussed  
mine FMV, such as the income ap- praisal,  
earlier under Valuation of Various Kinds of  
proach, the comparable sales or market  
Property.

• Is not an excluded individual, and  
data approach, or the replacement cost  
less depreciation approach, and • Understands that an  
intentionally false Form 8283. Section B of Form 8283 is the  
overstatement of the value of property appraisal summary. If you do not  
attach the

11) The specific basis for the valuation, such may subject him or her  
to the penalty for form to your return, the deduction will not be

as any specific comparable sales trans- aiding and abetting an  
understatement allowed unless your failure to attach it was  
action. of tax liability.

due to a good faith omission. If the IRS re-

Page 9

## Appendix B—Changes in United States Tax Regulations

213

quests that you submit the form because you 1) The value or adjusted  
basis claimed on need. The items you request will be faxed to  
did not attach it to your return, you must the return is 200% or  
more of the correct you.

comply within 90 days of the request or the amount, and  
deduction will be disallowed.

You must attach a separate Form 8283 for 2) You underpaid your tax by  
more than  
each item of contributed property that is not \$5,000 because of the  
overstatement.

Phone. Many services are available  
part of a group of similar items. If you con-  
by phone.

tribute similar items of property to the same 40% penalty. The penalty is  
40%, rather than

donee organization, you need attach only one 20%, if:  
Form 8283 for those items. If you contribute

- Ordering forms, instructions, and publi-

1) The value or adjusted basis claimed on  
similar items of property to more than one  
cations. Call 1-800-829-3676 to order

the return is 400% or more of the correct  
donee organization, you must attach a sepa-  
current and prior year forms, instructions,

amount, and

rate form for each donee.

and publications.

2) You underpaid your tax by more than • Asking tax questions.

Call the IRS with

\$5,000 because of the overstatement.

Internal Revenue Service

your tax questions at 1-800-829-1040.

### Review of Appraisals

- TTY/TDD equipment. If you have access

to TTY/TDD equipment, call 1-800-829-

In reviewing an income tax return, the Service

4059 to ask tax questions or to order

may accept the claimed value of the donated

property, based on information or appraisals How To Get More

forms and publications.  
sent with the return, or may make its own

- TeleTax topics. Call 1-800-829-4477 to determine the fair market value (FMV). In either case, the Information Service may: You can order free publications and forms, various tax topics. ask tax questions, and get more information Evaluating the quality of our telephone
- Contact the taxpayer to get more information, from the IRS in several ways. By selecting the method that is best for you, you will have give accurate, courteous, and professional services. To ensure that IRS representatives and professional
- Refer the valuation problem to a Service quick and easy access to tax help. answers, we evaluate the quality of our teleappraiser or valuation specialist, phone services in several ways.

Free tax services. To find out what services

- Refer the issue to the Commissioner's are available, get Publication 910, Guide to Art Advisory Panel (a 25-member group
- A second IRS representative sometimes

Free Tax Services. It contains a list of free tax monitors live telephone calls. That person of dealers and museum directors who publications and an index of tax topics. It also only evaluates the IRS assistors and does review and recommend acceptance or describes other free tax information services, not keep a record of any taxpayer's name adjustment of taxpayers' claimed values including tax education and assistance pro- or tax identification number.

for major paintings and sculptures, Far grams and a list of TeleTax topics. Eastern and Asian art, Primitive and

- We sometimes record telephone calls to Pre-Columbian art), or Personal computer. With your per- evaluate IRS assistors objectively. We
- Contract with an independent dealer, sonal computer and modem, you can hold these recordings no longer than one scholar, or appraiser to appraise the access the IRS on the Internet at week and use them only to measure the property when the objects require ap- www.irs.gov. While visiting our web site, you quality of assistance.

praisers of highly specialized experience can select:

- We value our customers' opinions.

and knowledge.

Throughout this year, we will be survey-

- Frequently Asked Tax Questions (located under Taxpayer Help & Ed) to find an our service.

Responsibility of the Service. The Service is responsible for reviewing appraisals, but it may have.

is not responsible for making them. Support-download forms and

ing the FMV listed on your return is your re- sponsibility. publications by topic or keyword.

- Fill-in Forms (located under Forms & Libraries, and IRS offices

The Service does not accept appraisals

to pick up certain forms, instructions, without question. Nor does the Service rec- information while the form

is displayed and then print the completed and publications. Also, some libraries and IRS

ognize any particular appraiser or organiza- offices have:

tion of appraisers. form.

- Tax Info For You to view Internal Reve- collection of products avail-
- An extensive

Timing of Service action. The Service gen- nue Bulletins published in the last few able to print from a CD-ROM or photoerally does not approve valuations or ap- years.

copy from reproducible proofs. praisals before the actual filing of the tax re-

- Tax Regs in English to search regulations Code, regulations,
- The Internal Revenue

turn to which the appraisal applies. In and the Internal Revenue Code (under Internal Revenue Bulletins, and Cumulaaddition, the Service generally does not issue United States Code (USC)). tive Bulletins available

for research puradvance rulings approving or disapproving

- Digital Dispatch and IRS Local News Net poses.

such appraisals. Exception. On January 16, 1996, the (both located under Tax Info For Busi-

Service began accepting requests for a ness) to receive our electronic newslet-

Statement of Value for a donated item of art and news. appraised at \$50,000 or more. For a request (located under submitted as described earlier under Art val- to get information Mail. You can send your order for ued at \$50,000 or more, the Service will issue on starting and operating a small busi- forms, instructions, and publications a Statement of Value that can be relied on ness. to the Distribution Center nearest to by the donor of the item of art.

you and receive a response within 10 work- You can also reach us with your computer days after your request is received. Find the using File Transfer Protocol at ftp.irs.gov. address that applies to your part of the country.

Penalties

You may be liable for a penalty if you over-

- Western part of U.S.:

state the value or adjusted basis of donated TaxFax Service.

Using the phone Western Area Distribution Center property. attached to your fax

machine, you can Rancho Cordova, CA 95743-0001

receive forms and instructions by • Central part of U.S.:

20% penalty. The penalty is 20% of the calling 703-368-9694.

Follow the directions Central Area Distribution Center

underpayment of tax related to the over- from the prompts. When you

order forms, P.O. Box 8903

statement if: enter the catalog number for

the form you Bloomington, IL 61702-8903

Page 10

214 Stewardship and Development 3rd Edition

- Eastern part of U.S. and foreign ad- •

Current tax forms, instructions, and pub- by

calling 1-877-233-6767 or on the Internet

resses:

lications. at

www.irs.gov/cdorders. The first release

Eastern Area Distribution Center

is available in

mid-December and the final

- Prior-year tax forms, instructions, and

release is available in late January.

P.O. Box 85074

publications.

IRS

Publication 3207, Small Business

• Popular tax forms which may be filled in Resource Guide, is an interactive CD-ROM electronically, printed out for submission, that contains information important to small and saved for recordkeeping.

businesses. It is available in mid-February.

• Internal Revenue Bulletins. You

can get one free copy by calling

CD-ROM. You can order IRS Publi- 1-800-829-3676.

cation 1796, Federal Tax Products on The CD-ROM can be purchased from

CD-ROM, and obtain: National

Technical Information Service (NTIS)

Index

Terms of purchase or sale ..... 2

Replacement cost ..... 3

A

L

Reversion interests ..... 6

Aircraft ..... 5

Life insurance ..... 7

Annuities ..... 6

Annuity contracts ..... 7 D

S

Antiques ..... 4 Date of contribution ..... 2

Appraisal summary ..... 9 Deductions of more than \$5,000 . 8 M

Stamps ..... 4

Appraisals ..... 8, 9, 10

Market conditions, effect on value 3

Statement of Value ..... 10

Appraisal summary ..... 9

More information ..... 10

Stocks ..... 5

Cost of ..... 8

IRS review of ..... 10 F

Penalties, overstated value .... 9 Fair market value ..... 2, 3

N

T

Qualified appraisal ..... 8 Comparable properties,

sales

Tax help (See More information)

Qualified appraiser ..... 9 of  
..... 2 Nonpublicly traded stock  
..... 8 TTY/TDD information ..... 10  
Art objects ..... 4 Cost  
..... 2  
Valued at \$20,000 or more .... 4 Date of contribution  
..... 2  
Determining FMV ..... 2  
Valued at \$50,000 or more .... 4  
Assistance (See More information) Opinions of experts  
..... 3 O

U

Problems in determining FMV 3 Opinions of experts  
..... 3 Used clothing ..... 4  
Replacement cost ..... 3  
Form 8283 ..... 9  
Formulas, use in valuing property 2  
P V  
B Free tax services  
..... 10  
Future events, effect on value .... 3 Paintings  
..... 4  
Valuation of property ..... 4, 5, 6, 7  
Boats ..... 5

Annuities ..... 6

Partial interest ..... 7 Cars, boats, and  
aircraft ..... 5  
Bonds ..... 5  
Past events, effect on value ..... 3  
Books ..... 5

Collections ..... 4

Penalty, overstated value ..... 10 Household goods  
..... 4

H Publications (See More  
information) Interest in a business ..... 6

Help (See More information) Publicly traded  
securities ..... 8 Inventory  
..... 5

Household goods ..... 4  
Jewelry and gems ..... 4

C

Life insurance and annuity con-

Cars .....	5
Q	
tracts .....	7
Paintings, antiques, art objects	4
Coins .....	4 I
Qualified appraisal .....	8
Partial interest in property .....	7
Collections .....	4, 5 Interest in a business
Qualified appraiser .....	9
Books .....	5 Inventory
Qualified conservation	
Real estate .....	6
Coins .....	4 IRS review of appraisals
contribution .....	7
Remainder interests .....	6
Stamps .....	4 Exception
Reversion interests .....	6
Comparable properties, sales	
Stocks and bonds .....	5
of .....	2, 3
Terms of years .....	6
Conservation contribution .....	7
R	
Used clothing .....	4
Cost .....	2 J
Real estate .....	6
Rate of increase or decrease .....	2 Jewelry and gems
Remainder interests .....	6

Page 11

Appendix B—Changes in United States Tax Regulations

215

Donee Information Return

Form 8282

(Rev. September 1998)

(Sale, Exchange, or Other

Disposition of Donated Property)

OMB No. 1545-0908

Department of the Treasury

Give a Copy to

Donor

Internal Revenue Service

See

instructions on back.

Name of charitable organization (donee)  
Employer identification number

Please

Print Address (number, street, and room or suite no.)

or

Type City or town, state, and ZIP code

Part I Information on ORIGINAL DONOR and DONEE Receiving the Property

1a Name(s) of the original donor of the property

1b Identifying number

Note: Complete lines 2a–2d only if you gave this property to another charitable organization (successor donee).

2a Name of charitable organization

2b Employer  
identification number

2c Address (number, street, and room or suite no.)

2d City or town, state, and ZIP code

Note: If you are the original donee, skip Part II and go to Part III now.

Part II Information on PREVIOUS DONEES—Complete this part only if you were not the first donee to receive the property.

If you were the second donee, leave lines 4a–4d blank. If you were a third or later donee, complete lines 3a–4d. On lines 4a–4d, give information on the preceding donee (the one who gave you the property).

3a Name of original donee

3b Employer  
identification number

3c Address (number, street, and room or suite no.)

3d City or town, state, and ZIP code

4a Name of preceding donee

4b Employer  
identification number

4c Address (number, street, and room or suite no.)

4d City or town, state, and ZIP code

Part III Information on DONATED PROPERTY—If you are the original donee, leave column (c) blank.

(a) Description of donated property sold, exchanged, or otherwise

(d) Date item(s) sold, (e)

Amount received

(b) Date you received (c) Date the first donee exchanged, or otherwise  
disposed of (if you need more space, attach a separate statement) the  
item(s) received the item(s) disposed of upon

disposition

For Paperwork Reduction Act Notice, see back of form.

Cat. No. 62307Y

Form 8282

(Rev. 9-98)

Appendix B—Changes in United States Tax Regulations

217

Form 8282 (Rev. 9-98)

Page 2

determination of whether the appraised value and EIN of your

General Instructions of the item exceeds \$500, all shares of organization.

Section references are to the Internal Revenue Code. nonpublicly traded stock, or items that form a set, are considered one item.

For example, a Form 8283 that you received from the donor collection of books written by the same or a preceding donee).

Purpose of Form author, components of a stereo system, or six

3. A copy of this Form 8282, within 15 place settings of a pattern of silverware are Donee organizations use Form 8282 to report days after you file it.

considered one item.

information to the IRS about dispositions of

2. Items consumed or distributed for You must furnish items 1 and 2 above

certain charitable deduction property made charitable purpose. You do not have to file within 15 days after the latest of the date:

within 2 years after the donor contributed the property. Form 8282 if an item is

consumed or ? You transferred the property, distributed, without consideration, in fulfilling

your purpose or function as a tax-exempt ? The original donee signed the Appraisal

Definitions organization. For example, no reporting is Summary, or

Note: For Form 8282 and these instructions, required for medical supplies consumed or ? You received a copy of the Appraisal

the term "donee" includes all donees, unless distributed by a tax-exempt relief organization Summary from the preceding donee if you are

specific reference is made to "original" or in aiding disaster victims. also a successor donee.

"successor" donees.

Information the successor donee must give  
Original donee. The first donee to or for When To File  
you. The successor donee organization to  
which the donor gave the property. The If you dispose of charitable  
deduction whom you transferred this property is  
original donee is required to sign an Appraisal property within 2 years of  
the date the required to give you their organization's  
Summary presented by the donor for original donee received it  
and you do not name, address, and EIN within 15 days after  
charitable deduction property. meet exception 1 or 2 above,  
you must file the later of:  
Successor donee. Any donee of property Form 8282 within 125 days  
after the date of ? The date you transferred the property, or  
other than the original donee. disposition.  
? The date they received a copy of the  
Appraisal summary. Section B of Form Exception. If you did not  
file because you Appraisal Summary.  
8283, Noncash Charitable Contributions. had no reason to believe the  
substantiation Information you must give the donor. You  
requirements applied to the donor, but you must give a copy of your  
Form 8282 to the  
Charitable deduction property. Property  
later become aware that they did apply, file original donor of the  
property.  
(other than money or certain publicly traded  
Form 8282 within 60 days after the date you  
securities) for which the original donee  
Recordkeeping. You must keep a copy of  
become aware you are liable. For example,  
signed, or was presented with for signature,  
the Appraisal Summary in your records.  
this exception would apply where an  
the Appraisal Summary (Form 8283,  
Appraisal Summary is furnished to a  
Section B).  
successor donee after the date that donee Paperwork Reduction Act  
Notice. We ask  
Generally, only items or groups of similar disposes of the charitable  
deduction property.  
items for which the donor claimed a  
for the information on this form to carry out  
the Internal Revenue laws of the United  
deduction of more than \$5,000 are included Missing Information  
States. You are required to give us the  
on the Appraisal Summary. There is an  
exception if a donor gives similar items to If Form 8282 is filed by the  
due date, you information. We need it to ensure that you are

more than one donee organization and the must enter your organization's name, complying with these laws and to allow us to total deducted for these similar items address, and EIN and complete at least Part figure and collect the right amount of tax. exceeds \$5,000. For example, if a donor III, column (a). You do not have to complete You are not required to provide the deducts \$2,000 for books given to a donee the remaining items if the information is not information requested on a form that is organization and \$4,000 for books to another available. For example, you may not have the subject to the Paperwork Reduction Act donee organization, the donor must present a information necessary to complete all entries unless the form displays a valid OMB control separate Appraisal Summary to each if the donor's Appraisal Summary is not number. Books or records relating to a form organization. For more information, see the available to you.

or its instructions must be retained as long as Instructions for Form 8283.

their contents may become material in the Where To File administration of any Internal Revenue law.

Who Must File Send Form 8282 to the Internal Revenue Generally, tax returns and return information Service, Ogden, UT 84201-0027. are confidential, as required by section 6103.

Original and successor donee organizations must file Form 8282 if they sell, exchange,

The time needed to complete this form will consume, or otherwise dispose of (with or Penalty vary depending on individual circumstances.

without consideration) charitable deduction

The estimated average time is:

You may be subject to a penalty if you fail to property within 2 years after the date the file this form by the due date, fail to include Recordkeeping 3 hr., 7 min.

original donee received the property. See all of the information required to be shown on Learning about the law

Charitable deduction property earlier. this form, or fail to include correct information or the form 35 min.

Exceptions. There are two situations where on this form (see Missing Information Preparing and sending

Form 8282 does not have to be filed. above). The penalty is generally \$50. For the form to the IRS 41 min.

1. Items valued at \$500 or less. You do more details, see section 6721.

If you have comments concerning the not have to file Form 8282 if, at the time the original donee signed the Appraisal Summary,

Other Requirements

accuracy of these time estimates or suggestions for making this form simpler, we the donor had signed a statement on Form Information you must give a successor would be happy to hear from you. You can 8283 that the appraised value of the specific donee. If the property is transferred to write to the Tax Forms Committee, Western item was not more than \$500. If Form 8283 another charitable organization within the Area Distribution Center, Rancho Cordova, contains more than one similar item, this 2-year period discussed earlier, you must give CA 95743-0001. DO NOT send the form to exception applies only to those items that are your successor donee all of the following this address. Instead, see Where To File on clearly identified as having a value of \$500 or information. this page.

less. However, for purposes of the donor's

218 Stewardship and Development 3rd Edition  
Form 8283 Noncash Charitable  
Contributions OMB No.  
1545-0908

(Rev. October 1998) Attach to your tax return if  
you claimed a total deduction  
of over \$500 for all contributed property.

Attachment

Department of the Treasury

Internal Revenue Service

separate instructions.

See  
Sequence No.

55

Name(s) shown on your income tax return

Identifying number

Note: Figure the amount of your contribution deduction before completing this form. See your tax return instructions.

Section A—List in this section only items (or groups of similar items) for which you claimed a deduction of \$5,000 or less. Also, list certain publicly traded securities even if the deduction is over \$5,000 (see instructions).

Part I Information on Donated Property—If you need more space, attach a statement.

(a) Name and address of the

1 donee organization

(b) Description of donated property

A

B

C

D

E

Note: If the amount you claimed as a deduction for an item is \$500 or less, you do not have to complete columns (d), (e), and (f).

(c) Date of the contribution  
(d) Date acquired by donor (mo., yr.)  
(e) How acquired by donor  
(f) Donor's cost  
(g) Fair market value  
(h) Method used to determine the fair market value or adjusted basis

A

B

C

D

E

Part II Other Information—Complete line 2 if you gave less than an entire interest in property listed in Part I.

Complete line 3 if conditions were attached to a contribution listed in Part I.

2 If, during the year, you contributed less than the entire interest in the property, complete lines a–e.

a Enter the letter from Part I that identifies the property . If Part II applies to more than one property, attach a separate statement.

b Total amount claimed as a deduction for the property listed in Part I: (1) For this tax year .

(2) For any prior tax years .

c Name and address of each organization to which any such contribution was made in a prior year (complete only if different from the donee organization above):

Name of charitable organization (donee)

Address (number, street, and room or suite no.)

City or town, state, and ZIP code

d For tangible property, enter the place where the property is located or kept

e Name of any person, other than the donee organization, having actual possession of the property

3 If conditions were attached to any contribution listed in Part I, answer questions a – c and attach the required statement (see instructions).

a Is there a restriction, either temporary or permanent, on the donee's right to use or dispose of the donated property? Yes No

b Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession

of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise,  
or to designate the person having such income, possession, or right to acquire?  
c Is there a restriction limiting the donated property for a particular use?  
For Paperwork Reduction Act Notice, see page 4 of separate instructions.

Cat. No. 62299J                      Form 8283 (Rev. 10-98)

Appendix B—Changes in United States Tax Regulations

219

Form 8283 (Rev. 10-98)

Page 2

Name(s) shown on your income tax return

Identifying number

Section B—Appraisal Summary—List in this section only items (or groups of similar items) for which you claimed a deduction of more than \$5,000 per item or group. Exception. Report contributions of certain publicly traded securities only in Section A.

If you donated art, you may have to attach the complete appraisal. See the Note in Part I below.

Part I Information on Donated Property—To be completed by the taxpayer and/or appraiser.

4 Check type of property:

Art* (contribution of \$20,000 or more)	Real Estate
Gems/Jewelry	Stamp Collections
Art* (contribution of less than \$20,000)	Coin Collections
Books	Other

\*Art includes paintings, sculptures, watercolors, prints, drawings, ceramics, antique furniture, decorative arts, textiles, carpets, silver, rare manuscripts, historical memorabilia, and other similar objects.

Note: If your total art contribution deduction was \$20,000 or more, you must attach a complete copy of the signed appraisal. See instructions.

5 (a) Description of donated property (if you need (b) If tangible property was donated, give a brief summary of the overall (c) Appraised fair

more space, attach a separate statement) (b) physical condition at the time of the gift (c) market value

A  
B  
C  
D

(d) Date acquired (e) How acquired (f) Donor's cost or (g)

For bargain sales, enter See instructions

by donor (mo., yr.) by donor adjusted basis

amount received (h) Amount claimed as a (i) Average trading price

deduction of securities

- A
- B
- C
- D

Part II Taxpayer (Donor) Statement—List each item included in Part I above that the appraisal identifies as having a value of \$500 or less. See instructions.

I declare that the following item(s) included in Part I above has to the best of my knowledge and belief an appraised value of not more than \$500 (per item). Enter identifying letter from Part I and describe the specific item. See instructions.

Signature of taxpayer (donor)

Date

Part III Declaration of Appraiser

I declare that I am not the donor, the donee, a party to the transaction in which the donor acquired the property, employed by, or related to any of the foregoing persons, or married to any person who is related to any of the foregoing persons. And, if regularly used by the donor, donee, or party to the transaction, I performed the majority of my appraisals during my tax year for other persons.

Also, I declare that I hold myself out to the public as an appraiser or perform appraisals on a regular basis; and that because of my qualifications as described in the appraisal, I am qualified to make appraisals of the type of property being valued. I certify that the appraisal fees were not based on a percentage of the appraised property value. Furthermore, I understand that a false or fraudulent overstatement of the property value as described in the qualified appraisal or this appraisal summary may subject me to the penalty under section 6701(a) (aiding and abetting the understatement of tax liability). I affirm that I have not been barred from presenting evidence or testimony by the Director of Practice.

Sign

Here Signature

Title Date of appraisal

Business address (including room or suite no.)

Identifying number

City or town, state, and ZIP code

Part IV Donee Acknowledgment—To be completed by the charitable organization.

This charitable organization acknowledges that it is a qualified organization under section 170(c) and that it received the donated property as described in Section B, Part I, above on (Date)

Furthermore, this organization affirms that in the event it sells, exchanges, or otherwise disposes of the property described in Section

B, Part I (or any portion thereof) within 2 years after the date of receipt, it will file Form 8282, Donee Information Return, with the IRS and give the donor a copy of that form. This acknowledgment does not represent agreement with the claimed fair market value.

Does the organization intend to use the property for an unrelated use?

Yes

No

Name of charitable organization (donee)

Employer identification number

Address (number, street, and room or suite no.)

City or town, state, and ZIP code

Authorized signature

Title

Date

220 Stewardship and Development 3rd Edition

Instructions for Form 8283

Department of the Treasury

Internal Revenue Service

(Revised October 1998)

Noncash Charitable Contributions

Section references are to the Internal Revenue Code unless otherwise noted.

your Schedule K-1, not the amount shown on the Form

General Instructions 8283.

If the partnership or S corporation is not required to give

Purpose of Form you a copy of

its Form 8283, combine the amount of

Use Form 8283 to report information about noncash noncash

contributions shown on your Schedule K-1 with

charitable contributions. your other

noncash contributions to see if you must file

Do not use Form 8283 to report out-of-pocket expenses Form 8283. If

you need to file Form 8283, you do not

for volunteer work or amounts you gave by check or credit have to

complete all the information requested in Section

card. Treat these items as cash contributions. Also, do A for your

share of the partnership's or S corporation's

not use Form 8283 to figure your charitable contribution contributions.

Complete only column (g) of line 1 with your

deduction. For details on how to figure the amount of the share of the

contribution and enter "From Schedule K-1

deduction, see your tax return instructions. (Form 1065 or

1120S)" across columns (c)–(f).

Additional Information

When To File

You may want to see Pub. 526, Charitable Contributions

File Form 8283

with your tax return for the year you

(for individuals), and Pub. 561, Determining the Value of property and first claim a deduction. contribute the

Donated Property. If you contributed depreciable property, Which Sections  
To Complete

see Pub. 544, Sales and Other Dispositions of Assets.

If you must file Form 8283, you may need to complete

Who Must File Section A,  
Section B, or both, depending on the type of

You must file Form 8283 if the amount of your deduction property  
donated and the amount claimed as a deduction.

for all noncash gifts is more than \$500. For this purpose, Section A.  
Include in Section A only items (or groups of

“amount of your deduction” means your deduction before similar  
items as defined on this page) for which you

applying any income limits that could result in a carryover. claimed a  
deduction of \$5,000 or less per item (or group

The carryover rules are explained in Pub. 526. Make any of similar  
items). Also, include the following publicly

required reductions to fair market value (FMV) before you traded  
securities even if the deduction is more than

determine if you must file Form 8283. See Fair Market \$5,000.  
Value (FMV) on page 2. ? Securities

listed on an exchange in which quotations are

Form 8283 is filed by individuals, partnerships, and published daily,  
corporations. ? Securities

regularly traded in national or regional

Note: C corporations, other than personal service  
over-the-counter markets for which published quotations  
corporations and closely held corporations, must file Form are available,  
or

8283 only if the amount claimed as a deduction is over ? Securities  
that are shares of a mutual fund for which

\$5,000. quotations are

published on a daily basis in a newspaper

Partnerships and S corporations. A partnership or S of general  
circulation throughout the United States.

corporation that claims a deduction for noncash gifts over Section B.  
Include in Section B only items (or groups of

\$500 must file Form 8283 with Form 1065, 1065-B, or similar items)  
for which you claimed a deduction of more

1120S. If the total deduction of any item or group of similar than \$5,000  
(omit publicly traded securities reportable in

items exceeds \$5,000, the partnership or S corporation Section A).

With certain exceptions, items reported in  
must complete Section B of Form 8283 even if the amount Section B will  
require information based on a written

allocated to each partner or shareholder does not exceed appraisal by a qualified appraiser. \$5,000.

### Similar Items of Property

The partnership or S corporation must give a completed copy of Form 8283 to each partner or shareholder of property are items of the same generic receiving an allocation of the contribution deduction type, such as stamp collections, coin shown in Section B of the partnership's or S corporation's lithographs, paintings, books, nonpublicly Form 8283. traded stock, land, or buildings.

Partners and shareholders. The partnership or S Example. You claimed a deduction of \$400 for corporation will provide information about your share of clothing, \$7,000 for publicly traded securities (quotations published the contribution on your Schedule K-1 (Form 1065 or 1120S). (\$400 each).

Report the clothing and securities in Section A and the books In some cases, the partnership or S corporation must (a group of similar items) in Section B. Special Rule give you a copy of its Form 8283. If you received a copy of Form 8283 from the partnership or S corporation, attach A special rule applies for deductions taken by certain a copy to your tax return. Deduct the amount shown on C corporations under section 170(e)(3) or (4) for contributions of inventory or scientific equipment. Cat. No. 62730R

Appendix B—Changes in United States Tax Regulations 221  
To determine if you must file Form 8283 or which ? The contributed property is tangible personal property that is put to section to complete, use the difference between the amount you claimed as a deduction and the amount you would have claimed as cost of goods sold (COGS) had by the charity. conservation contribution. If your donation qualifies as a Qualified purposes of Form 8283. It does not change the amount section 170(h), attach a statement showing the FMV of the underlying or method of figuring your contribution deduction. conservation property before and after the gift and the If you do not have to file Form 8283 because of this rule, conservation

purpose furthered by the gift. See Pub. 561

you must attach a statement to your tax return (similar to for more details.

the one in the example below). Also, attach a statement if you must complete Section A, instead of Section B, because of this rule.

#### Specific Instructions

Example. You donated clothing from your inventory for Identifying number. Individuals must enter their social security number the care of the needy. The clothing cost you \$5,000 and or individual taxpayer identification number. All your claimed charitable deduction is \$8,000. Complete other filers should enter their employer identification Section A instead of Section B because the difference number.

between the amount you claimed as a charitable deduction and the amount that would have been your COGS deduction is \$3,000 (\$8,000 – \$5,000). Attach a Section A statement to Form 8283 similar to the following:

#### Part I, Information on Donated Property

Form 8283—Inventory	Line 1	
Contribution deduction	\$8,000	Column (b).

Describe the property in sufficient detail. The COGS (if sold, not donated) – 5,000

greater the value, the more detail you need. For example, For Form 8283 filing purposes = \$3,000 a car should be described in more detail than pots and pans.

Fair Market Value (FMV) For securities, include the following:

Although the amount of your deduction determines if you ? Name of the issuer,

have to file Form 8283, you also need to have information ? Kind of security,

about the value of your contribution to complete the form. ? Whether a share of a mutual fund, and

FMV is the price a willing, knowledgeable buyer would ? Whether regularly traded on a stock exchange or in an

pay a willing, knowledgeable seller when neither has to over-the-counter market.

buy or sell.

Note: If the amount you claimed as a deduction for the You may not always be able to deduct the FMV of your item is \$500 or

less, you do not have to complete columns (d), (e), and

(f).

you may have to reduce the FMV to get to the deductible

amount, as explained next. Column (d).

Enter the approximate date you acquired the property. If it was created, produced, or manufactured by Reductions to FMV. The amount of the reduction (if any) or for you, enter the date it was substantially completed.

depends on whether the property is ordinary income property or capital gain property. Attach a statement to Column (e). State how you acquired the property (i.e., your tax return showing how you figured the reduction. by purchase, gift, inheritance, or exchange).

Ordinary income property is property that would result Column (f). Do not complete this column for publicly traded securities or property held 12 months or more. in ordinary income or short-term capital gain if it were sold at its FMV on the date it was contributed. Examples of Keep records on cost or other basis.

ordinary income property are inventory, works of art Note: If you have reasonable cause for not providing the created by the donor, and capital assets held for 1 year information in columns (d) and (f), attach an explanation.

or less. The deduction for a gift of ordinary income Column (g). Enter the FMV of the property on the date property is limited to the FMV minus the amount that you donated it. If you were required to reduce the FMV would be ordinary income or short-term capital gain if the of your deduction or you gave a qualified conservation property were sold. contribution, you must attach a statement. See Fair

Capital gain property is property that would result in Market Value (FMV) on this page for the type of long-term capital gain if it were sold at its FMV on the date statement to attach.

it was contributed. It includes certain real property and Column (h). Enter the method(s) you used to determine depreciable property used in your trade or business, and the FMV. The FMV of used household goods and clothing is usually much generally held for more than 1 year. You usually may is usually much lower than when new. A good measure of value might deduct gifts of capital gain property at their FMV. of value might be the price that buyers of these used items

However, you must reduce the FMV by the amount of any actually pay in consignment or thrift shops.

appreciation if any of the following apply. Examples of entries to make include "Appraisal," "Thrift shop value" ? The capital gain property is contributed to certain private shop value" (for clothing or household goods), "Catalog" (for stamp or nonoperating foundations. This rule does not apply to

coin collections), or “Comparable sales” (for qualified appreciated stock. real estate and other kinds of assets). See Pub. 561.

? You choose the 50% limit instead of the special 30% limit.  
Part II, Other Information

If Part II applies to more than one property, attach a separate statement. Give the required information for  
Page 2

222 Stewardship and Development 3rd Edition  
each property separately. Identify which property listed in A separate  
qualified appraisal and a separate Form  
Part I the information relates to. 8283 are  
required for each item of property except for an  
item that is part of a group of similar items. Only one  
Lines 2a Through 2e appraisal is  
required for a group of similar items

Complete lines 2a–2e only if you contributed less than the contributed  
in the same tax year, if it includes all the required  
entire interest in the donated property during the tax year. required  
information for each item. The appraiser may

On line 2b, enter the amount claimed as a deduction for group similar  
items with a collective value appraised at  
this tax year and in any prior tax years for gifts of a partial \$100 or less.  
interest in the same property. If you

gave similar items to more than one donee for  
Lines 3a Through 3c which you  
claimed a total deduction of more than \$5,000,  
you must attach a separate form for each donee.

Complete lines 3a–3c only if you attached restrictions to Example.  
You claimed a deduction of \$2,000 for books  
the right to the income, use, or disposition of the donated given to  
College A, \$2,500 for books given to College B, and \$900  
property. An example of a “restricted use” is furniture that  
for books given to a public library. You must  
you gave only to be used in the reading room of an attach a  
separate Form 8283 for each donee.

organization's library. Attach a statement explaining (1)  
the terms of any agreement or understanding regarding See  
Regulations section 1.170A-13(c)(3)(i)–(ii) for the  
the restriction, and (2) whether the property is designated definition of  
a “qualified appraisal” and information to be  
for a particular use. included in  
the appraisal.

Line 5

Section B

Note: You

must complete at least column (a) of line 5  
 Part I, Information on Donated Property (and column  
 (b) if applicable) before submitting Form  
 8283 to the donee. You may then complete the remaining  
 You must have a written appraisal from a qualified columns.  
 appraiser that supports the information in Part I. However, Column (a).  
 Provide enough detail so a person unfamiliar  
 see the Exceptions below. with the  
 property could identify it in the appraisal.  
 Use Part I to summarize your appraisal(s). Generally, Column (c).  
 Include the FMV from the appraisal. If you  
 you do not need to attach the appraisals but you should were not  
 required to get an appraisal, include the FMV  
 keep them for your records. But see Art valued at you determine  
 to be correct.  
 \$20,000 or more below. Columns  
 (d)–(f). If you have reasonable cause for not  
 Exceptions. You do not need a written appraisal if the providing the  
 information in columns (d), (e), or (f), attach  
 property is: an  
 explanation so your deduction will not automatically be  
 ? Nonpublicly traded stock of \$10,000 or less, disallowed.  
 ? Certain securities considered to have market Column (g).  
 A bargain sale is a transfer of property that  
 quotations readily available (see Regulations section is in part a  
 sale or exchange and in part a contribution.  
 1.170A-13(c)(7)(xi)(B)), Enter the  
 amount received for bargain sales.  
 ? A donation by a C corporation (other than a closely held Column (h).  
 Complete column (h) only if you were not  
 corporation or personal service corporation), or required to  
 get an appraisal, as explained earlier.  
 ? Inventory and other property donated by a closely held Column (i).  
 Complete column (i) only if you donated  
 corporation or a personal service corporation that are securities  
 for which market quotations are considered to  
 “qualified contributions” for the care of the ill, the needy, be  
 readily available because the issue satisfies the five  
 or infants, within the meaning of section 170(e)(3)(A). requirements  
 described in Regulations section  
 Although a written appraisal is not required for the types  
 1.170A-13(c)(7)(xi)(B).  
 of property listed above, you must provide certain  
 information in Part I of Section B (see Regulations section Part II,  
 Taxpayer (Donor) Statement  
 1.170A-13(c)(4)(iv)) and have the donee organization Complete Part  
 II for each item included in Part I that has

complete Part IV. an appraised value of \$500 or less. Because you do not Art valued at \$20,000 or more. If your total deduction have to show the value of these items in Part I of the donee's copy for art is \$20,000 or more, you must attach a complete donee in Part of Form 8283, clearly identify them for the donee in Part II. Then, the donee does not have to file Form 8282, at \$20,000 or more, a photograph must be provided upon Donee Information Return, for items valued at \$500 or request. The photograph must be of sufficient quality and less. See the Note on page 4 for more details about filing size (preferably an 8 x 10 inch color photograph or a color Form 8282. The amount transparency no smaller than 4 x 5 inches) to fully show The amount of information you give in Part II depends on the the object. on the description of the donated property you enter in Part I. If you show a single item as "Property A" in Part I Appraisal Requirements and that item is appraised at \$500 or less, then the entry "Property The appraisal must be made not earlier than 60 days "Property A" in Part II is enough. However, if "Property A" consists of before the date you contribute the property. You must consists of several items and the total appraised value is over \$500, receive the appraisal before the due date (including over \$500, list in Part II any item(s) you gave that is valued at extensions) of the return on which you first claim a \$500 or less. valued at \$500 or less. All shares deduction for the property. For a deduction first claimed All shares of nonpublicly traded stock or items in a set are on an amended return, the appraisal must be received are considered one item. For example, a book collection by the same before the date the amended return was filed. by the same author, components of a stereo system, or six place settings of a pattern of silverware are one item

Page 3

Appendix B—Changes in United States Tax Regulations 223  
 for the \$500 test. The person acknowledging the gift must be an official authorized to Example. You donated books valued at \$6,000. The authorized to sign the tax returns of the organization, or a person appraisal states that one of the items, a collection of a person specifically designated to sign Form 8283. After completing books by author "X," is worth \$400. On the Form 8283 that completing Part IV, the organization must return Form

you are required to give the donee, you decide not to 8283 to you,  
the donor. You must give a copy of Section B of this form  
show the appraised value of all of the books. But you also  
to the donee organization. You may then complete any  
do not want the donee to have to file Form 8282 if the  
remaining information required in Part I. Also, Part III  
collection of books is sold. If your description of Property  
may be completed at this time by the qualified  
A on line 5 includes all the books, then specify in Part II  
appraiser. In some  
the “collection of books by X included in Property A.” But  
cases, it may be impossible to get the donee's  
if your Property A description is “collection of books by signature on  
the Appraisal Summary. The deduction will not be  
X,” the only required entry in Part II is “Property A.”  
disallowed for that reason if you attach a detailed explanation why  
In the above example, you may have chosen instead to  
it was impossible. Note: If the  
give a completed copy of Form 8283 to the donee. The  
donee (or a successor donee) organization disposes of  
donee would then be aware of the value. If you include  
the property within 2 years after the date the original donee  
all the books as Property A on line 5, and enter \$6,000 in  
received it, the organization must file Form 8282, Donee  
column (c), you may still want to describe the specific  
Information Return, with the IRS and send a copy to the  
collection in Part II so the donee can sell it without filing  
donor. An exception applies to items having a value of  
Form 8282. a value of  
\$500 or less if the donor identified the items and  
signed the statement in Part II (Section B) of Form 8283.  
Part III, Declaration of Appraiser See the  
instructions for Part II.  
If you had to get an appraisal, the appraiser must  
complete Part III to be considered qualified. See Failure To  
File Form 8283, Section B  
Regulations section 1.170A-13(c)(5) for a definition of a  
attach Form 8283 to your return for donated property that  
qualified appraiser. If you fail to  
is required to be reported in Section B, your deduction will be  
Persons who cannot be qualified appraisers are listed  
disallowed unless your failure was due to a  
in the Declaration of Appraiser. Usually, a party to the  
good-faith omission. If the IRS asks you to submit the form, you have  
transaction will not qualify to sign the declaration. But a  
90 days to send a completed Section B of Form 8283  
person who sold, exchanged, or gave the property to you

before your deduction is disallowed.

may sign the declaration if the property was donated within 2 months of the date you acquired it and the property's appraised value did not exceed its acquisition price. We ask for the information on

Paperwork

this form to carry out the Internal Revenue laws of the United States. You are required to give us the An appraiser may not be considered qualified if you had need it to ensure that you are complying knowledge of facts that would cause a reasonable person laws and to allow us to figure and collect the to expect the appraiser to falsely overstate the value of the of tax.

information. We

with these

right amount

property. An example of this is an agreement between you and the appraiser about the property value when you required to provide the information

You are not

know that the appraised amount exceeds the actual FMV. form that is subject to the Paperwork

requested on a

Reduction Act unless the form displays a valid OMB

Usually, appraisal fees cannot be based on a

control number.

Books or records relating to a form or its percentage of the appraised value unless the fees were must be retained as long as their contents

instructions

paid to certain not-for-profit associations. See Regulations material in the administration of any Internal section 1.170A-13(c)(6)(ii).

may become

Revenue law.

Generally, tax returns and return

Part IV, Donee Acknowledgment

information

are confidential, as required by section 6103.

The donee organization that received the property needed to complete and file this form will vary

The time

described in Part I of Section B must complete Part IV. individual circumstances. The estimated

depending on

Before submitting page 2 of Form 8283 to the donee for is: Recordkeeping, 20 min.; Learning

average time

acknowledgment, complete at least your name, identifying or the form, 29 min.; Preparing the form,

about the law

number, and description of the donated property (line 5, Copying, assembling, and sending the form

37 min.;

column (a)). If tangible property is donated, also describe min.

to the IRS, 35

its physical condition (line 5, column (b)) at the time of the comments concerning the accuracy of these

If you have

gift. Complete Part II, if applicable, before submitting the or suggestions for making this form

time estimates

form to the donee. See the instructions for Part II.

simpler, we

would be happy to hear from you. See the instructions for the tax return with which this form is filed.

Page 4

224 Stewardship and Development 3rd Edition

224 Stewardship and Development 3rd Edition

Appendix C:

Investment Policy

For the National Spiritual Assembly of the Bahá'ís of the United States (1998)

This policy is not intended to apply to, or serve as a model for, the investment, control

and safekeeping of funds of any Bahá'í institution except the National Spiritual Assembly. The National Spiritual Assembly and the Office of the Treasurer cannot provide individuals with specific investment or tax advice.

Considering whether one would

be comfortable defending investment decisions to the press may serve as a good test.

#### I. Introduction and Purpose

The purpose of this Investment Policy is to set forth operating procedures from the National Spiritual Assembly of the Bahá'ís of the United States to guide the

administration of the investment portfolios managed on its behalf by the Office of the Treasurer (also referred to as the "Treasurer's Office").

This statement of Investment policy outlines the objectives, goals, and guidelines

for the Bahá'í Funds and is set forth in order to achieve the general objectives

outlined below.

A. There is to be a clear understanding on the part of the Treasurer's Office regarding the investment objectives and policies for investment of the funds of the Bahá'í Faith.

B. The Treasurer's Office shall have a meaningful basis for the evaluation of portfolio performance in terms of meeting the financial targets and following the guidelines of this policy.

C. In those cases where a professional, external investment manager(s) is chosen, such manager should be given guidance and limitations in the investment of the Fund's assets; in this document such manager or man-

Appendix C—Investment Policy 225

agers will be termed "Investment Manager." This definition also applies to mutual funds or similar vehicles in which participants' funds are commingled.

D. The investment of the Fund's assets shall be for the exclusive purpose of

providing for the advancement of the Bahá'í Faith.

E. The Fund shall be managed at all times in accordance and compliance with standards of prudent investment. The fiduciary responsibilities of prudent management are those defined in the Uniform Management of Institutional Funds Act of 1972 and the Prudent Investor Rule under the Trust and Trustees Act of 1992 (as both may be amended from time to time) which have been adopted in the State of Illinois.

F. The investments shall be selected and diversified so as to maximize rate of return commensurate with safety of principal, both of these in the context of the investment portfolio(s) as a whole, not to investments in isolation.

G. All parties understand the need to avoid making any investment or dealing with any firm which might be an embarrassment to the Bahá'í Faith and its institutions.

H. It is the intent of this document to state general attitudes, guidelines, and a philosophy which will guide both the Treasurer's Office and any Investment Manager toward the performance desired. It is intended that the investment policies be sufficiently specific to be meaningful but sufficiently flexible to be practicable.

I. All investments and all portions of this policy statement are required to be in compliance with applicable federal and state regulations. Any section of this policy not in compliance with such regulations is automatically void.

## II. Responsibilities of the National Spiritual Assembly

A. The National Spiritual Assembly has responsibility for approving this policy.

B. The National Assembly will hire and discharge Investment Managers, financial consultants and custodians, taking into account the recommendations of the Treasurer's Office. It will designate the offices and individuals who are empowered to make day-to-day investment decisions, deal

226 Stewardship and Development 3rd Edition  
with Investment Managers, financial consultants and custodians, collect and transfer investment monies, and otherwise implement this policy.

C. The National Spiritual Assembly will decide whether the firms and investments proposed under this policy by the Treasurer's Office comply with the teachings and principles of the Bahá'í Faith and inform the Treasurer's Office of its decisions. To the extent possible this will be done prior to any commitments to such firms or investments.

D. The National Spiritual Assembly will inform the Treasurer's Office of restrictions in terms of sale or maturity, including earmarking, on any investment funds. It will request donor acquiescence to release restrictions where, in the National Assembly's view, this would be desirable. It

will also review and approve Treasurer's Office plans for maturities of the various investment fund categories to make certain that the timelines of assets and liabilities are matched. This is particularly important for project funds but can apply to other categories as well. This approval will take place prior to commitment to sell, invest or expend investment assets. The National Spiritual Assembly will also designate which funds are endowment-type funds with no defined maturity.

E. Besides income from interest and dividends, the National Spiritual Assembly may authorize access to the net appreciation of any endowment fund over the historic dollar value of the fund unless the donor has specifically directed that the net appreciation cannot be accessed and the donor shall not have released this restriction.

### III. Responsibilities of the Treasurer's Office

#### General Responsibilities of the Treasurer's Office

A. The Treasurer's Office will have the responsibility for carrying out the Investment Policy.

B. The Treasurer (or the Chief Financial Officer/Finance Coordinator or the Controller of the National Spiritual Assembly, if so designated by the National Assembly) shall be the person(s) with the authority and responsibility to communicate and enforce, on the National Assembly's behalf, compliance with this policy and also to recommend to the National Assembly the appointment and approval of those who are entitled to make investments, select or replace the Investment Manager and any financial consultants, and approve all transactions related to

#### Appendix C—Investment Policy 227

the National Assembly's investments. Such designations or appointments are subject to approval of the National Spiritual Assembly (or such officers of the National Assembly as it may from time to time designate to provide such approval on its behalf). It is also the responsibility of the Treasurer's Office to report on investment results on a timely basis to the National Spiritual Assembly.

C. For longer term investments, the Treasurer's Office may choose to select an investment committee of individuals knowledgeable in financial matters who will recommend such Investment Managers or financial consultants they deem necessary, and shall comment on investment return objectives, asset-mix guidelines, investment allocations and any restrictions on investments. Such committee may be used to review portfolio performance, suggest the reallocation of assets, recommend Investment Manager changes to the Treasurer, and related issues. The composition of any such committee shall be recommended by the Treasurer, subject to the review and approval of the National Spiritual Assembly.

#### Specific Responsibilities of the Treasurer's Office

A. The Investment Process

1. The Treasurer's Office will determine whether one fund, or multiple funds, are appropriate to meet the needs of the National Spiritual Assembly and comply with any restrictions, including earmarking, requested by any donor.
  2. With input from the National Spiritual Assembly, the Office will determine the projected cash needs from the fund, or funds, and the projections of additional cash investment into such funds, and communicate these to the Investment Manager(s) on a timely basis.
  3. Mutual or commingled fund investments: Monies which may have been donated with restrictions on their investment, or for specific funds, but the amounts of which are too small initially to warrant the services of an Investment Manager, still need to be invested. In such cases, the use of mutual funds or commingled funds, either actively or passively managed, which otherwise meet the criteria herein may be utilized to effectively manage such monies. Such investment vehicles may also be attractive for use in the construction of larger portfolios.
  4. Establishing investment return objectives appropriate for the asset mix and sectors chosen.
  5. Hiring a financial consultant, if necessary, to assist in establishing investment guidelines, both for the National Assembly itself and also
- 228 Stewardship and Development 3rd Edition
- which any Investment Manager can use in formulating investment decisions; providing performance and investment philosophy; and sharing knowledge of manager experience and performance analysis.
6. Selecting qualified Investment Managers when the National Spiritual Assembly determines that longer term investments, including equities and corporate bonds, would be appropriate for certain funds and such managers are justified by the size of such investments.
  7. Communicating clearly the major duties and responsibilities of the Investment Manager.
  8. Monitoring and evaluating performance results to assure that policy guidelines are being adhered to and that objectives are being met.
  9. Taking appropriate action to replace an Investment Manager for failure to perform.
  10. Complying with all applicable rulings and regulations of relevant regulatory agencies.
- B. This Statement of Investment Policy will need to be reviewed at least every three years, and more often if necessary, and revised as appropriate to ensure that this Statement continues to reflect the National Spiritual Assembly's attitudes, expectations, and objectives, as well as reflecting material changes in the markets or in investment philosophy and methods. These

changes will be implemented by the Treasurer's Office in accordance with the other sections of this policy.

C. Custodial Services: the Treasurer's Office will select a suitable custodian to oversee all securities and brokerage transactions and provide monthly detail of all such transactions to both the Treasurer's Office and any consultant selected to monitor Investment Manager performance (see VI J. 2.).

D. Proxy Voting: The Treasurer's Office will take action to assure the proper voting of proxies by either designating the investment manager with this responsibility, or by hiring an outside service to conduct voting of proxies for the funds. The Treasurer's Office is responsible to review at least annually all proxy voting activity.

#### IV. Responsibilities of the Investment Manager

Investment Managers are responsible for the following:

#### Appendix C—Investment Policy 229

##### A. Adherence to Statement of Investment Policy

1. The teachings of the Bahá'í Faith should be referred to for guidance on any issues of socially responsible investing. The Treasurer's Office will consult with, and seek guidance from, the National Spiritual Assembly on selected issues as necessary and communicate the decisions to the Investment Manager who is expected to observe these rigorously.

2. The Investment Manager's acceptance of the responsibility to manage assets of the Funds will constitute a ratification of this Statement of Investment Policy, affirming the belief that the Manager is capable of achieving the National Assembly's objectives within the guidelines and limitations stated herein and as amplified by the Treasurer's Office.

##### B. Discretionary Authority

1. Within the context of the guidelines provided herein, the Investment Manager will be responsible for making investment decisions on a discretionary basis regarding all assets placed under its jurisdiction and will be held accountable for achieving the investment objectives indicated herein. Such discretion shall include decisions to buy, hold, and sell securities in amounts and proportions that are reflective of the Investment Manager's current investment strategy and compatible with the Fund's investment guidelines.

##### C. Communication

1. The Investment Manager will keep the Treasurer's Office informed on a timely basis of major changes in its investment outlook, investment strategy, asset allocation, and other matters that reflect investment policies

or philosophy.

2. The Treasurer's Office shall be informed on a timely basis of any significant changes in the ownership, organizational structure, financial condition or senior staffing of the Investment Manager's firm.

3. Whenever the Investment Manager believes that any particular guideline should be changed, it will be the Investment Manager's responsibility to initiate written communication with the Treasurer's Office expressing its views and recommendations.

#### D. Reporting

1. The Treasurer's Office shall receive timely notices of transaction activities as well as no less than quarterly performance reports. In addition,

230 Stewardship and Development 3rd Edition  
tion, there should be at least one face-to-face meeting with the Investment Manager annually.

2. In addition, any information needed to assist the Treasurer's Office in conducting its evaluation of the Investment Manager's performance as it relates to fund assets will be presented on a timely basis. This will include transaction activities and commissions generated to compensate the broker/dealer for consulting and other services as specified under Section 28(e) of the Securities and Exchange Commission Act of 1934.

#### E. Proxy Voting

1. The Investment Manager, as a part of its duties and responsibilities, shall have the exclusive right, when designated by the Treasurer's Office, to vote any and all proxies solicited in connection with securities held by the Fund. The Investment Manager shall keep accurate records with respect to its voting of proxies and shall submit a report on an annual basis to the Treasurer's Office summarizing the voting.

#### F. Investment Transactions

1. Understanding that the Investment Manager, as fiduciary, has the responsibility to execute every transaction in the best interests of the Fund and its participants, the Treasurer's Office reserves the right to direct brokerage commissions to firms which provide beneficial service directly to the fund, recognizing that the cost of such services would otherwise have to be paid in hard dollars from the Fund.

#### V. Short Term Portfolio Composition and Cash Flow Management

The portfolio should be comprised of securities with the following characteristics: a low degree of default risk; a low degree of price risk resulting from changes

in the level of interest rates; and a high degree of marketability. These characteristics limit the types of investments that may be acquired. In this section investments authorized are outlined along with maturity and diversification requirements. In addition, certain unauthorized investment transactions are specified.

#### A. Authorized Investments

1. Direct obligations of the United States of America and agencies thereof;

2. Obligations fully guaranteed by the United States of America;

Appendix C—Investment Policy 231

3. Certificates of deposit issued by or bankers' acceptances of, or a time deposits with, any bank, trust company, or national banking association incorporated or doing business under the laws of the United States of America or one of the States thereof which is FDIC insured and having a rating assigned by Moody's Investors Service, Inc. of at least Aa3 and by Standard & Poor's Corporation of at least AA-;

4. Commercial paper of any holding company of a bank, trust company or national banking association described in paragraph 3;

5. Commercial paper of companies having a rating assigned to such commercial paper by Standard and Poor's Corporation or Moody's Investors Service, Inc. of A-1/P-1;\*

6. United States-issued Yankee certificates of deposit issued by, or bankers' acceptances of, or commercial paper issued by, any bank having rated by Moody's Investors Service, Inc. of at least Aa3 and Standard & Poor's Corporation of at least AA- and headquartered in Canada, Japan, the United Kingdom, France, West Germany, Switzerland, the Netherlands, Spain or Italy;

7. Canadian Treasury Bills fully hedged to United States dollars;

8. Bonds or other debt instruments of any company, if such bond or other debt instruments, at the time of purchase, is rated at least AA- by Standard & Poor's Corporation and Aa3 by Moody's Investors Service, Inc.; \*

9. Money-market mutual funds that meet the above stated criteria for quality, safety, and liquidity.

#### B. Maturity of Investments

1. In order to control the risk of loss resulting from increase in the level of rates and the forced sale of securities, the maturity distribution of the investment portfolio must be controlled by the Treasurer's office. Normally, investment decisions shall be restricted to securities with a maturity of one year or less. When the needs of the Fund are such that sufficient funds are being generated to cover short term needs,

and with the review and approval of the Chief Financial Officer, up to 20% of the portfolio may be for investment maturities of one to four years. In such cases, bond investments must have call protection. If the bond proceeds are expected to be needed prior to maturity they should not be deep discount or zero coupon bonds due to their volatility.

\* Investments must be screened prior to investment to ensure they meet Bahá'í guidelines for “social responsibility”

## 232 Stewardship and Development 3rd Edition

### C. Diversification Requirements

1. Securities issued by the United States Treasury and by agencies of the Federal Government may be held in unlimited amounts.
2. All other classes of investments as detailed in section V. A. are limited to 40% of total investments. Further, no more than 5% of total investments may be invested in any corporate issuer or any single country outside the United States. The purpose of this limitation is to achieve diversification and avoid the risk of over-concentration of risk in a single entity.

### D. Unauthorized Transactions

The following transactions are unauthorized for use by the Office of the Treasurer:

1. Futures Contracts—A futures contract is an agreement calling for a fixed price, future delivery of standardized commodities including certain United States Government and Agency securities.
2. Forward Placement Contracts—There are two types of forward placement contracts, both of which are unauthorized:
  - a. Standby Commitment—This is an agreement for the sale of a security at a future date whereby the buyer of the security is required to accept delivery at the option of the seller.
  - b. Cash Forward Agreement—This is an agreement to purchase or sell a security at a future date with mandatory delivery and acceptance.
3. Short Sales—This is the sale of a security that is not owned by the seller.
4. Adjusted Trades—This is a method of hiding an investment loss by selling a security at an artificially high price to a dealer and simultaneously buying another over-priced security from the same dealer.
5. Any future, covered option, margin, or derivative contract which has the effect of leveraging the portfolio.
6. Investments in securities of the Investment Manager, custodian or other

security which would be considered a self-dealing transaction.

7. Investment in warrants.

8. Repurchase agreements (“repos”) and reverse repos may not be held as individual securities.

9. All other investment vehicles that are not specifically referred to in Section V.A. above.

## Appendix C—Investment Policy 233

### VI. Longer Term Portfolio

#### Composition and Investment

##### Objectives

These funds are comprised of assets that the National Spiritual Assembly has approved for a longer term investment strategy.

The primary investment objectives in acquiring these assets are to achieve maximum rates of return commensurate with safety of principal, given the guidelines

on asset mix, diversification, credit quality and the other restrictions contained

herein. The guidelines are consistent with the overall objective, which is to grow

the assets on an inflation-adjusted basis.

The National Spiritual Assembly has concluded that:

1. It is prepared to tolerate a moderate degree of volatility in the returns on longer-term Assembly assets in an effort to increase returns; and
2. An appropriate commitment to equities is warranted since equities are expected to outperform all other asset classes over the long-term.

#### A. Asset-Mix Guidelines

The asset-mix guidelines are recommended by the Treasurer’s Office to the National Spiritual Assembly for its approval and are designed to reflect an investment risk posture appropriate for long-term investments. Accordingly, the Treasurer’s Office will allocate assets among asset classes or Investment Managers to achieve the stated guidelines. These guidelines will be changed as circumstances warrant but will be reviewed at least annually.

Asset Class	Percent Allocation			
	Minimum	Long-Term	Maximum	
Policy Target				
Equity Investments		40	60	70
Domestic		[35]	[47.5]	
[55]				
Small Cap		[10]	[12]	
[15]				

Large Cap Diversified*	[25]	[35.5]	
[40]			
International	[5]	[12.5]	
[15]			
Domestic Fixed Income	30	40	60

\*Note: The "Large cap" sector could be in a passive or indexed investment

234 Stewardship and Development 3rd Edition

The above allocations do not include any allocation for short-term investments.

It is recognized that pooled funds and mutual funds may carry some balances of short term cash. It is also recognized that the Investment Manager may, on occasion and particularly in times of higher-than-normal market volatility, reasonably

hold a percentage of cash for a longer period of time in order to limit the devaluation risk of invested assets. Such a cash position would be viewed as a subset of

the "Domestic Fixed Income" class of assets; the determination to increase or

hold cash would qualify as one of those events requiring advice by the Investment

Manager to the Treasury. In general, however, cash or equivalents in the longterm portfolios should be kept to a minimum, with any larger balances of cash

governed by the short-term investment guidelines in Sect. V.

The basis for the reallocation of assets will be as follows:

1. At any time any Asset Class reaches its maximum or minimum allocation, the Treasurer's Office (or its Investment Committee, should one have been appointed by the National Assembly) must discuss, at its earliest convenience (or at the next following meeting of the Investment Committee, if appropriate), the reallocation of the assets back to the long-term policy target levels. If the Committee must decide, the actual decision will be voted upon.

2. It is expected that periodically the Treasurer's Office will also review, ideally in consultation with outside advisors and/or the Investment Committee, and possibly make changes in asset mix levels even if percentages are within the minimum/maximum bands.

It is also expected that there may be a need for a small amount of liquid assets to meet the day-to-day operating requirements of end-use beneficiaries, or for the reasons mentioned above. These assets generally will be invested in a high quality money-market fund or an equivalent.

#### B. Capitalization and Active/Passive Guidelines

Repeating the general allocations shown above, among domestic equities it is desirable to diversify further among large, medium and small capitalization companies, as well as among active and passive styles of investing. An

investment allocation among these categories is shown in the following sections.

Although not all of the fund categories which follow may be utilized in every instance, they are included for purposes of completeness. Passive (index) fund investments are shown since they have had a consistently attractive longterm return, especially for large capitalization equity investments.

### C. Investment Return Objectives

The return objectives outlined below have been established in order to provide the Treasurer's Office and any Investment Committee with a means to

#### Appendix C—Investment Policy 235

evaluate the overall performance of all the major investment funds as well as each individual asset class within the funds. Each fund's performance will be evaluated against these objectives annually. The results will be measured after adjusting returns for management fees. A three-year moving, annualized, time-weighted total rate of return will be the primary measurement calculation.

#### Total Fund Return Objectives

1. The total return, net of reasonable and customary fees and other expenses, is intended to exceed inflation in order to maintain the purchasing power of Fund assets.
2. The Fund's overall net return should exceed the total return on a diversified target composite, derived from the limits outlined in the above table and comprised of 32.5% large-cap issues rated in the S&P 500, small-cap issues distributed 7.5% Russell 2000 Value, 7.5% Russell 2000 Growth, 12.5% MSCI EAFE (or a composite of its regional indices), and 40% fixed income issues rated by the Lehman Brothers Aggregate Bond Index, by 0.50%.
3. The total return should rank in the top third of the universe of endowment/foundation funds with similar asset allocations.

#### Domestic Equity Asset Return Objectives

##### For Small Cap Managers

1. The total return of the small cap growth portfolio, net of reasonable and customary fees and other expenses, should exceed the total return of the Russell 2000 Growth Index by 1.0%.
2. The total return of the small cap value portfolio, net of reasonable and customary fees and other expenses, should exceed the total return of the Russell 2000 Value Index by 1.0%.
3. The total return of the portfolios should rank in the top third of the universe of equity managers with similar investment styles.

##### For Passive Fund Managers

1. The large cap index portfolio should closely track the total return of the

S&P 500 Index.

#### International Equity Asset Return Objectives For Active Portfolio Managers

1. The total return on the international portfolio, net of reasonable and customary fees and other expenses, should exceed the total return of the MSCI EAFE Index (or a composite of its regional indices), by 1.0%.
2. The total return of the portfolio should rank in the top third of the consultant's universe of international managers with similar investment styles.

#### For Passive Fund Managers

1. The total return of the passive international portfolio should closely track the total returns of the MSCI EAFE Index (or a composite of its regional indices).

#### Fixed-income Asset Objectives - Active Managers

1. The total return of the fixed-income portion of the portfolio, net of reasonable and customary fees and other expenses, should exceed the total return of the Lehman Brothers Aggregate Bond Index by 0.3%.
2. The total return should rank in the top third of the universe of fixed income managers with similar investment styles.

#### D. Investment Guidelines

Insofar as the Investment Committee is directly involved in the selection of mutual funds and/or commingled funds, it will do so with the advice of a consultant and the use of analytical resources such as Morningstar. Copies of fund prospectuses will be kept on file at the Office of the Treasurer. For active, separately managed portfolios the following guidelines will apply. These guidelines will be reviewed annually.

#### Overall Guidelines for Active, Separately Managed Portfolios

1. No more than 5% of total assets can be invested in any one company's securities, and no more than 15% in any one industry unless authorized by the Treasurer's Office. (Managers may employ any acceptable industry classification approach.) This restriction does not apply to investments made in United States Government securities.
2. No more than 5% of a corporation's outstanding issues in a given security class may be purchased.
3. Futures, covered options or any other derivative investments may be used for hedging or defensive purposes only. Use of these investments to leverage the portfolio is prohibited. The Treasurer's Office must review

prospectuses for pooled funds and mutual funds to ensure that such portfolios meet this restriction.

#### Appendix C—Investment Policy 237

4. Investments in securities of the investment manager, custodian, or any other security which would be considered a self-dealing transaction are prohibited.

#### Domestic Equity Guidelines

1. Equity issues purchased must be traded in the New York Stock Exchange, the American Stock Exchange, or the National Over-the-Counter Market (NASDAQ). However, NASDAQ securities purchased must be “marginable” (i.e.: securities of sufficient quality and liquidity to be accepted by the market generally as collateral supporting “margin trading”).
2. American Depository Receipts (ADRs) should be limited to 10% of the domestic equity portfolio.

#### International Equity Guidelines

1. The portfolio should be well diversified by country and by number of securities. At least 75% of the market value of the portfolio must be invested in securities of companies domiciled in EAFE countries and/or Canada. Investments in the United States should not be made.
2. Securities must be traded on major, recognized exchanges within each country.

#### Fixed-Income Guidelines

1. No more than 25% of the portfolio may be invested in an individual United States Agency’s securities, no more than 35% in mortgage-backed issues, and no more than 15% in an individual corporate sector.
2. Except as stated below, all issues must be investment grade quality and be denominated in United States dollars. The portfolio must have an average quality rating of at least “A” by a recognized rating agency. All Collateralized Mortgage Obligations (CMO’s) must pass the F.F.I.E.C. tests.
3. Up to 10% of the portfolio may be invested in issues that are rated less than investment grade.
4. Up to 10% of the portfolio may be invested in foreign bonds, dollar or non-dollar denominated.
5. The average duration of the portfolio must be within one year of the average duration of the Lehman Brothers Aggregate Bond Index.

These are found in Sect. V.A.

#### E. Investment Performance Review and Evaluation

1. Performance results for the Investment Manager will be measured on a quarterly basis.
2. The investment performance of the total portfolios(s) and equity and fixed income segments will be measured as described in Sections VI. D. through G.
3. Mutual fund performance(s) will be compared to the appropriate Morningstar measurement of results and risk.
4. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines set forth in this document.
5. While the Treasurer's Office intends to fairly evaluate portfolio performance over the agreed period of evaluation, the Treasurer's Office reserves the right to recommend to the National Spiritual Assembly that the Investment Manager be changed if there is:
  - a. Unacceptable justification for poor results.
  - b. Lack of responsiveness to Treasurer's Office overall concern about the market or an in-exibility to the Investment Manager's approach.
  - c. Failure to meet the Treasurer's Office communication and reporting requirements.
  - d. Sufficient reason in the sole judgment of the Treasurer's Office to believe a change of Investment Manager would be beneficial.

#### F. Other Items and Procedures Securities Dealers

1. Investment transactions will be conducted with financially strong and reputable firms.
2. Transactions with firms not already known to the National Spiritual Assembly may be conducted subject to screening and review by the Financial Advisory Committee or the National Spiritual Assembly or its representative. In addition, when buying Government or Agency securities, it should be done on a competitive basis with at least two bids.

#### Appendix C—Investment Policy 239 Payment, Delivery, Safekeeping and Custodianship

1. Payment for securities purchases and securities sold shall be in accordance with the normal and usual practice of the industry. The use of due bills is not authorized.
2. Most securities should be held in "Street Name" for the purpose of ease

of transaction or transfer, lower custodial costs, ease of accounting, and less opportunity for loss of certificates. However, in the event that safekeeping is used, the following policies shall be followed:

- a. All certificates of securities not in the physical possession of the National Spiritual Assembly will be held in a third party (a bank, other financial institution, or a securities dealer) account.
- b. All securities held in safekeeping shall be evidenced by a safekeeping receipt and/or a periodic statement of account from the safekeeping institution.
- c. The Treasurer's Office will, as part of its audit, confirm or have confirmed by its auditor, all securities held in safekeeping with the safekeeping institution and that all safekeeping arrangements include adequate insurance.
- d. Safekeeping agreements shall provide that all transactions be ordered only by a duly authorized employee or official of the National Spiritual Assembly or its designated Investment Manager.
- e. If the safekeeping institution is to be used to transmit funds for the purchase of securities, the agreement shall provide that the funds shall not be transferred until the securities are received by the institution.
- f. Safekeeping services shall be covered by a "bailment for hire" contract. Under this arrangement, the institution agrees to exercise ordinary care in protecting the securities held in safekeeping. Unless specifically covered by statute or contract, the institution is not an insurer of securities. It is liable only for negligence in caring for and protecting the securities.

#### Donation of Securities

1. It is the policy of the National Spiritual Assembly to sell immediately all individual securities which are donated to avoid trying to time the market. The only exceptions to this requirement are securities with donor restrictions prohibiting immediate sale, securities in closely held corporations where the sale of a large block may depress the stock price, or letter stock with restrictions on sale.

#### 240 Stewardship and Development 3rd Edition

##### G. Exceptions

1. It shall be the responsibility of the Treasurer's Office to determine whether a policy exception is necessary and, if so, whether the exception should be submitted to the National Spiritual Assembly or its appropriate officer(s) for approval.

Appendix D:

Banking Relationship

Policy

For the National Spiritual Assembly of the Bahá'ís of the United States (1998)

This policy is not intended to apply to, or serve as a model for, the investment, control and safekeeping of funds of any Bahá'í institution except the National Spiritual Assembly.

I. Purpose

The purpose of this Banking Relationship Policy is to set forth operating procedures to guide the administration of the banking relationship portfolios managed

by the Office of the Treasurer (the "Treasurer's Office") for and on behalf of the

National Spiritual Assembly of the Bahá'ís of the United States (the "National Assembly").

All portions of this policy statement are required to be in compliance with applicable federal and state regulations. Any section of this policy not so in compliance is automatically void.

II. Responsibility

The Treasurer's Office will have the responsibility for carrying out this Banking

Relationship Policy. The Treasurer, the Chief Financial Officer and/or the Controller of the Office of the Treasurer shall be the persons who have the authorization and the responsibility to administer and enforce compliance of their respective sections of this policy as delegated by the National Assembly.

Appendix D—Banking Relationship Policy 243

III. Banking Relationship Objectives

The primary objective of the National Spiritual Assembly's banking relationships

is to ensure the availability of funds at competitive prices to finance seasonal contributions shortfalls and capital projects. Secondly, banking relationships should

also provide the National Assembly with the required non-credit banking services. Corollary to the primary objective, the Office of the Treasurer will endeavor

to minimize the difference between the interest rate on the National Assembly's

loans and investments at the same banking institution, maximize the rate of return on funds in demand accounts and minimize the cost of banking services.

IV. Relationship Philosophy

The most effective method of meeting the objectives stated above is through the development of long-term relationships with a small group of core banks.

The number of relationships maintained at any time will need to be balanced between the amount of business we have to offer and the willingness of existing relationship banks to increase their exposure to the National Spiritual Assembly.

We want to make sure we provide meaningful business to each relationship bank; however, as the needs of the Faith grow we do not want to become overly dependent on too limited a number of service providers. We do not want to reach a point where a relationship bank is unwilling to increase its exposure to the National Assembly because we have over-concentrated our business.

## V. Maintenance and Use of Credit

### Facilities for Operations

The Treasurer's Office should maintain available lines of credit and/or committed facilities to ensure funds availability to finance seasonal contributions shortfalls.

Lines of credit and/or committed facilities must not be used to finance long-term capital projects. Credit usage would normally not exceed ten percent (10%) of the previous twelve months' contributions. In addition, the loan balance should be reduced to zero at least once every twelve (12) months.

Where feasible, multi-year committed facilities may be preferable to lines of credit since funding is more assured.

The size and form (i.e., lines of credit or committed facilities) of available credit should be reviewed annually at the time the annual budget is announced, and whenever increases/decreases in the contribution budget are made during the year.

### 244 Stewardship and Development 3rd Edition

The level of available credit should be based on a month-by-month forecast of cash flow, taking into account cash reserves.

All borrowing under lines of credit and/or committed facilities should be on an unsecured basis and allow for prepayment without penalty.

Lines of credit and/or committed facilities may be appropriate for funding capital projects during construction or while long-term financing is being arranged. This period must not exceed one year, however.

## VI. Credit Facilities for Long-Term

## Funding Requirements

The Treasurer's Office should obtain long-term funding to finance capital projects.

Long-term funding must not be used to fund seasonal needs.

Long-term borrowing may be incurred on a secured basis. Where practicable, security should be in the form of a mortgage on the project being financed. The House of Worship, including all of its land and any other related fixed assets, shall not

be mortgaged or otherwise encumbered. Other properties of the National Spiritual

Assembly may be mortgaged only with the express written approval of the National Assembly or its designated officer(s).

Pledging unencumbered assets not associated with a project being financed as collateral for long-term borrowings is not recommended and should be done only in extreme circumstances and with express approval of the National Assembly or its designated officer(s).

Loan prepayment without penalty is highly desirable. Interest rate reductions offered by a lender in exchange for limiting prepayment options may be considered; however, since prepayment is a valuable option, particularly at higher rates.

Any such interest rate reductions should be of one percent (1%) or greater.

The life of the loan should not exceed the expected useful life of the project financed.

Long-term floating rate funding must include a stipulated cap rate (i.e., a maximum increase of X percent over the life of loan).

## VII. Non-Credit Banking Services

The use of non-credit banking services should be monitored by the Office of the

Appendix D—Banking Relationship Policy 245

Treasurer. Each relationship bank should provide a regular listing of the use of each service and associated fees.

Payment for operating services should be in cash, where possible, and not in the form of compensating balances. As a general statement, because of reserve requirements, compensating balances are an inefficient form of banking compensation and should be avoided, even in connection with bank lines of credit.

## VIII. Control of line of Credit and Accounts

In consultation with the National Assembly's outside auditors, controls on the maintenance and use of bank accounts and lines of credit should be periodically

reviewed.

1. All advances under a line of credit should be evidenced by a note and/or a periodic statement of account from the lending institution.
2. The Treasurer's Office will, as part of its audit, confirm, or have confirmed by its auditor, all loans with each lending institution.
3. Lending agreements shall stipulate that all actions will be ordered only by a duly authorized employee or official of the National Spiritual Assembly and of the bank.
4. Account Operating Agreements shall provide that all transactions will be ordered and all checks will be signed by duly authorized employees or officials of the National Assembly and of the bank.
5. All bank account signatory additions and deletions should be approved by the National Spiritual Assembly or its designated officer(s).

#### IX. Exceptions and Review

It shall be the responsibility of the Treasurer's Office to determine whether a policy exception or amendment is necessary, and, if so, propose such change to the Treasurer of the National Assembly. Further approvals, including review and/or approval by the full National Assembly, will be sought at the Treasurer's option.

This policy statement shall be reviewed periodically and amended as circumstances warrant.

246 Stewardship and Development 3rd Edition

Appendix E:

Bibliography

Many of the publications listed below are available through the Bahá'í Distribution Service at 800-999-9019 or [bds@usbnc.org](mailto:bds@usbnc.org).

From Bahá'í Institutional Sources

Bahá'í Administration. Shoghi Effendi.

- The "textbook" on Bahá'í administration principles, practices and development.

Bahá'í Funds: Contributions and Administration. Compiled by the Universal House of Justice. National Spiritual Assembly of the Bahá'ís of Canada, Thornhill, Ontario. 1988.

Developing Distinctive Bahá'í Communities, Guidelines for Spiritual Assemblies. National Spiritual Assembly of the Bahá'ís of the United States.

Puqúqu'lláh. The Universal House of Justice, Research Department. National Spiritual Assembly of the Bahá'ís of Canada, 1989.

Messages From the Universal House of Justice 1963–1986. Bahá'í Publishing Trust, Wilmette. 1996.

- This new compilation of nearly 500 messages of the House of Justice represents a key resource for institutions, communities and individuals.

Sacred Trust . . . a Destined Recompense and Sure Reward. Bahá'í Publishing Trust, Wilmette. 2001

A Workbook for Understanding and Applying the Law of Puqúqu'lláh.

Appendix E—Bibliography 247

Books Authored by Bahá'ís

Created Rich: How Spiritual Altitudes and Material Means Work Together to Achieve Prosperity. Patrick Barker. Naturgraph Publishers, 1995.

- Presented in two parts, this book examines “how spiritual attitudes and material means work together to achieve prosperity.” Part One discusses the ultimate purpose of wealth in a Bahá'í context, offering a contrast between the possession of material means and the curse of materialism. Part Two lends itself to a series of deepenings on the role of material means in our lives as Bahá'ís.

Stories About the Funds. Compiled by Gloria Faizi.

- A collection of inspiring stories, old and new, about giving to the Funds. Retold by Gloria Faizi, these are wonderful to share at Feasts and during deepenings on the Funds.

The True Foundation of All Economics: A Bahá'í Approach for the Promotion of Universal Development, Justice and Prosperity. Compiled by Hooshmand Badi'í.

- Focusing primarily on social and economic development, this compilation includes sections addressing “Economic Moderation and Contentment,” “Material and Spiritual Coherence” and other chapters helpful to the Treasurer in sparking thought and discussion on issues related to our material lives.

General Books

Designs for Fund Raising. Harold Seymour. The Taft Group, Publishers.

- A useful, readable introduction to the best kind of fund raising. Order by calling 800/877-8238; cost is \$15.

Give to Live: How Giving Can Change Your Life. Douglas M. Lawson. ALTI Publishing, La Jolla, CA, 1991. 1-800-284-8537.

- Thought-provoking views from one of the best known fund-raisers, documenting the effects of giving and volunteering on life expectancy and health, and on the quality of life in general.

Money and the Meaning of Life. Jacob Needleman. Doubleday Currency Publication.

- A noted philosopher's discussion of concepts relating to money and its

place in life. Available in bookstores.

Wealthy and Wise. Claude Rosenberg, Jr. Published by Little, Brown and Co.

- Outlines effective means by which our donations may be maximized while offering strategies for cultivating more constructive financial habits.

Available in bookstores.

248 Stewardship and Development 3rd Edition

Your Money or Your Life. Joe Dominguez and Vicki Robin. Penguin Books.

- A fascinating examination of money—its true purpose and our attitudes about it. The views of these non-Bahá'í authors are surprisingly consistent with those of the Faith. Lends itself well to a group study. Available in bookstores.

Resources for Children

The Berenstain Bears—Trouble With Money—for children up to age 11

- Written by Stan and Jan Berenstain (published by Random House, New York 1983), this book teaches children about earning, saving and spending money.

Brilliant Star—True Wealth—for pre-youth ages 6–12

- The September-October 1996 special issue of this Bahá'í publication is committed solely to the topic of true wealth – and the spiritual nature of giving.

The Buck Book: All Sorts of Things to do With a Dollar Bill—Besides Spend It—all ages

- Published by Klutz, Palo Alto, CA, 1993. This “how-to” book comes with a real one-dollar bill that you can fold several different ways, as well as tidbits of historical information about money and its uses.

The Feelings of L-B-F: a Young Local Bahá'í Fund—or all ages

- A learning coloring book by Heidi Lakshman—approved for publication by the National Spiritual Assembly of the Bahá'ís of Canada. 1997—Heidi Lakshman—Treena Grenier; distributed by Unity Arts, Inc., Canada (800-465-3287) email [unityarts@aol.com](mailto:unityarts@aol.com)

Money, by Joe Cribb, published by Alfred Knopf—New York (1990)—for all ages

- Discover the story of money —its history, its meaning, and its many forms around the world.

Money Matters for Teens Workbook —for pre-youth ages 11–14

- This Moody Press (Chicago, 1998) publication, written by Larry Burkett, is an excellent source of information and applications about managing money, planning for later, borrowing, and charitable giving for young people.

Money, Money, Money :The Meaning of the Art and Symbols on United States Paper Currency—for pre-youth ages 7–12

- This HarperCollins publication, written by Nancy Winslow Parker (1995) is an excellent teaching tool for children as well as adults. Learn about the significance of some of the elements of the Great Seal of the United States on the dollar bill – including “Glory of God!”

One Magazine—Wealth and Poverty —for youth ages 15 +

- 2.5 ‘Ilm/Qudrat (Knowledge/Power) BE 154 (1998). This publication (by the Local Spiritual Assembly of the Bahá’ís of Eliot, Maine), is in magazine format, and is geared towards youth. It’s goal is to assist young people in expressing themselves and connecting with others. This issue’s aim is to stimulate thought and discussion about the topic of poverty and wealth.

Stories of the Greatest Holy Leaf—for all ages

- 3rd stories by Bahíyyih Khánúm related to the spiritual nature of giving.

Adapted by Jacqueline Mehrabi, published by the Bahá’í Publishing Trust of London, 1997.

Stories from the Star of the West—for all ages

- Compiled and edited by Andrew Gash (published by Bahá’í Publications Australia, 1985), this is a good resource for topics related to the spiritual principles of giving.

Vignettes from the Life of ‘Abdu’l-Bahá —for all ages

- Explore the virtues of giving in this cherished collection edited by Annamarie Honnold; 2nd edition published by George Ronald, 1991.

Zillions Consumer Reports —for pre-youth ages 12–16

- Zillions is published bi-monthly by Consumers Union, a nonprofit organization established in 1936 to give consumers the information they need to use their money wisely. CU also publishes Consumer Reports.

250 Stewardship and Development 3rd Edition

Index

A

‘Abdu’l-Bahá  
giving, 5–7

extracts from writings of, 1, 175–176

Accounting, 127–152

communities,

for earmarked contributions, 42

Treasurer’s basics for, 127–152

B

Bahá’í, responsibility for

Bahá’í centers

and building flourishing

156–157

checklist

Account Operating Agreements, 246 financial considerations, 163–166

Acknowledgment, 64 legal matters and insurance for, 166–167

Adoption expenses, 190 planning for growth and development,

Advisor, Treasurer as, 26–28 160–163

Aircraft, valuation of, 191, 209 unity issues, 157

American Bahá'í Community, responsibility local, 155–169 of, 4–5 reporting to National Spiritual Assembly,

Annuities, valuation of, 210 169

Antiques, valuation of, 208 Bahá'í Funds, 41

Appeals, 29–30 achieving greatest good, 46

Appraisals, 212 automatic contribution system (ACS), 50–

Arc Projects, 61 51

Arm's length offer, 206 Bahá'í Identification (BID) numbers, 50

Art objects, valuation of, 208 Bahá'í International Fund, 47–49

Athletic events, 187 believers discretion in giving to, 41–42

Audit, 87–97 Continental Bahá'í Fund, 47–48

and confidentiality, 97 contributing to, 11, 84–85 preparing annual, 87–88, 150 form for, 152 procedures checklist for, 113–121 by recipients of public charity, 9

procedures of, 111 earmarking and accounting for earmarked contributions, 42–44 sample report, 123

Auditors giving and entry by troops, 12–14

identifying, 88 giving to, as spiritual privilege, 3 tasks of, 88–89 giving to National, 49

Autographs, 209 importance of knowing about, 11–12

Automatic Contribution System (ACS), 50– local, 50 52, 86 making decision on supporting, 41 enrollment form for, 90 priorities in giving, 46–47 subscriptions, 50–51 setting goals for contributions to various,

Bahá'í Huqúqu'lláh Trust, 173

Bahá'í Identification (BID) numbers, 50

Bahá'í International Fund, 47–49

Bahá'í National Center management and

technical issues, 167–169

Index 251

Bahá'í Spirit, 3–4

Bahá'í Treasurers Bulletin, 147 C

Bahá'u'lláh, 153 Campaign of Glorious

Privilege, 61

acceptance of, as Manifestation of God, 3 Canceled check, 129–130

extracts from writings of, 174–175 “Candle Chart,” 87

recognition of, and contributions by, 9 Capital assets, 192

reliance on, and formulation of audacious Capital gain property, 192

plans, 13 Capitalization of income, 210

requirement for will, 66–67 Carryovers, 196

teachings of, 10 Cars

Bahá'u'lláh World Order, champion builders record keeping for

expenses of, 197

of, 9–10 valuation of, 191

Banking Cash contributions, record

keeping for, 196–

opening checking account for Local Fund, 197

127–128 Cash flow management, 231–233

relationship policy, 243 Cash journal, 138–143

control of line of credit and accounts, brackets in, 140

246 keeping accurate, 141–142

credit facilities for long-term funding recording contributions in,  
139–141

requirements, 245 recording expenses in, 140

exceptions and review, 246 sample, 143–145

maintenance and use of credit facilities set up of, 138

for operations, 244 Central Fund, contribution to, 42

non-credit banking services, 245 Charitable contributions

objectives, 244 deductible, 182

philosophy, 244 definition of, 185

purpose, 243 determining value of donated,

205–215

responsibility, 243 getting more information on, 214

Bar association, 190 limits on deductions, 193

Bargain sales, nondeductibility of, 191 nondeductible, 189–190

Believers, discretion in giving to Bahá'í Fund, organizations that

qualify for deductions,

41–42 186–187

Benefits received from contributions, 187 of property, 190–191

Bequests records to keep, 196–198

designating Fund, 69 reporting, 198

types of, 67–68 Charity benefit events, 187

Bills, prompt payment of, 136–137 Checking account, opening,  
for Local Fund,

Bingo, 63  
 Blood donations, 186  
 Boats, valuation of, 191–192  
 Bonds, valuation of, 209  
 Bounced checks, 141  
 Brackets, use of, in cash journal, 140  
 31–35  
 Budget  
 191  
 preparing, 83–85  
 using, as guide, 85  
 208–209  
 worksheet for, 91  
 58–59  
 Budget Committee, 83  
 Burial, 78  
 17–22; 156–157  
 Business  
 interest in, valuation of, 210  
 elements in  
 action, 18  
 Community at Feast, making reports to, 146–  
 252     Stewardship and Development 3rd Edition  
 Community development plan, 162  
 Community honor roll, 86  
 Comparable property, sales of, 206–207  
 42–43  
 Comparable sales, 207  
 Confidentiality, 89  
 nonobservation of,  
 of information, 23  
 Continental Bahá'í Fund, 47–48  
 24–26  
 Contingent bequest, 68  
 Contributed expenses, receipts for, 136  
 Contributed item, selling, 131  
 99–100, 127  
 Contributions  
 by children, 31–35  
 Treasurer, 70–71  
 earmarked, 42–43  
 effect of guilt on, 30–31  
 in Honor, 87, 93  
 in-kind, 130–131  
 in Memory, 87, 94

127–128  
 Checks  
     bounced, 141  
     canceled, 129–130  
     duplicate, 128  
     Children, contributions by,  
 Clothing, valuation of used,  
 Coin collections, 208  
 Collections, valuation of,  
 Communications, focusing,  
 Communities  
     building flourishing,  
     communicating goals to, 87  
     integration of, component

E  
 Earmarked contributions,  
     accounting for, 45  
 Earmarking instruction,  
 43–44  
 Educator, Treasurer as,  
 Emergency campaign, 61  
 Employer Identification Number  
 (EIN),  
     application for,  
 Estate planning, 66  
     resources from Office of

F  
 Fair market value

pledges in encouraging, 20–21  
of property, 205  
recording, in cash journal, 139–141  
207–208  
of stock, 134–135  
Contributors, distributing receipts to, 130  
creating network  
Credit facilities  
for long-term funding requirements, 245  
Bahá'í center, 163  
maintenance and use of, for operations,  
Spiritual  
244–245  
Current earnings, 60  
Custodial services, 229  
Return, 217–  
Form 8283, Noncash Charitable Contribu-

definition of, 206  
determining, 191  
problems in determining,  
Faith, reasons for giving to, 4  
Fee-for-service companies,  
of, 21  
Financial considerations for  
Financial Report to National  
Assembly, 83, 85, 92  
Foreign organizations, 187  
Form 8282, Donee Information  
Return, 217–  
Form 8283, Noncash Charitable Contribu-

D  
Foster parents, 188  
Deduction limits, 193  
private  
Default risk, 231  
Depreciable property, 192  
Deputization, 51–52  
Devise, 67  
Devotional life, 11  
55–58  
Diaries, 209  
Donated property, determining value of, 205  
personal property,  
Donated real estate, 132–133  
Donee Information Return (Form 8282), 217–  
Donors, substantiation requirements of, 181–  
182

tions, 219–224  
Foundations, contributions to  
nonoperating, 192  
Fraternal order dues, 186  
Fund-raising  
and planned giving, 55–71  
relationships and heart,  
Future events, 207  
Future interest in tangible  
191

G  
General bequest, 67  
General public, 65  
Gifts  
Double-entry system, 138  
Duplicate checks, 128  
Duplicate receipts, preparing, 128  
establishing priorities for, 46–47  
freedom to specify purpose of, 43  
planning, 69–70  
of securities, issuing receipts for, 135–136  
Giving  
believers discretion in, to Bahá'í Fund, 41–

Index 253  
planned, 69–70  
Spiritual  
Investment policy of National

and fund-raising, 55–73  
 saying thanks for, 64–65  
 composition and  
 as spiritual privilege, 3  
 objectives, 234–241  
 and spiritual progress, 5–6  
 Treasurer’s office in,  
 Goals 227–229  
 communicating, to community, 87  
 composition and cash  
 setting, for contributions to Funds, 84  
 231–233  
 Good, achieving the greatest, 46  
 Guilt, effect of, on contributions, 30–31  
 J  
 H Jewelry and gems, valuation  
 of, 208  
 Hazíratu’l-Quds, 155  
 Heart chart, 95  
 Heroic deeds of service, 4  
 Holographic (handwritten) wills, 67, 71  
 resources, 10–  
 Household goods, valuation of, 191  
 Puqúqu’lláh Kitáb-i-Aqdas (the Book  
 of Laws), 10  
 sacred law of, 173–179  
 outlined in, 68  
 supplement to the compilation on, 174  
 extracts from letters written on behalf of  
 Universal House of Justice, 176–  
 L  
 extracts from letter written by Shoghi Effendi, 176  
 acquisition of center, 166–167  
 extracts from writings of ‘Abdu’l-Bahá, 246  
 175–176  
 Living the life, 3–4  
 extracts from writings of Bahá’u’lláh, 174–175  
 Lobbying, 190  
 Local assembly, need for Employee  
 Identification Number by, 127  
 Local Bahá’í centers, 155–169  
 Local Fund, opening checking account for,  
 I 127–128  
 Income Local Spiritual Assembly,  
 making reports to,  
 capitalization of, 210 146–150  
 Assembly, 225–241  
 longer term portfolio  
 investment  
 responsibilities of  
 short term portfolio  
 flow management,  
 Kingdom of God and material  
 11  
 requesting of estate as  
 Line of credit, control of,  
 Local Spiritual Assembly,  
 146–150

tips on recording unusual, 140  
composition and  
Individuals, contribution to, as nondeduct-  
objectives, 234–241  
ible, 189  
Information, confidentiality of, 23  
In Honor contributions, 87, 93  
In-kind contributions, 130–131  
In Memory contributions, 87, 94  
M  
Inspirer, Treasurer as, 28–29  
Institutes and need for facilities, 156–157  
Insurance  
Kingdom of God, 10–  
liability, 107–108  
Request for certificate of, 109–110  
requirements for Bahá’í center, 167  
59–61  
title, for Bahá’í center, 166  
balancing, 137  
Interest in a business, valuation of, 210  
Inventory, valuation of, 209  
Investment Managers, responsibilities of, 226  
254  
Stewardship and Development 3rd Edition  
N  
interest in tangible,  
National Bahá’í Fund, 49  
contribution forms, 152  
Office of  
contributions to, 41, 130  
giving to, 49  
contributions, 20–21  
National Spiritual Assembly  
and acquisition of, on local Bahá’í center,  
155–156  
automatic contribution system of, 50–51  
and budget preparation, 83–85  
on changes in U.S. tax regulations, 181–  
183  
contributions to, 43  
disclosure by, of receipt of quid pro quo  
contribution, 182–183  
Financial Report to, 85, 92  
informing, on bequests, 68–69  
donated, 203  
investment policy of, 225–241  
Longer term portfolio  
investment  
Lottery, 63  
Manuscripts, 208  
Market value, 160  
Material resources and  
11  
Meals, 189  
Money, different kinds of,  
Monthly bank statement,  
Mutual exchange program, 188  
Personal property, future  
Planned giving, 69–70  
Planned giving resources from  
Treasurer, 70–71  
Pledges in encouraging  
Pocket file folders, 128  
Possessions, disposing of, 74  
Priorities in giving, 46–47  
Professionals, 65  
Property. See also Real estate  
appraisals of, 212  
bargain sales, 193  
basis, 192  
capital gain, 193  
capital gain election, 192  
contributions of, 191  
cost or selling price of  
decreased in value, 192

National Bahá'í Fund in supporting work      depreciable, 193  
 of, 49      determining fair market value of, 192  
 reporting to, 169      determining value of donated,  
 205–215  
 responsibilities of, 226–227      donee information return  
 for, 217–218  
 in building flourishing communities,      fair market value of, 192,  
 206–208  
 17–22      future interests in, 191  
 treasury as responsibility of entire, 17      increased in value, 191–192  
 National Teaching Committee, 160–161      inventory, 192  
 Noncash contributions      nondeductibility of,  
 191–193  
 record keeping for, 196–197      ordinary income, 192–193  
 reporting, 198      partial interests, 191  
 tax form for, 219–224      penalties for overstating  
 value of, 193  
 Non-credit banking services, 245–246      sales of comparable,  
 206–207  
 Nonqualified organizations, contribution to,      subject to debt, 191  
 as nondeductible, 190      unrelated use, 192  
 valuation of various kinds of, 208–210  
 Proxy voting, 229, 231  
 O      Public charity, contributions  
 of recipients of,  
 to Bahá'í Fund, 9  
 Offerings, receiving from the friends, 129  
 Opinions of experts, 207  
 Ordinary income property, 192  
 Organizations      Q  
 foreign, 187      Qualified organization, 185  
 nonqualified, 190      Qualifying expenses, 188  
 qualified, 190      Quickbooks, 137  
 Out-of-pocket expenses, 188      Quid pro quo contribution,  
 disclosure by  
 National Spiritual Assembly of receipt  
 of, 182–183  
 P  
 Penalty for valuation overstatement, 193  
 Percentage bequest, 68  
 Personal expenses, nondeductibility of, 189  
 Index      255  
 R      Stocks  
 contributions of, 134–136  
 Raffles, 63, 186      valuation of, 209–210  
 Real estate. See also Property      Student expenses

donated, 132–134  
 valuation of, 210  
 Receipt book, need for duplicate, 128  
 of donors, 181–  
 Receipts 182  
 distributing, to contributors, 130  
 issuing, for gifts of securities, 135–136  
 for loose change, 130  
 Record keeping, 150–151 T  
 in cash journal, 138–143 Tangible personal property,  
 future interest in, 191  
 for charitable contributions, 196–198  
 materials for efficient, 150–151 Tax changes, keeping abreast  
 of, 129–130  
 preparing for audit, 87–88 Taxes. See United States tax  
 regulations  
 suggested time-frames for, 151 Teaching, spirit of, 18  
 time frames for, 151 Technical issues and Center  
 management, 167–169  
 tips for, 150–151 Thank you, saying, 64–65  
 for unusual income, 140 Time, value of, 190  
 Reimbursed expenses, 188 Title insurance for  
 Relationship-building, value of, in fund Bahá'í center, 166  
 Bahá'í center, 166  
 development, 58 Token items, 188  
 Rental facility for Bahá'í center, 158 Toxic waste liability for  
 Bahá'í center, 166  
 Replacement cost, 207 Trade, valuation of property  
 used in, 192  
 Reports, making, 146–147 Training institutes,  
 importance of, 52, 157  
 Residual bequest, 68 Travel expenses, 189  
 Resource material, 147 Treasurer  
 Responsibility, inescapable, 4–5 as advisor, 26–28  
 Retirement home, 190 assistance for, 22–23  
 Right of God, 11–12, 173–174 change in, and need  
 for audit, 88  
 as educator, 24–26  
 estate planning and planned giving  
 S resources from  
 office of, 70–71  
 and fund raising, 66  
 Sacrifice, meaning of, 7–10 as inspirer, 28–29  
 Securities, issuing receipts for gifts of, 135– responsibilities of, 23,  
 227–229  
 136 in accounting, 89, 127–152  
 Service, heroic deeds of, 4 in banking relationship

policy, 243  
Short term portfolio composition, 231–233      in budget  
preparation, 83–85  
Solicitations, 29–30      Treasury  
Special events and campaigns, 61–64      automating, 137  
Special-purpose funds, creation of, 41      as responsibility of  
Spiritual Assembly, 17  
Specific bequest, 67      Treasury Committee, functions  
of, 22–23  
Spiritual Assemblies, responsibilities of, 9      Trustworthiness, 23  
Spiritual principles      teaching, through  
writings, 20  
giving, 3–7, 12–14      Tuition, 186  
knowledge of fund, 11–12  
material resources and the kingdom of  
God, 10–11  
Spiritual privilege, giving as, 3–5  
Spiritual progress and giving, 5–6  
Stamp collections, 208  
Stock certificate, 135

256      Stewardship and Development 3rd Edition

U

W

underprivileged youths selected by charity,      Will  
188      advantages of, 74–75  
Uniforms, 188      checklist for preparing your,  
76–78  
United States tax regulations      importance of, 74  
changes in, 181–219      preparation of, 67  
on charitable contributions, 185–204      sample memorandum to  
accompany  
donor's substantiation requirements, 181–      husband and  
wife's, 79  
182      steps to successful, 75–76  
Unity of thought and need to acquire Bahá'í  
center, 157

Universal House of Justice, 9, 53, 81, 124  
and context of giving, 6

Y

extracts from letters written on behalf of,      Year-to-Date Report of Income and  
Expense,  
176–179      preparing, 149–150  
Universal participation, 5–6, 7

Z

V      Zoning and building code issues  
for Bahá'í

Value, determining, for donated property, 205      center, 166

Volunteers, 27, 61, 156, 168, 189

Index 257

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