** Crowdfunding Tips**

**Introduction**

Crowdfunding is an online platform or service to raise money in smaller amounts from a variety of donors.  It’s not much different from receiving online gifts to a church website. Crowdfunding uses technology that taps into social networks to expand fundraising opportunities. Crowdfunding technology includes platforms like GoFundMe.com, CrowdRise.com, FundRazr.com or go.purecharity.com that set a funding goal and monitors progress using a thermometer and a timeline or countdown.

**Oversight for Donor Restrictions**

The church must ensure that funds are not raised for the private benefit of individuals.  The church is responsible to exercise discretionary control over the donations received and demonstrate that the funds were used to advance the church’s ministry goals.

For example, church members who go on mission trips often send out appeal letters asking for financial support. Increasingly, crowdfunding sites are used for those types of trips. The church should have a policy for approving such projects—and for approving any appeals that are sent out for such projects. The church cannot simply collect funds for missionaries or other leaders and hand them the money without providing oversight.

**Set Up:**

1. Use a bank account of a charity recognized by the Internal Revenue Service (IRS) to deposit the crowdfunding money. If the bank account is linked to an account not recognized as a charitable organization by the IRS, the organization won’t be able to produce a charitable contribution receipt for the donor.
2. Have the church council establish the funds to which donors will contribute.
3. Create a fund description for each fund. The fund description should be general enough to allow for flexibility in the use of the funds.

Good Fund Description: Funds donated to the building fund will be used to acquire and maintain a new church building.

Poor Fund Description: The church council has established a building fund to acquire the property on 154 Main street. (This description is too limiting. If the main street contract falls through, the money must be returned to donors even if another property is found.)

**Charitable Contribution Statements:**

Some crowdfunding sites allow a nonprofit to register as a charity and include technology that provides immediate electronic receipts to donors. In other cases, the church or charity may be responsible to get information from the crowdfunding platform in order to issue receipts to donors.  Either way, it is the church’s responsibility to ensure that receipts are issued in accordance with IRS guidelines.

Please pay careful attention to the setup, issuance of charitable contribution receipts and internal controls.

1. The statement should indicate the charitable organization to whom the funds were received in addition to their address and phone number.
2. The IRS requires that charitable contribution statements include language similar to the statement below, for the donation to be treated as a charitable contribution.

*No goods or services were received in exchange for this donation*

1. To allow the council to repurpose the funds when a project is abandoned; the church should add to the fund description and other promotional material this wording:

*By contributing to this project, donors acknowledge that the church has full authority to apply contributions designated for this project to other purposes in the event the project is canceled or oversubscribed.:*

1. If an item was given to the donor in exchange for the donation, please review quid pro quo rules to record the proper amount for the charitable contribution.
2. Send contribution statements to donors if their gift is equal to or exceeds $250 or more. Charitable contribution receipts can be given after they give or by January 31st of the following year.

**Internal Controls**

The individual who has the authority to change the bank account with the crowdfunding site, to which the funds will be deposited, should be someone who does not have access to the accounting software. The monthly statement of activity should go directly to the person handling the bookkeeping from the crowdfunding software, or the bookkeeper should download the deposit information directly from the site. This creates an internal control to ensure that all funds given were deposited into the church bank account and not diverted into another account.

**Important Notes**

1. Funds should not be established for the benefit of one person. The IRS requires that funds donated must be used for the benefit of a large pool of individuals, not one specific individual or a small class of individuals. The church council has the responsibility to determine the recipients and the amount of funds they should receive without influence from the donor.
2. The funds may only be spent according to the fund purpose established by the council.
3. Use a trusted site for crowdfunding appeals. Ask about fees, the time limit for appeals and what happens if the appeal doesn’t reach its goals. Look at online reviews and the Better Business Bureau. Consider all the options that a site offers and what options work best for your church.