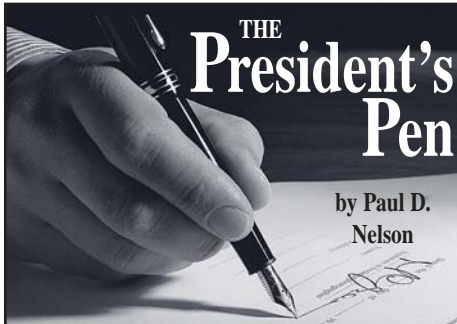




Applying a higher standard  
Serving a higher purpose.™

# FOCUS

ON ACCOUNTABILITY™ Fourth Quarter 2004



## THE President's Pen

by Paul D. Nelson



## Transparency, Transparency, Transparency.

**A**sk any real estate professional what the three most important considerations are in purchasing property and the answer will be “location, location, location.”

I believe we need such an emphasis on transparency in the nonprofit sector if we are to convince lawmakers, the media, and the donor public that we are serious about accountability.

New nonprofit legislation is likely to be introduced in Congress in 2005. The discussions concerning this legislation have been fueled by some highly publicized scandals, tax loophole abuse, and a heightened media reporting of charity missteps.

This presents an opportunity for the Christian community not only to demonstrate compliance with the law and ECFA Standards, but also to model leadership by voluntarily increasing our transparency.

Transparency is not necessarily a characteristic unto itself. It is really part of the definition of integrity. It enhances effective communication with donors. It is embodied in good

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FEATURE FEATURE FEATURE FEATURE

## The Heart of Fund-Raising



by Daryl Heald



**W**e are living in an incredible age: Not only does America's unparalleled prosperity make ours the first mass affluent society in world history, as public-policy expert Dinesh D'Souza observed, but the church of Jesus Christ is poised for explosive growth around the globe.

I often hear, “If we only had the money, we could . . .” But if the earth is the Lord's and everything in it, as the psalmist says, and if ministries are in fact going about their Father's business, why do they lack funds? Why do Christian givers who have been entrusted with so much wealth keep so much of it for themselves?

We don't have to dig too deeply into charitable giving statistics to realize that the current way that we've gone about raising funds for Christian work is just as broken as the way we give these funds. It's not necessarily a matter of articulating a clearer vision, improving a ministry's effectiveness, strengthening the economic position or securing political stability that will generate greater giving; it's a matter of transforming the heart.

Much of our conversation on fund-raising and giving seems to center on things other than heart transformation; instead, many seek to improve their tactics or perfect their transactions. Both of these are important—but fund-raising must begin with a transformation of the heart.

**Tactics.** Tactics refers to “the art or skill of employing available means to accomplish an end.” When we think tactically about our giving, we ask questions like: To whom do I give? Where do I give? When do I give? How much do I give? To what do I give? These questions have much

*“Fund-raising must begin with a transformation of the heart.”*

more to do with one's strategic understanding of the fullness of God's kingdom—*our minds*.

**Transactions.** A transaction is “an act or process of doing business.” When we think transactionally about our giving, we ask questions like: What is the best vehicle for our giving (e.g., checkbook, Internet, donor-advised funds, foundations)? When is the best time to make this gift (e.g., one-time, quarterly, end of year)? How should I make this gift (e.g., cash, appreciated assets, in kind)? Who can

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ON ACCOUNTABILITY

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**Transparency**

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employee management practices and is important to all friendships. It can coexist just fine with confidentiality but conflicts with secrecy.

A key example is executive compensation where public skepticism has been created by the revelation of excessive salaries for some charity leaders. The IRS has just announced a probe into 2,000 charities where the CEO's compensation appears to be statistically out of line. That's the environment we're in.


Ironically, many ministries pay lower than average compensation. Rather than suppressing these figures, we need to turn our attention to clarifying them. Salary figures presented without job descriptions and other narrative can be misleading.

Every board needs to exercise due diligence and properly compensate the CEO of its organization, but in doing so, it needs to be prepared now to defend the amount publicly. It's a new day!

We must demonstrate an openness that will help donors, the media, and lawmakers understand that our mission is framed in a God-honoring quest for excellence.

ECFA has found the public is often more interested in knowing that compensation data is available than they are in actually reviewing it. However, as soon as it's not available, people want it all the more, assuming that something is being covered up.

Addressing this issue of transparency is now much less problematic or expensive because it can be achieved electronically. In the coming months, ECFA will make its websites available to its members to make expanded disclosure of various types of information. As an addition to each current member profile, we will offer members the opportunity to post an annual report and Form 990 (or comparable information). This will enable you to highlight your ministry's accomplishments and audited financial statements (including any explanations that might be appropriate relative to fund-raising or overhead percentages or other unusual items).

This will all be done on a voluntary basis, but we believe that, as a community, taking these steps will set an example—sending a message to lawmakers and others that we are changing and improving with the times. We have nothing to hide and we are serious about keeping the focus on our mission! 

**The Heart of Fund-Raising**

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help me manage my gift process? This realm of questioning is influenced more by the financial realities and context of the giver—*our pocketbooks*.

**Transformation.** This word Webster defines as “a change in character or condition.” When we think through our giving transformationally, we ask only one question: Why? Why give in the first place? Why not keep more for myself? Why does God need it? Why has he asked me to participate? This line of questioning moves us into the theological and philosophical realm—*our hearts*.

For too long, givers and ministries have focused exclusively on tactics and transactions, underestimating the need for transformation. We have unwittingly created and perpetuated a culture of frugal tipping, rather than generous giving. Without tackling the question of why we give in the first place, it is virtually impossible to break our culture's materialistic grip, or to believe Christ when He said laying up treasures in heaven is better than storing them up here on earth.

So what does this mean to you as a ministry leader? God has given you a unique role to play in facilitating a revolution of generosity to Christ's Kingdom. If we ever expect to witness such extraordinary wealth released for these extraordinary opportunities, it will require an extraordinary response from ministry leaders. It will likely mean changing the way you go about raising funds and relating to givers. Help givers answer the “why give” question, and be intentional about discipling

them on their journey to generosity.

Let's consider three principles, along with some practical steps you can take to cultivate greater generosity in givers.

**Model with authenticity.** Evangelist John Stott, commenting on the state of church giving and the role of the pastor, once noted, “The pew will never rise higher than the pulpit.” As a ministry leader, you should not take a giver where you have not been yourself. This means that you must be at least one step ahead in your understanding and practice of Christ's teaching, “It is more blessed to give than to receive” (Acts 20:35).

You and your board must, on a percentage basis, be generous to the ministry as well. One ministry leader told me of a giver who, after inquiring about the most exciting opportunity in

**“Be willing to place  
the Kingdom  
ahead of your ministry.”**

that ministry, asked outright: “If this is such a great opportunity, how much are you putting in?” You must be secure in your calling, confident of where God has intended you to be and, therefore, empowered to ask on behalf of the King for His kingdom.

Conduct a personal giving analysis: Are you being financially sacrificial and generous to God's kingdom, specifically to your ministry? Next, look at the aggregate giving of your staff and board; determine what percentage this represents to your overall budget, and set a goal with your team to see that

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## Rollin Van Broekhoven Honored




Earlier this year, the Board and staff of ECFA presented Rollin Van Broekhoven with a special plaque highlighting his extraordinary service to the Christian community through ECFA.

ECFA has many giants among those who have served the organization over its 26-year history. Few, however, have demonstrated the vision, commitment, and competence of Judge Rollin Van Broekhoven. Only God alone knows the hours, prayer, and dedication that he has given to the work of ECFA.

Rollin has two PhD degrees from Oxford University, a J.D. from Baylor University, post doctoral work at the University of Virginia, George Washington University, and The Hague Academy of International Law in the Netherlands, not to mention his first alma mater, Wheaton College. He is admitted to practice before the Texas Supreme Court, the U.S. Court of Military Appeals, the U.S. Court of Claims, and the U.S. Supreme Court.

In God's providence, he became the board chairman just two months before the collapse of the Foundation for New Era Philanthropy. At that time, New Era was the largest charity fraud in U.S. history and produced one of the most complex bankruptcies. Rollin quickly provided ECFA with credibility and networking in the legal community, the vision for leadership, and the sheer grit to trust God and take a risk by attempting to bring about a resolution to the New Era collapse.

The historic settlement of New Era could not have occurred without his leadership. It resulted in returning more than 90% of hundreds of millions—that would have otherwise been lost—to hundreds of charities.

While ECFA will greatly miss Rollin's service on its board, his service to the evangelical community will continue. 

## Self-Assessing the Performance of Your Board

Increasingly, ministry boards are recognizing that evaluation is necessary for a board to effectively fulfill its role and improve board performance. As ministries grow and the needs of its constituencies change, it is a challenge to constantly re-examine the mission and purpose of the organization.

A self-assessment gives the board an opportunity to step back from routine board issues and address larger, more fundamental matters. It's a way to gauge the board's feelings on the organization's mission and purpose and the relationship between the board and the CEO.

Self-assessments can transform a board guilty of micromanaging the ministry's work and redirect their focus to governance issues. It can improve the board's quality of leadership.

*“A self assessment helps boards focus on integral parts of their work.”*

A board that holds itself accountable through frequent evaluation will be more effective in holding its CEO accountable. Self-assessment can also send a strong signal to donors and constituents that board members take their responsibilities seriously.

Some boards delay implementing self-assessment, worrying that the process might be negative and deteriorate into finger pointing more than performance building. However, constructive self-assessments result in board members emerging with a better understanding of their roles, other board members' roles, and a clear set of board action plans.

**Getting started.** Board self-assessment starts with a board's decision—adopting a policy on how and when

the process will be conducted. For the process to be effective, there must be a commitment to frequent self-evaluation versus conducting self-evaluation at a retreat to be held every ten years! A clearly written board policy is the best way to demonstrate this commitment.

**Frequency of assessments.** Some boards conduct comprehensive self-assessments—these are too significant for most boards to perform every year. A stable board might conduct a comprehensive assessment every two or three years.

Even boards using a comprehensive approach every few years find it vital to include a brief period of self-evaluation at every board meeting. It may only be a few minutes at the end of the meeting when the board chair asks: “How did we do in this meeting? Did we function within our bylaws? Were all of our actions in compliance with board policies? Did we stray over into management issues?”

For a board to know if it operated within the ministry's own bylaws or board policies assumes that these

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## Board Self-Evaluation Tools

ECFA has three sample board evaluation tools at [www.ECFAMembers.org](http://www.ECFAMembers.org), Topics of Interest, Board Governance, Board Self-Evaluation.

- Form 1 – To be completed by an individual board member to evaluate the board as a whole
- Form 2 – To be completed by an individual board member to evaluate their own personal board performance and involvement
- Form 3 – To be completed by an individual board member to evaluate a fellow board member

**Self-Assessing Your Board**

— from page 3

documents are readily accessible to the board. In fact, the board policies should either be in the set of hand-outs for every board meeting or copies should be on the board table.


Distributing copies of board policies is the first challenge for many ministries because this document does not exist! The actions of the board that constitute policies have never been pulled together and properly organized.

**Types of assessment.** A variety of evaluation tools and processes are used by boards. Some boards design their own questionnaires; others use forms created by other organizations or consultants. Some use interviews. Some ask outside experts to assess their performance.

*“A self-assessment begins with the board’s decision to examine its performance.”*

Some ministries use online self-assessments (using services such as [surveymonkey.com](http://surveymonkey.com)) for efficient turnaround of results and confidentiality. A good self-assessment needs to ask relevant and clear questions; collect systematic feedback from a variety of sources; and use the information to inspire future development of board leadership.

Whatever process your board uses, be sure it is tailored to fit your ministry. Far too often, boards use off-the-shelf evaluation systems or forms without creating the criteria for its own performance. This tends to lead to faulty results. (The sample templates provided on ECFA’s website—see sidebar—are simply to provide a starting point for you to develop your own evaluation documents.)


**Summary.** Board self-evaluation takes time and effort. It requires commitment and consistency. The potential benefits include energizing board members, improving board and staff relations, and identifying board structures that need improvement. It’s worth the effort! 

*National Panel on the Nonprofit Sector Named*

**A**t the request of the Senate Finance Committee, a national association of charities and foundations, called the Independent Sector, has formed a panel of charity and foundation leaders to advise the Finance Committee regarding charity oversight legislation that is likely to be introduced into Congress in 2005.

Paul Nelson, ECFA’s president, was named to this 25-member panel. Former ECFA board chairperson,

Joyce Godwin of Albuquerque, New Mexico, has been named to the Governance and Fiduciary Responsibilities work group. ECFA Standards Committee member Michael Batts, managing partner with Graham, Cottrill, Jackson, Batts & Hostetter, LLP, Orlando, Florida, will serve on the Legal Framework work group. Todd Chasteen, General Counsel with Samaritan’s Purse, Charlotte, North Carolina, is on the Oversight and Self-Regulation work group.

See [www.ECFAMembers.org](http://www.ECFAMembers.org) for more information on the work of this panel, including periodic updates. 

**Leading Your Ministry in a Changing Nonprofit World**

*2005 Regional Workshops for Board Members and Key Staff*

**I**n 2004, ECFA conducted 10 regional workshops from Washington, DC to Seattle. The workshops were attended by approximately 600 ECFA member representatives.

Here are just a few of the responses participants provided:

- “I was truly impressed with the zeal, content, spirituality, professionalism, and caring of the speakers.” —Bill Johnson, CEO, American Decency Association
- “This was time well spent. The topics were excellent.” —Judith Bryson, CEO, Pioneer Clubs
- “This was an informative and encouraging day. I am glad to be part of ECFA.” —Greg Fritz, CEO, Caleb Project
- “All of your speakers were absolutely awesome! It was such a pleasure to learn, be confirmed and encouraged.” —Donna Selka, Paxton Ministries
- “Excellent material. Outstanding, knowledgeable and entertaining speakers.” —Terry Tylka, Light of Life Ministries
- “Outstanding! Helpful and affirming. Thanks for answering our many questions.” —Camilla Seabolt, CEO, Community Bible Study
- “Fantastic! This will ease my transition from the private sector to the Christian ministry environment.” —Kenneth Temple, Criswell College

Join your colleagues in ministry for a member-benefit, no-cost, day-long workshop. These sessions will provide an overview of the nonprofit community from ECFA’s unique vantage point, including recent tax, finance, and legislative developments as well as a special emphasis on board governance issues.

Invitations will be sent in advance of each meeting or email [info@ecfa.org](mailto:info@ecfa.org) to reserve your attendance. The following workshops are scheduled:

May 13	Ft. Lauderdale, FL	June 3	Columbus, OH
May 20	Charlotte, NC	June 16	Tulsa, OK
May 24	Phoenix, AZ	June 30	Chattanooga, TN

*Who Should Attend?*

**Board Members, CEOs, CDOs, CFOs, and Other Key Staff**

**The Heart of Fund-Raising**

—from page 3

percentage increase annually.

**Lead with the kingdom.** Your ministry is part of God’s kingdom. If you truly believe that God’s work will be funded in His timing to His glory, then be winsome and willing to place the Kingdom ahead of your ministry.

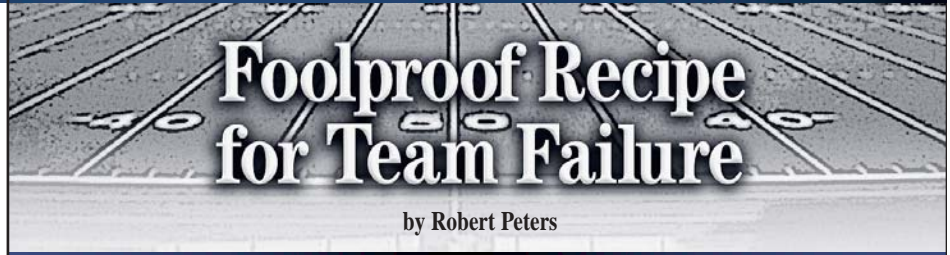
Too often we are so focused on what God has asked us to accomplish, that we forget that givers are involved in their own churches and multiple ministries. On average most givers contribute to at least a dozen organizations annually. Why not talk about your ministry in the broader context of the Great Commission, helping givers understand where yours fits in relationship to other kingdom work about which they are passionate? You might explain, for example, how evangelism and Scripture distribution work together, or how relief and development can be a catalyst for church planting.

A ministry leader once told me of a giver who asked him a number of questions about two other ministries. Because he was familiar enough with these organizations, the ministry leader proceeded to answer the giver’s questions. As their discussion came to a close, the giver handed him two checks for \$100,000 each—made out to those other two ministries! How would you feel if you were that ministry leader? Would you celebrate those two checks as a win for Christ’s kingdom, or as a loss to your ministry?

Add a field in your donor database that tracks the various ministries in which your givers are involved. That way you’ll be able to network them effectively with appropriate relationships, information, knowledge and conferences—all for the sake of the Kingdom.

**Bring something to the table.** With an ever increasing pressure to take ministry to the next level, many givers feel as if the “ask” was more about getting than giving, less about grace than expectations. Turn the table and ask yourself what you can offer to your givers because, as Jesus said, “Generosity begets generosity”

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# Foolproof Recipe for Team Failure

by Robert Peters



**T**his recipe is guaranteed *not* to produce results, regardless of the amount of time and energy invested, or the quality of the ingredients you use. It has been field tested in countless situations with a variety of circumstances and has yet to yield anything other than failure. Follow the instructions closely for the worst overall results and minimum yield.

**Blend:**

- Lack of vision
- Non-existent measures
- Ill-defined results
- Team members selected solely on availability

This is the all important start-up phase. To ensure failure, it’s extremely important to rush through this part of the process. Under no circumstances entertain any discussions that even hint of overall direction or vision for the work team or project that is about to be undertaken. Move quickly to truncate any conversations that you sense might lead to providing definition of the expected outcomes or desired results. Avoid the “why we’re all here” and more specifically the “why you were selected” discussions like the plague. . . . these can lead you down the road to clarity.

**Combine with:**

- 1 part apathy
- 2 parts “fit it in where and when you can”
- 2 parts non-participation
- 1 part lack of support at senior level

As the “team” begins to take shape, encourage people to bring other “more important” work with them to finish during the meetings. This will encourage an apathetic “why am I here” atti-

tude and foster a non-participative atmosphere and spirit. If any member of the executive team expresses interest at any time, be quick to discourage their involvement by explaining the insignificance of the work being accomplished by the team (“You’ve got better things to do with your time than . . .”). This will also serve to further discredit the team and anything of value that it might inadvertently produce.

**Fold in:**

- Too many or too few participants
- No training on team dynamics
- Little to no understanding of team members abilities
- Overstated expectations
- An unrealistic timeline

Think in terms of overwork (too few people) or gridlock (too many involved) to discourage those who are truly interested in accomplishing something. Above all, don’t let people

*“To ensure failure, do not define expected outcomes or desired results.”*

get to know each other. The team’s innate giftedness will become readily apparent as motivated individual abilities will surface quite naturally, and the possibility of tailoring an assignment to each member increases exponentially when that happens. Compensate for the lack of definition upfront by creating superhuman expectations and a timeline that encourages intense prayer for the Lord’s quick return (Rapture-based Project Management Philosophy).

- Sprinkle generously with good intentions.
- Serve at conference room temperature.

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**Foolproof Recipe***—from page 5*

**Yield:** Frustration enough for everyone involved (with sufficient amounts left over so that every person affected by the team's inability to deliver can have some too).

Congratulations! The lack of fruit produced will make it doubtful that any teams will be formed in the future, as they will be seen as a waste of time and energy. You've successfully squandered the time of everyone involved and discouraged any meaningful contribution from them in a team-based environment in the future.

**“Inability to set priorities is the second most frequent complaint of team members.”**

Having said all that, the more important side of this discussion is focused on the inverse—making it work when a team of people is involved. Let's take a look at the “plus” side of the equation, having already mulled over the “minuses”.

LaFasto and Larson in their recent work, *When Teams Work Best*, offer some solid, practical guidance for those looking to make teams work better. They divided their research on over 6,000 team members and leaders into two broad categories: Working Knowledge Factors and Teamwork Factors. For our purposes, we'll consider only the Teamwork Factors, and more specifically, what they identified as the six dimensions operating in each of the most successful teams: 1) focus on the goal, 2) ensure a collaborative environment, 3) build confidence, 4) demonstrate sufficient technical know-how, 5) set priorities and 6) manage performance.

**Focus on the goal.** Your first responsibility is to keep the team focused on the goal. You must help them achieve as much clarity as possible regarding the team's direction. Continually and consistently paint a verbal picture that raises the team's understanding of the significance and worth of their purpose. Remember the Second Law of Thermodynamics . . . all matter is in a constant state of decay. You have

to combat it by continually reinforcing and renewing the goal.

**Ensure a collaborative environment.** Simply refuse to tolerate behavior that detracts from a collaborative environment. You need to talk about it, reinforce it and guarantee it. It can not be effectively accomplished on an “as needed” basis; it needs to be continually reinforced. You can't move back and forth from “expert silos” or heavy team leader decision-making, you have to demonstrate it and model it.

**Build confidence.** Jack Welch said: “Giving people self-confidence is by far the most important thing I can do. Because then they can act.” Accentuating the positive and acknowledging accomplishments can go a long way. Be fair and impartial in your dealings with each team member, and exhibit trust and confidence by assigning responsibility. And don't forget to say “Thank You.”

**Demonstrate sufficient technical know-how.** To lead the team, you must understand the body of knowledge directly related to the achievement of the goal. This can come through study, direct experience or some combination of the two. If you don't have sufficient technical know-how or the time to acquire it, be willing to seek out and rely on those who do. Remember, you're not expected to have all the answers, but you are expected to help the team analyze complex issues related to the goal.

**Set priorities.** Inability to set priorities is the second most frequent complaint by team members. You have to be clear on what must be done to make the most of systematic progress toward your goal, while reconciling competing demands for finite resources (What doesn't get done?). When priorities change, be certain to explain why and discuss the anticipated impact.

**Manage performance.** This is the top complaint: “Our leader is unwilling to confront and resolve issues associated with inadequate performance by team members.” Give constructive feedback: behaviorally focused, unambiguous, direct without

being mean-spirited, and as helpful as possible in directing them toward success. Focus expectations on results that have been mutually agreed to, and help each member translate team goals into meaningful individual measures.

Contrary to the first recipe, following these guidelines will produce a bountiful harvest of results and an energized team that will be ready for the next challenge.

Ready, set, grow! 🌱

*Bob Peters has more than 25 years of field experience as a practitioner in human resources. He may be reached at [rupeters@peoplemanagement.net](mailto:rupeters@peoplemanagement.net). Web: [www.sima-pmi.com](http://www.sima-pmi.com).*

**The Heart of Fund-Raising***—from page 5*

(Luke 6:38, The Message).

Pastor Andy Stanley in Atlanta has gone out of his way to create a culture of generosity at North Point Community Church. When asked about this, he replied, “Before we can ask something from our members, we must ask what we want for them.” So, what do you want for the givers to your ministry?

The apostle Paul declared to the Philippians, “Not that I am looking for a gift, but I am looking for what may be credited to your account” (4:7). Here the apostle desired that they be credited with heavenly treasure. What other things can we desire for our givers? How about grace, joy, blessings, freedom, affirmation, peace, family unity or health?

Build your own list with the leadership of your ministry and make these points of prayer and expected outcomes in your development process. Continue with that list and ask what you can tangibly do for them, such as: praying for their needs; affirming their unique calling in Christ as givers; equipping them with resources on generosity like books or CDs to help them on their journey to maturity in the Lord.

No doubt, one of the hardest aspects of excelling in ministry is fund-raising. In Paul's letter to the wealthy and talented Corinthian church, he admonishes them to keep on using their gifts but not to forget an important aspect of who we are

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**ECFA will be represented at the following events and meetings:**

- Jan. 11 Christian Management Association Chapter Meeting  
Colorado Springs, CO  
Dan Busby, Presenter
- Jan 13 NACBA Chapter Meeting  
Colorado Springs, CO  
Dan Busby, Presenter
- Jan. 15 Evangelical Fellowship of Mission Agencies Tax & Finance Conference  
Atlanta, GA  
Dan Busby, Presenter
- Jan. 17-19 Christian Stewardship Association Briefings for ECFA Members  
Atlanta, GA  
Paul Nelson, Presenter
- Jan 27 CEO Dialogues  
Washington, DC  
Paul Nelson, Facilitator
- Feb. 12-16 NRB Annual Convention Briefing for ECFA Members  
Anaheim, CA  
Paul Nelson, Presenter

**The Heart of Fund-Raising**

— from page 6

in Christ—givers: “But just as you excel in everything—in faith, in speech, in knowledge, in complete earnestness and in your love for us—see that you also excel in this grace of giving” (II Corinthians 8:7).

So along with the tremendous talent, vision, passion and mission embodied within your ministry, see that you model with authenticity; lead with the kingdom; and bring something to the table. In this way, you will help others to experience the joy of generosity. 

*Daryl Heald is the president of Generous Giving, Inc. and senior program officer of The Maclellan Foundation, both in Chattanooga, TN.*

• **IRS releases revised Form 1023.**

A new Form 1023, Application for Recognition of Exemption Under Section 501(c)(3), has been released by the IRS. It is available at [www.irs.gov/pub/irs-pdf/f1023.pdf](http://www.irs.gov/pub/irs-pdf/f1023.pdf). The current form will be accepted through April 30, 2005.

• **IRS probes nonprofit salaries.**

The IRS plans to contact 2,000 nonprofits under their Tax-Exempt Compensation Enforcement Project. This initiative will continue until 2005.

• **403(b) plan guidance issued.**

The IRS recently issued a long-awaited regulation on 403(b) plans (see [www.irs.gov/pub/irs-regs/15560802.pdf](http://www.irs.gov/pub/irs-regs/15560802.pdf)).

• **IRS increasing enforcement efforts.**

The IRS indicates that the Exempt Organization’s enforcement efforts in 2005 will focus on antiterrorism, abusive tax avoidance transactions, credit counseling, and excessive compensation. The examination resources devoted to those four areas will rise from 5% in fiscal 2004 to 32% in 2005.

• **Congress adopts new rules for contributed vehicles, boats and airplanes.**

The American Jobs Creation Act of 2004 significantly changes the way tax deductions resulting from charitable contributions of cars, boats and planes will be determined. The new legislation will go into effect for contributions made after December 31, 2004 and applies to contributions when the claimed value exceeds \$500. (See [www.ECFAmembers.org](http://www.ECFAmembers.org) for more information.)

• **IRS imposes severe penalties on church founder and family.**

In five recent technical advice memoranda (TAM 200435108, 200435109, 200435020, 200435021, and 200435022), the IRS ruled that excised taxes should be imposed on the founder of

a church and four of his relatives for excess benefit transactions from which they benefited.

• **IRS issues 2005 per diem rates.** The 2005 per diem rates may be viewed at [www.policyworks.gov/perdiem](http://www.policyworks.gov/perdiem).

• **California passes nonprofit legislation.**

Senate Bill 1262 requires large nonprofits to have audited financial statements and to establish and maintain independent audit committees. Religious corporations for nonprofits (operated primarily as religious organizations) are exempt from the law. Educational institutions are also exempt from this law.

• **IRS increases standard mileage rate.**

The standard mileage rate for business driving will be 40.5 cents per mile beginning January 1, 2005. This is a three cent increase from the 2004 rate. *Rev. Proc. 2004-64*


• **Insubstantial benefits amounts increased.**

In 2005, a charity may give token items costing not more than \$8.30 in return for a gift of more than \$41.50 without reducing the amount of the gift which is deductible by the donor. The fair market value of all benefits received by a donor will also be disregarded if the value is not more than 2% of the gift or \$83, whichever is less. *Rev. Proc. 2004-71*

• **Health savings accounts (HSA) contribution limits increased.**

For 2005, HSA contribution limits are increased to \$5,250 for family coverage and \$2,650 for individual coverage. *Rev. Proc. 2004-71*

• **Imported prescription drugs are not reimbursable.**

The IRS has reaffirmed its position on imported prescription drugs. Since these drugs are prohibited under federal law, the cost of these drugs cannot be reimbursed by flexible spending accounts or health reimbursement arrangements. *IRS Pub. 502* 

# MEMBER NEWS

## Changes to ECFA's Membership

### New Members:

1. Amazon Outreach, Dallas, TX
2. Ambassadors for Christ, Tucker, GA
3. Calvary Chapel Ft. Lauderdale, Fort Lauderdale, FL
4. Chapel of Lake County, Grayslake, IL
5. Cornerstone Christian Academy, Philadelphia, PA
6. Free Wheelchair Mission, Los Angeles, CA
7. Harvest International Ministry, Pasadena, CA
8. HOPE International, Lancaster, PA
9. Kalamazoo Gospel Mission, Kalamazoo, MI
10. Lightbearers Ministries International, Fayetteville, AR
11. ORPHANetwork, Virginia Beach, VA
12. Solutions Pregnancy & Health Center, Shrewsbury, NJ
13. The Good Shepherd Alliance, Leesburg, VA

### Name Changes:

1. CBM Ministries of South Central Pennsylvania, Greencastle, PA, became Joy El Ministries
2. Don Anderson Ministries, Tyler, TX, became Bible Teaching Resources
3. John Guest Evangelistic Team, Sewickley, PA, became Silver Ring Thing
4. YouthBuilders, San Juan, Capistrano, CA, became HomeWord

### Voluntary Resignations:

1. C. S. Lewis Foundation, Redlands, CA
2. International Fellowship of Christian Businessmen, Ballwin, MO
3. Jack Hayford Ministries, Van Nuys, CA — pending merger with another ministry
4. Northwest Presbyterian Church (PCA), Dublin, OH

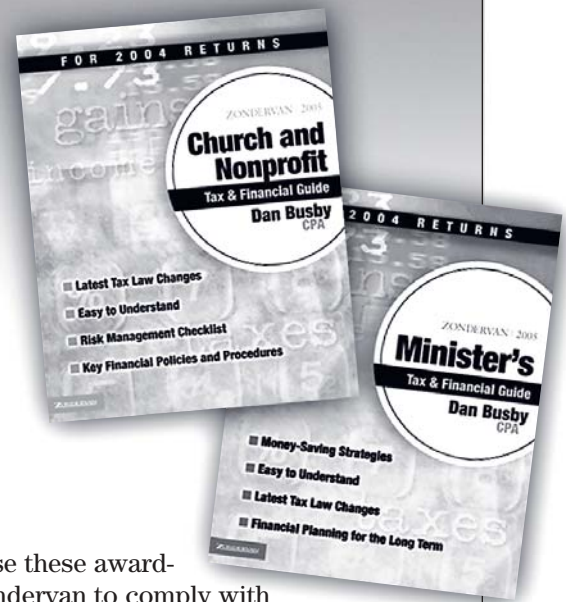
### Suspension:

1. Gospel to the Unreached Millions, Huffman, TX — Standards No. 2 and 4

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