

Sideways Transfers – A Shell Game to Avoid The Importance of Preserving Donation's Origins

Have you ever watched or participated in a shell game? A small object is hidden under one of three nutshells or overturned cups and then the shells or cups are quickly moved around, while the person watching attempts to keep track of which shell or cup the object is hidden under.

Sometimes church boards unknowingly play a type of shell game, moving trust funds around from one local fund to another, not realizing that what they are doing is against denominational policy and might even be illegal.

Trust Funds, remember, are donations that have been given for a specific purpose, and cannot be used for any other purpose. (*Tutorials #6620, 6630*) And keeping track of that purpose - of the origin of each donation - is one of the treasurer's responsibilities. Sound complicated? It doesn't have to be.

The easiest way to do this is to:

- 1) Post donations to the correct local fund.**
- 2) Keep them in that fund until they are needed. Don't move/transfer them around.**
- 3) Use/spend them directly from that fund, being careful to honor the intent of the donor.**

What is the trust fund shell game? It is played when trust funds are taken from a local fund that has more than it needs (let's say "Worthy Student"), and are transferred to another local fund that doesn't have enough (let's say "A/V Equipment"). I call that a "sideways transfer," and it is never a good idea. In the process of the transfer, the origins of the "Worthy Student" donations are lost. Which means that you can no longer tell that they were donated for "Worthy Students" because they are now labeled as "A/V Equipment". The board has lost track of which "shell" the trust funds are under.

Or what about when unused or inactive trust funds are voted by the board to be transferred to "Church Budget" or "Reserves?" The board may just be trying to clean up accounts that have been sitting there for a long time, but whatever their intent, once trust funds land in "Church Budget," their origin (the intent of the donor) is lost. Donations intended for orphans in Haiti can end up being used to pay the electric bill, which is illegal.

NOTE: If you spend a donation for something different than the donor specified, even if you transfer it to a different fund first, that is illegal. It is that simple.

If at some point your church board asks you to make a transfer that you believe would endanger trust funds, ask them for time to contact an auditor first. Or use *Tutorial #6630* to see if there are trust funds involved. Transfers are sometimes necessary, and can be done correctly, but they should be kept to a minimum, and shouldn't involve trust funds.

As always, our audit team is here for you, and our goal is to keep shell games out of your church finances!

Corresponding videos: 4.5 – Negative Balances and Sideways Transfers. Find at <https://www.gccsda.com/auditing/10963>
4.3 – Money That Can't Be Spent
4.10 – How to Identify Trust Funds

For more tutorials on JEWEL INFORMATION & PROCESS HELPS, see section 8000 on the gccsda.org auditor webpage