2023 Survey of Finance and Administration Practices

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Survey Method

CapinCrouse LLP prepared a survey consisting of 50 questions covering a broad range of mission finance and administration topics. The survey was conducted using Survey Monkey and sent to 203 CFOs of Missio Nexus members and CapinCrouse clients. In addition, access to the survey was posted on the Missio Nexus website and in a Missio Nexus e-newsletter with an invitation to participate. We received 64 survey responses, for a 32% response rate.

This is an update of our 2018 survey, which was sent to 193 CFOs of Missio Nexus members and CapinCrouse clients and received 82 responses, for a 42% response rate.

What did we learn from the survey?

Organizations are continuing to evolve. Several organizations described practices that are in transition.

Organizations are not one-dimensional. Many respondents reported that more than one practice characterized their organization. In some cases, this may be a result of grandfathered practices after introducing new policies on a prospective basis. In other cases, this may be an indication of decentralized control.

There remains diversity in practice. It is clear from the responses that in many areas, there is no "one-size-fits-all" response.

Ordinary and Necessary Mission Expenses

Throughout the survey, we refer to the phrase "ordinary and necessary mission expense." This phrase is an adaptation of IRC § 162, which allows for-profit businesses a deduction for ordinary and necessary business expenses. A corollary of this provision is that an ordinary and necessary business expense of an organization may be reimbursed to an employee (or paid on behalf of an employee) on a tax-free basis. Such expense reimbursements must be accounted for under an accountable expense reimbursement arrangement to be tax-free.

An expense is an ordinary and necessary business expense when it is directly connected with or pertaining to the conduct of a trade or business. The connection must be specific and not tenuous or indirect.

The opposite of an ordinary and necessary business expense is a personal expense of an employee. Generally, this includes expenditures for food, clothing, lodging or shelter (including rent, utilities, and insurance), transportation, education, recreation, and life insurance, which are not deductible under IRC § 262 unless otherwise provided for in the tax code.

Working Condition Fringe Benefits

Treas. Reg. § 1.132-5(a)(1) states that "A 'working condition fringe' is any property or service provided to an employee of an employer to the extent that, if the employee paid for the property or service, the amount paid would be allowable as a deduction under section 162 or 167." To be deductible if the employee paid for the property or service his or herself, the employee must follow the accountable plan substantiation rules. As noted above, items are deductible under section 162 if they are ordinary and necessary business expenses. A deduction is allowable under section 167 for depreciation of depreciable property. A working condition fringe benefit is a nontaxable fringe benefit to the employee.

Demographics

Q2: Our organization is:

Organization Type	Number of 2018 Respondents	Number of 2023 Respondents
Denominational mission board	27 (32.9%)	20 (31.3%)
Interdenominational mission board	39 (47.6%)	21 (32.8%)
Nondenominational mission board	10 (12.2%)	4 (6.3%)
Other	5 (6.1%)	19 (29.7%)
No response	1 (1%)	0 (0%)

"Other" responses include:

- International community development organization
- 501(c)(3) nonprofit and public charity
- Nonprofit Christian ministry
- Organization providing missionary support and services
- Campus ministry
- Parachurch organization
- Christian ministry of engineers and architects

Q3: We are a mission-sending agency that sends people:

Organizational Focus	Number of 2018 Respondents	Number of 2023 Respondents
Internationally (only)	30 (36.6%)	16 (25%)
Domestically (only)	0 (0%)	1 (1%)
Both internationally and domestically	41 (50%)	38 (59.4%)
Not a mission-sending agency	10 (12.2%)	9 (14.1%)
No response	1 (1%)	0 (0%)

Q4: Our organization employs the deputized fundraising model.

Use of the Deputized Fundraising Model	Number of 2018 Respondents	Number of 2023 Respondents
Yes	68 (82.9%)	56 (87.5%)
No	13 (15.9%)	8 (12.5%)
No response	1 (1%)	0 (0%)

Q5: Our organization's revenues are:

Organization Size in Revenue	Number of 2018 Respondents	Number of 2023 Respondents
$0 – $999,999	4 (4.9%)	1 (1%)
$1,000,000 – $2,499,999	14 (17.1%)	8 (12.5%)
$2,500,000 – $4,999,999	14 (17.1%)	7 (10.9%)
$5,000,000 – $9,999,999	16 (19.5%)	12 (18.8%)
$10,000,000 – $24,999,999	17 (20.7%)	17 (26.6%)
$25,000,000 or greater	16 (19.5%)	19 (29.7%)
No response	1 (1%)	0 (0%)

Organizational Structure

Q6: We are recognized by the U.S. Internal Revenue Service as...

Exemption Type	Number of 2018 Respondents	Number of 2023 Respondents
Church	30 (36.6%)	38 (59.4%)
Religious order	19 (23.2%)	6 (9.4%)
Church and religious order	7 (8.5%)	3 (4.7%)
Neither a church nor a religious order	25 (30.5%)	16 (25%)
No response	1 (1%)	1 (1%)

Compensation Matters

Q7: Our organization has sought IRS classification as a church or an association or convention of churches since the 2018 survey.

New question in the 2023 survey.

Sought Classification as a Church or Association or Convention of Churches Since 2018 Survey	Number of 2023 Respondents
Yes	4 (6.3%)
No	58 (90.6%)
No response	2 (3.1%)

Q8: How does your organization classify married couples serving with your organization?

Employment Classification of Married Employees	Number of 2018 Respondents	Number of 2023 Respondents
Both spouses are classified as employees unless one spouse is clearly not performing services for the organization (e.g., they are employed by another organization or are otherwise clearly not providing service to the organization)	43 (52.4%)	20 (31.3%)
Only one spouse is classified as an employee, irrespective of the couple's individual duties	18 (22%)	12 (18.8%)
Missionary staff are not classified as employees	9 (11%)	4 (6.3%)
Missionary couples can optionally elect for one spouse to be classified as an employee	n/a*	18 (28.1%)
Other	8 (9.8%)	5 (7.8%)
No response	4 (4.9%)	5 (7.8%)

*This answer option was not provided in the 2018 survey.

"Other" responses include:

- One member of the married couple is staff, generally an employee, working in the organization's office in a professional capacity. If the spouse is a design professional, they are also an employee and work in the office. Non-design professional spouses can opt-in as either an employee or non-employee staff member (or not a staff member).
- The organization does not have missionaries that are sent by the denomination but rather by local churches in partnership with mission-sending agencies
- Some organizations provide the option to include both spouses as employees if both are providing ministerial services in their area of residence
- In some organizations, non-employee spouses are classified as volunteers, or they can opt to be considered an employee depending on the situation
- Varies by field

Q9: Since 2018, our organization has made a change to compensate spouses individually and report their earnings on a separate tax statement.

New question in the 2023 survey.

Since 2018, Organization Made a Change to Compensate Spouses Individually and Report Earnings on a Separate Tax Statement	Number of 2023 Respondents
Yes	8 (12.5%)
No	23 (35.9%)
We are contemplating this change in the next 5 years	3 (4.7%)
We offered this practice in 2018 and before	25 (39.1%)
No response	5 (7.8%)

Q10: How does your organization report employee income for tax reporting purposes?

Married Employee Income Tax Reporting	Number of 2018 Respondents	Number of 2023 Respondents
A husband and wife serving together receive one Form W-2, issued to one of the spouses	25 (30.5%)	13 (20.3%)
A husband and wife serving together each receive a Form W-2 for their respective wages	37 (45.1%)	36 (56.3%)
A husband and wife serving together receive one Form 1099-MISC issued to one of the spouses	5 (6.1%)	2 (3.1%)
A husband and wife serving together each receive a Form 1099-MISC for their respective services	2 (2.4%)	2 (3.1%)
Couples may choose to receive one Form W-2 or to each receive a Form W-2	4 (4.9%)	2 (3.1%)
Couples may choose to receive one Form 1099-MISC or two	1 (1%)	1 (1%)
Couples serving outside the U.S. receive one Form W-2; couples serving domestically each receive a Form W-2	1 (1%)	n/a*
Domestic staff each receive a Form W-2, while missionaries are classified as volunteers	1 (1%)	n/a*
All of the above	1 (1%)	1 (1%)
Other	1 (1%)	2 (3.1%)
No response	4 (4.9%)	5 (7.8%)

*There were no responses consistent with this answer on the 2023 survey.

“Other” responses include:

- The organization provides the option to do a W-2 for one spouse only or to do a 50/50 split of income and issue a W-2 to each spouse

- For most couples, the primary spouse is the only one who receives a W-2 unless the other spouse performs a critical role. In this case, the other spouse works under a separate work visa internationally and is paid separately for services rendered.
- Not applicable

Q11: How is the income split between the spouses?

Responses to this question were disqualified in the 2018 survey. The variation in the responses indicated that the question wasn't worded clearly.

Method Of Splitting Income Between Spouses	Number of 2023 Respondents
Time in ministry ratio	10 (15.6%)
50/50 split	11 (17.2%)
The spouses allocate themselves	18 (28.1%)
Other	19 (29.7%)
No response	6 (9.4%)

"Other" responses include:

- Only one spouse is an employee and only one receives a W-2
- Income is not split between spouses
- Income is based on the position held by each individual
- Head of household receives the salary and benefits, and spouse receives Service Increment if they qualify
- Not applicable

Q12: Missionary salaries are set:

New question in the 2023 survey.

How Missionary Salaries Are Set	Number of 2023 Respondents
Based solely upon job duties and responsibilities and the country to which they are assigned	9 (14.1%)
Based upon the country to which they are assigned, size of family, age of children (i.e., are they in school), housing needs, and other factors not specifically related to their job duties and responsibilities, as well as job-related factors (e.g., field leadership)	42 (65.6%)
Everyone is paid the same	6 (9.4%)
No response	7 (10.9%)

Travel Expenses

Q13: The Tax Cuts and Jobs Act of 2017 (TCJA) made paid or reimbursed moving expenses taxable. Our organization now reports the incremental cost of transportation, meals, and lodging related to the transportation of a non-employee spouse and children to their foreign field of service for their first term in the following manner:

Responses to this question were disqualified in the 2018 survey. The variation in the responses indicated that the question wasn't worded clearly.

The intent of the question is to gauge organizations' responses to the loss of the moving expense deduction/tax-free reimbursement after the Tax Cuts and Jobs Act.

Cost of Transportation for Initial Term of Non-Employee Spouse and Dependent – Post TCJA	Number of 2023 Respondents
Included in the employee spouse's taxable income	24 (37.5%)
Treated as a nontaxable working condition fringe benefit of the employee spouse	0 (0%)
Treated as a nontaxable ordinary and necessary mission expense	18 (28.1%)
Not applicable; both spouses are classified as employees and there are no children	7 (10.9%)
Other	7 (10.9%)
No response	8 (12.5%)

"Other" responses include:

- Children's expenses are taxable. Spouse expenses are counted as ministry expenses because they are considered a member of the organization even if not an employee.
- Treated as taxable income for the primary spouse.
- The organization's global workers are all non-employees. The costs of transportation, meals, and lodging related to moving the entire family to their foreign field of service for their first term are included in taxable income and reported on Form 1099-NEC.
- Staff can request taxable additional salary to cover moving expenses, but the organization does not process them as nontaxable reimbursement for the employee, spouse, or children. Additional salary costs are not itemized to report the different types of expenses related to moving. The costs themselves would be paid for out of pocket by the employee. The organization does not pay for moving costs and then later makes them taxable to staff on their W-2.
- If the non-employee spouse has a volunteer role, the organization reimburses and it is treated as a nontaxable ordinary and necessary mission expense. If a non-employee spouse does not have a staff volunteer role, it is included in the employee's supposed taxable income.

Q14: The incremental cost of transportation, meals, and lodging of a <u>non-employee</u> spouse during home assignment is:

Home Assignment Transportation Costs of Non-Employee Spouse	Number of 2018 Respondents	Number of 2023 Respondents
Included in the employee spouse's taxable income	15 (18.3%)	14 (21.9%)
Treated as a nontaxable working condition fringe benefit of the employee spouse	5 (6.1%)	3 (4.7%)
Treated as a nontaxable ordinary and necessary mission expense	20 (24.4%)	18 (28.1%)
Not applicable; both spouses are classified as employees	27 (32.9%)	12 (18.8%)
Non-employee spouses are treated as volunteers*	2 (2.4%)	2 (3.1%)
Non-employee spouse's expenses are not reimbursed	3 (3.7%)	1 (1%)
90% of home assignment travel expenses are reimbursed (or paid for) as temporary work assignment expenses; the remaining 10% are a carve-out for the incremental cost of children's expenses**	1 (1%)	0 (0%)
Other	0 (0%)	6 (9.3%)
No response	9 (11%)	8 (12.5%)

*****Presumably these expenses are being classified as ordinary and necessary business expenses.

**A temporary work assignment is an assignment away from an employee's tax home for a period not expected to exceed one year. Travel, lodging, and meal expenses incurred during a temporary work assignment are permitted to be reimbursed on a tax-free basis. However, this is only applicable to the expenses of an employee. If at any point in time during the temporary work assignment it becomes clear the assignment will exceed one year, from that moment in time onward, the assignment ceases to be a temporary work assignment. See IRS Publication 463 for additional details.

"Other" responses include:

- Neither spouse is classified as an employee. The incremental costs of airfare, meals, and lodging are covered under an accountable plan and not included in taxable income. Mileage and auto expenses are specifically excluded from the accountable plan and included in taxable income.
- Most spouses who choose to be non-employees are endorsed as volunteers. The work-related expenses of both volunteers and employees are treated as nontaxable ordinary and necessary organization expenses. Incremental costs of a spouse who is not a volunteer are included in the employee spouse's taxable income.
- In most cases, if a spouse who is not an "employee" is traveling with the employee spouse, they would also have a ministry assignment with the organization, giving them financial covering as a volunteer. So it is not taxable because they still have a role in going with the employee spouse.
- Not applicable

Q15: The incremental cost of transportation, meals, and lodging of children during home assignment is:

Home Assignment Transportation Costs of Dependents	Number of 2018 Respondents	Number of 2023 Respondents
Included in the parent's taxable income	31 (37.8%)	26 (40.6%)
Treated as a nontaxable working condition fringe benefit of the parent	7 (8.5%)	1 (1%)
Treated as a nontaxable ordinary and necessary mission expense	21 (25.6%)	21 (32.8%)
Not covered by the organization	5 (6.1%)	3 (4.7%)
Other	8 (9.8%)	6 (9.3%)
No response	10 (12.2%)	7 (10.9%)

"Other" responses include:

- Paid personally by the parent
- During a home assignment, children's meals and lodging while the family is traveling are included under the accountable plan
- Not applicable

Q16: The cost of transporting a child back to the United States (including an accompanying parent) to begin college or university is:

First-Year College Transportation Costs of Dependents	Number of 2018 Respondents	Number of 2023 Respondents
Included in the parent's taxable income	45 (54.9%)	36 (56.3%)
Treated as a nontaxable working condition fringe benefit of the parent	4 (4.9%)	1 (1%)
Treated as a nontaxable ordinary and necessary mission expense	10 (12.2%)	8 (12.5%)
Not covered by the organization	5 (6.1%)	3 (4.7%)
Other	13 (15.9%)	9 (14.1%)
No response	5 (6.1%)	7 (11%)

"Other" responses include:

- This is not reimbursable unless there is other relevant ministry activity, and many staff combine taking kids to college with a home assignment. Travel for the trip with kids alone without other ministry activity would not be reimbursable.
- Paid personally by the parent
- Not applicable
- The organization allows one trip to escort the child to college as a nontaxable ordinary and necessary mission expense. Any subsequent trips are considered personal expenses.
- Child would be taxable; parent likely would use the opportunity for other mission work and would be reimbursed on a nontaxable basis in that case

Q17: The cost of transporting a child to and from the parents' field of service during college or university is:

Subsequent Year College Transportation Costs of Dependents	Number of 2018 Respondents	Number of 2023 Respondents
Included in the parent's taxable income	41 (50%)	34 (53.1%)
Treated as a nontaxable working condition fringe benefit of the parent	3 (3.7%)	0 (0%)
Treated as a nontaxable ordinary and necessary mission expense	9 (11%)	7 (11%)
Covered only once and treated as a nontaxable fringe benefit	1 (1%)	1 (1%)
Covered only once and treated as taxable income	1 (1%)	n/a*
Covered annually and treated as a nontaxable ordinary and necessary mission expense	1 (1%)	n/a*
Not covered by the organization	6 (7.3%)	7 (11%)
Other	19 (23.2%)	8 (12.5%)
No response	1 (1%)	7 (11%)

*There were no responses consistent with this answer on the 2023 survey.

"Other" responses include:

- Included in the parents' taxable income for one round-trip expense per year. Additional times are considered a personal expense.
- 75% of the transportation costs may be reimbursed as taxable income if certain criteria are met
- Covered once annually and treated as a nontaxable ordinary and necessary business expense
- Not applicable

Q18: The cost of obtaining an entry visa for a non-employee spouse and children is:

Cost of Entry Visa for Non-Employee Spouse and Dependents	Number of 2018 Respondents	Number of 2023 Respondents
Included in the employee's taxable income	17 (20.7%)	13 (20.3%)
Treated as a nontaxable working condition fringe benefit	9 (11%)	6 (9.4%)
Treated as a nontaxable ordinary and necessary mission expense	40 (48.8%)	29 (45.3%)
Cost for spouse is treated as a nontaxable ordinary and necessary mission expense; cost for children is treated as taxable income	2 (2.4%)	1 (1%)
Not covered by the organization	1 (1%)	1 (1%)
Other	4 (4.9%)	6 (9.4%)
No response	10 (12.2%)	8 (12.5%)

“Other” responses include:

- Not applicable
- If the non-employee spouse has a volunteer role, it is reimbursed and treated as a nontaxable ordinary and necessary mission expense. If the non-employee spouse does not have a staff volunteer role, it is included in the employee’s supposed taxable income.

Q19: The cost of obtaining a residency visa (or equivalent) for a non-employee spouse and children is:

Cost of Residency Visa for Non-Employee Spouse and Dependents	Number of 2018 Respondents	Number of 2023 Respondents
Included in the employee’s taxable income	15 (18.3%)	13 (20.3%)
Treated as a nontaxable working condition fringe benefit	9 (11%)	6 (9.4%)
Treated as a nontaxable ordinary and necessary mission expense	38 (46.3%)	29 (45.3%)
Cost for spouse is treated as a nontaxable ordinary and necessary mission expense; cost for children is treated as taxable income	3 (3.7%)	1 (1%)
Not covered by the organization	1 (1%)	1 (1%)
Other	6 (7.3%)	6 (9.4%)
No response	10 (12.2%)	8 (12.5%)

“Other” responses include:

- Not applicable
- If the non-employee spouse has a volunteer role, it is reimbursed and treated as a nontaxable ordinary and necessary mission expense. If the non-employee spouse does not have a staff volunteer role, it is included in the employee’s supposed taxable income.

Education Expenses

Q20: If primary school or secondary school education is provided by mission-provided teachers, the value of this education is:

Income Inclusion of Value of Education Using Mission-Provided Teachers	Number of 2018 Respondents	Number of 2023 Respondents
Included in the taxable wages of the parents	11 (13.4%)	12 (18.8%)
Treated as a nontaxable working condition fringe benefit	7 (8.5%)	2 (3.1%)
Ignored	17 (20.7%)	4 (6.3%)
Not applicable	26 (31.7%)	36 (56.3%)
Other	0 (0%)	2 (3.1%)
No response	21 (25.6%)	8 (12.5%)

"Other" responses include:

- Parents pay tuition
- Tuition is reimbursed as taxable income

Q21: The cost of providing for the private primary and secondary education of children is:

Taxation of Primary and Secondary Education Expenses	Number of 2018 Respondents	Number of 2023 Respondents
Not paid for by the mission or from the missionary's ministry fund	17 (20.7%)	14 (21.9%)
Paid for by the mission or from the missionary's ministry fund and included in the parent's taxable income	37 (45.1%)	30 (46.9%)
Paid for by the mission or from the missionary's ministry fund and treated as a nontaxable working condition fringe benefit of the parent	3 (3.7%)	1 (1%)
Paid for by the mission or from the missionary's ministry fund and treated as a nontaxable ordinary and necessary mission expense	7 (8.5%)	3 (4.7%)
Other	5 (6.1%)	7 (10.9%)
No response	13 (15.9%)	9 (14.1%)

"Other" responses include:

- Included in the taxable portion (W-2 salary) of the parent's support budget and paid as salary
- Parents pay tuition
- Employee pays from normal salary and can request a taxable bonus to cover education costs
- Not applicable

Q22: The cost of providing for the college or university education of children is:

Cost of Providing College or University Education for Children	Number of 2018 Respondents	Number of 2023 Respondents
Not paid for by the mission or from the missionary’s ministry fund	45 (54.9%)	35 (54.7%)
Paid for by the mission or from the missionary’s ministry fund and included in the parent’s taxable income	19 (23.2%)	10 (15.6%)
Paid for by the mission or from the missionary’s ministry fund and treated as a nontaxable working condition fringe benefit of the parent	0 (0%)	0 (0%)
Paid for by the mission or from the missionary’s ministry fund and treated as a nontaxable ordinary and necessary mission expense	1 (1%)	0 (0%)
Organization pays up to $10,000 per year toward the children’s college or university tuition (did not disclose the tax treatment of this payment)	1 (1%)	n/a*
Organization pays $2,000 per year toward the children’s college or university tuition as long as the support account has sufficient funds and the child is enrolled full-time (did not disclose the tax treatment of this payment)	1 (1%)	n/a*
Other	2 (2.4%)	11 (17.2%)
No response	13 (15.9%)	8 (12.5%)

*There were no responses consistent with this answer on the 2023 survey.

“Other” responses include:

- $4,000 per year per child, up to four years, is paid from ministry funds for college assistance and taxed to the parents
- Not applicable

Q23: Our organization maintains a section 127 tuition assistance program (a program that may pay up to $5,250 in qualifying education expenses per employee per year on a tax-free basis).

A section 127 tuition assistance plan is a program that permits up to $5,250 per year in tax-free tuition assistance to employees. It requires a written plan and may not discriminate in favor of highly compensated employees.

Organization Maintains a Section 127 Tuition Assistance Program	Number of 2018 Respondents	Number of 2023 Respondents
Yes	6 (7.3%)	11 (17.2%)
No	65 (79.3%)	45 (70.3%)
No Response	11 (13.4%)	8 (12.5%)

Medical Insurance

Q24: Medical insurance for our missionary staff located outside the United States is provided by:

Provision of Medical Insurance for Missionary Staff Located Outside the United States	Number of 2018 Respondents	Number of 2023 Respondents
Use a U.S. insurance carrier	32 (39%)	25 (39.1%)
Use a non-U.S. insurance carrier	2 (2.4%)	3 (4.7%)
Use a mission-sponsored, self-insured plan	17 (20.7%)	14 (21.9%)
Each missionary is on his or her own to find insurance coverage	15 (18.3%)	13 (20.3%)
Use a healthcare-sharing ministry	1 (1%)	n/a*
Use a group health insurance plan, with some missionaries opting out and finding coverage in the country in which they serve	1 (1%)	n/a*
Use both U.S. and non-U.S. insurance carriers	1 (1%)	n/a*
Other	2 (2.4%)	2 (3.1%)
No response	11 (13.4%)	7 (11%)

*There were no responses consistent with this answer on the 2023 survey.

“Other” responses include:

- Each missionary chooses the best insurance for their family’s needs
- Not applicable

Tax Preparation

Q25: How are tax returns prepared for missionary staff?

Preparation of Tax Returns for Missionary Staff	Number of 2018 Respondents	Number of 2023 Respondents
We have a staff member who prepares missionary tax returns	4 (4.9%)	3 (4.7%)
Engage a third-party preparer to prepare returns, pay the preparer's fee, and include the fee in the missionary's taxable income	5 (6.1%)	4 (6.3%)
Engage a third-party preparer to prepare returns, pay the preparer's fee, and do not include the fee in the missionary's taxable income	4 (4.9%)	1 (1%)
Missionaries are on their own when it comes to tax preparation	56 (68.3%)	46 (71.9%)
Partial reimbursement program as a taxable benefit	1 (1%)	n/a*
Other	1 (1%)	3 (4.7%)
No response	11 (13.4%)	7 (10.9%)

*There were no responses consistent with this answer on the 2023 survey.

"Other" responses include:

- Missionaries are on their own but can be reimbursed as taxable income for any tax preparation charges or software
- Missionaries are on their own and a third party does the return; the organization pays the bill and treats it as salary

Personal Gifts

Historically, some mission organizations have facilitated cash gifts to field personnel (e.g., birthday, anniversary, and Christmas gifts from family members and friends). This practice was especially helpful when international transfers of cash were more difficult, particularly small dollar amounts.

Q26: Personal gifts from family and support donors to mission personnel are:

Handling of Personal Gifts from Family and Support Donors to Mission Personnel	Number of 2018 Respondents	Number of 2023 Respondents
Have a policy to not accept personal gifts from family and support donors	26 (31.7%)	18 (28.1%)
Accept and forward personal gifts to missionaries and issue receipts to donors that clearly state the gift is not deductible	24 (29.3%)	14 (21.9%)
Accept and forward personal gifts to missionaries, issue a tax-deductible receipt, and do <u>not</u> include the gift in the missionary's taxable compensation	0 (0%)	1 (1%)
Accept and forward personal gifts to missionaries, issue a tax-deductible receipt, and <u>include the gift in the missionary's taxable compensation **with limits**</u>	7 (8.5%)	5 (7.8%)
Accept and forward personal gifts to missionaries, issue a tax-deductible receipt, and <u>include the gift in the missionary's taxable compensation **without limits**</u>	7 (8.5%)	3 (4.7%)
Accept and forward personal gifts to missionaries without issuing a receipt	4 (4.9%)	6 (9.4%)
Accept personal gifts from family members, but only if they do not want a receipt (presumably tax-deductible). Such gifts from others are treated as ministry gifts and a deductible receipt is issued.	1 (1%)	1 (1%)
Credit such gifts to the missionary's area of responsibility and receipt the gifts	1 (1%)	0 (0%)
Other	3 (3.7%)	9 (14.1%)
No response	11 (13.4%)	8 (12.5%)

"Other" responses include:

- If a missionary receives personal gifts directly, they are encouraged to donate them back to the organization. The organization does not accept personal gifts and forward them on.
- Gifts over a certain dollar amount must be sent to the organization directly
- Such offerings are included as taxable income even though no taxable receipt is issued

- If this refers to cash donations: Received by the mission, applied to the missionary's account from which they draw salary (taxable compensation) and expense reimbursements, and the funds are tax-deductible to the donor. The organization does not accept non-cash gifts.
- Not applicable

Paying International Staff

Q27: Our organization pays international staff (i.e., non-U.S. citizen workers working outside the United States). Select all that apply:

Payment of International Staff	Number of 2018 Respondents	Number of 2023 Respondents
Directly from the U.S.	27 (33%)	26 (40.6%)
Through an office we maintain in the foreign country that is not a separate legal entity from the U.S. organization	5 (6.1%)	10 (15.6%)
Through a separate legal entity formed in the foreign country as our local presence in that country	23 (28%)	21 (32.8%)
Depends on the country	9 (11%)	n/a*
Through a grant to a local church or NGO	3 (3.7%)	n/a*
Not applicable	4 (4.9%)	7 (10.9%)
Other	0 (0%)	14 (21.9%)
No response	11 (13.4%)	10 (15.6%)

*There were no responses consistent with this answer on the 2023 survey.

"Other" responses include:

- Through a separate legal entity formed in the foreign country partnering with the organization, but not synonymous with the organization's presence in that country
- Through separate, non-controlled legal entities formed in the foreign country that can receive grants from U.S. partner organizations to cover operating expenses, including international staff
- Through foreign grants to an organization where the individual is affiliated

Retirees

Care for retirees remains a concern for many mission organizations.

Q28: Our organization currently maintains a defined benefit pension plan.

Maintains a Defined Benefit Pension Plan	Number of 2018 Respondents	Number of 2023 Respondents
Yes	19 (23.2%)*	11 (17.2%)**
No	52 (63.4%)	45 (70.3%)
No response	11 (13.4%)	8 (12.5%)

*In 2018, 10 of the 19 responses were denominational mission boards.

**In 2023, 5 of the 11 respondents were denominational mission boards.

Q29: Our organization maintains a qualified defined contribution retirement plan [403(b), 401(k)] for our employees.

Maintains a Qualified Defined Contribution Retirement Plan [403(b), 401(k)] for Employees	Number of 2018 Respondents	Number of 2023 Respondents
Yes	58 (70.7%)	50 (78.1%)
No	13 (15.9%)	6 (9.4%)
No response	11 (13.4%)	8 (12.5%)

Q30: Our organization matches employee contributions to the plan.

Matches Employee Contributions to the Plan	Number of 2018 Respondents	Number of 2023 Respondents
Yes	27 (32.9%)	21 (32.8%)
No	44 (53.7%)	33 (51.6%)
No response	11 (13.4%)	10 (15.6%)

Q31: Our organization makes non-matching employer contributions to employee plan accounts.

Makes Non-Matching Employer Contributions to Employee Plan Accounts	Number of 2018 Respondents	Number of 2023 Respondents
Yes	26 (31.7%)	25 (39.1%)
No	45 (54.9%)	30 (46.9%)
No response	11 (13.4%)	9 (14.1%)

Q32: Our organization accepts donor contributions to the ministry account of retirees that are then distributed to the retiree as a retirement benefit.

Accepts Donor Contributions to the Ministry Account of Retirees That Are Then Distributed to the Retiree as a Retirement Benefit	Number of 2018 Respondents	Number of 2023 Respondents
Yes	17 (20.7%)	23 (36%)
No	41 (50%)	28 (43.8%)
We do not have ministry accounts	12 (14.6%)	5 (7.8%)
No response	12 (14.6%)	8 (12.5%)

Q33: We issue tax-deductible receipts to donors who make contributions to retiree ministry accounts.

Issue Tax-Deductible Receipts for Contributions Made to Retiree Ministry Accounts	Number of 2018 Respondents	Number of 2023 Respondents
Yes	24 (29.3%)	27 (42.2%)
No	44 (53.7%)	27 (42.2%)
No response	14 (17.1%)	10 (15.6%)

Q34: We report these retiree distributions to the retiree on:

Methods for Reporting Retiree Distributions	Number of 2018 Respondents	Number of 2023 Respondents
Form 1099-R	14 (17.1%)	13 (20.3%)
Form 1099-NEC, using Box 1 (i.e., as subject to SECA)	n/a**	2 (3.1%)
Form 1099-MISC, using Box 7 (i.e., as subject to SECA)	1 (1%)	n/a*
Form 1099-MISC, using Box 3 (i.e., as NOT subject to SECA)	2 (2.4%)	3 (4.7%)
Form W-2, and withhold FICA tax for those who are not ministers	5 (6.1%)	8 (12.5%)
We do not report these retiree distributions on Form W-2 or Form 1099	3 (3.7%)	3 (4.7%)
Cite an older revenue ruling (Rev. Rul. 55-422) in support of not reporting these payments***	2 (2.4%)	n/a*
Not applicable	37 (45.1%)	19 (29.7%)
Other	2 (2.4%)	4 (6.3%)
No response	18 (22%)	12 (18.8%)

*There were no responses consistent with this answer on the 2023 survey.

**Form 1099-NEC was first required to be used in 2020.

***It is the position of the author that the holding of this ruling was superseded by the addition of section 102(c) to the Internal Revenue Code, which eliminated the ability of an employer to make tax-free gifts to an employee. The author believes the IRS would extend the effect of this statute to former employees.

“Other” responses include:

- Organization reimburses retirees for Medicare Part B and D from their ministry accounts, but doesn’t report these distributions on Form W-2 or Form 1099
- Organization does not make retiree distributions. Organization has an account process for those at a U.S. retirement age who still have a job description and are performing roles on a part-time basis. These staff are paid and receive a W-2.
- Report on W-2 and identify as a non-qualified retirement plan not subject to FICA
- Form W-2 is issued but the organization does not withhold any taxes
- Ministry funds collected for a retiree (generally still active in ministry) are used to reimburse ministry-related expenses

Q35: Other than accepting contributions to a retiree's ministry account for further distribution to the retiree, does your organization maintain an alternative, nonqualified program (i.e., not a defined benefit pension plan, 401(k) plan, or 403(b) plan) intended to provide a retirement benefit to retirees?

Maintains an Alternative, Non-Qualified Program Intended to Provide a Retirement Benefit to Retirees	Number of 2018 Respondents	Number of 2023 Respondents
Yes	9 (11%)	5 (7.8%)
No	61 (74.4%)	50 (78.1%)
No response	12 (14.6%)	9 (14.1%)

Q36: If yes, how do you report these payments to the retiree?

How Payments to Retirees for Alternative, Non-Qualified Programs Are Reported	Number of 2018 Respondents	Number of 2023 Respondents
Form 1099-R	6 (7.3%)	4 (6.3%)
Form 1099-NEC, using Box 1 (i.e., as subject to SECA)	n/a*	0 (0%)
Form 1099-MISC, using Box 3 (i.e., as NOT subject to SECA)	0 (0%)	0 (0%)
Form W-2, and withhold FICA tax for those who are not ministers	2 (2.4%)	0 (0%)
We do not report these payments on a Form W-2 or a Form 1099	0 (0%)	0 (0%)
Does not have a pooled retiree fund	38 (46.3%)	42 (65.6%)
Other	1 (1%)	1 (1%)
Not applicable	8 (9.8%)	5 (7.8%)
No response	27 (32.9%)	12 (18.8%)

*Form 1099-NEC was first required to be used in 2020.

"Other" responses include:

- Organization does not accept contributions to a retiree's ministry account for further distribution to the retiree. Instead, it contributes a set amount to each missionary's 403(b) account quarterly.
- Organization provides this for the remaining six missionaries on the organization's defined benefit plan, which will end with these six. The youngest is currently about 85 years old.

Ministry Accounts

Q37: When a missionary leaves our organization, remaining funds in their ministry account:

Handling of Remaining Funds in a Ministry Account When a Missionary Leaves	Number of 2018 Respondents	Number of 2023 Respondents
Remaining funds become part of the general fund of the organization	15 (18.3%)	9 (14.1%)
Remaining funds are redirected to the field account of the missionary's field of service	11 (13.4%)	6 (9.4%)
Remaining funds are redirected to the ministry accounts of one or more other missionaries	4 (4.9%)	6 (9.4%)
After organizational review and approval, remaining funds may be forwarded to the new organization with which the departing missionary begins employment	23 (28%)	17 (26.6%)
Remaining funds are forwarded to the new organization with which the departing missionary begins employment without review or approval	2 (2.4%)	0 (0%)
Other	0 (0%)	19 (29.7%)
No response	12 (14.6%)	7 (11%)

"Other" responses include:

- A combination of methods, depending on the circumstances
- The board decides how the funds are allocated and the missionary can offer suggestions
- The organization offers robust assistance as to how ongoing donors are handled. They will be notified that staff are leaving and made aware of where they are moving to. After review, some existing balances may transfer to the new ministry, depending on the facts and circumstances.
- Funds are redirected to the general fund unless the donor specifies how they would like their funds redesignated
- Not applicable

Employing a review and approval procedure is an important control step to demonstrate discretion and control over funds.

Receipting

Q38: We assess missionary ministry accounts or donor contributions an administrative assessment of:

New question in the 2023 survey.

Administrative Assessment Amount for Missionary Ministry Accounts or Donor Contributions	Number of 2023 Respondents
5% or less	4 (6.3%)
More than 5% but less than 10%	16 (25%)
More than 10% but less than 15%	25 (39.1%)
More than 15%	2 (3.1%)
We do not assess an administrative charge	10 (15.6%)
No response	2 (3.1%)

Q39: In accordance with IRS guidance regarding deputized fundraising, our organization's fundraising materials and receipts clearly and expressly state that donors should state a "preference" that contributions be used for the benefit of a missionary's ministry in contrast to being designated for the missionary's ministry.

Fundraising Materials and Receipts Clearly State That Donors Should State a "Preference" That Contributions Be Used for the Benefit of a Missionary's Ministry – Not "Designated"	Number of 2018 Respondents	Number of 2023 Respondents
Yes	51 (62.2%)	45 (70.3%)
No	12 (14.6%)	6 (9.4%)
Not applicable; we do not employ the deputized fundraising model	7 (8.5%)	5 (7.8%)
No response	12 (14.6%)	8 (12.5%)

In a 2000 letter to a consortium of mission organizations, the IRS addressed how an organization can demonstrate discretion and control over contributions raised using the deputized fundraising model. The IRS stated that language expressing a donor's preference in contrast to a designation or restriction is an indicator that the receiving organization possesses the necessary discretion and control over donor contributions to allow those contributions to be tax deductible by the donor.

Totalization Agreements

The 2018 survey results reflected some confusion in this area.

A totalization agreement is a bilateral social security treaty between the U.S. and another country. Its purpose is to allow workers temporarily posted to a foreign country to avoid paying social security tax to both the U.S. and the foreign country. There are 30 countries with whom the U.S. has entered into a totalization agreement, 23 of which are European countries. The non-European countries are Canada, Chile, Australia, Japan, Brazil, Uruguay, and South Korea.

Q40: Our organization is familiar with totalization agreements and requires that our missionaries obtain certificates of coverage where totalization agreements exist between the United States and a missionary's foreign field of service.

Familiar with Totalization Agreements and Require That Missionaries Obtain Certificates Where Totalization Agreements Exist with the U.S.	Number of 2018 Respondents	Number of 2023 Respondents
Yes	25 (30.5%)	30 (46.9%)
No	28 (34.1%)	13 (20.3%)
Do not operate in countries with totalization agreements with the U.S.	17 (20.7%)	12 (18.8%)
No response	12 (14.6%)	9 (14.1%)

Q41: At the expiration of the period specified by the certificate of coverage, it is our policy that a missionary return to the United States:

This question is asking for the organization's experience with obtaining new certificates of coverage (i.e., a "detached worker certificate") after the expiration of a certificate of coverage. Some totalization agreements specify a period (e.g., the agreement with Germany requires that workers return to the United States for 12 months). In other cases, this is a negotiated period with the foreign country's social security authorities.

Policy Requiring a Missionary to Return to the U.S. Upon the Expiration of the Period Specified by the Certificate of Coverage	Number of 2018 Respondents	Number of 2023 Respondents
For 3 months and then apply for a new certificate of coverage on the basis of having reestablished residency in the U.S.	4 (4.9%)	0 (0%)
For 6 months and then apply for a new certificate of coverage on the basis of having reestablished residency in the U.S.	3 (3.7%)	4 (6.3%)
For 12 months and then apply for a new certificate of coverage on the basis of having reestablished residency in the U.S.	4 (4.9%)	5 (7.8%)
Time required in the U.S. depends on the country where the worker serves	6 (7.3%)	4 (6.3%)
We do not require the worker to return to the U.S.*	23 (28%)	19 (29.7%)
Other	27 (33%)	22 (34.4%)
No response	21 (25.6%)	14 (21.9%)

*It's unclear whether this response is a result of a lack of compliance or simply that the workers are not in countries with totalization agreements.

“Other” responses include:

- Because the organization’s missionaries are self-employed, they are responsible for obtaining certificates of coverage and monitoring the requirements for their country of service. Most missionary units return to the U.S. for a fundraising cycle between four-year terms.
- It is the missionary’s decision
- Handled on a case-by-case basis
- Organization applies for an extension until the missionary is scheduled to return to the U.S.
- Not applicable

One extension may be possible after the expiration of the original certificate.

Note that if a worker is a minister who has opted out of Social Security, he or she will not be issued a certificate of coverage.

Overseas Funds Transfers

With Foreign Account Tax Compliance Act (FATCA) legislation in the U.S. imposing increasing compliance risk for both U.S. banks operating internationally and foreign banks opening accounts for U.S. citizens or organizations, it is becoming increasingly difficult to negotiate transfers to foreign countries. In addition, some countries pose a risk of confiscation of funds.

Q42: When sending funds outside the United States, our organization (select all that apply):

Methods of Sending Funds Outside the U.S.	Number of 2018 Respondents	Number of 2023 Respondents
Uses a U.S. bank to wire funds to a foreign field	53 (64.6%)	44 (68.8%)
Uses an online payment service (e.g., PayPal) to transmit funds outside the U.S.	8 (9.8%)	13 (20.3%)
Uses debit cards to draw funds to the foreign country	19 (23.2%)	16 (25%)
Hand-carries cash to the foreign field	24 (29.3%)	18 (28.1%)
Use a combination of above, depending on the foreign country	35 (42.7%)	26 (40.6%)
Other	6 (7.3%)	9 (14.1%)
No response	12 (14.6%)	8 (12.5%)

“Other” responses include:

- International exchange broker
- Foreign exchange company
- Western Union
- Organization mostly wires funds but sometimes uses online services for small payments where wire transfer would consume a large portion of the transaction

- Organization deposits all funds in a U.S. bank account and the in-country field office pulls it in as needed. This is done by check, debit card, or wire transfer.
- Not applicable

Expatriate Matters

Q43: When dealing with foreign tax authorities, our field staff have (select all that apply):

Compliance with local tax laws and regulations can be a source of reputational risk for your organization and impact your ability to conduct operations in a foreign field.

Because organizations operate in multiple countries, multiple answers were allowed for this question.

Field Staff's Ease of Dealing with Foreign Tax Authorities	Number of 2018 Respondents	Number of 2023 Respondents
Experienced onerous host country taxation	18 (22%)	14 (21.9%)
Experienced manageable host country taxation	49 (59.8%)	38 (59.4%)
Respondents (or their staff) are largely noncompliant with host country tax laws	9 (11%)	8 (12.5%)
Other	10 (12.2%)	13 (20.3%)
No response	13 (15.9%)	10 (15.6%)

"Other" responses include:

- Varies depending on the country
- Combination of experiences
- Unsure
- Not applicable

The 2018 responses included some organizations that advise missionaries that they should be compliant with local tax laws but take a "hands-off" approach to monitoring compliance. Other organizations appear to turn a blind eye to this issue.

Business as Missions

Business as missions (BAM) has gotten a lot of buzz in recent years. We wanted to get a feel for how successful this has been for those that have engaged.

Q44: Our organization's experience with business as missions has been:

The response to this question was mixed. It seems clear that BAM is still trying to find its footing.

Experience with Business as Missions	Number of 2018 Respondents	Number of 2023 Respondents
Successful; we have a number of thriving, self-sustaining operations in place	6 (7.3%)	5 (7.8%)
So-so; we've had some success mixed with some failures	21 (25.6%)	19 (29.7%)
Too early to tell; we are just getting started	15 (18.3%)	4 (6.3%)
We are exploring this as a future option	6 (7.3%)	7 (11%)
Unsuccessful; we tried this approach without success	3 (3.7%)	2 (3.1%)
We do not engage in business as missions	19 (23.2%)	17 (26.6%)
Other	0 (0%)	2 (3.1%)
No response	11 (13.4%)	8 (12.5%)

"Other" responses include:

- Organization has many field offices in various countries where employees are stationed
- Organization has several business entities that are thriving, but not necessarily self-sustaining — they use and need deputized fundraising for staff and other support from the global office

Crowdfunding

The challenges with crowdfunding include:

- Institutional control over the use of the organization's name, logo, and content of the appeal
- Institutional discretion and control over receipts
- Identifying donors for the purpose of issuing tax-deductible receipts
- Addressing donor expectations about the use of funds (including restrictions on use), deductibility of gifts, and other potential issues for gifts occurring outside normal control processes

Q45: When it comes to crowdfunding (e.g., GoFundMe, Kickstarter, etc.) our organization:

Crowdfunding Policies in Place	Number of 2018 Respondents	Number of 2023 Respondents
Has a policy prohibiting the use of crowdfunding as a fundraising mechanism	13 (15.9%)	10 (15.6%)
Has a policy permitting crowdfunding	1 (1%)	1 (1%)
Has a policy permitting crowdfunding in limited circumstances	6 (7.3%)	1 (1%)
Has no policy with respect to crowdfunding	51 (62.2%)	39 (60.9%)
Other	0 (0%)	5 (7.8%)
No response	11 (13.4%)	8 (12.5%)

"Other" responses include:

- Crowdfunding is permitted through the organization's web presence but not through third-party organizations like GoFundMe
- Organization does not actively encourage crowdfunding and prefers that fundraisers set up a project fund with the organization instead
- Organization allows crowdfunding on a limited basis but does not have a written policy

Q46: If you would be willing to share your crowdfunding policy with others at the Missio Nexus conference, please e-mail a copy to tbatson@capincrouse.com and Ted will share it with the attendees. Please let Ted know if your policy should be shared anonymously.

Sharing of Crowdfunding Policy	Number of 2018 Respondents	Number of 2023 Respondents
Has a policy they would be willing to share	1 (1%)	2 (3.1%)
No response	81 (98.8%)	62 (96.9%)

Q47: If your organization has a crowdfunding policy, how do you respond to donors?

Response to Donors When a Crowdfunding Policy Is in Place	Number of 2018 Respondents	Number of 2023 Respondents
We obtain a list of donors and issue tax-deductible receipts	3 (3.7%)	3 (4.7%)
We obtain a list of donors and issue non-tax-deductible receipts	0 (0%)	0 (0%)
Our policy informs staff and donors that we do not issue receipts	10 (12.2%)	5 (7.8%)
Not applicable	24 (29.3%)	17 (26.6%)
Other	1 (1%)	2 (3.1%)
No response	44 (53.7%)	37 (57.8%)

“Other” responses include:

- Organization’s policy is to discourage crowdfunding outside of organization’s fundraising mechanisms
- Organization doesn’t use crowdfunding for mission support and has occasionally had an intern use crowdfunding sites, but made it clear that those funds are not under the organization’s control. The organization does not issue receipts for that funding.

Vehicle Purchases

Among the issues that arise with vehicle purchases are:

- Who owns the funds used to purchase the vehicle — therefore who owns the vehicle?
- Local laws may not allow ownership by the mission, particularly if there is no local legal entity.
- Who is responsible for insurance and maintenance?

Q48: Do you allow missionaries to purchase a vehicle with ministry funds?

Missionaries Allowed to Purchase a Vehicle with Ministry Funds	Number of 2018 Respondents	Number of 2023 Respondents
Yes	23 (28%)	13 (20.3%)
No	2 (2.4%)	8 (12.5%)
No response	57 (69.5%)	43 (67.2%)

Q49: If yes, who holds title to the vehicle?

Who Holds Title to the Vehicle	Number of 2018 Respondents	Number of 2023 Respondents
Title stays with the mission	2 (2.4%)	3 (4.7%)
The vehicle is titled in the missionary’s name to comply with local law, but an agency agreement is entered into with the missionary whereby it is clear the missionary is the owner in name only and actual ownership remains with the mission	9 (11%)	3 (4.7%)
Title is transferred to the missionary and the value of the vehicle is included in the missionary’s taxable income	11 (13.4%)	4 (6.3%)
Other	3 (3.7%)	10 (15.6%)
No response	57 (69.5%)	44 (68.8%)

“Other” responses include:

- No ministry funds used
- Varies
- Depends on the country. If possible, the mission has the title, not the missionary.

- In limited circumstances, employees purchase a vehicle for ministry and personal use using ministry funds. IRS personal use allocation rules are to be followed by the employee.
- Missionary is taxed on salary given for a vehicle and missionary owns the vehicle 100% at time of purchase
- Not applicable

Q50: Upon sale of the vehicle, the proceeds:

Distribution of Proceeds Upon Sale of Vehicle	Number of 2018 Respondents	Number of 2023 Respondents
Belong to the mission	13 (15.9%)	8 (12.5%)
Pass to the missionary	9 (11%)	5 (7.8%)
Other	2 (2.4%)	7 (10.9%)
No response	58 (70.7%)	44 (68.8%)

"Other" responses include:

- Proceeds go to the party with "actual" ownership
- Depends on how much of the vehicle ownership has been fully transferred to the missionary, and what the sale price is related to the outstanding, not yet "earned" portion of the original purchase price
- Upon leaving the field, most vehicles are donated to the local mission hospital
- Not applicable

Questions? Contact:

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