

## **FRAUD OR FRUGALITY: DESIGNATED GIVING IN UKRAINE**

By Mike Manna, Director, National Center for Youth Ministry, Kyiv Theological Seminary

### INTRODUCTION

#### Facing Differing Views On the Use of Money

Since moving to Ukraine five years ago, we have faced many cultural differences. Americans and Ukrainians do not look at life in the same way. It has been a joy to minister with my Ukrainian brothers and learn to look at life from a different angle. We came to Kyiv to minister with the indigenous church and train youth pastors through Kyiv Theological Seminary. I have had to contextualize hundreds of pages of notes. I needed to remember the American context which the notes were written from and the Ukrainian culture I was teaching in. I have faced many cultural differences the past five years, but none as controversial as the use of money.

One veteran missionary once said to me, “If we ever have to leave Ukraine, I know it is going to be over the issue of money” (personal communication, April 17, 2007). Following my second year of ministry in Ukraine, I had to take drastic actions because I discovered that our ministry funds were being embezzled. I have heard many stories over the years concerning American gifts to Ukrainian ministries which have led me to believe that our cultures look at money in different ways. The goal of this paper is to help understand those differences and consider the Biblical principles related to this subject.

#### Real Life Examples of Designated Gifts

Money handling is a very large topic. This paper will only look at issue of designated gifts or restricted gifts. This problem can be found in any culture in the world and is not limited to cross cultural situations. The following two real life stories from Ukraine are true. They both have very different conclusions.

An American contacts a village church in Ukraine. He has not been back in many years, but has heard the church has two buildings: a large building which can be used for services, and another smaller building which is used for Sunday School. The American is interested in electronics and sound systems. He sends the church \$1,000 to purchase a sound system. The pastor understands the nature of the restricted gift and purchases a sound system for the large building. Unfortunately, the church cannot use the large building for 3 seasons of the year because they do not have a heating system for this building. The pastor does not mention this to the donor. Thus, the church continues to meet in the small building where they have heat and the sound system sits in the cold, unused large building (Dennis Shulga, personal communication, April 27, 2007).

An American church sends over a group to Ukraine to minister in a church and notices that the church has no carpet in its Sunday School classrooms. The group asks the church how much it would cost to carpet the rooms. Five thousand dollars is given to the Ukrainian church to purchase carpet and get it professionally laid. Two years later, the American church sends a missionary to minister in Ukraine. The missionary notices that the carpet still has not been purchased for the rooms. He mentions it casually to the pastor. The Ukrainian church purchases five hundred dollars of carpet and places it in the classrooms. The missionary is never informed about the rest of the money and wonders about how the money was used. He suspects that the

designation for the money was changed by the church leadership (personal communication, January 15, 2005).

The parties concerned with this issue should start with the Biblical principles related to giving, consider the laws from each country, and evaluate the cultural differences.

### BIBLICAL PRINCIPLES

The Evangelical Council for Financial Accountability (ECFA) has been leaders in the United States for helping churches implement Biblical principles and legal standards into their ministries. Their own standards say:

The basis for establishing ECFA and developing Standards of Responsible Stewardship is stated clearly by the Apostle Paul in 2 Corinthians 8:21 (NIV): “For we are taking pains to do what is right, not only in the eyes of the Lord but also in the eyes of men.” Or, as the New American Standard puts it in verses 20 and 21, “taking precaution that no one should discredit us in our administration of this generous gift, for we have regard for what is honorable, not only in the sight of the Lord, but also in the sight of men.” The Standards, drawn from Scripture, are fundamental to operating with integrity. (ECFA Standards and Best Practices 2007:par. 1)

Biblical principles, which are derived from the perfect character of God, demand honesty, justice and righteousness in our relationships with other people. This infers that discussions and agreements made between individuals regarding gifts are to be above reproach. Honesty is the rule.

The desire of both parties from each culture should be to do the right thing and avoid going against God’s principles or sinning against Him. Cornelius Plantinga defines sin as “...not only the breaking of law but also the breaking of covenant with one’s savior. Sin is the smearing

of relationship....” (Platinga 1995:12). He goes on to talk about sin as breaking the shalom (peace) of God. This concept of sin may help in understanding how to set the standards when discussing the usage of money cross-culturally. Platinga asks, “But what if you simply do not know how to please God and build shalom? We Christians derive our vision of shalom from Scripture, from general revelation, from centuries of reflection on them, and from whatever wisdom God grants us” (1995:15). Thus, the desire of both the donor and the recipient must be for God’s peace to reign in their relationship. This kind of attitude goes beyond cultural differences; especially when there is sensitivity to the fact that people look at money in different ways.

## AMERICAN AND UKRAINIAN LAWS

One way to understand the thoughts of the donor and the recipient of the gifts is to consider the laws of the country. Many times the laws of the country also convey the cultural assumptions of its people. The following paragraphs will consider the laws concerning designated giving from a layman’s perspective.

### American Laws Concerning Restricted Gifts

According to American laws, the donor has the right to restrict the gift’s purpose. If the charity, as the recipient, changes its use without the donor’s permission, the organization is legally liable.

Donors may also impose purpose restrictions concerning how a gift will be applied to further a particular capital purpose such as a building program, or an operational purpose, such as a relief effort in a foreign country. In either situation,

it is essential that the purpose restrictions established be within the parameters of the charitable purpose set out in the charity's constituting documents. If this is not the case, then the board of the charity will either be in breach of trust if it is a charitable trust, or liable for having authorized ultra vires activities outside of the corporate authority of the charity if it is a corporate charity. (Carter 2003:25)

The Evangelical Council for Financial Accountability (ECFA) has specific standards concerning designated gifts:

The essence of this Standard is that the charitable organization is obligated to use a donation as directed by the donor or, alternatively, to choose not to accept the donation. Once the donor has indicated the intent for which the donation was given and the charity has accepted the gift, it is the responsibility of the charity to fulfill that intent. . . . Donor intent can be determined from the donor's own written or verbal communication. Whether these take the form of letters accompanying a gift, notes on the gift response card, or personal conversations with the donor, any communication accompanying the gift should be considered an expression of donor intent. To state the principle in the negative, the charity cannot use gifts for purposes other than those intended by the donor. (ECFA Standards on Fundraising 2007:par. 1)

According to common law practices in the United States, the donor has the right to restrict the use of a donation to a charitable organization. The organization must use the donation for that purpose, refuse the gift, or obtain written permission to change the designation. Prison and fines are possible if legal action is taken against a charity that does not use the gift for its intended purpose. These laws do not extend overseas unless there are extenuating circumstances. These laws convey the mindset of any American citizen giving a donation.

### Ukrainian Laws Concerning Restricted Gifts

During the past 5 years of living in Ukraine, I have never heard anyone discuss the Ukrainian laws concerning designated or restricted giving. I took the time to interview a

Ukrainian lawyer who is also a Christian. Dmitri Slipenko is the head of his own legal firm in Kiev.

Dmitri explained that there are four types of non-profit organizations in Ukraine: public, political parties, religious and charity. There are different sets of laws governing each type of non-profit organization. We discussed the laws concerning religious and charity organizations which include churches and ministries. Churches must record their donations in order to avoid taxation on this income. As soon as the donor gives the money to the religious organization, the donor cannot control the use of the money. The church can change the designation or use of any money given legally. The only restriction for churches is that the money must be used for religious activities. For example, if a donor gave funds for a building addition to a church, the church can use these funds for salaries or any other needs the church has. Dmitri went on to explain, "In real life, people in church leadership don't think about designations of gifts. They just use the money where it is needed" (Dmitri Slipenko, personal communication, May 2, 2007). The only legal exception to the freedom given to religious organizations may be in civil law contracts. If a written contract is made between two parties for the designation of the funds, this may supersede the freedom given to the church. (Dmitri Slipenko, personal communication, May 2, 2007.)

Dmitri said that some churches in Ukraine keep the funds for the designation for moral reasons. They want to honor the intent of the donor over legal freedom. If a donor gives funds to a church and requests a financial statement, the church is not obligated to give one. Yet if a

donor gives funds to a charitable organization, this organization must give a financial report by law. (Dmitri Slipenko, personal communication, May 2, 2007.)

## CROSS-CULTURAL GIVING

After considering the Biblical principles related to giving, and the laws from each country, the donor and recipient must understand the nature of cross-cultural transactions. Some of these differences may simply be cultural differences, and other issues may be naïveté on the part of the donor. In April of 2007, Frampton Fox, an intercultural lecturer, published an article concerning the use of foreign funds to support indigenous ministries. He wrote that gifts can actually become a curse. “Expatriate workers and local leaders will testify to this detrimental effect of sincerely given, but misguided, donations. It is remarkable that in cases of financial misappropriation of ministry funds, Indian leaders consistently criticized the donors for their naïveté rather than the receivers for their duplicity” (Fox 2007:par. 18).

Fox wisely has evaluated the issues related to cross-cultural giving. He suggested four guiding principles for Americans who were planning on giving to indigenous ministries.

1. Seek the opinion of cultural insiders toward the ministry which you are considering. Insiders can get a perspective that outsiders find it difficult to perceive. These insiders can be expatriate and local friends.
2. Establish and nurture a network of mission-savvy friends both at home and in the country of interest, whereby you can benefit from their recommendations and assessments of giving opportunities.
3. Visit ministries or key people heading up ministries that you wish to support. Keep in mind that you are only seeing and hearing what they allow you to see and hear. Such personal visits may help you to develop the network of insiders who can advise you.

4. Develop a short list of characteristics that you are seeking in a ministry. (2007:par. 19).

## UNDERSTANDING UKRAINE

I spoke with Yulia Shulga, who coordinates the Sunday School teachers for a few churches in her district near Kyiv. They live in a poor area where it is very hard to get any funds for Sunday school supplies. She shared with me a time about when she re-directed designated gifts from Samaritan's Purse. The shoe boxes for children are specifically designated for non-Christians as a tool of evangelism. The church used as much as they could for non-Christian children, but then they had many boxes left over. This is not uncommon in Ukraine. Yulia shared with her local Ukrainian coordinator with Samaritan Purse that the church made a decision to open the boxes to use the items inside for the Sunday school supplies. The coordinator said this was against the rules, but that it was OK for them to do. She understood the situation. Yulia told me that we didn't ask any Americans because the Americans did not come to give the gifts. She said that she felt she was honoring the intent of the givers (Yulia Shulga, personal communication, April 27, 2007).

Yulia also had recommendations for American concerning future giving to Ukrainian ministries. She suggested:

1. If it is a large amount for a specific purpose - Someone should write up a Ukrainian contract (договор) with the responsible people on both sides.
2. The recipient should send the donor documentation and pictorial proof when the project is complete.

3. If Americans give funds, give the money to a group of ministers instead of just one person. This will give accountability. (Yulia Shulga, personal communication, April 27, 2007).

## CONCLUSION

When two parties enter into a financial agreement (including donor and recipient), there is always a certain degree of trust. When these parties are from two different cultures, another level of trust must be reached to bridge the cultural differences. Blind trust is not prudent. A trust based on mutual understanding can be reached through communication. The following suggestions were given to each culture in one of my youth ministry classes at Kyiv Theological Seminary.

### For Americans donors:

1. Be aware of the differences in laws between the countries.
2. Ask more questions. Ask the Ukrainian ministry, “What is your greatest need?” Do not assume that you know this need through observation.
3. Try to give gifts with open hands to ministries. In our American culture, we often want to see results from our investment.

### For Ukrainians recipients:

1. Be aware of the differences in laws between the countries.

2. Communicate honestly with donors concerning needs. Do not just say what you think the donor wants to hear in fear that they not give the donation.
3. Agree in advance with the donor what the use of the funds will be. Agree with the donor on whether the money will be for general use or a specific project.
3. Send the donor documentation and pictorial proof (if possible) when the project is complete.

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