



CHURCH FINANCIAL GUIDEBOOK

Resources for Ministers, Church Treasurers,
Financial Secretaries & Church Financial Committees

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The Church Financial Guidebook assists congregational leaders to exemplify a financial plan of integrity before God and with each other!

Resources for Ministers, Church Treasurers,
Financial Secretaries & Church Financial Committees

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This publication is intended to provide a timely, accurate, and authoritative discussion of the position of Church Treasurer. It is not intended to be an exhaustive discussion of all items relating to the positions of the church treasurer, financial secretaries, church financial committees and senior pastors. It is also not intended as a substitute for legal, accounting, or other professional advice. If legal, tax or other expert assistance is required the services of a competent professional should be sought. Although we believe this book provides accurate information, there may be changes resulting from IRS or judicial interpretations of the Tax Code, new tax regulations, or technical corrections that occurred after the printing of this book that are not reflected in the text.

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*But everything must be done decently and in **ORDER**.*
(1 Corinthians 14:40, Christian Standard Bible)

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Developing a Biblical Concept of Money

Whose Money Is It? God's!

It is important for the church treasurer to recognize that all money that comes into the church's financial system is God's money. In fact, part of the stewardship training is for the treasurer to help lead the church and church members to see that all money is God's money. Many people think that it is their money and they will give a portion of it to God. The correct biblical concept of money is that God owns it all and allows us to manage it for him. In managing it we are to return a portion of it to God's organized family – the church.

Developing a Church Stewardship Ministry

The Importance of Discipling

The principles of biblical stewardship are very important to the ongoing ministry of the local church. The church treasurer and finance/stewardship committee members must realize that their role is about more than contributions and expenses. In order for the church to obtain the financial resources necessary to be effective it must continuously disciple its members in the principles of biblical stewardship and generosity. In this resource, you will find a tremendous amount of valuable information on how to manage the resources of the church. However, if you get everything regarding the management of funds correct and fail to disciple the body of Christ in stewardship, you have only done half of your job as a church leader or committee member. You must also provide opportunities to disciple your congregation in biblical stewardship and generosity.

Understanding Capacity & Maturity

In order to disciple your congregation in biblical stewardship it is helpful to gain a better

OVERVIEW

“The correct Biblical concept of money is that God owns it all and allows us to manage it for Him.”

Romans 8:32-33

He did not even spare His own Son, but offered Him up for us all; how will He not also with Him grant us everything? Who can bring an accusation against God's elect? God is the One who justifies.

2 Corinthians 8:9

For you know the grace of our Lord Jesus Christ: although He was rich, for your sake He became poor, so that by His poverty you might become rich.

understanding of the capacity and maturity of your church members. Capacity is the financial ability to give. Maturity is the application of biblical stewardship principles in the life of the believer. Both the capacity and maturity of each giving unit (family) is important to consider when providing opportunities to grow disciples. Your role as the financial leader in the church includes helping grow both capacity and maturity among your church families. Because every church member has a differing level of capacity and maturity, it is necessary to provide a comprehensive model for them to grow in this area. By comprehensive, we do not mean, time demanding, we simply mean providing multiple training options that helps meet the unique needs of each member.

Church Stewardship Ministry

Every church stewardship ministry may look and act a little different. The consistency is in the goal to help their members grow in financial maturity and capacity. When developing a church stewardship ministry there are 5 components to consider.

General Stewardship Education

The Bible is filled with principles about how we are to manage the blessings, opportunities, and struggles of our lives. It is the church's responsibility to teach these principles to their members regardless of age. These principles should include God's ownership, our responsibility to manage what He gives us, and how our management fits in to His greater kingdom plan. It is important that these principles are taught in both larger group and small group settings. You can find resources to help promote general stewardship to your congregation at www.stewardshipdirect.com or by contacting your local state convention office.

Tithes & Offerings

One crucial factor in helping believers mature is to make sure they understand the role of tithes and offerings in the life of the church. As simple as this understanding may be, many churches fail to teach it their congregations. We should be teaching that the tithe is the starting goal of financial appreciation and devotion to God. The giving back of 10% to the church (tithing) is one of the oldest demonstrations of worship in scripture that should continue in the life of the church today. It is important because it is through the tithes of the members that the ongoing ministry budget of the church is funded. An offering is a gift that is given above and beyond the tithe. It may be given to the ministry budget of the church or to support a specific cause or need. An offering can be given publicly as a testimony to encourage others, or privately as personal expression of appreciation to God. Offerings are also important in the life of the church because they help provide the resources for the church to grow and do ministry beyond what their normal budget allows.

Basic Financial Management

The single most effective way to create giving capacity among your church

members is to provide resources to help them master the basics of personal money management. Without basic money management skills, most members give up their capacity to give by acquiring too much debt or making poor spending choices. Providing discipleship courses and additional resources including personal coaching can produce great results for those members who want to demonstrate sound financial management practices in their lives. Also remember that basic financial management can be a struggle for both believers and unbelievers. If promoted correctly, courses on personal financial management can also be an outreach to the unchurched in your community.

The Executive Committee of Southern Baptist Convention has entered into a relationship with Ramsey Financial Solution to help churches host Financial Peace University classes. For more information and a discounted rate go to www.talkcp/FPU.

Giving Options

Church leaders may also find it helpful to educate their members on the ways they can support the church. Here are the four primary ways members can provide financial support.

- Cash/Check
 - o A gift of cash or check is the easiest gift to receive and currently represent the majority of all gifts given to the church.
- Digital Gift
 - o Online and Digital giving is the best way to encourage contributions from younger church members.
- Non-Cash
 - o Many church members have the ability to give non-cash assets if they only knew how they could give them. Gifts like stocks, bonds, real estate, antiques, collectables, and business interest are all examples of non-cash gifts.
- Estate
 - o Estate gifts are also a great way to fund additional ministries of the church. Church members can give all or a portion of their estate to the church when they pass away. One thoughtful estate gift is for a member to establish a memorial endowment fund that produces income to replace their tithe at death.

As a treasurer or financial committee member you can bless your church and its members by facilitating and promoting a Church Stewardship Ministry within your church.

“The character of the treasurer should reflect the highest Christian integrity.”

The one who lives with integrity lives securely, but whoever perverts his ways will be found out.
Proverbs 10:9

Selecting a Church Treasurer

Qualifications

The church should prayerfully identify potential treasurers by first considering those who have committed their lives to Jesus Christ and are dedicated to the mission and ministry of the local church. Additionally, churches should desire a treasurer that exhibits a willingness to work cordially with people and has the ability to be fair minded. The person selected to be treasurer should also have knowledge of the working organization of the church and should be one of the elected leaders. The character of the treasurer should reflect the highest Christian integrity. This person's experience and background should give confidence to church members that the financial affairs of the church will be carried on in a fair and trustworthy way. A working knowledge of accounting procedures or the willingness to learn them is essential. It is important that the person selected to be church treasurer is a tither, setting the example for church members. As with any position of leadership in the church, the church may wish to set guidelines covering the length of continuous membership prior to election as treasurer. It is sometimes beneficial for the same person to serve as treasurer for several years, however, the length of service is a decision of the church. (Exodus 18:21, Isaiah 33:15-16)

Church Structure and the Treasurer

The treasurer's relationship to church members depends on the organizational and committee structure of the church. For example, in some churches the treasurer would normally relate directly to church members. In other churches the treasurer may relate to a financial committee, which then communicates with the church members. (Some churches call this committee a budget committee, finance committee or stewardship committee.) State law, relating to incorporated churches, often dictates the financial accountability for the church.

The treasurer may be required to submit reports to the church. Additionally, the church treasurer must understand that all giving records should be handled with the strictest confidentiality.

The administrative work of the church treasurer is based on the Biblical principle of accountability. This foundational principle is the basis of an individual's personal accountability to the Creator. Romans 14:12, CSB says "So then, each of us will give an account of himself to God." Just as we are responsible to God, we also are responsible for the proper stewardship of the resources, which are entrusted to us (Matthew 25:14-30).

The Biblical principle of transparency is also relevant in relation to the financial administration of the church. The Gospel of John says “This is the judgment: The light has come into the world, and people loved darkness rather than the light because their deeds were evil.” (John 3:19, CSB). The need to hold others accountable is a direct result of man’s sinful nature (Romans 5:12-14). Because of mankind’s inherently flawed nature, the church treasurer must continually assure church members that their tithes and offerings are being used both efficiently and effectively.

Responsibilities

Principal Function

The church treasurer is responsible for the proper receiving, disbursing, accounting and safeguarding of church funds within policies established by the church for adequate financial control. It is suggested that the treasurer’s work focus primarily on financial records and payment procedures rather than the handling of cash. In some churches this duty is assigned to a staff member who works with all church financial matters.

Treasurers may have the following responsibilities either directly or indirectly.*¹

****See Page 82 for important guidelines regarding separating duties for internal control purposes and to safeguard church resources.**

1. Keep accurate records in appropriate financial journals of all monies received and disbursed.

**** The following two duties should not be performed by the same person ****

2. May reconcile monthly bank statements and correct accounts as needed or
3. May sign checks in accordance with church policies and procedures and verify the supporting data for each check request.
4. Make monthly and annual reports to the church. If the church has a committee to oversee the financial matters of the church, the treasurer should also make regular reports to the committee.

**** To ensure segregation of duties, if the treasurer is responsible for 1 above, a different individual should be responsible for items 5 and 6 ****

5. Prepare and maintain records of individual contributions.
6. Prepare and distribute contribution statements.
7. Suggest possible investment opportunities concerning any funds the church wishes to hold.
8. Keep church staff and appropriate committees informed of any trends or changes in fiscal matters.

**As determined by the church. Each church may be different.*

¹Adapted from Powers, Bruce P., ed, *Church Administration Handbook*, (Broadman & Holman Publishers, Nashville, TN., 1997) p. 45-56

9. Instill and preserve a high financial confidence throughout the congregation.
10. Submit accurate financial records for annual financial review according to church policy.
11. Train an associate treasurer selected by the church.

Working relationships between the treasurer and the church family. * ¹

1. Serve as ex-officio member of the church committee assigned to oversee church financial policy and procedure. (To prevent any misunderstandings, the church should pre-determine whether or not they intend for the Treasurer to be a voting or non-voting member of financial committees). Confer with this committee in recommending and establishing policies related to receiving, disbursing, accounting and safeguarding of church money; developing the annual church budget; provide a continuing program of stewardship education for the church; coordinate the annual stewardship campaign; and prepare and present a financial report in the church business meeting. Confer with the moderator about presentation of a financial report. (Depending on the church size/organization, some of these duties may be assigned to church staff. See Page 82 for more detail.)
2. Receive a copy of the deposit slip or a summary of the receipts record from the Counting Team (Committee) after each deposit.
3. Work closely with the church bookkeeper/accountant/financial secretary in maintaining records of individual contributions.
4. Confer with church staff members and deacons to maintain communication concerning financial matters of the church.
5. Work with staff members, officers and organizations in administering financial details of church projects.
6. At the request of the church committee assigned to oversee church financial matters of the church, serve as advisor to various committees and groups in preparing and maintaining their budgets.
7. Be available to help individual church members plan a personal and/or family budget in accordance with biblical guidelines.
8. Serve as an active member of the Church Council. Advise the council and various committee chairpersons about available funds and budget. ¹

**As determined by the church. Each church may be different.*

¹Adapted from Powers, Bruce P., ed, *Church Administration Handbook*, (Broadman & Holman Publishers, Nashville, TN., 1997) p. 45-56

Length of Service

Long terms of service may provide more stable leadership and continuity of the financial program of the church. If this is the desire of the church, it should set maximum term limits for continuous service in major church leadership positions.

One alternative is for the church to elect the treasurer annually. This would allow the church to examine the work of the treasurer. If there is a problem with the quality of work the church should ask appropriate leaders to discuss the situation with the treasurer and set into motion a procedure to improve the quality of work. If the treasurer does not wish to comply with the suggestions, the church may choose to elect someone else to the position. One negative to the annual election is the possibility of inconsistency of work due to a frequent turnover in people filling the treasurer position. If the church has an annual election and agrees the quality of work of the current treasurer is of a high standard, the church may choose to use the election as a time to appreciate the treasurer.

The church's Constitution and By-laws should indicate the desire concerning service limits of elected officers.

“The correct Biblical concept of money is that God owns it all and allows us to manage it for Him.”

Romans 8:32-33

He did not even spare His own Son, but offered Him up for us all; how will He not also with Him grant us everything? Who can bring an accusation against God's elect? God is the One who justifies.

2 Corinthians 8:9

For you know the grace of our Lord Jesus Christ: although He was rich, for your sake He became poor, so that by His poverty you might become rich.

NOTES

Understanding 501(c)(3) Tax Exempt Status

One of the greatest misunderstandings in church life is in the area of tax-exempt status. Many believe that a church is totally absolved from paying any type of tax. This is an incorrect assumption. Receiving a nonprofit status from the federal government simply exempts the church from paying federal (and in most instances, state) income tax and allows it to receive tax deductible contributions. For example, sales and use tax and property taxes are state specific issues and vary greatly between states.

Many church financial leaders have not had any instruction relating to the definition of being a nonprofit organization. They operate from a point of view of folklore deliberations. These type of deliberations occur when a group of people discuss an issue and whatever seems to be the prevalent thought within the group must be what is correct.

Church leaders often come to serve churches in one state from churches in other states. They bring with them their understanding of laws and regulations from the state they left, but their understanding might not be accurate for the new state.

Obtaining Tax Exempt Status

Automatic: According to Publication 1828, “churches that meet the requirements of Internal Revenue Code (IRC) section 501(c)(3) are automatically considered tax exempt and are not required to apply for/obtain recognition of tax-exempt status from the IRS.” Churches are also exempted from the annual filing of IRS “Form 990 - Return of Organization Exempt from Income Tax”.

Individual: Churches may voluntarily apply for official IRS recognition of their tax-exempt status by filing Form 1023, Application for Recognition of Exemption with the IRS. If a church wishes to obtain its own 501(c)(3) determination letter from the IRS, the first

IRS Resources

stayexempt.irs.gov

IRS Online Training
Website for Charitable
Organizations

- Publication 557
Tax-Exempt Status for
your Organization
- Publication 1828
Tax Guide
for Churches
and Religious
Organizations
- See Lifecycle of a
Public Charity
<https://www.irs.gov/charities-non-profits/life-cycle-of-an-exempt-organization>
- Publication 4220
Applying for 501(c)(3)
Tax-Exempt Status
- Publication 4573
Group Exemptions

step is to establish the church by officially constituting or incorporating. The organizing documents must be included in the application for tax-exempt status. (See Publication 557 or 4220).

Group: If a church does not wish to have their own 501(c)(3) determination letter, they may still be identified as a nonprofit organization if they are affiliated with a parent or central organization that has a 501(c)(3) Group Exemption Letter Ruling from the IRS. (See Publication 4573). Churches that are affiliated with a specific Baptist State Convention often can request to be included in the Convention's group ruling (umbrella) and obtain a letter from the Convention if they meet specific membership requirements. If the state/regional convention does not have a group exemption, the Southern Baptist Convention Executive Committee office maintains a group letter exemption ruling for which a church may qualify (www.sbcec.net).

Benefits of Obtaining Official 501(c)(3) Status

- Assures church leaders, members, and contributors that the church is tax exempt under section 501(c)(3) of the IRC and qualifies for related tax benefits
- Assists in obtaining eligibility for lower postal rates on bulk mailings through the USPS
- May be required to qualify for eligibility of some foundational grants
- May be useful in qualifying for potential property tax exemption in some states
- If applicable, may be useful (although not required) in obtaining Sales and Use Tax exemption in some states (NOTE: Rules vary by state and not all states provide a sales tax exemption for churches)
- May be requested by some banks for lending purposes (See Page 61 for a special note regarding protecting your unique church Employer Identification Number)

NOTES

Web Resources

stewardshipdirect.com

Southern Baptist
Stewardship Development
Association

sbc.net and talkcp.com

SBC Executive Committee
Financial Freedom Initiative

crown.org

Crown Financial Ministries

daveramsey.com/fpu

Financial Peace University

talkcp.com/fpu

Special FPU Offer for
Southern Baptist Churches

maximumgenerosity.org

Practical tools on
Generous Giving

voicesonstewardship.com

Resources for the
Christian community to
strengthen stewardship

Recognizing IRS Prohibitions on Political Activity

In recent years the IRS has been actively increasing education and compliance efforts focused on 501(c)(3) religious organizations that may be in violation of the legislative restrictions on political activity. Church organizations are currently prohibited from participating or intervening in political campaigns on behalf of (or in opposition to) any candidate for public office. Penalties for “political activity” include potential excise taxes and the ultimate penalty of revocation of tax-exempt status. (See IRS Publication 1828)

The IRS recently stated:

The prohibition against political campaign activity has been in effect for more than half a century and bars certain tax-exempt organizations from intervening on behalf of or in opposition to political candidates. However, these organizations can engage in advocating for or against issues and, to a limited extent, ballot initiatives or other legislative activities.

The IRS is making extensive efforts to educate 501(c)(3) organizations, political parties and candidates. Letters are being sent to the national political party committees explaining the law’s prohibition regarding charities and churches. A letter was recently published in the Federal Election Commission’s monthly newsletter, asking candidates to ensure that their contacts with charitable organizations do not inadvertently jeopardize the tax-exempt status of any charity. The IRS has issued a news release on the subject in every presidential election year since 1992.

The main prohibitions that the IRS addresses are:

- Contributions to political campaigns (IRS Publication 1828)
- Public statements (by church leadership) of position in favor of or in opposition to a specific candidate in official church publications and at official church functions (IRS Publication 1828)
- Distribution of voter guides containing questions demonstrating a bias on certain issues (IRS Church Tax Guide)
- Endorsement of candidates (Internal Revenue News Release IR-96-23)
- Campaign activities by employees within the context of their employment (FSA 1993-0921-1)

Resources

1. Another excellent resource is the IRS stayexempt.irs.gov website that has a very user friendly 30 minute online training course for non-profit organizations related to political intervention.
2. The IRS has also issued a Tax Guide for Churches and Religious Organizations that is excellent and in plain English that offers extensive examples on what is and is not prohibited. (IRS Publication 1828)

2019 UPDATE

In 2017, President Trump signed an executive order “Promoting Free Speech and Religious Liberty” which among other things asked the IRS not to “take any adverse action against any individual, house of worship, or other religious organization on the basis that such individual or organization speaks or has spoken about moral or political issues from a religious perspective.” Additional legislation was presented at the end of 2017 to alter the longstanding Federal prohibition on political activity by nonprofit organizations. The legislation did not pass and the law as passed in 1954 is currently still in effect.

Updated Information:
[www.irs.gov/newsroom/
charities-churches-and-politics](http://www.irs.gov/newsroom/charities-churches-and-politics)

Giving the Money

Individuals

The Bible teaches individual responsibility for handling God's money; this is called stewardship. The actual definition of stewardship is "the act of being a steward." The definition of a steward is "one that cares for someone else's things."

Most churches rely on individual contributions from their members and non-members to maintain their financial health. Members are expected to contribute to the financial health of the church. Non-members may also contribute if they so desire. Individuals may make contributions through organizational meetings such as Sunday School, or through worship and revival services. (Gifts given for the exclusive use of a church Sunday School class do not qualify for a tax deduction, since they are outside the control of the church – See Page 39). They may alternatively mail in their contributions, bring their contributions to the church on a weekday, or contribute through alternative online giving options.

Groups

Groups of people, both inside and outside the church membership, may give money. Groups may consist of organizations such as the Women's Missionary Union or the Baptist Men on Mission group. These groups may collect money for a special reason and turn it in to the church's financial system. The group contributions will need to be examined to see if any individuals that gave to the group contribution can receive credit for a charitable contribution. Checks must be made payable to the church if the donor desires a contribution credit. (As noted above, gifts given for the exclusive use of a subgroup within a church will not be considered tax-deductible if they are outside the control of the church).

Churches

Churches may give money to other churches to meet special short-term goals, emergencies or

RECEIPTS

I Corinthians 4:2
In this regard, it is expected of managers that each one be found faithful.

Malachi 3:10
Bring the full 10 percent into the storehouse so that there may be food in My house. Test Me in this way," says the LORD of Hosts. "See if I will not open the floodgates of heaven and pour out a blessing for you without measure.

Acts 20:35b
'It is more blessed to give than to receive.'

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operational support for church planters until the receiving church becomes financially able to meet its obligations.

Businesses

Businesses are also allowed to make charitable contributions of cash or property to a church organization and receive an appropriate tax deduction. Charitable Receipts should be handled in a manner similar to the requirements for individuals.

Other

The sources of income to any particular church are innumerable. They may include items such as: fundraisers (within and outside the church i.e., t-shirt sales, tickets to banquets, etc.); trips for church sponsored events (i.e., youth trips, senior adult trips, etc.), or revival offerings (paid directly to visiting guests). Facility use charges (of church property) and interest bearing accounts are other sources of income. (Rental of church property should be closely monitored to avoid unintended Unrelated Business Income Tax implications – See Page 21).

As you can see, there are many potential sources that generate monies that need to be accounted for. Every church will be unique in identifying these “other” sources of income.

How Did We Get It?

Money may come into the church financial system from several sources. The treasurer should be able to identify the source of the contribution and its intended designation. Accuracy is important here. It is suggested that the treasurer keep records of the amount of money entering the financial system from the various avenues. This information could be important during the budget preparation process. The church may receive monies through:

- **Worship Services:** Members and guests typically give through worship services. These may be regularly scheduled worship services, revival services, or special worship events.

Web Resources

lifewaygenerosity.com
Generosity by LifeWay

- **Sunday School:** In many Baptist churches, a portion of undesignated income is given through the Sunday School. Offering envelopes should be utilized to allow accurate accounting of an individual's contribution and encourage consistent giving habits.
- **Groups:** Various groups within a church may give money for special projects or ministries of the church.
- **In The Mail:** Members who are physically unable to attend services of the church (or who do not attend for other reasons) may mail their contributions to the church. Sometimes, non-members who come to special events or who have a special affection to the church may send their gifts to the church through the mail.
- **Digital:** Increasingly churches are realizing that members want to make contributions through digital online options, including web-based and text-to-give options. This is becoming more popular as donors continue to increase the use of the Internet for processing their financial transactions. This option also allows individuals to contribute on a consistent basis regardless of their travel schedule or temporary absences.
- **Special Gifts:** Gifts from wills, trusts and other sources may enter the church's financial system. These special gifts may come on a regular or a one-time basis. Their use may or may not be designated by the donor. See the Designated Funds Management section on page 38 of this guide for more information.
- **In Kind Gifts:** Sometimes people will give the church a gift that is not monetary in nature. These gifts could be land, stocks, bonds, jewelry, automobiles, or a number of other items. In most cases, the donor must set the monetary value of the donation. That amount should be as of the day the church assumes ownership of the gift. For further information, please contact your Baptist State Convention. NOTE: The value of donated services and discounted rent is never deductible. (see IRS Publications 561 and 1771)
- **Purchase Income:** People may wish to purchase a Wednesday evening meal or a meal that is held in connection with a special event or pay for a special event or program like a retreat, ski trip or concert.

(Note: any money receipts collected other than regular offerings should be accounted for specifically.)

*Now as you excel in
everything—in faith, speech,
knowledge, in all diligence,
and in your love for us —
excel also in this act of grace.*

II Corinthians 8:7

IRS Resources [IRS.gov](https://www.irs.gov)

See helpful IRS Publications

Publication 526 – Charitable Contributions

Publication 561 – Determining the Value
of Donated Property

Receiving the Money

Gifts to churches may come in daily, weekly, monthly, quarterly, semi-annually, annually or whenever a person or group decides to give.

Where Is It Kept?

On Sundays, after money has been received and counted by the counting committee, it should be deposited immediately in the bank night depository using a tamper evident disposable locking deposit bag. The duplicate deposit slip and counting committee report should be given directly to the treasurer. There have been many sad tales told about people who carried money home to be deposited later only to have some of it slip out of a bag and become lost. The safest way to maintain an individual's integrity is to immediately deposit the money. If needed, the treasurer can verify the deposit by calling the bank at a specified time.

When the deposited amounts are entered in the books, it is suggested that the treasurer file the bank deposit slips chronologically by the month and date. Once the monthly bank statement has been reconciled, it is recommended that the original statement be filed with the deposit slips.

Gifts received in the church office during the week or special gifts at year-end should be noted as to their source and designation and then deposited. The deposit slip should be given to the treasurer along with information regarding gift designation. All designated gifts, including income received from wills, trusts and interest, should be reported to church members.

Money received may be held in a checking, savings or money market account until final distribution has been arranged.

It is recommended that someone other than the treasurer count and deposit money received. This will raise the level of accountability by creating a "separation of duties", which will lower the opportunity for funds to be mishandled. This practice will also provide protection for those who have responsibility for handling the church's funds. Not only is this good business procedure, but it will also encourage church member participation by providing an opportunity for service.

Counting the Money

Upon recommendation of the church nominating committee, the church counting committee should be elected annually. The number serving on this committee may vary according to the size of the church membership; however, it should be large enough so that at least two non-related members will always be present to assist in counting the gifts received during the Sunday services. For proper internal control, the staff bookkeeper/financial secretary and the treasurer should not serve on the counting committee. To further enhance security, the church could also consider using multiple teams who confidentially serve on a rotating monthly basis.

Responsibilities of the Church Counting Team

The church counting committee should be responsible for counting all monies received during all church services. After the count has been made, the committee prepares detailed deposit slips, makes bank deposits, and forwards copies of the deposit slips and the summary of receipts record to the treasurer. The committee should also mark and arrange members' offering envelopes in either numerical or alphabetical order, as previously decided, for the financial secretary or other person responsible for recording members' gifts.

The Sunday School offering

Members' gifts should be received in envelopes. After recording class/departments information, unopened members' envelopes should be placed in a large envelope, sealed, class/department information recorded on the outside, and delivered to the Sunday School office. After Sunday School records have been completed, the total Sunday School offering should be received by the church counting committee. If it is safe to do so, place the offering in view of the congregation, usually with the offering plates near the pulpit. If this is not practical, or when there is an early worship service prior to Sunday School, the offering should be handled in the safest way possible.

Worship Service offering (morning and evening)

Preferably, once the church offering is received, it should be taken immediately to a separate, secure room for the counting team/committee to process. If it is the church's practice to have gifts remain in offering plates at the front of the sanctuary until the end of the service, at least two members of the counting team/committee should pick up the offering immediately following the service and take it to the secure counting team/committee room. All offerings should be counted, including any gifts received during Sunday School.

Envelope Sorting

1. Separate loose offering from the envelopes.
2. Count the loose offering and record the amount.
3. Separate budget offering envelopes from any special offerings envelopes.
4. Open each envelope, remove the money, and verify the amount enclosed with the amount on the face of the envelope. If there is a discrepancy or if the figures are not legible, record the amount in red on the upper right corner of the envelope.
5. Add the amounts on the budget offering envelopes, using the corrected amount where applicable, and record the total.
6. Add the amounts on the special offering envelopes and record the total.

7. Checks not enclosed in envelopes should have an envelope prepared for the person who signed the check. This will ensure the amount being credited to the individual's record.
8. Separate the cash from the checks and fill out a deposit slip. (Note: The counting committee should not "cash" checks that are made out to the church to accommodate members. If checks are cashed, they should be made out to "cash." Unfortunately, some people dishonestly try to use cancelled checks made to a church as a receipt for charitable contributions for income tax purposes.)
9. Stamp all offering checks "for deposit only" when endorsing them. This will help to safeguard the offerings and ensure that the checks will only be deposited to the church's bank account.

Envelope Arrangement

1. Arrange offering envelopes in numerical order. This will automatically arrange church families together if offering envelope numbers were originally assigned in alphabetical order..
2. If numbered envelope packages are not used, arrange envelopes alphabetically by families.
3. Arrange all special offering envelopes and miscellaneous offering receipts alphabetically.

Depositing

The following guidelines are for a manual bank deposit. Many churches have begun using remote capture technology where they are able to scan their checks at the church offices and then can be electronically deposited with their bank. Other than cash deposits, this can streamline the entire record keeping process and eliminates the need to make banking deposits while providing a secure, timely method of deposit. Depending on the size of your church, you may want to contact your local bank or your accounting software provider for more information.

1. After counting the money, make deposit slips in duplicate. This is a safety procedure.
2. The money with the original deposit slip should be taken to the bank and placed in the off-hours depository. At least two members of the counting committee should make the deposit.
3. The duplicate deposit slip should be given to the church treasurer.
4. The same depositing procedure should be followed for the evening service. Remember, never take deposits home or keep them overnight in a church safe. Rather take them directly to the bank for after-hours deposit.

5. Consider using a tamper evident disposable locking deposit bag available from your local bank or office supply store.

Digital Giving:

Gifts that are received by the church digitally can provide a challenge to properly track and receipt. Although digital gifts eliminate the need of handling cash and checks and making separate deposits, by their very nature these gifts require a detailed dual accountability process to ensure that all gifts are properly receipted and recorded regardless of how they are received by the church. Digital gifts continue to represent a larger and larger percentage of church receipts and as such, careful attention should be given to the reporting processes provided by gift processing vendors for these type of gifts to ensure good stewardship.

Bonding

Every member of the church counting committee should be bonded for their own protection and for the protection of the church. Bonding is a function of insurance obtained by the church from an insurance provider. It should be taken out to cover the people who actually handle the money – cash or checks. This insurance can be blanket or name specific. If your policy is name specific, make sure that all individuals who handle cash are updated regularly with your church insurance agency.

NOTES

[illegible]

Counting Team (Committee) Reporting Sheet

_____ Baptist Church

Date: _____ () A.M. () P.M. Deposit Number: _____

LOOSE			ENVELOPES		TOTAL
Coins	No.	Amount	No.	Amount	Total
0.01					
0.05					
0.10					
0.25					
0.50					
1.00					

Currency	No	Amount	No	Amount	Total
1.00					
5.00					
10.00					
20.00					
50.00					
100.00					

Subtotal _____

Checks _____

TOTAL (1) (2)

	Account No.	Debit	Credit
Undesignated Offering (General)	_____	_____	_____
Literature Reimbursement	_____	_____	_____
Purchase Income	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Amount Deposited To General Bank Account (Acct. No. 001)		_____ (1)	
DESIGNATED FUNDS:	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Building Fund		_____	_____
_____		_____	_____
_____		_____	_____
_____		_____ (2)	_____
Amount Deposited to Designated Bank Account (Acct. No. 002)			
Total Offerings			

(1) Envelope Total must agree with the total to be posted to individual contribution records.

(2) The total amount deposited in both bank accounts must agree with the total of the TOTAL column.

Counting Committee Signatures

Received by Treasurer: _____ Date: _____

Guiding Principles for Charitable Contributions

In order for a church to be able to give contribution credit to individuals or corporations the church must do several things. The IRS states that by nature a church is a nonprofit organization. However, it also says that in order to avoid any confusion a church should either become a 501(c)(3) or attach itself to a parent organization that is a 501(c)(3). In order to understand what it means to have a 501(c)(3) please read the previous section of this book.

IRS Publication 557 states that a charitable organization must give a donor a disclosure statement for a quid pro quo contribution over \$75. This statement should clearly show what amount of the contribution was considered deductible and what portion was in payment for goods or services (e.g. fair market value of a fundraising dinner, etc). Additionally, this written statement is to be provided the donor by either the date the donor files the original return for the year the contribution is made, or the due date, including extensions, for filing the return. These two deadlines are also listed in publication 557.

It is recommended that the church provide a written contribution statement to everyone who gave money regardless of the amount. While the government may set charitable giving limits below which an individual does not need a contribution statement to claim a deduction, it should be a part of the church's stewardship education to provide a charitable giving statement to all donors.

The church may give an individual contribution credit for monies given by check or cash that is given directly to a financial officer of the church by the donor. The church may not give contribution credit to someone who merely states they gave cash, such as placing it in an offering plate,

but did not give it to a financial officer. However, there are certain IRS rules that must be followed. Additionally, there are very specific substantiation rules for vehicles and other non-cash donations above a certain dollar amount. These gifts often require the church to process multiple IRS forms at both the time of receipt and disposal (e.g. Form 8282/8283). For further information on Charitable Contributions read IRS Publications 526, 561, 1771, 4302 and 4303.

A person may not receive contribution credit for monies given to individuals unless it was a decision of the church, a committee of the church, or an agent of the church. For example, if an individual pays for the camp registration fee for his or her children and at the same time expresses a desire to pay the registration fee for a specific individual, neither the camp fee for his or her children nor the camp fee for the other individual is allowed for contribution credit. However, if the individual pays the camp fee for his or her children and then announces that extra money is being given to cover the cost of camp fees for anyone the church wishes to assist, then the extra fee (not the fee for his or her children) can be used for contribution credit. The reason is the church, or youth minister, etc., will make the decision as to the disposition of the funds. Another illustration is in the case of a fire destroying a home. An individual wishes to give anonymously to the burned out family and asks the church to receive his or her money and write a church check to the family. That earmarked gift would not be eligible for a tax deductible contribution credit because the individual donor made the determination (See Page 39). Additionally, contributions of services can never be treated as a tax deductible contribution to the church.

Substantiating Charitable Contributions

(Excerpts from GuideStone's Ministerial Tax Guide)

Substantiation of contributions of \$250 or more: donors will not be allowed a tax deduction for any individual cash (or property) contribution of \$250 or more unless they receive a written acknowledgment from the church that satisfies the following requirements:

- *The name of the charity must be on the receipt*
- Date of the contribution(s).
- The receipt must be in writing (electronic copy, such as email, is acceptable).
- The receipt must identify the donor by name (a Social Security number is not required).
- For contributions of property (not including cash) valued by the donor at \$250 or more, the receipt must fully/completely describe the property. No value should be stated. The IRS WILL disallow a charitable contribution if this statement is not included.
- The receipt must state whether or not the church provided any goods or services to the donor in exchange for the contribution, and if so, the receipt must include a good faith estimate of the value of those goods or services.

IRS Resources

- Publication 526
Charitable Contributions
- Publication 557
Tax Exempt Status for
Your Organization
- Publication 561
Determining the Value of
Donated Property
- Publication 1771
Charitable Contributions
– Substantiation and
Disclosure Requirements
- Publication 4302
A Charity's Guide to
Vehicle Donations
- Publication 4303
A Donor's Guide to
Vehicle Donations

stayexempt.irs.gov
Online training on
Charitable Contribution
reporting requirements

- **If the church provides no goods or services to a donor in exchange for a contribution, or if the only goods or services the church provides are “intangible religious benefits,” then the receipt must contain a statement to that effect. (Sample: *No goods or services were provided in exchange for these contributions.*)**
- The written acknowledgment must be received by the donor on or before the earlier of the following two dates: (1) the date the donor files a tax return claiming a deduction for the contribution, or (2) the due date (including extensions) for filing a return. *(Typically, most churches issue their donor statements by January 31)*
- Some churches include a statement on the quarterly/annual charitable contribution regarding the length of time original offering envelopes are kept by the church to allow donors to review and verify their contributions in a timely manner.
- Note: Only gifts physically received by the church or postmarked by December 31, can be acknowledged for the current calendar tax year.
- Note: Special rules apply to vehicle donations – See IRS Publication 4302 – A Charity's Guide to Vehicle Donations

Identifying Unrelated Business Income

Unrelated business income (UBI) is defined as income from a regularly-carried-on trade or business that is not substantially related to the organization's exempt purposes. Passive income sources such as dividends, interest, certain other investment income, royalties, certain real property rent, and gains or losses from the disposition of property are excluded when computing UBI and therefore are exempt from income tax. There are a number of complex rules regarding income derived from debt financed property that must be analyzed to properly determine UBI status. (See IRS Publication 598)

Churches are NOT exempt from this regulation and if they allow their facilities to be used for activities that are not defined as religious or substantially related to the religious activity of the church, any income they receive from these activities may be considered UBI. If a church has more than \$1,000 of gross income from UBI activities, the church will have to file a form 990-T, Exempt Organization Business Income Tax Return with the IRS and pay the applicable tax on any net income that is derived from the activity.

Essentially, income-producing activities may result in taxable income if the following conditions of the activity are true:

1. it is a trade or business
2. it is regularly carried on (frequent and continuous),
3. it is not substantially related to furthering the organization's exempt purpose

IRS publication 598, Tax on Unrelated Business Income of Exempt Organizations, further excludes the following activities from the definition of UBI for 501(c)(3) organizations:

1. Substantially all the work is performed by VOLUNTEER LABOR.
2. Activity is carried on for the CONVENIENCE OF ITS MEMBERS.
3. Activity consists of SELLING DONATED MERCHANDISE received as gifts or contributions.

NOTES

IRS Resources

- Publication 557
Tax-Exempt Status for Your Organization
- Publication 598
Tax on Unrelated Business Income of Exempt Organizations
- Form 990-T
Exempt Organization Business Income Tax Return

stayexempt.irs.gov
IRS Online training on
Unrelated Business Income

PARKING LOT TAX UPDATE:

The 2017 Tax Cuts and Jobs Act included a challenging provision for many nonprofit organizations that essentially created a qualified taxable fringe benefit resulting in a federal tax liability on the cost attributable to parking provided by nonprofit organizations to employees at their places of ministry. The IRS issued additional interim guidance in IRS Notice 2018-99 to help nonprofits navigate this issue. The good news is that many churches may not be burdened with the associated tax if they can meet both of the following requirements:

1. The church does not reserve any parking spaces specifically for employee use. (The IRS has made a provision that organizations who eliminate any parking spots reserved for employees by March 31, 2019, will functionally be considered in compliance with this provision retroactively to January 1, 2018)
2. A majority (over 50%) of the use of the parking areas are by the general public (not employees)

If both of these conditions are not met, the church or nonprofit ministry must calculate the total parking expense that they incur annually (excluding depreciation) based on any “reasonable method”, the average use of parking spaces by employees and the general public, and assign a taxable value based on that assessed use. Once the taxable amount is calculated, the organization must then file IRS Form 990-T, Unrelated Business Income Tax and pay federal income tax on the calculated amount. Since many states also have a state income tax, this provision may also require a state income tax filing as well.

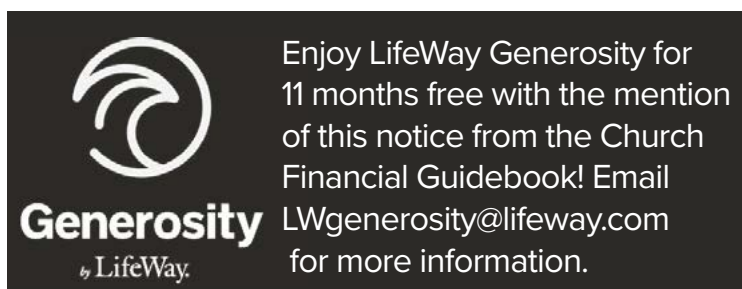
The calculation of the total parking expense will necessarily include some reasonable estimates and allocation of costs. Due to the complexity of these calculations, if a church has a concern about this complicated and confusing requirement they should definitely contact a tax expert on this issue. A good resource that has been provided by a national CPA firm specializing in nonprofit issues is NonprofitParkingTax.com. This website provides an excellent flowchart/decision tree to help churches decide if they are subject to this provision and if so, help them compute the taxable amount.

Working with LifeWay Generosity

Now more than ever, churches should consider systematic ways to expand their giving base to ensure there are sufficient resources available to accomplish the ministry the church.

5 Systematic Tools:

1. **Offering Envelopes:** Offering Envelopes are the most proven method of initiating giving among church membership. The traditional non-profit world has known this for years, which is why they ALWAYS include an envelope with a compelling letter describing their ministry. Offering envelopes can be customized to reflect the unique identity of each church and to communicate or reinforce essential Christian education principles. Offering Envelopes are available in bulk, boxed set and can even be mailed directly to church members on a monthly, bi-monthly, or quarterly basis. LifeWay Envelope Service, the largest provider of offering envelopes to Southern Baptists, has giving specialists who can help each church determine which resources best fit their individual church.
2. **Digital Giving:** Increasingly e-giving is a secure and affordable way to receive gifts. Unleash the six channels of digital giving available to today's giver and receive free resources all year long that implement an overflowing generosity system in your church. Please contact LifeWay Generosity at 844-647-4413 for help in implementing a digital giving solution and generosity coaching for your church. If digital giving is implemented, be sure to add a line for church members to check on their offering envelope that says "I gave online." This ensures that the act of giving during the worship is preserved as an essential part of the corporate worship experience.
3. **Contribution Statements:** Contribution statements should be mailed or e-mailed to church members. The recommended frequency is once every quarter. When contribution statements are mailed, important information about the ministry of the local church and the measurable impact it is making should be included. This is a great time to celebrate what God has done and remind members about the ministry ahead in the next quarter. If this mailing is separate from offering envelope sets, include a catch-up envelope so that those members who wish to catch-up on their giving compared to last year or make an extra donation can do so.
4. **Special Fundraising emphasis/Major Gift Development:** Occasionally, opportunities arise to place a special emphasis on a ministry/upcoming mission project. The two most common times for Southern Baptist churches are the annual Annie Armstrong Easter Offering and Lottie Moon Christmas Offering. Each church may also have a special mission fund or support specific Baptist State Convention mission offerings. Choosing a separate offering envelope, even a colored envelope, helps visually, yet subtly reinforces the importance of that fund to accomplishing the overall ministry of the church.



For more information, church treasurers can contact LifeWay Generosity by visiting Lifewaygenerosity.com or by calling 844-647-4413. LifeWay Envelope Service can be reached by visiting Lifewayenvelopes.com or by calling 800-874-6319.

Digital Giving

A 2011 study by LifeWay Research found that 14 percent of all American Protestant churches offer online giving for their members. As Americans continue to shift to electronic banking and bill payments, churches will need to evaluate and respond to the needs of their members. A 2016 “State of the Plate” survey by MaximumGenerosity.org reported that 79 percent of the churches they surveyed now offered online giving options.

While there seems to be some concern about the possibility of minimizing the worship experience of giving of tithes and offerings electronically, it is clearly evident that electronic giving will continue to grow as donors begin to manage all of their financial transactions electronically. It is important for the church to proactively address this trend.

As with any service, there is a cost that can accompany facilitating and accommodating a transaction, and it is incumbent on the Church Financial Team to fully explore all of the available options. Some church leaders believe that the administrative and processing costs are still too high to justify the implementation of this option. One additional option may be to urge members to use “electronic bill pay on their checking accounts” for their tithes and offerings. This option will not cost the church anything and would assist the church in receiving gifts consistently.

Some charitable giving professionals believe that online giving should be a part of the comprehensive stewardship effort in the church and will ultimately result in increased giving. Electronic payment companies even estimate that giving can increase from 10% to 30% when e-giving is added as an option. In spite of the added cost of implementation, they believe that e-giving will allow members to systematically and consistently give whether they are physically in attendance or not.

Giving methods may change, but the message of worshipful, responsible, generous, God-honoring stewardship will never change.

Resources

Your State/Regional
Baptist Convention

Your current
Church Accounting
Software Provider

lifewaygenerosity.com
Digital Giving
and Coaching

lifewayenvelopes.com
LifeWay Envelope

egsnetwork.com
Stewardship Technology

securegive.com
SecureGive

vancopayments.com
Vanco Payment Solutions

pushpay.com
Pushpay Limited

Encouraging Planned Giving/Estate Tithing

This topic is perhaps one of the most difficult for many individuals to discuss, but it should be a subject that every church encourages their members to consider. If one truly believes that God owns everything, then how an individual plans their estate could result in their single largest act of financial stewardship.

According to generosity experts, nearly three-fourths of giving through the local church comes from current income or cash. Yet, cash or income represents only a small portion of many individuals ability to give. The largest potential for whole life stewardship comes from non-cash assets such as real estate, investments, insurance policies, etc. Individuals can create an eternal legacy and extend their Christian stewardship by providing for both their family and their faith with their estate.

There is a tremendous cost involved in reaching the world with the good news of Jesus. Every individual must be encouraged to continually give sacrificially to missions. The key is stewardship. Good stewardship demands acknowledging that God owns everything and recognizing that He has given us the privilege of serving as managers of those resources.

God has entrusted the church with an abundance of financial resources. These include the time, talent, energy, and expertise of each member of the church. These resources must first be released for God's use in His worldwide mission endeavor. When Christians are spiritually motivated to give, they are able to work together to accomplish significant things for the sake of God's worldwide mission.

Encouraging individuals to give generously to missions through the local church and association, Cooperative Program (www.sbc.net/cp) and other Southern Baptist mission offerings creates a sense of being personally invested in God's Kingdom work, as well as being part of a worldwide mission effort that includes thousands of other churches and millions of fellow believers. Planned Giving goes beyond our weekly giving and focuses on encouraging estate giving which can dramatically impact the results of mission efforts throughout the world. Jesus certainly knew that money is directly connected to the passion of an individual's heart; because of this, giving is a reflection of an individual's true love and loyalty. We should never hesitate to encourage others to give to missions. It is the greatest financial investment a believer can make.

Giving a portion of the resources God has entrusted to us allows us to reach beyond our isolated scope of influence by empowering others to share the good news of Jesus. Our gifts serve as the fuel that drives the dynamic missions enterprise of Southern Baptists locally, regionally, nationally, and internationally. Giving allows individuals to embrace the awesome assignment of reaching around the globe with the Gospel and being used by God to effectively advance His Kingdom and leave an Eternal Legacy.

In order to assist Southern Baptists in this task, representative from the Southern Baptist Foundation (www.sbfdn.org), state Baptist foundations, SBC entities and other Baptist groups have developed a resource known as My Legacy of Faith (MLOF) (www.MyLegacyOfFaith.org). This resource allows Southern Baptists to begin estate planning which will benefit both their families and favorite ministries.

The website provides a template for a legacy will -- a document that records important memories and thoughts for family to remember for generations to come. Additionally, it also features resources and videos that churches can use to explain and promote estate giving. Be aware that estate planning laws vary from state to state. You can find information for estate planning resources that are specific to your state by contacting your local Baptist Foundation. Contact information for your local Baptist Foundation can be found at www.mylegacyoffaith.org/find-local-resource.

The following section provides a detailed listing to help you assist individuals to evaluate their God given passion in terms of aligning their giving within an ACTS 1:8 framework. Individuals should be specific about the missions and ministries that God is leading them to support as they may already have some affinities, connections, and partnerships in each of the following areas. For additional partnership information, contact your local association, state/regional convention, state foundation, and mission boards for information.

“Jerusalem” Estate Giving Opportunities

Your Local Baptist Church

The ministry of the local church offers incredible possibilities to make a Kingdom impact with estate giving. Individual Baptist State Foundations can assist local church leadership and in encouraging members to give to support their local church in some of the following areas:

- Church Ministry Endowment Funds
- Church General Ministry Budget (Review your annual Church Budget)
- Church Capital Expansion projects
- Church Youth Ministry
- Church Benevolence Ministry
- Church Mission Trips

Your Local Baptist Association

This ministry offers further opportunities for individuals to partner in the “Jerusalem” mission field. Your church may already be supporting your associational as a part of the church’s annual budget, but there may be additional needs for leadership support, ministry and missions programs, and for training pastors and leaders. Additionally, you should contact the local Baptist association office to discuss their ministry needs. Following are some ideas that you might encourage members to consider:

- Participate in giving to your local association (see listing at www.sbc.net)
- Associational Camps/Conference Centers
- Associational Community Hunger Ministries
- Associational Servant Evangelism Ministries
- Associational Church Planting Ministries
- Associational Evangelistic Ministries

“Judea” Estate Giving Opportunities

Your State/Regional Baptist Convention

Most state conventions have a specific mission offering for missionary work in the “Judea” mission field. The emphases for these offerings may vary from state to state, but they generally relate to statewide mission opportunities related to evangelism, church planting, benevolence and education. State conventions are generally funded through a percentage of the Cooperative Program gifts from the churches in their state, and these special offerings. For more information about your state’s missions offering and how Cooperative Program gifts are invested in “Judea” mission efforts, contact your state or regional convention (www.sbc.net/stateconventionsearch). Consider the following ideas related to supporting your state/regional Baptist convention.

- Contact your local Baptist Foundation about giving opportunities (see listing at www.mylegacyoffaith.org/find-local-resource)
- Participate in giving through the Cooperative Program (www.sbc.net/cp)
- Participate in giving to your State Mission Offering. You can obtain a copy of the allocations for your state offering by contacting your state convention office. (See listing at www.sbc.net/stateconventionsearch)
- State Disaster Relief Ministries
- State Children’s Homes Ministries
- State Educational Institutions
- State Benevolence Ministries (Healthcare and/or Senior Adult Ministries)
- State Evangelism, Church Planting, Church Strengthening and Missions Mobilization

“Samaria” Estate Giving Opportunities

Your North American Mission Board (NAMB)

NAMB’s primary support comes from the Cooperative Program and the Annie Armstrong EasterOffering® (AAEO®) for North American Missions. When churches give through the AAEO, 100 percent of their gifts are used to support the efforts of NAMB’s Send North America strategy, as missionaries and church planters push back lostness in the United States and Canada. This offering is the lifeblood for missionaries in North America. It allows them to share the message of Christ, plant new churches, and strengthen existing churches. Each church becomes a strategic mission partner in reaching the “Samaria” field as it gives to the AAEO.

- Visit www.AnnieArmstrong.com to learn specific ways AAEO supports missions in North America. You may also e-mail aaeo@namb.net, or call (770) 410-6321.
- Participate in the annual Week of Prayer for North American Missions. Materials to support this emphasis are available by calling NAMB at (770) 410-6321, e-mailing aaeo@namb.net, or visiting www.AnnieArmstrong.com.
- North America Evangelism Initiatives (www.namb.net/evangelism)
- North America Church Planting Ministries (www.sendnetwork.com)

- North America Send Relief Ministries(www.namb.net/send-relief)
- North America Missions Mobilization (namb.net/go)
- Other Ministry needs throughout North America (<https://donations.namb.net>)

“Ends of the Earth” Estate Giving Opportunities

Your International Mission Board (IMB)

The International Mission Board’s primary support comes from the Cooperative Program and the Lottie Moon Christmas Offering ® (LMCO®) for International Missions. These funding channels allow Southern Baptists to fund one of the largest mission-sending forces in the world. The LMCO is named for Lottie Moon, a devoted missionary to China. It is an annual offering received by churches to benefit international missions. Every dollar given to this offering—100 percent—goes to the overseas budget for supporting over 3,600 missionaries and their respective ministries. Funds are used to cover the costs of travel, housing, language learning, and missionary child education for these families. Giving to the LMCO allows each church to join a strategic global effort to reach the whole world with the good news of Jesus. For more information about the LMCO, call the IMB Contact Center at 800-999-3113, or visit <https://www.imb.org/lottie-moon-christmas-offering>. For promotional resources, visit www.wmu.com.

- Visit imb.org to learn specific ways the LMCO supports missions throughout the world.
- Participate in the annual Week of Prayer for International Missions. Materials to support this emphasis are available by calling the IMB Contact Center at 800-999-3113, or e-mail imb@imb.org.
- Opportunities for giving to all fields (give.imb.org)

Inclusive Estate Giving Opportunities

The Cooperative Program (CP)

The Cooperative Program is the most effective, efficient, far-reaching, consistent, missionary funding enterprise in the history of Christian denominations. It unifies all Southern Baptists as strategic mission giving partners. Each church decides how much they give to the CP through their annual budget. The funds are sent to the state convention, which keeps and uses a certain percentage (varies by state) to do work in the state. The remaining portion of funds are sent to the SBC Executive Committee, which sends over 50 percent to the International Mission Board and nearly 23 percent to the North American Mission Board. Additional Southern Baptist entities which are supported through the Cooperative Program include the Ethics and Religious Liberty Commission (www.erc.com), the Historical Library & Archives (www.sbhla.org) and the six Southern Baptist Seminaries:

- Gateway Seminary (www.gs.edu)
- Midwestern Baptist Theological Seminary (www.mbts.edu)

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- New Orleans Baptist Theological Seminary (www.nobts.edu)
- Southeastern Baptist Theological Seminary (www.sebts.edu)
- Southern Baptist Theological Seminary (www.sbts.edu)
- Southwestern Baptist Theological Seminary (www.swbts.edu)

Most associations do not receive CP dollars directly; however, many states use CP to partner with and support their associations. You may also contact your state Baptist convention Cooperative Program Office or your Baptist Foundation for information on establishing or contributing to a CP endowment. For additional information about CP, call 1 800 722-9407, or visit www.sbc.net/cp

Global Hunger Relief (World Hunger)

When a dollar is contributed to Global Hunger Relief through the Southern Baptist Convention Executive Committee (www.sbcec.net), unless otherwise designated, 80 cents is sent to the IMB and 20 cents is sent to NAMB to support hunger projects in the United States and Canada. That means 100 percent of your gifts are used to minister to hungry people in Jesus' name. More than likely, someone in your state, and perhaps in your community, benefits from these hunger funds. For more information about Global Hunger Relief, visit:

- www.globalhungerrelief.com
- www.sendrelief.org/poverty/hunger/

Additionally, both the International Mission Board and the North American Mission Board can accept designated contributions directly for their respective hunger ministries. Prayerfully ask your church members to consider the passion that God has given them for each specific area and encourage them to respond to God's leading in their heart.

Supporting Missions and Ministry

General Funds

The church treasurer receives authority for disbursement of church funds from the church when a budget is adopted. The authorized funds should be disbursed promptly when statements/bills are received and due. However, the treasurer may not have the authority to pay non-budgeted items without specific instruction from the church and/or financial committee (Finance Committee, Stewardship Committee or whatever it is called in your church).

In the event that monthly receipts are insufficient to meet budget requirements, an emergency decision for distribution of funds should be made following the wishes of the church. A person or a committee approved by the church and following guidelines established by the church's constitution and bylaws, should make a report on the decision to the church. In most cases, this will be the treasurer or committee chairman. Unless the church has given permission to the treasurer or committee to make final decisions, the church has the final authority for the distribution of funds, not the treasurer or committee. In order to prevent this type of financial crisis, many financial experts recommend churches keep at least three months of their annual operating budget in a savings account as an emergency cash reserve.

Cooperative Program and Associational Missions Support

Since 1925 Southern Baptists congregations have committed themselves to reaching people by working together through the Cooperative Program (CP). CP is the preferred method of support that undergirds state, national, and international missions and ministries as well as theological education. For additional information regarding CP or resources to share with your membership, log on to www.sbc.net/cp.

DISBURSEMENTS

Proverbs 21:20

Precious treasure and oil are in the dwelling of the wise, but a foolish man consumes them.

Romans 14:10-12

But you, why do you criticize your brother? Or you, why do you look down on your brother? For we will all stand before the judgment seat of God. For it is written: As I live, says the Lord, every knee will bow to Me, and every tongue will give praise to God. So then, each of us will give an account of himself to God.

Romans 12:13

Share with the saints in their needs; pursue hospitality.

All gifts identified by the church as Cooperative Program (CP) and associational gifts should be promptly forwarded to the proper organizations so they can reach the field in a timely manner. CP gifts are forwarded to the state convention; associational gifts are forwarded to the associational office or associational treasurer. Consider making these gifts the first check(s) written from the undesignated gifts received by the church. This provides an example consistent with what the church requests the membership do – give their gifts to the Lord through the church first, and then pay their remaining bills. Ideally the church's CP gifts should be sent on Monday of each week. If this is not feasible, then the gift can be sent on the last Monday of the month.

The treasurer may need to advise the budget preparation committee regarding the calculation of the percentage amount of the budget that will be committed to reaching people through CP or to the association. This can be confusing and easily miscalculated. CP and associational gifts by the church may be computed on percentages of the total amount of budget. Following is one simple way to calculate the annual missions giving:

Calculating Missions Giving: Simply establish the anticipated general budget or anticipated undesignated offering plate dollar for the next budget year and use the predetermined church Cooperative Program/Associational Missions allocation percentage to calculate the amount to be committed to missions. This method encourages the church to make worldwide missions a budget priority. Once the mission's contributions are calculated the budget committee should then begin allocating the remaining gifts to the prioritized church ministries.

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SDA Resources **stewardshipdirect.com**

- Church Budgeting
- Church-Wide Giving
- Leadership/Committee Training
- Best Financial Practices
- Cooperative Program Promotion

Contact your local Baptist State Convention office for assistance with these materials.

How to Figure Cooperative Program & Associational Percentages

(Based on a church giving 10% through the
Cooperative Program and 3% to the Association)

Step 1	Anticipated dollar amount of the whole general church budget	\$114,942
Step 2	Total percent church has determined to give through the Cooperative Program and Association	10% & 3% respectively
Step 3	Missions Allocation: Multiply Anticipated Budget by Missions %	\$11,494 & 3,448 respectively
Step 4	Recheck Figures (Step 1 – Step 2 = Other Budgeted Ministries)	Total Budget \$114,942 CP Missions (11,494) Assoc. Missions (3,448) Other Ministries \$100,000

Embracing the Cooperative Program Vision in the Church

Scripture says that without a vision, the people perish (Proverbs 29:18, KJV). This is certainly true as it pertains to church members understanding and committing to reaching people through the Cooperative Program. If they do not understand where their gifts go and who they impact, they will not have a vision for what can be accomplished.

In many churches the responsibility of sharing this vision concerning the Cooperative Program lies with the pastor. However, there may be times the pastor does not feel comfortable doing so or he has other pressings duties that crowd this out. In many churches a budget development committee determines the amount or percentage of gifts given through the Cooperative Program. Someone, a missions committee, or a person(s) with a heart for missions, needs to be assigned that responsibility of helping this group understand what the Cooperative Program is, how it works, and who it impacts. In the hustle and bustle of budget preparation, it is easy for a budget preparation committee to view CP as simply a line item in the budget or a bill to be paid. Since the church treasurer is usually someone who is going to be or has been in position for a number of years, allowing the church treasurer to head up or coordinate this vision/education effort is a logical step.

There are many resources, video and print, that can help the budget preparation committee, as well as the entire congregation, understand the process and see the fruit of the Cooperative Program. Begin by contacting the Stewardship/Cooperative Program Office of the Baptist State Convention for available resources. Additional resources can be accessed at www.sbc.net/cp. Request copies of the current and, if available, proposed Cooperative Program budget. This should provide the big-

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Web Resources

stewardshipdirect.com

Church Budgeting &
Cooperative Program
Resources

sbccp.net

Cooperative Program
Missions Resources

sbccp.net

Official website of
the Southern Baptist
Convention

cpcalc.sbccp.net

Interactive website
showing how your church's
Cooperative Program
gifts support ministries
in your state, nationally
and globally

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The church treasurer should also request the budget preparation committee seek a statement, if not already in print, from the church concerning the church's desire for missions support. This could be done through a discussion and vote during a church business meeting. If a missions committee exists, the budget preparation committee could ask that missions committee to provide a statement. Such a statement will help the budget preparation committee allocate the appropriate resources to the Cooperative Program and other mission's priorities of the church.

Disbursing Church Funds

Petty Cash

Typically, cash disbursements should be the exception and not the rule, but it will happen. In order to accommodate these emergency disbursements, many churches maintain a limited petty cash fund administered by either a financial secretary, bookkeeper or office administrator. Usually, a check is written in the name of Custodian of Petty Cash for a small amount \$100 - \$250 and the cash is maintained in a locked cash box. When small items are purchased an individual can present their receipt to the custodian and be reimbursed from petty cash. When the cash needs to be replenished, the custodian simply totals up the amount that has been used, attaches the applicable receipts and requests a check disbursement for replenishment after review and approval by the church treasurer. All cash disbursements should be made in accordance with current written financial policies and guidelines of the church. No cash disbursements should be made unless a written request has been received for the disbursement. A paper trail is vital to provide for adequate financial reviewing.

Checks

It is suggested that any disbursements made by check require two signatures. Some churches modify this control by requiring dual signatures only on checks in excess of a certain amount. If a church uses this type of signature control, they should print on the face of the check their requirement (e.g. All checks over \$2,500 require two signatures). It is suggested that one of the signatures may be that of the church treasurer, as long as the treasurer is not “cutting” the check. The cosigner could be the church secretary, the financial secretary or a member of the church financial committee, depending on individual job responsibilities. When the treasurer’s signature is the only signature required on checks, a heavy responsibility is placed upon this person. Many churches have a financial secretary who does all record keeping, writing checks, etc. and the treasurer supervises and signs checks as authorization for disbursement of funds.

Accountable Reimbursement Plans

A third way is for the church to establish an accountable reimbursement plan to properly administer ministry-related work expense reimbursements to employees. An accountable reimbursement provides advances or reimbursements of an employee’s ministry expenditures incurred in the performance of their duties. In order to ensure that these church-reimbursed ministry expenses are treated as non-taxable, strict IRS guidelines must be followed. IRS Publication 1828 states that any accountable reimbursement plan must meet the following requirements: (Also see Publication 463 – Travel, Entertainment, Gift and Car Expenses)

1. Involves a business (ministry) connection
2. Requires the employee to substantiate expenses incurred;
 - a. Typically Amount, Date, Place, Business Purpose (See Expense Type Chart)
3. Requires the employee to return any excess amounts.
 - a. Expense or Advance must be substantiated within 60 days
 - b. Excess reimbursements (cash advances) must be returned within 120 days

Expense Types

Adequate Substantiation (Adapted from Publication 463)

Expense Type	Amount (What)	Time/Date (When)	Place (Use) or Description (Where)	Ministry Purpose (Why)	Ministry Relationship (Who)
Travel Expenses (Overnight)	Cost of each separate expense (travel, lodging & meals)	Date left & returned for each trip & no. of days spent on ministry	Ministry destination or name of city/town	Ministry reason for the expense, benefit to be gained	N/A
Entertainment and Meal Expenses	Cost of each separate expense	Date of entertainment (if after a meeting, date & duration of meeting)	Name and address or location of entertainment (Type)	Ministry reason for the expense, benefit to be gained (Nature of ministry discussion)	Information on individuals being entertained (name, title, ministry relationship)
Gift Expenses	Cost of the Gift (\$25 limit)	Date of the gift	Description of the gift	Ministry reason for giving the gift, benefit to be gained	Information on individuals receiving gift (name, title, ministry relationship)
Transportation Expenses (Local - Auto)	Cost of each separate expense (Trip Mileage)	Date of the Expense	Ministry Destination (To/From)	Ministry reason for the expense/trip	N/A

Any plans that meet the above requirements are:

1. Excluded from an employee's gross income;
2. Not required to be reported on the employee's IRS Form W-2, Wage and Tax Statement; and
3. Exempt from the withholding and payment of wages subject to FICA taxes and income tax withholdings

What should be included in the Accountable Reimbursement Plan:

1. Description of the accountable reimbursement (Travel, Entertainment/Meals, Transportation/Auto)
2. Identify the staff positions who can utilize the reimbursable plans
3. Documentation required for reimbursement
4. Procedure for reimbursement by church

Example: A mileage travel/transportation reimbursement will be provided for ministerial staff. Each minister should submit an itemized monthly listing of church related mileage, incurred on their personally owned vehicle, for reimbursement. This request should identify: trip mileage, time/date, place (or use) and ministry purpose of each trip. When the mileage reimbursement is submitted, the church will reimburse the employee up to the current IRS standard mileage rate.

One question that usually arises concerning an accountable reimbursement is what will be the control on spending? The simple answer is the approved church budget should be the controlling factor. For example, if the church were to establish a travel reimbursement, the amount of money placed in the budget for the travel reimbursement would be the maximum that could be spent. If the individual who is allowed this benefit spends the full amount prior to the end of the budget year, it will be up to the church to decide what to do. At that point the church can either increase the budget to cover the remaining portion of the year, or the church can explain to the employee that the budget cannot be increased and the rest of the year's auto expenses will be borne by the employee.

Key Point

Any amount actually reimbursed by the church for qualified employee expenditures is not considered taxable income. However, if the church were to reimburse an employee at a lower mileage rate than the IRS allows or was not able to reimburse the full amount of the substantiated expenditure, the staff person may be able to claim unreimbursed business expenditures as an itemized expense on their personal federal tax return. Tax Update: The 2017 Tax and Cuts Job Act eliminated an employee's ability to include unreimbursed business expenses related to their employment as an itemized deduction on their taxes. Churches should make every effort under a proper accountable reimbursement plan to reimburse ministry expenses to their staff. (see GuideStone.org/taxguide for resources on minister's taxes)

Non Accountable Reimbursement Plans

Non accountable reimbursements relate to any payment made to an employee that is not properly substantiated in accordance with IRS guidelines identified earlier. For example, if a church decides to provide a minister a monthly travel allowance of \$200 and does not require the minister to substantiate any mileage or ministry expenses, the full amount is considered taxable and should be reported in Box 1 of the minister's Form W-2. Additionally, any unused (leftover) budgeted expense funds should not be paid to employees as additional income. If this occurs, the entire amount of the budgeted expenses would be considered taxable income, as this treatment makes the entire plan "non accountable".

IMPORTANT REMINDER - Cell Phones: In 2011, the IRS issued Notice 2011-72 (IR -2011-93) which provided guidance on the tax treatment (for 2010 and subsequent years) of cell phones provided to employees for noncompensatory business (ministry) purposes.

An employer provided cell phone can be excluded from taxable wages as a working condition fringe benefit (even if there is some personal use) if the following conditions are met:

- The cell phone must be provided primarily for "substantial business reasons," such as
 - 1) the need to contact the employee at all times for work-related emergencies;
 - 2) the requirement that an employee be able to speak to clients at times when the employee is away from the office; and
 - 3) the employee's need to speak to clients in other time zones outside of the employee's normal business hours.
- The cell phone must also be provided for noncompensatory purposes. The IRS cites the following examples that would result in the cell phone cost being treated as compensation to the employee
 - 1) promoting the morale or good will of an employee;
 - 2) attracting a prospective employee; or
 - 3) furnishing additional compensation.

Additionally, employers who reimburse employees for the business/ministry use of a personal cell phone should continue to substantiate the amount in order to ensure that the payment qualifies as a non-taxable accountable reimbursement.

If the above conditions are not met, the cost/reimbursement of the cell phone would be considered taxable income to the employee.

Sample Accountable Reimbursement Policy

In accordance with IRS regulations 1.162-17 and 1.274-5T(f) the _____ Baptist Church hereby establishes an accountable reimbursement policy for all ministers and employees with the following terms and conditions:

1. The minister or employee will be reimbursed by the church for ordinary, necessary, reasonable, substantiated, authorized, and ministry-related expenses incurred on behalf of the church. Subject to budget limitations, such expenses will include:
 - Travel Expense: Ministry travel away from home including travel, lodging and meals on overnight ministry trips.
 - Entertainment/Hospitality Expense: Reimbursed only if ministry connection requirement is met.
 - Transportation Expense: Mileage reimbursement for local ministry use of personal automobile, up to the current IRS standard mileage rate.
 - Training Expense: Convention, conference and ministry related workshop fees.
 - Educational Expense: Reimbursed only if otherwise qualified as an itemized deduction and in accordance with IRS guidelines.
 - Subscriptions Expense: Periodicals, books and tapes will be reimbursed if ministry or employment related and ownership does not transfer to employee.
 - Cell Phone Expense: Reimbursed only if provided primarily for “substantial business reasons.”
2. The minister or employee will substantiate each allowable expense in writing within 60 days including the following documentation with the original receipt:
 - What: Amount, itemized amount requested for reimbursement
 - When: Time/Date of expense
 - Where: Place/Location of expense
 - Why: Ministry purpose/description of expense
 - Who: Name and Ministry relationship (meals and entertainment expense)
3. The minister or employee will return to the church any amount received (advances) in excess of the substantiated expenses within 120 days of receipt.

Under this accountable reimbursement plan, the church will not report any properly substantiated reimbursement payments as income on any Form W-2. Additionally, any employee should not report properly reimbursed amounts as income on Form 1040.

(Refer to IRS Publication 463, [Travel, Entertainment, Gift, and Car Expenses](#), for more information.)

Managing Designated Funds

(The following information on Designated Fund Management has been provided to include in this material from Dr. Keith T. Hamilton, CFP, CRPC, retired from the Georgia Baptist Mission Board.)

“Designated contributions” which include love offerings, too, are contributions made to a church with the stipulation the donations are used for a specific purpose. As a general principle, a donor can receive a charitable contribution credit from the church if the church handles the designated contribution properly. Designated funds cannot be spent on unintended purposes unless a prior written agreement has been established by the church. Without a prior written agreement in the church documents, usually, the only way a church can change the purpose of a designated donation is by court order. (See Page 41 for information on the Uniform Prudent Management of Institutional Funds Act and its impact on gift restrictions) If the cash donation is for an approved project or ministry of the church and the designated fund has been established, the cash donation can be recorded on the donor’s contribution statement.

Designated funds created before the church adopts a new written church policy will not be impacted by the new policy. The church must operate under the original terms (verbal or written) that were assumed when the existing designated funds were established. The new written church policy will impact only new designated funds created after the policy is approved by the church.

Contributions designated to a group or organization within the church (i.e. Sunday School class) for the organization’s exclusive use and under its total control is not a deductible contribution to the church. (The class is not a 501(c)(3) organization.) The church cannot add the designated contribution to the donor’s contribution statement because the church does not have any control over the contribution.

Suggested Steps in Establishing A Designated Fund

1. The church should establish a written policy stating the process by which donors can request the establishment of a new designated fund.
2. The policy should state the following conditions:
 - Determine the purpose of the fund – Why is this designated fund needed and how will it further the church’s mission?
 - Write a governing policy – How will contributions be received for the fund and what will be the reporting requirements to the church?
 - Establish a procedure for disbursement of the fund – How will the money be spent? How can the designated account be closed?
 - Establish accountability procedures – Periodic expenditure reports to the church and proper substantiation to the church should be part of the accounting procedure.
3. Members should be made aware that the policy has been established and will be followed.
4. Keep a list of contributors – A list of contributions and donors should be kept for Internal Revenue Service required record keeping.

Working Model of a Designated Fund Policy

Individuals can give designated gifts for the ministry of the church. However, the designated fund must be established before the church receives the cash or cash equivalent designated gift.

If the designated gift is a gift of property, not cash or cash equivalent, then the church or finance committee reserves the right to use the property for the purpose of the church. The church or finance committee will try to honor the intention of the donor, but the finance committee or church reserves the authority to use or dispose of the property that best fosters the church's ministry.

The process of establishing a designated fund by the church:

1. Any member of the church or community may request the establishment of a designated fund.
2. The member must present a verbal or written request to the church or finance committee, (the church committee assigned to oversee church financial matters).
3. The church or finance committee must approve the establishment of the requested designated fund.
4. Before the church accepts a contribution for the designated purpose, the designated fund must be approved.
5. If the finance committee or the church fails to approve a request for a designated fund, the designated fund cannot be established and the church will not receive any money.
6. A list of contributors and their contributions is maintained for Internal Revenue Service required record keeping.

The established designated fund must meet the following requirements in writing by the finance committee or church:

1. The purpose of the fund and how it furthers the mission of the church must be stated.
2. Procedure on how the fund will be spent must be recorded.
3. The procedure on how the fund can be closed should be stated.
4. The policy should state how to disburse any money left in the fund after the fund is closed.

*** Special Note on Designated Funds ***

Increasingly the term “**designated fund**” can be misused and misunderstood. Donor gifts received by the church for a specific purpose are categorized as “Restricted” funds for accounting/legal purposes and should be distinguished from funds set aside/established by church action and/or fee based activities. Temporarily or Permanently restricted funds (or funds classified as “with donor restrictions”) are subject to state law guide-lines, while the administration of many church designated funds are subject only to church bylaws and policies.

For Your Info

Recently, some states have passed legislation known as the Uniform Prudent Management of Institutional Funds Act (UPMIFA). This legislation updated the existing state statutes known as UMIFA related to the management of institutional funds. One provision of this legislation, which some states have adopted, provides a continuing mechanism to release a restriction on donated funds as follows:

- Subsection (a) restates the rule from UMIFA allowing the release of a restriction with donor consent.
- Subsections (b) and (c) make clear that an institution can always ask a court to apply equitable deviation or cy pres to modify or release a restriction, under appropriate circumstances.
- Subsection (d), a new provision, permits an institution to apply cy pres on its own for small funds (Varies by state \$25,000 to \$100,000) that have existed for a substantial period of time (20+ years), after giving notice to the state attorney general.

Please check with your state's attorney general or a knowledgeable not-for-profit attorney to determine the specific legislation enacted by your state. Your Baptist State Foundation may also be able to assist you with matters regarding UPMIFA in your state. You can find contact information for your Baptist State Foundation at www.mylegacyoffaith.org/find-local-resource.

UPMIFA Legislation Excerpt:

If an institution determines that a restriction contained in a gift instrument on the management, investment, or purpose of an institutional fund is unlawful, impracticable, impossible to achieve, or wasteful, the institution, [___ days] after notification to the [Attorney General], may release or modify the restriction, in whole or part, if:

- (1) the institutional fund subject to the restriction has a total value of less than [Varies by State];
- (2) more than [Varies by State] years have elapsed since the fund was established; and
- (3) the institution uses the property in a manner consistent with the charitable purposes expressed in the gift instrument.

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Samples of Designated Funds

Benevolence Fund

The church, in exercise of its religious purposes, has established the benevolence fund to assist persons in financial need. The church welcomes contributions to the fund. The administration of the fund, including all disbursements, is subject to the control and discretion of the benevolence committee or church. The committee may consider recommendations from anyone, but in no event is the committee bound in any way to honor the recommendations. Donors will not be permitted to recover a contribution on the grounds that the committee failed to honor the donor's recommendation.

The church recognizes that planning for future needs is a practice of good stewardship and has established this fund as an ongoing fund. Should at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general budget of the church.

Also, the benevolence committee or church should record the required Internal Revenue Service documentation for benevolence requests. The following documentation for benevolence requests should be recorded for accurate record keeping:

1. A complete description of the assistance.
2. The purpose for which the aid was given.
3. The church or benevolence committee's objective criteria for disbursing assistance under the benevolence fund.
4. How the recipients were selected.
5. The name, address, and amount distributed to each recipient.
6. Any relationship between a recipient and officers, directors, or key employees or substantial contributors to the Church. (Documentation is crucial to prevent possible taxable benefits, excess benefit transactions, or private inurement issues.)

See gabaptist.org/churchadministration/ for a sample Church Financial Benevolence Ministry guide.

Web Resources

**[gabaptist.org/
churchadministration/](http://gabaptist.org/churchadministration/)**
Tax, financial and
administrative resources
for churches

ecfa.org
Evangelical Council on
Financial Accountability
resources for non-profit
religious organizations

nasconet.org
National Association of
State Charity Officials
with links to each state
government charity office

Building and Grounds Fund

The church, in exercise of its religious purposes, has established a building and grounds fund to maintain the church building, grounds, and equipment. The church welcomes contributions to the fund. The administration of the fund, including all disbursements, is subject to the control and discretion of the building and grounds committee or church. The committee may consider recommendations from anyone, but in no event is the committee bound in any way to honor the recommendations. Donors will not be permitted to recover a contribution on the grounds that the committee failed to honor the donor's recommendation.

The church recognizes that maintaining the church building, grounds, and equipment is a practice of good stewardship and has established this fund as an ongoing fund. Should at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general budget of the church.

Property Fund

The church, in exercise of its religious purposes, has established a property fund to provide for the future needs of the church for major repairs, major remodeling, expansion, or construction of facilities for the church. The church welcomes contributions to the fund. The administration of the fund, including all disbursements, is subject to the control of the property committee or church. The church may consider recommendations from anyone, but in no event is the church bound in any way to honor the recommendations. Donors will not be permitted to recover a contribution on the grounds that the church failed to honor the donor's recommendation.

The church recognizes that planning for future needs is a practice of good stewardship and has established this fund as an ongoing fund. Should at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general budget of the church.

Missions Fund

The church, in exercise of its religious purposes and mission, has established a missions fund to provide resources for the church, church members, or other worthy persons or organizations spreading the gospel of Jesus Christ. The fund can also provide resources to church members or other worthy individuals for short-term mission trips or support of long-term missions. The church welcomes contributions to the fund. The administration of the fund, including all disbursements, is subject to the control and discretion of the missions committee or church. The missions committee may consider recommendations from anyone, but in no event is the committee bound in any way to honor the recommendations. Donors will not be permitted to recover a contribution on the grounds that the committee failed to honor the donor's recommendation.

The church recognizes that spreading the gospel is the primary purpose of the church (Matthew 28:19-20) and has established this fund as an on-going fund. Should

at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general budget on the church.

Ministry Fund

The church, in exercise of its religious purposes and mission, has established a ministry fund to provide resources for the church and its various ministries. The ministries are, but not limited to, the following: music ministry, youth ministry, children's ministry, adult ministry, senior adult ministry, Sunday School, WMU, Baptist Men on Mission, Discipleship Training, and evangelism. The church welcomes contributions to the fund and donations may be requested for a specific ministry of the church provided the church has budgeted funds in the general budget for that ministry. The administration of the fund, including all disbursements, is subject to the control and discretion of the finance committee or church. The finance committee or church may consider recommendations from anyone, but in no event is the finance committee bound in any way to honor the recommendations. Donors will not be permitted to recover a contribution on the grounds that the finance committee or church failed to honor the donor's recommendation.

The church recognizes that ministry is a vital part of the church's purpose and has established this fund as an on-going fund. Should at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general budget of the church.

Love Offering Fund

The church, in exercise of its religious and charitable purposes, has established a love offering fund. The purpose of the love offering fund is to honor laborers in the field with a financial gift. The church welcomes contributions to the fund. However, the love offering will be considered taxable income to the recipient. The administration of the fund, including all disbursements, is subject to the exclusive control and discretion of the finance committee or church. The finance committee may consider recommendations from anyone, but the committee is not bound in any way to honor the recommendations. Donors will not be permitted to recover a contribution because the committee failed to honor the donor's recommendation.

The church recognizes that the love offering fund is part of the continuing mission of the church and has established this fund as an on-going fund. Should at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general budget of the church.

Memorial Fund

The church, in exercise of its religious and charitable purposes, has established a memorial fund to honor the memory of deceased individuals. The church welcomes contributions to the fund in memory of loved ones. The administration of the fund, including all disbursements, is subject to the exclusive control and discretion of the finance committee or church. The finance committee

may consider recommendations from anyone, but the committee is not bound in any way to honor the recommendations. Donors will not be permitted to recover a contribution because the committee failed to honor the donor's recommendation.

The church recognizes that the memorial fund is part of the continuing mission of the church and has established this fund as an on-going fund. Should at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general budget of the church.

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Compensating Church Workers

Working with the Personnel Committee on Staff Compensation

It is the responsibility of the church treasurer to provide the committee, which oversees the details of personnel compensation, information to assist them with their work. This information can be broken down as follows:

1. How much compensation each staff member is currently receiving
2. How the compensation is broken down
3. What amount is available for the committee to consider for each employee

Church employees are divided into two areas: ministerial and support. The church personnel committee can help reduce each employee's taxable income by separately identifying payments into the following categories:

1. Housing Allowance (for ministers only)
2. Non-Taxable Employer Provided Fringe Benefits (direct payment)

Note: Expense reimbursements should never be included as a part of the staff compensation. See Pages 35-38 for detail on establishing a permissible Accountable Reimbursement Plan.

Maximizing Tax Benefits for Ministers

Housing Allowance

The first way a church can assist a staff member is through properly designating a housing allowance. This designation is the only one that is specifically limited to the ministerial staff. The IRS does not define housing allowance as a benefit, but rather considers it to be a part of salary. The part of the salary amount that is identified as housing allowance is given a special tax consideration.

In order to qualify for a housing allowance an individual must be considered a minister according to guidelines set forth by the Internal Revenue Service and their compensation must be related to services they perform in the exercise of their ministry. Currently the IRS relies on the Knight test to qualify an individual as a minister. This test poses the following questions when determining who is a minister for federal tax purposes (IRS Publication 517):

1. Has the individual been duly ordained, licensed, or commissioned? (REQUIRED)
2. Does the individual administer the sacraments (ordinances)?
3. Does the individual conduct religious worship?
4. Does the individual have management responsibilities in a local church (control, conduct or maintenance of the church)?
5. Is the individual considered a religious leader by their church?

IRS Resources

- Publication 517
Social Security and
Other Information for
Members of the Clergy
and Religious Workers
- Publication 525
Taxable and
Nontaxable Income

The answer to the first question must be answered in the affirmative and a balancing test is applied to the remaining four factors when making a determination regarding ministerial status.

Once the individual has been determined to meet the qualifications as identified above, the church needs to do the following to properly designate the ministers housing allowance:

1. **Adopt Initial Procedure:** The church should adopt a procedure to identify who will receive the minister's housing allowance request and who will respond on behalf of the church, allowing the minister to identify salary dollars as housing allowance. This requires a one-time only church vote. If the church does not change the adopted procedure, the church will not have to revote the procedure or adopt any additional procedures.
2. **Receive Written Request:** The church must receive a written request from each minister requesting a specific amount of their salary be designated as housing allowance for a specific period (usually calendar year). There is no specific form that must be completed and it can be done in any fashion the church identifies in its adopted procedure. In order to eliminate any possible confusion, it is strongly recommended that a minister submit a written housing allowance request annually for approval and designation by the church.
3. **Provide Written Response:** The church must respond in writing that the request has been accepted and designated by the church. It is important for both the church and the minister to retain a copy of the request and the official church action (e.g. employment contract, church minutes, church budget, or any other document indicating official action).

Web Resources

guidestone.org

GuideStone Financial
Resources for Ministers

churchlawtodaystore.com

Church & Clergy
Tax Guide
(Updated Annually)

www.zondervan.com

Zondervan Church
and NonProfit Tax and
Financial Guide
(Updated Annually)

ecfa.org

Reporting Procedures
for Congregations

4. **Designate In Advance:** In order for the housing allowance to be valid, it must be designated by the church in advance of the payment. In advance simply means the declaration must be made prior to receiving the salary in which the housing allowance is defined. A "retroactive" designation is not allowable.

Determining the Amount

Many churches mistakenly assume the words "must designate" means the church is responsible to calculate the amount of the housing allowance. The IRS illustrates the following designation process in Publication 517. However, it is a better approach to have the minister identify the specific amount and the church simply designate the amount. There are two basic reasons for this suggestion:

- First, if the church adopts a procedure, receives a written request, and responds with a written designation in advance, the church has fulfilled its duty as defined by the IRS.

- Second, the church could negatively impact the minister's tax situation by approving a different amount than the minister needs.

If the minister is audited, the IRS agent will ask the minister to provide the following information:

1. The amount actually used to provide a home,
2. The amount officially designated as a housing allowance, and
3. The fair rental value (FRV) of the home, including furnishings and appurtenances such as a garage plus the cost of utilities.

Once these amounts have been identified, the IRS agent will allow the lowest of these three amounts to be considered as housing allowance. If the church established an amount that would be the lowest number and yet the minister actually spent more, the minister would lose the valuable tax savings related to the difference of the two numbers. For these reasons, it is far better for the minister to define and request the amount, and the church to designate the requested specific amount.

Tax Tip: If a minister finds that their actual housing expenses for the year are less than the amount designated as Housing Allowance by the church, they will need to add back any unused Housing Allowance as taxable income on their 1040 form. The IRS also suggests you enter "Excess allowance" on the dotted line next to line 7 - Form 1040.

Non-Taxable Employer Paid Fringe Benefits (Direct Payments)

NOTE: The Affordable Care Act (ACA) has made significant impact on these type of plans.

The second way a church can assist employees is through non-taxable fringe benefits that are paid on an employee's behalf through some type of group plan to a third party (direct payment). This type of payment may include tax-sheltered retirement contributions, group medical insurance premiums or specific benefits paid under a Flexible Spending Arrangement (FSA, Cafeteria or Section 125 plan), Health Reimbursement Arrangement (HRA, Section 105) or Health Savings Account. These amounts should be administered through a written group plan established in advance by the personnel/budget committee and if paid correctly can be treated as non-taxable employer provided fringe benefits. (For a complete listing see IRS Publication 969 - Health Savings Accounts and Other Tax-Favored Health Plans or IRS Publication 15-B Employer's Tax Guide to Fringe Benefits).

IRS Resources

- Publication 463
Travel, Entertainment,
Gift and Car Expenses
- Publication 517
Social Security and
Other Information for
Members of the Clergy
and Religious Workers
- Publication 525
Taxable and
Nontaxable Income
- Publication 583
Starting a Business and
Keeping Records
- Publication 969 Health
Savings Accounts and
other Tax-Favored
Health Plans
- Publication 970 Tax
Benefits for Education

Important Tax Update – Health Care Reform:

The ACA legislation enacted new penalties, new fees/penalties, new taxes, new reporting, and mandatory coverage provisions. New provisions of this law will continue to be implemented through 2018. Flexible Spending Accounts (FSA), Health Savings Accounts (HSA), Health Reimbursement Accounts (HRA), and other Medical Insurance Plans have all been impacted by the recent ACA legislation. Note: GuideStone Financial Resources provides regularly updated resources on the impact of Health Care Reform at www.guidestone.org/healthreform.

Key Provisions Impacting Churches:

- **Employer Mandate:** One of the main provisions of the ACA is that all employers who have more than 50 full-time equivalent employees must provide affordable, minimum-value coverage to substantially all full-time employees or face significant penalties.
- **Summary of Benefits and Coverage:** Each plan participant must be provided this government mandated summary for plans offered. (Your insurer should provide this for you).
- **W-2 Reporting:** Generally, the ACA requires employers who issue 250 or more W-2's to report the cost of coverage under an employer-sponsored group health plan. Currently, the cost of qualified group health care coverage is not-taxable. The value of employee health care coverage must be reported annually to the IRS on form W-2, Box 12, Code DD for applicable employers. There are a number of special transition relief rules and church plan exemptions that impact this reporting requirement. (Contact GuideStone or your health insurance provider for current updates).
- **1095-B Reporting:** Providers of health care coverage which are fully insured insurance carriers or self-insured employers must report certain information to the government by filing form 1095-B with the IRS and also providing form 1095-B to their employees by the end of January each year. This information will be used by the government to determine who has Minimum Essential Coverage as required by the ACA and are therefore exempt from the Individual Mandate penalty. Note: If an employer manages a separate retiree HRA, they are responsible to file additional 1095-B forms on behalf of their retirees. (Additional reporting on forms 1094-C and 1095-C is also required by Applicable Large Employers having 50 or greater full-time employee equivalents. These rules may impact smaller organizations if they are controlled by a "parent" organization, considered an ALE.)

- **PCORI Fees:** In 2013 a provision went into effect known as the Patient-Centered Outcomes Research Institute (PCORI) fee. For any employer who sponsors a self-funded plan, they are required to file IRS Form 720 by July 31 of each year and submit the PCORI fee. This per-person fee also applies to employer provided FSA/HRA plans that are administered outside of a group health plan. (Contact your health insurance provider to see if they are filing this on your behalf).
- **FSA Contribution Limits:** For 2019, employee tax-sheltered FSA contributions for qualifying medical expenses will be limited to \$2,700. (Increased annually by the cost of living adjustment). Note: Employer's are allowed to make additional contributions to FSA's on behalf of employees. (Contact your plan administrator for specific guidelines).
- **Reimbursing Employee Insurance Premiums:** In 2015 tax penalties went into effect for some employers who reimburse individual employee insurance premiums outside of a qualified group health plan. (This penalty is \$100 per person, per day, per violation.)
 - o **GuideStone Insurance:** Per GuideStone, "Employees covered under GuideStone's Group Plans or Personal Plans are considered to be covered under a Group Health Plan."
 - o **One Participant Employee Exception:** Notice 2015-17 allows an employer who covers only a single employee to reimburse a properly substantiated individual employee insurance premium on a pre-tax basis without any penalties.
 - o **Spouse's Group Health Plan Exception:** IRS CCA 201547006 detailed an exception where an employer may exclude from an employee's income, the documented payments it makes for the employee's health insurance provided through his or her spouse's group health plan, but only to the extent the spouse paid for all or part of the coverage on an after-tax basis. (This is a very limited exception.)
 - o **Taxable Income Supplement:** Notice 2015-17 states that employers who want to help multiple employees with individual insurance premiums can avoid penalties by increasing all employees' taxable compensation to help offset the cost of individual insurance premiums as long as the additional payment is not conditioned on the purchase of health coverage.

For more information see IRS Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, IRS Publication 502, Medical-Dental Expenses, www.HealthCare.gov.

Continuing changes to government legislation could continue to have significant impacts on Health Care Reform. Stay informed by visiting www.GuideStoneInsurance.org.

Southern Baptist Annual Compensation Study

This biennial Compensation Study (updated in 2018) is a joint project of state Baptist Conventions, GuideStone Financial Resources, and LifeWay Christian Resources. Compensation and congregational data is collected anonymously from ministers and office/custodial personnel of Southern Baptist churches and church-type missions. Comparison reports are based on compensation from over 14,000 respondents from all 40 state conventions.

While this data is made available with respect for the autonomy of each local church, the information can help a church be objective in considering appropriate staff compensation.

Advantages of using this Salary Comparison Study:

- It is uniquely Southern Baptist. All responses included in the survey are for ministers/employees of Southern Baptist churches.
- It is free. The participating state conventions LifeWay Christian Resources, and GuideStone Financial Resources pay all costs.
- All reports are available on the Internet.
- Most compensation studies provide reports based on attendance, budget, etc. The customized report option is unique to the SBC study. This makes it possible to get compensation data based on churches most like your own by combining criteria.
- Every survey form received is evaluated for valid, useable data and over 20 data integrity filters are used on the data before study results are compiled.

Information on this survey can be obtained by contacting your local state convention office or obtained directly at <http://compstudy.lifeway.com>.

Employer Provided Educational Assistance:

If based on a written plan and done in accordance with IRS guidelines, some payments made by a church on behalf of their employees for educational assistance may be treated as non-taxable.

Effective, January 1, 2013, the American Taxpayer Relief Act of 2013 permanently allowed an employee to exclude up to \$5,250 of income per year for either undergraduate or graduate educational assistance. For more information, see IRS Publication 970.

Tax Tip: The 2017 Tax Cuts and Jobs Act included a provision that requires employers (for 2018 to 2025), to treat any reimbursements made to employees for Moving Expenses as a taxable fringe benefit and to include it on the employees annual W-2 statement.

Remain in the same house, eating and drinking what they offer, for the worker is worthy of his wages.

Luke 10:7a

Web Resources

compstudy.lifeway.com
SBC Compensation Study

For the Scripture says: You must not muzzle an ox that is threshing grain, and, The laborer is worthy of his wages.

I Timothy 5:18

Financial Support Worksheet

A. Ministry Related Expenses (not income)

- | | |
|---|-----------------|
| 1. Personal vehicle expenses (ministry mileage) | \$ _____ |
| 2. Travel expenses (food, lodging, etc.) | \$ _____ |
| 3. Ministry expenses (materials for sermon preparation studies or church functions) | \$ _____ |
| 4. Hospitality expenses (hosting church groups, speakers, etc.) | \$ _____ |
| 5. Professional development expenses (continuing education, workshops, or learning conferences) | \$ _____ |
| Total Reimbursable Ministry Related Expenses | \$ _____ |

B. Employee Benefits (not income)

- | | |
|--|-----------------|
| 1. Medical Insurance | \$ _____ |
| 2. Term Life insurance | \$ _____ |
| 3. Disability Insurance | \$ _____ |
| 4. Retirement Plan Contribution (403(b)(9)
(retirement plan contributions paid by church) | \$ _____ |
| Total Employee Benefits | \$ _____ |

C. Personal Income

- | | |
|---|-----------------|
| 1. Personal Salary
(salary paid to minister/employee by the church) | \$ _____ |
| 2. Housing Allowance (housing allowance, if applicable, that will be provided by the church next year.) | \$ _____ |
| 3. SECA taxes Offset (amount of self-employment (SECA) tax by your church provided to help you OFFSET your personal SECA taxes) | \$ _____ |
| Total Personal Income | \$ _____ |

Worksheet adapted from GuideStone Financial Resources, "Compensation Planning Guide".

www.guidestone.org/ministrytools

Hiring Considerations for New Employees

Once appropriate candidates for employment have been selected and appropriately screened in accordance with church guidelines, the following steps should be taken to complete the hiring process of a new employee. A more complete statement on the ten basic steps to hiring a new employee can be found at www.sba.gov/business-guide/manage-your-business/hire-manage-employees or go to www.irs.gov and search for “Hiring Employees.”

1. I-9 Form - Employment Eligibility Verification

Each employer (including churches) is required by the government to complete a Form I-9 for every employee within the first three days of employment to document and verify potential employee’s eligibility to work in the United States. This form must be completed and retained in the church office. (DO NOT MAIL) <http://www.uscis.gov/i-9> (See page 55 for detailed information).

2. W-4 Form – Employee’s Withholding Allowance Certificate

This form must be completed and a copy kept by the employee and the employer. IRS Publication 1828 states “a church is not required to withhold income tax from the compensation that it pays to . . . ministers. An employee minister may, however, enter into a voluntary withholding agreement with the church by completing IRS Form W-4, Employee’s Withholding Allowance Certificate.” If a minister plans to file their own taxes on a quarterly basis, they should still fill out a form W-4 for the church and mark it Exempt.

Note: Refer to Publication 15 Circular E, Employer’s Tax Guide for further guidelines. Additionally, see Publication 15-T, New Wage Withholding Tables or the Online Withholding Tax Calculator at <https://www.irs.gov/individuals/irs-withholdingcalculator> for assistance in determining the proper employee federal tax withholding amounts. If a new employee does not provide a complete Form W-4, the church is required to withhold taxes as if they are single with no withholding allowances.

3. State Withholding Form

The requirements for state withholding tax vary greatly by state. Some states have no state income tax, some have specific forms and others rely on the Federal W-4 Form. You should contact your State Department of Revenue to ensure compliance with applicable state laws. (See www.americanpayroll.org/news-resources/resource-library for weblinks to individual state Tax offices)

4. Mandatory New Hire Reporting Form

Since 1997 all employers (including churches) are required to report all newly hired or returning employees within 20 days of hiring to their respective state or face possible penalties. (See www.americanpayroll.org/news-resources/resource-library for weblinks to individual state New Hire Reporting offices) (See page 57 for detailed information)

5. Social Security Number (SSN)

Each employer (including churches) is required to obtain each employee's legal name and SSN. The simplest way to accomplish this task is to ask the employee to show you their social security card. (If the employee has lost their card or does not have a SSN, they can apply for one using Form SS-5, Application for Social Security Card. – (See <https://www.ssa.gov/forms/ss-5.pdf>).

Note: Never accept an Individual Taxpayer Identification Number (ITIN) in place of a SSN for a potential employee. An ITIN is only available to resident and nonresident aliens who are not eligible for U.S. employment and need identification for other tax purposes. You can identify an ITIN because it is a 9-digit number, beginning with the number “9” and has either a 7 or an 8 in the fourth number and is formatted like a SSN (9NN-7N-NNN).

6. Unemployment and Workers Compensation Insurance

Federal Unemployment Tax (FUTA): Compensation paid to employees of religious organizations (churches) is automatically exempt from Federal Unemployment Tax regulations.

State Unemployment (SUI) and State Workers' Compensation Insurance: Under state unemployment regulations, the employee may be provided benefits if they are unemployed through no fault of their own or are injured while working. There is great variety in how each state handles unemployment and workers' compensation insurance. Some states exempt churches while others do not. It is important to consult your state convention office or an employment specialist in your state. (www.americanpayroll.org/news-resources/resource-library for weblinks to individual state unemployment offices.)

7. Employee Federal Tax Reporting (Also see page 60-63)

Important Tax Update

W-2 Form – Wage and Tax Statement: This form must be made available to employees BY JANUARY 31 of the year following the applicable tax year.

W-3 Form – Transmittal of Wage and Tax Statements: This summary form must be submitted forms to the Social Security Administration. (Hard copies are generally due prior either in hard copy or electronic version BY JANUARY 31 of the year following the applicable to March 1 of the year following the applicable tax year and electronic copies are tax year. The W-3 form and copies of the W-2 forms must both be submitted to the Social Security Administration annually by January 31. (See www.socialsecurity.gov/employer)

941 Form – Employer's Quarterly Federal Tax Return: This form is due on the last day of the month following the end of each calendar quarter.

944 Form – Employer's Annual Federal Tax Return: In an effort to reduce paperwork, the IRS established the 944 Form to allow small employers with an annual employment tax liability of \$1,000 or less to file once a year, rather than quarterly using the 941 Form. (File by January 31)

Note: Typically the IRS will notify an employer if they are eligible to use this form. You may contact the IRS at 1-800-829-0115 to find out if your church qualifies.

NOTES

When applying for a Employer Identification Number for the first time, a new church can identify on form SS-4 that they expect their annual tax liability to be \$1,000 or less each year and request to file an annual 944 Form.

8822-B Form – Change of Address or Responsible Party – Business: Effective January 1, 2014, this form is required to be filed 60 days from the time a church has a change in responsible party/principal officer or a change in address. Filing this form will ensure that the correct person at the church receives all IRS notifications.

5578 Form – Annual Certification of Racial Nondiscrimination: Churches that operate, supervise or control a private school must file this form by May 15 on an annual basis. (The term school also includes preschools).

8. Fair Labor Standards Act (FLSA)

Effective December 1, 2016, new overtime pay regulations were set to take effect that would have impacted both business and nonprofits. The FLSA requires that employers classify employees between exempt and non-exempt categories as it relates to over-time pay requirements. Most ordained ministers are not subject to FLSA requirements.

Along with other factors, the most significant change was going to be a provision to raise the minimum salary that must be paid annually in order for an employee to be considered exempt from over-time pay requirements. Due to a legal injunction issued in November 2016, the proposed regulation to increase the base wage amount to \$47,476 annually was blocked from implementation. While there is still discussion about raising the exempt base earnings rate, no new regulations have been issued on this topic as of the end of December 2017.

Web Resources

dol.gov/elaws/posters.htm

Department of Labor
(DOL) Poster Advisor
helps employers
comply with the
poster requirements
of laws administered
by the DOL. (Free
labor posters)

nonprofitcpa.com

Overtime Pay
Flowchart
for Churches
and Religious
Organizations
provided by Batts,
Morrison, Wales &
Lee CPA's

NOTES

Verifying Employment Eligibility: Form I-9

Periodically, the Department of Homeland Security U.S. Citizenship and Immigration Services (USCIS) issues a new Form I-9, Employment Eligibility Verification, which all employers (including churches) must use to document and verify potential employee's eligibility to work in the United States. (There are substantial penalties for non compliance)

- Form I-9 download (English)
www.uscis.gov/i-9 (Check for latest form)
- Employers Handbook to the Form I-9
www.uscis.gov/files/form/m-274.pdf

Are churches and other exempt organizations required to fill out this form?

YES. The government requires all employers (including exempt organizations) to complete a Form I-9 for every employee within the first three days of employment. The requirements are as follows:

1. Ensure that your employees fill out Section 1 of the Form I-9 when they start to work;
2. Review original document(s) establishing each employee's identity and eligibility to work;
3. Properly complete Section 2 of the Form I-9;
4. Retain the Form I-9 for 3 years after the date the person begins work or 1 year after the person's employment is terminated, whichever is later; and
5. Upon request, provide Form I-9 to authorized officers of the Department of Homeland Security (DHS), the U.S. Department of Labor (DOL), or the Office of Special Counsel for Immigration Related Unfair Employment Practices (OSC) for inspection.

TIP: Many exempt organizations maintain their I-9's (and copies of the identification forms that they used) in a confidential personnel file rather than including them in their regular personnel file. This makes good sense from a privacy standpoint and also will keep USCIS agents from viewing your entire personnel file if they perform a site visit.

Web Resources

[uscis.gov/files/
form/i-9.pdf](http://uscis.gov/files/form/i-9.pdf)

U.S. Citizenship and
Immigration Service
website link to
updated I-9 form

ssa.gov

Social Security
Administration
Official Site

Where do we send the completed Form I-9?

NO WHERE, this form is only kept at the offices of the employer. You do not mail this form to any government agency, but rather maintain the form at your offices either in hardcopy or electronic copy form for a minimum of “three (3) years after the date of hire or one (1) year after the date employment ends, whichever is later.”

The Evangelical Council for Financial Accountability provides some good tips on Personnel Files at www.ecfa.org/Content/Personnel-Files

How can we make sure we are getting a valid Social Security Number?

There are actually two ways. The first is a project known as E-Verify and the second is the Social Security Number Verification Service. Both of these services are VOLUNTARY for most employers who do not receive Federal funding.

1. E-Verify (www.uscis.gov/e-verify) is a free and voluntary service for determining employment eligibility of new hires and the validity of their Social Security Numbers within seconds. This project was begun in 1997 and is now operated by the Department of Homeland Security (DHS) in partnership with the Social Security Administration (SSA). The system is mandatory for all Federal contractors but has been extended to allow any employer to register and use the service for free.
2. Social Security Number Verification Service (SSNVS)
www.ssa.gov/employer/ssnv.htm
 - Allows employers to immediately verify Social Security numbers
 - Faster and easier to use than submitting your requests paper listings
 - Results in more accurate wage reports
 - Saves processing costs and reduces the number of corrected W-2's that must be filed
 - Allows Social Security to properly credit your employees' earnings record

Reporting New Hires: Mandatory Laws

In 1996, the Personal Responsibility and Work Opportunity Reconciliation Act, Public Law 104-193 (a.k.a. Federal Welfare Reform) included a provision requiring all employers (including churches) to report certain information on newly hired employees to a specific state agency, effective October 1, 1997. This legislation requires all employers to submit certain employee information (including ministers) to the state in order to track employment and reduce the number of parents not paying child support.

Note: If you are required to give the employee a W-2 or the employee is a minister then you need to report the employee or minister as a new hire.

This new hire information is used by state child support enforcement officials to locate nonpaying parents, enforce legally required child support, and reduce potential unemployment fraud. Information received from employers is entered into a statewide registry and then transmitted to the U.S. Department of Health and Human Services, National Directory of New Hires.

What information must we report?

Notification must include the following information at a minimum:

1. Employee's Name
2. Employee's Social Security Number
3. Employee's Address (City, State and Zip Code)
4. Employer's Federal Employer Identification Number
5. Employer's Name
6. Employer's Address (City, State and Zip Code)

Some states require or request additional information in order to help track and prevent possible fraud by cross matching submitted information to the state Unemployment Insurance and Workers Compensation agencies.

How long do we have to report New Hire Information?

Federal legislation requires employers to report new hires within 20 calendar days. Some states have enacted more restrictive legislation that requires new hire reporting as early as 7 days from the employees start date.

TIP: Make new hire reporting a part of your regular semi-monthly, bi-weekly or weekly payroll processing

We were not aware we were required to report, what do we do now?

It is very important to report as penalties can range from \$20-25 per non-reporting and can go up to \$500 per offense if the non-reporting is the result of a conspiracy. If you have never reported, you should contact your specific state agency and begin reporting immediately. (The catch-up requirements vary greatly by state)

TIP: Some states do not require a "hire date" or may make it an optional piece of information. If this is the case, you may want to consider submitting the required information on all current employees hired since October 1997 and leaving the "hire date" field empty.

Where do I send this information and in what format?

The federal legislation did not mandate how this information was collected and therefore each state can set its own policies and procedures regarding collection. Information is usually collected in one of the following ways:

- Paper information format:
 - o Copy of W-4 Form, Printed listing (including 6 data elements listed above) or state form
- Information may be mailed or faxed (some states also allow phoning in the information)
- Electronic information may be sent via magnetic media (Typically for large employers)

- Online Registration:
 - o Information may be sent via the Internet through a State developed website
 - o Some states have created Downloadable New Hire software for online reporting

Screening New Hires

One of the most important steps in hiring employees and enlisting volunteer workers is to ensure that they are properly screened. This step is necessary to ensure that children who are ministered to at your church are properly protected.

If your church does not currently have a screening or background check policy in place, you should contact your individual insurance carrier for assistance in developing policies and procedures to protect your children and your church from preventable risks. Additional resources can be found at the following websites or by contacting your local Baptist state convention.

Web Resources

sbc.net/localchurches/ministryhelp.asp

kybaptist.org/safechurch

azsobaptist.org/abuse.shtml

sbclife.net/pdf/ProtectingOurChildren.pdf

cdc.gov/ncipc/dvp/PreventingChildSexualAbuse.pdf

reducingtherisk.com

churchsafety.com

guideone.com/SafetyResources/Churches/youthindex.htm

backgroundchecks.com (*Partner with LifeWay Christian Resources*)

guidestonepropertycasualty.org/safetytoolkit

inexsolution.com

brotherhoodmutual.com/resources

protectmyministry.com/imb

ministrysafe.org

Federal Reporting Requirements (Payroll)

Excerpts from GuideStone's "Federal Reporting Requirements for Churches"

The most important federal reporting obligation for most churches is withholding and reporting employee income taxes and Social Security (FICA) taxes. Some or all of these payroll reporting requirements apply to almost every church. Yet many churches do not comply with them because they do not understand them. This can lead to substantial penalties.

Warning: Federal law specifies that any corporate officer, director or employee who is responsible for withholding taxes and paying them over to the government may be liable for a penalty in the amount of 100% of such taxes if they are either not withheld or not paid over to the government. This penalty is of special relevance to church leaders.

Unfortunately, many churches do not fully understand these rules. This is due to a number of factors, including the following:

- Many church treasurers are unpaid volunteers who do not know the unique rules that apply to churches.
- The high turnover rate of church treasurers affects church compliance with payroll tax reporting rules.
- Some church treasurers falsely assume that churches are exempt from any reporting requirements. Courts have rejected the argument that application of payroll tax reporting rules to churches violates the constitutional guarantee of religious freedom.

A number of unique rules apply to churches and "ministers for tax purposes." Churches may consider or call some employees ministers, but those employees may not be ministers for tax purposes according to the criteria of the IRS. Churches need to identify employees on their payrolls who are ministers for tax purposes so they can understand and follow special payroll and reporting rules that apply to those taxpayers.

1. Ministers have a "dual tax status." They are always self employed for Social Security purposes with respect to their church compensation, but most ministers are

IRS Resources

**irs.gov or
1-800-TAX-FORM**

**Publication 15 (Circular E)
Employer's Tax Guide**

**Publication 15-A
Employer's Supplemental
Tax Guide**

**Publication 15-B
Employer's Tax Guide
to Fringe Benefits**

**Publication 15-T
New Wage Withholding
and Advance EIC
Payment Tables**

**Publication 557
Tax Exempt Status
for your Organization**

**Publication 919
How do I adjust my
Tax Withholding?**

employees for federal income tax reporting purposes, with respect to their church compensation. This means that they pay self employment (SECA) tax rather than the employee's share of Social Security and Medicare (FICA) taxes, even if they report their federal income taxes as a church employee. Churches should not treat ministers as employees for Social Security purposes and withhold the employee's share of Social Security and Medicare (FICA) taxes.

2. A minister's compensation is exempt from income tax withholding whether a minister reports his income taxes as an employee or as self-employed (IRC 3401(a)(9)). This does not mean the minister is exempt from federal income taxes. Ministers should use the estimated tax procedure to pay their federal income taxes, unless they have entered into a voluntary withholding agreement with their employing church (using form W-4).

Complying with Federal Payroll Tax Reporting

((Adapted/excerpted from GuideStone Financial Resources' "Minister's Tax Guide."))

Reporting Obligations

Step 1. Obtain an employer identification number (EIN) from the IRS if the church does not have one. This can be done by submitting Form SS-4, or online at www.irs.gov (search for EIN). The church EIN is only used for official church purposes and bank accounts controlled by the church.

Step 2. Determine whether each church worker is an employee or independent contractor.

- Key Point. If in doubt, churches always should treat a worker as an employee, since substantial penalties can be assessed against a church for treating a worker as an independent contractor if the IRS later reclassifies the worker as an employee. See IRS Publication 15-A or Form SS-8 for more information. *(Key considerations are behavioral control, financial control and the type of relationship between the church and the worker).*
- Key Point. Some employer provided benefits are nontaxable only when received by employees. A common example is employer provided 403(b)(9) retirement plan. See IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits..
- Key Point. Only employees of churches (workers who receive a Form W-2 from a church) may participate in a church sponsored 403(b) retirement plan. However, other tax-qualified plans may be available from GuideStone Financial Resources. *(Call 1-888-984-8433 for additional information)*

Step 3. Obtain the Social Security number for each worker.

Step 4. Have each employee complete a Form W-4.

Step 5. Compute each employee's taxable wages. The amount of taxes that a church should withhold from an employee's wages depends on the amount of the

Important Tax Update

Beginning with the 2016 year-end employer tax filings, the IRS has announced that all W-2, W-3 and most 1099-Misc forms must be filed with the federal government by January 31, of the year following the applicable tax year.

employee's wages and the information on the employee's Form W-4. A church must determine the wages of each employee that are subject to withholding. Wages subject to federal withholding include pay for services performed. The pay may be in cash or in other forms. Measure pay that is not in money (such as property) by its fair market value. Wages often include a number of items in addition to salary. See IRS Publication 15 and 15-A for additional information. Some common examples are listed below and in Step 10.

- Bonuses
- Christmas and special occasion offerings (includes love offerings)
- Retirement gifts
- The portion of the employee's Social Security tax paid by a church as an offset
- The personal use of a church-provided car
- Purchases of church property for less than fair market value
- Ministry-related expense reimbursements under a non-accountable plan
- Imputed interest on below market interest church loans
- Most reimbursements of a spouse's travel expenses
- Forgiven or cancelled debts

Step 6. Determine the amount of income tax to withhold from each employee's wages.

Step 7. Withhold Social Security and Medicare (FICA) taxes from non-minister employees' wages.

Step 8. The church must deposit the taxes it withholds. Churches accumulate three kinds of federal payroll taxes:

- Income taxes withheld from employees' wages
- The employees' share of Social Security and Medicare (FICA) taxes (withheld from employees' wages)
- The employer's share of Social Security and Medicare (FICA) taxes

Web Resources

eftps.gov

Official Electronic Federal Tax Payment System service offered free by the U.S. Department of the Treasury to help business and individual taxpayers conveniently pay all their federal taxes electronically

irs.gov/pub/irs-pdf/fss4.pdf

Form SS-4 Application for Employer Identification Number

irs.gov/pub/irs-pdf/fss8.pdf

Form SS-8 - Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding

irs.gov/pub/irs-pdf/fw4.pdf

Form W-4 Employee's Withholding Allowance Certificate

An employer's deposit status is determined by the total taxes reported in a four-quarter "look-back" period.

Electronic deposit requirement. Beginning in 2011, most churches must use electronic funds transfer to make all federal tax deposits (e.g. employment taxes). Generally, electronic fund transfers are made using the Electronic Federal Tax Payment System (EFTPS). EFTPS is a fast, secure and free service provided by the Department of Treasury. Information on EFTPS, including how to enroll, can be found at www.eftps.gov or by calling EFTPS Customer Service at 1-800-555-4477.

If an organization fails to make a timely deposit, it may be subject to a 10% failure-to-deposit penalty.

Step 9. All employers subject to income tax withholding, Social Security and Medicare (FICA) taxes, or both, must file form 941 quarterly.

Form 941 reports the number of employees and amounts of Social Security and Medicare (FICA) taxes and withheld income taxes that are payable. Form 941 is due on the last day of the month following the end of each calendar quarter and may be filed electronically. For more information, see www.irs.gov.

Exception for Small Employers. If one of the following applies, a church/employer may make a payment with Form 941, Employer's Quarterly Federal Tax Return or Form 944, Employer's Annual Federal Tax Return, instead of depositing, without incurring a penalty:

- Form 941 total tax liability for either the current quarter or the preceding quarter is less than \$2,500. If you are not sure your total tax liability for the current quarter will be less than \$2,500, (and your liability for the preceding quarter was not less than \$2,500), make deposits using the semi-weekly or monthly rules so you won't be subject to failure to deposit penalties; or
- Employers who have been notified to file Form 944 can pay their fourth quarter tax liability with Form 944 if the fourth quarter tax liability is less than \$2,500. Employers must have deposited any tax liability due for the first, second, and third quarters according to the deposit rules to avoid failure-to-deposit penalties for deposits during those quarters.

For additional information regarding these requirements contact the IRS at 1-800-830-5215 or see IRS Publication 15, Circular E, Employer's Tax Guide.

Step 10. Prepare a Form W-2 for all employees, including ministers, and church staff.

The IRS operates a centralized call site to answer questions about reporting information on these forms (W-2, W-3, 1099 or 1096). If you have any questions about completing these forms, call the IRS toll free at 1-866-455-7438. *(The employee W-2 form must be mailed by January 31 of each year. Additionally a copy of the W-2 and W-3 (Transmittal of Wage and Tax Statements) must be sent to the Social Security Administration (SSA) either in hard copy or electronic format by January 31. See www.socialsecurity.gov/employer/)*

Need help completing a W-2, W-3, 1099 or 1096 form?

The IRS operates a centralized call site to answer questions about reporting information on these forms. If you have any questions about completing these forms, call the IRS at 304-263-8700, Monday through Friday, 8:30 a.m. to 4:30 p.m. Eastern Standard Time.

Reporting Group Term Life Insurance

(Excerpts from GuideStone's "Minister's Tax Guide.")

Include in the income of church employees the imputed cost of group-term life insurance paid for by the church for coverage in excess of \$50,000. Also, if the church provides group-term life insurance on the life of a spouse or dependent that exceeds \$2,000, include the imputed cost of that coverage. *(See IRS Publication 15-B Employer's Tax Guide to Fringe Benefits for additional information regarding calculating taxable benefit related to employer provided group-term life insurance)*

Applying for the Health Care Tax Credit

Included in the 2010 Patient Protection and Affordable Care Act approved by Congress, was a provision which provides a Health Care Tax Credit for small businesses, tax-exempt organizations, and churches. Following is a summary of the requirements that can be found at www.irs.gov. Additional information can be located at www.guidestoneinsurance.org.

Eligibility Requirements

- **Provision:** Qualifying employer must cover at least 50 percent of the cost of health care coverage for some of its workers based on the single rate.
- **Size:** Church must have less than 25 full-time employees or equivalent part-time employees.
- **Average Wage:** Average wage of the full-time employees must be under \$50,000. (The average wage would exclude any minister's housing allowance)

Amount of Credit:

- **Maximum Amount:** The credit is worth up to 25 % of a church's premium cost.
- **Limitations:** The credit also cannot exceed the actual amount of income taxes and Medicare taxes withheld and paid to the IRS. Also, refund payments issued to small tax-exempt employers claiming the refundable portion of credit are subject to sequestration. Most importantly, beginning in 2014, only employers who purchased insurance through the SHOP Marketplace are eligible. (Visit Healthcare.gov for more information)

Claiming the Credit

- In order to claim the credit, eligible organizations must file IRS Form 8941
- Additionally, in order to obtain the credit, churches must file a Form 990-T, Exempt Organization Business Income Tax Return

Considerations

- A decision should be made by church leadership if it is prudent to accept governmental involvement and assistance to operate the ministry of the church
- A determination must be made, by financial leaders, if it meets the complex health care credit eligibility requirements as identified and if the operation of the church is dependent on the limited amount of the credit
- Finally, the church must decide if the health care tax credit is really worth the expense of securing the services of a qualified accountant to help it comply with the IRS health care tax credit regulations

Hiring Considerations for Independent Contractors

1. W-9 Form- Request for Taxpayer Identification Number and Certification

When a worker is determined to be an independent contractor (non-employee) of the church, (e.g. evangelist, contract labor, guest musician etc.) provides a service to the church, and receives payment of \$600 or more, the church must obtain a valid Social Security Number or Employer Identification Number prior to paying the individual, group or organization (unless the payment is made to an incorporated business). The simplest way to obtain the necessary information is to have the individual or group complete a Form W-9. The church should keep the W-9 on file at the church, separate from other personnel files.

Note: If the independent contractor does not provide the required information, the church must withhold 28% of the reportable payment due the contractor and submit it to the IRS as federal tax withholding.

2. Independent Contractor Federal Tax Reporting (Form 1099, 1096)

1099-MISC Form – Miscellaneous Income: This form is used to report payments in the course of business to another person (non employee) for rents, and legal and other services in excess of \$600 annually. Copies of this form must be made available to workers by January 31 of the year following the applicable tax year. The IRS compares the payments shown on the information returns with each recipient's income tax return to determine whether the payments were properly reported as taxable income. (1099-MISC forms do not generally have to be issued to incorporated businesses).

Example: If an evangelist or guest speaker visited a church during the year and received \$600 or more in payment from the church (net of any travel expense reimbursement under an accountable reimbursement plan), the church would be required to issue them a 1099-MISC.

1096 Form – Annual Summary and Transmittal of U.S. Information Returns: If 1099-MISC Forms are being sent to the IRS in a paper format, this summary form must accompany them (Generally due by January 31). The 1096 Form should reflect the total from all of the forms 1099-MISC that the church issues. If the Form 1099-MISC is being transmitted electronically to the IRS or on magnetic media by January 31, then a Form 1096 is not required to be filed.

Working with GuideStone Financial Resources

GuideStone Financial Resources of the Southern Baptist Convention provides numerous programs and services for church staff members – both ministerial and support staff. The church treasurer should be acquainted with GuideStone and be able to advise the church committee charged with responsibility of designing the compensation package for church employees.

GuideStone provides a full array of insurance and retirement services for church employees and also offers extremely practical information related to church tax and compensation issues on their website www.guidestone.org/LearningCenter/Ministry

Resources Available through GuideStone:

- Life, Accident, Disability Insurance plans for church staff
- Medical and Dental Insurance plans for church staff
- Retirement plans and investment opportunities for churches and church staff
- Property and Casualty Insurance (1-888-984-8433)
- Financial Resource for Churches and Pastors
 - o Minister's Tax Guide (Detailed)
 - o Compensation Planning Guide
 - o Federal Reporting Requirements for Churches
 - o Minister's Tax Issues
 - o Minister's Housing Allowance
- SBC Compensation Study (*Joint project of Baptist Conventions, GuideStone Financial Resources and LifeWay Christian Resources*)

Contact Information:

For more information, ministers and church treasurers should contact your GuideStone state representative at your Baptist State Convention office or contact a GuideStone Customer Relations Specialist directly at 888-984-8433.

Web Resources

guidestone.org

GuideStone Financial
Resources Main Site

**[guidestone
propertycasualty.org](http://guidestonepropertycasualty.org)**

GuideStone
Property and Casualty
Insurance Site

guidestoneretirement.org

GuideStone Retirement
Services for church staff

guidestoneinsurance.org

GuideStone Employee
Benefit Plans for
Christian Organizations

missiondignity.org

GuideStone ministry
to assist retired
pastors and
their widows

ETHICS

Safeguarding Church Assets

Luke 16:10

Whoever is faithful in very little is also faithful in much, and whoever is unrighteous in very little is also unrighteous in much.

II Corinthians 8:21

For we are making provision for what is honorable, not only before the Lord but also before men.

Ethics Resources

erlc.com

The Ethics and
Religious Liberty
Commission of the SBC

[ecfa.org/
knowledgecenter.aspx](http://ecfa.org/knowledgecenter.aspx)

ecfa.org/standards
Evangelical Council for
Financial Accountability

Ethics Overview

One problem that a church treasurer may face is what to do when the church and/or church staff member wishes to have a situation handled in one fashion but the law or IRS code instructs the treasurer to handle it in another fashion. The treasurer usually knows of one or two responses: 1) to follow the directions of the church and/or church staff member; and 2) to tell the church and/or church staff member that their direction does not fit within the guidelines of the law and ignore the request.

Here are some steps that are suggested for the church treasurer to follow:

1. Obtain a written statement of the law or IRS guideline that relates to the issue in question.
2. The church treasurer should then present the law and/or guideline to the church and/or church staff member.
3. If the original request came from a church staff member and after being presented with the proper fulfillment of the request the church staff member does not change the request, the church treasurer should present the situation to the finance committee. If there is no finance committee, the church treasurer should present the situation to the church.
4. If the original request came from the church, the church treasurer should present the written law and/or guideline of the proper way to handle the issue and ask the church to reverse their earlier request.
5. If the church does not allow a reversal of the original request from either the church and/or the church staff member, the church treasurer should consider resigning the position.

Web Resources

aicpastore.com

AICPA Audit
Committee Toolkit:
Not-for-Profit
Organizations

ecfa.org

Evangelical Council
for Financial
Accountability has
extensive resources
in their Knowledge
Center related to
non-profit audits

**[acfe.com/fraud-
prevention-checkup.
aspx](http://acfe.com/fraud-prevention-checkup.aspx)**

Association of
Certified Fraud
Examiners – Fraud
Examination Checklist

**[absc.org/resources/
audit-guide-
for-churches-
associations/](http://absc.org/resources/audit-guide-for-churches-associations/)**

Arkansas Baptist
State Convention
resource for
conducting an internal
financial examination
for a church

Developing a Church Financial Examination Process

Every church, no matter the size, needs to have some type of financial exam completed annually. This will give the congregation confidence that the church adopted financial policies and procedures have been followed. A financial examination also gives the church members confidence that the accounting system is intact and functioning properly, accurate reports are being presented to the church body, and most importantly, member's gifts are being used to efficiently and effectively carry out the mission of the church. Additionally, a financial examination will also help protect the integrity of the church financial management team and prevent them from being unjustly accused of any financial mismanagement.

There are several different types of financial examinations that a church may consider. The first consideration is whether it will be done by an external independent accounting firm or by an internal church financial examination committee.

External Financial Examinations:

Ideally, the financial examination should be done by a qualified Certified Public Accountant that meets the professional standard of independence from the church. Professional standards adopted by the American Institute of Certified Public Accountants (AICPA) provide guidance on this issue. The major difficulty encountered by many churches is the cost of having a full financial audit performed.

Rather than dismissing the idea of an external examination the church should contact other local congregations or accounting firms and get an estimate of the cost to hire an external accounting firm. If the cost is prohibitive, the church should consider taking the estimated amount and dividing it by the number of years it would take for the church to accumulate the necessary funds for an

outside examination. (It is suggested that an external examination be completed at least every five years.) This approach will give the budget committee an amount to place in the budget each year until the funds can be accumulated to pay for the examination. In order to reduce costs, the church may also want to consider which of the following services are performed by an external accounting firm.

- **Audit:** a formal examination of church financial statements, intended to assess the accuracy and thoroughness of financial records. An independent auditor performs this procedure on a set of financial statements in order to express an opinion regarding the financial statements when taken as a whole are materially correct. (Materiality is often a function of the size of the organization). An unqualified audit opinion states that the financial statements are in conformity with accounting principles generally accepted in the United States of America (GAAP) and the services have been performed in accordance with generally accepted auditing standards (GAAS). An audit is more expensive than either a review or compilation due to the extensive testing requirements. Depending on the financial deadlines of the church, an audit can often be scheduled with a CPA during a “non-busy” period, often resulting in a reduction of fees.
- **Review:** a service, the objective of which is to obtain moderate assurance that there are not material modifications that should be made to the financial statements in order for the statements to be in conformity with the applicable financial reporting framework (typically U.S. GAAP). Although substantially less in scope than an audit, a review provides greater assurance than a compilation. In performing this assurance and attest engagement, the accountant must conform to the AICPA Statements on Standards for Accounting and Review Services (SSARS). A review is less expensive than an audit but more expensive than a compilation. (No Opinion by a CPA is rendered)
- **Compilation:** a service, the objective of which is to assist management in presenting financial information in the form of financial statements. A compilation DOES NOT provide a basis for obtaining any level of assurance on the financial statements being compiled. In performing this attest engagement, the accountant must conform to the AICPA Statements on Standards for Accounting and Review Services (SSARS). A compilation is less expensive than either an audit or a review. (Compiled financial statements are reported as management responsibility)
- **Financial Statement Preparation:** For 2015, a revised Statement on Standards for Accounting and Review Services (SSARS) No. 21 went into effect which codified a new service known as Financial Statement Preparation to allow CPA's to meet the needs of their clients without a full audit, review or compilation. This type of service may be useful when dealing with taxing authorities, banking services, litigation services or church valuation. This is considered a non-attest service.
- **Agreed-upon Procedures:** specific procedures to be completed, agreed-upon between a CPA firm and the church. An agreed-upon procedure may include

a staff compensation analysis, tax compliance examination, internal control assessment, or specific procedures requested by a lending institution prior to granting a loan. These types of services may be most cost efficient for a church that has a very specific or limited need.

Internal Financial Examinations:

Another option is for the church to perform an annual internal financial examination. This responsibility is assigned in some churches to the standing Audit Committee. Where there is no Audit Committee, this would entail selecting an internal financial examination committee (EC), elected by the church, and following the rules and procedures as set forth in the church governing documents. The qualifications of the EC members should be as follows:

- 1) Active church members (See exception at 3 below)
- 2) Duly elected in a church business session
- 3) Independent from any other responsibilities related to the administration of the church's finances (If there are not enough qualified individuals in the church, consideration should be given to partnering with another local church and confidentially examine each other's records)
- 4) Possess integrity and financial knowledge
- 5) Given complete and open access to church records
- 6) Given clear task assignment

The essential purpose of the Examination Committee is to review the work of the treasurer, financial secretary, and the Finance Committee to ensure that financial guidelines are being followed. The Committee should also provide some assurance that proper stewardship is being used in receiving, disbursing, reporting and safeguarding the churches assets in compliance with government regulations. Once the annual financial examination is complete a full report should be made to the church.

Possible Types of Financial Examinations:

- **Internal Financial Examination:** Review of the receipts, disbursements, and financial reports providing some assurance of the accuracy of the financial system.
- **Internal Control Examination:** Review of the church policies and procedures to ensure that appropriate safeguards and separation of accounting duties are in place to mitigate the risk that the churches funds will be mishandled.
- **Property & Equipment Inventory Examination:** Inventory of all church property, furniture and equipment. This review would create a listing of all assets owned by the church for insurance and accounting purposes and assist in safeguarding the assets of the church.

- **IRS Tax Inquiry - Audit Examination:** Review of a church's records instigated by the Internal Revenue Service. Inquiries (the first step in initiating an audit) can be generated only if an appropriate high-level official has a reasonable belief, based on facts and circumstances recorded in writing, that a church may not be qualified as a tax-exempt organization or may not be paying tax on an unrelated business or other taxable activity. Once this determination is made and the church notified, the IRS has wide latitude on the documents that it can request subject to Internal Revenue Code Section 7611. If your church is selected for an IRS audit, it would be wise to seek professional help to resolve the concerns as quickly as possible. (See IRS Publication 557, Tax-Exempt Status for Your Organization. Also see IRS Publication 5146, Employment Tax Returns: Examinations and Appeal Rights)

Internal Controls

(Safeguarding Church Assets)

Definition:

Accounting controls have been defined by the American Institute of Certified Public Accountants (AICPA) as *"the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records."* This definition has been expanded over the years, but provides a basic framework for understanding financial accountability and good stewardship.

Internal controls are specifically defined as methods, measures and plans (policies and procedures) that an organization (church) adopts to ensure the following is accomplished:

1. Safeguarding of assets
2. Improving the accuracy and reliability of financial records
3. Ensuring compliance with organizational (church) policies

In order to practice good stewardship, each church should develop and adopt a comprehensive set of church financial policies and procedures. In coordination with the church treasurer, the Finance or Audit Committee should develop a set of

Web Resources

store.churchlawandtax.com

Book: *Church Finance - The Complete Guide to Managing Ministry Resources*

Book: *Essential Guide to Church Financial Health*

Book: *Internal Controls for Churches Finances*

guidelines to be approved by the church which ensures the resources entrusted to the church are properly handled.

Separation of Duties:

An integral concept in any internal control structure is the principle of separation or segregation of duties. Basically, this principle should be practiced throughout the entire organizational structure to ensure accountability and transparency. Ideally, the following activities related to financial transactions should be performed by different individuals:

- Authorization (e.g. Check signing)
- Recordkeeping (e.g. Writing checks – recording in accounting system)
- Reconciliation/Asset Custody (e.g. Reconciling bank statements)

The unfortunate reality in many churches is that one individual performs all three of these functions, which provides no safeguards to either the church or the individual tasked with these responsibilities.

Suggested Financial Policies and Procedures

Financial Policies and Procedures Manual

The church should appoint a committee (Finance Committee if one is in existence) to develop and present to the church policies and procedures that would help guide its financial life. The items listed below are merely suggestions. It is up to the church to determine the actual items to include in the manual and the actual wording of the policies and procedures. Some of the items that should be considered in the Financial Policies and Procedures Manual are:

Money handling procedures:

- **Counting and banking money on Sunday:** A group of people should be elected by the church to count the money on Sunday morning and deposit the money in the bank immediately after church. The group should consist of no less than two unrelated people. At all times there should be a minimum of two people in the counting room. As the money comes into the counting room it should be divided into two work piles. Each person in the counting room should count the pile assigned to him/her. A tally sheet should be created for each person's count and signed by the counter. When completed, the piles are to be switched and recounted. This should result in a verification of the tally sheet. The tally sheet should then be countersigned. The piles should be placed together, and a bank deposit slip should be created. Each check should be endorsed with a "For Deposit Only" stamp which includes the churches bank account number. The money and the deposit slip should be placed into a tamper resistant lockable

bank bag. The tally sheet, a copy of the bank deposit slip, and the offering envelopes should be placed in a secure place to be retrieved by the church treasurer or the financial secretary. Any checks that come into the counting room that do not have an envelope should have an envelope created by the first money counter. Any cash not in an envelope when it enters the counting room should not be credited to any individual or group and no envelope should be developed for it.

- **Handling money that comes in other than Sunday:** The financial policies committee should develop policies and procedures for money that comes into the church when a counting committee is not present.
- **How much cash to keep at the church:** The financial policies committee should develop a maximum amount of money that is allowed to be kept in the church offices. Once this maximum is attained, the money should be deposited in the bank on a timely basis. Procedures for depositing the money should also be placed in the financial manual.
- **How to handle cash receipts:** The financial policies committee should develop policies and procedures relating to securely handling cash that enters the church's financial system. This should include giving a receipt to the person turning in the money, therefore creating a paper trail for the cash.
- **Check writing policies and procedures:** The financial policies committee should develop policies and procedures relating to check writing. A group should be enlisted to sign checks. Checks should contain two signatures (especially if over a pre-determined amount). The check signers should not be anyone that is on the counting committee, nor should anyone that handles the financial bookwork be on the check signing group. The financial policies committee should also establish a specific day of the week when checks will be signed. Disbursement should not be made without adequate documentation (approved check request, original receipts or invoice) being presented to the church. [See page 35 regarding Accountable Reimbursement Policies] A policy should also be developed defining what an emergency check-signing situation is and the procedure to obtain signed checks in an emergency. Control procedures should also be established relating to electronic banking transfer of funds, often referred to as ACH or WIRE transfers.
- **Financial policies and procedures for building use:** Guidelines for charging usage fees for use of church buildings and/or equipment should be established and adopted by the church. The policies should give occasions for which the buildings and/or equipment could be used for non-church activities. The procedures should give details of how the buildings and/or equipment should be reserved and how much to charge for their use. Rental of church equipment for non-church activities may have tax consequences. [See page 21 for additional information regarding Unrelated Business Income Tax]

Web Resources

us.ccli.com

Christian Copyright Licensing, Inc. provides a means for churches to stay compliant with music copyright regulations.

us.cvli.com

Church Video License provides legal coverage for churches and for other ministry organizations to show DVDs and videocassettes of motion pictures.

ncbaptist.org

Comprehensive Church Policy Manual Guidebook

mplc.com

Motion Picture Licensing Corporation licenses permission to organizations to show any legally obtained film without the need of reporting titles, dates or times of exhibition.

- **Policies and procedures for church material use:** In today's highly complex world churches are finding they need to utilize gas credit cards, purchasing credit cards (such as Visa, MasterCard, American Express), computers, electronic media duplicating equipment, etc. to enable church staff and church members to carry out the daily activities of the church. Policies for the dispensing of such material should be developed. Procedures for the use of such materials should also be developed. These procedures shall not only give guidance to how to use the material, but also what is not allowed in the use of the material.
- **Policies and Procedures for budget oversight:** Once the budget has been developed and adopted by the church, it should be given to the church treasurer for oversight. The church treasurer should follow the guidelines on page 6 regarding the work of the Church Treasurer and bring regular reports to the church. Updated information should also be given to the Finance, Budget, or Stewardship Committee. If there is a financial crisis, such as a cash short fall, the church treasurer should bring the matter to the attention of the Finance Committee. The Finance Committee would then review the appropriate policies and procedures and develop a course of action to get through the crisis. The Finance Committee would then instruct the church treasurer to follow the appropriate church adopted procedure. If the procedure needs to be altered for the immediate crisis or a new procedure needs to be created, the Finance Committee would recommend action to the church. If the church adopted the recommendation, the treasurer would then be instructed by the church to follow the new procedure until the crisis passed. Current adopted procedures would then take over for the church treasurer and the Finance Committee to follow.

- **Purchasing policies and procedures:** Many churches have an open checkbook approach to spending money that has been given to the church. Whenever someone in the church needs something, no matter how small or how large, they will purchase it and ask the church treasurer for either cash or a check to repay them for the purchase. While this may work fine for a very small congregation, it becomes very inefficient as the church grows in membership. A policy needs to be developed to guide church members in knowing how to go about purchasing items needed for church events. Procedures need to be developed detailing the specific steps involved in purchasing items for the church. An example of this would be a purchase order system. The policy could state that no purchases will be made or reimbursed unless a purchase order is obtained prior to purchasing the item. The purchase order would be given to the vendor upon purchase of an item. The purchase order number would be written on the receipt and given to the church treasurer. When the check is written to either reimburse the one who made the purchase or to pay the invoice that came in relating to the purchase, the receipt for the purchase and a copy of the purchase order would be attached to the unsigned check. This would give the check signers confidence that the proper procedures were followed. The purchase order system also has an advantage of allowing the financial leaders to know of incoming invoices or receipts prior to receiving them. This will help in the cash flow management of church funds.
- **Policies and procedures for designated monies:** A policy needs to be developed that would define the process for determining if monies should be received by the church that has been identified to be spent in a specific way or for a specific item. Procedures need to be developed indicating how designated monies are to be received, reported, stored, and spent. A procedure also needs to be developed to give the church guidance if a designated item has funds attached to it, but the designated item no longer exists. [See page 42 for sample designated fund policies.]
- **Policies and procedures for fund raising activities:** Church members create all sorts of reasons, and excuses, to hold a fund raising activity. Policies need to be developed that will give guidance as to what type of projects should be funded through a fund raising activity and what type of projects should not be funded through a fund raising activity. Procedures should be established guiding church members and church groups in how to obtain church permission for a fund raising activity, how to gather the material for the fund raising activity, how to handle the money received through a fund raising activity, what types of fund raising activities will be allowed to be associated with the church and what type of activities will not be allowed to be associated with the church. Financial leaders should also be aware that certain fundraising activities may have State Sales and Use Tax as well as Unrelated Business Income Tax implications.

- **Policies and procedures for contribution records:** A statement relating to the receiving of charitable donations should be contained in the church's incorporation documents. However, a policy outlining what is allowed as a charitable contribution and what is not allowed as a charitable contribution should be developed. IRS Publication 526 will be beneficial for developing this policy. Some of the things this publication states are:

If you receive a benefit as a result of making a contribution to a qualified organization, you can deduct only the amount of your contribution that is more than the value of the benefit you receive.

If you pay more than fair market value to a qualified organization for merchandise, goods, or services, the amount you pay that is more than the value of the item can be a charitable contribution. For the excess amount to qualify, you must pay it with the intent to make a charitable contribution.

Example 1: You pay \$65 for a ticket to a dinner program at a church. All the proceeds of the function go to the church. The ticket to the dinner-program has a fair market value of \$25. When you buy your ticket, you know that its value is less than your payment. To figure the amount of your charitable contribution, you subtract the value of the benefit you receive (\$25) from your total payment (\$65). You can deduct \$40 as a charitable contribution to the church.

Example 2: At a fund-raising auction conducted by a charity, you pay \$600 for a week's stay at a beach house. The amount you pay is no more than the fair rental value. You have not made a deductible charitable contribution. (Note: In this scenario, the donor of the "week" is not eligible for a tax deduction, since they have not given up complete control of the property.)

A basic rule of thumb is the contribution is acceptable when the determination of how the donated money is to be spent is determined by the church or an authorized committee of the church. If the donor determines how the money is to be spent the contribution cannot be declared a charitable contribution and must not be placed on the contribution statement.

- **Policy and procedures for non-cash gift acceptance:** Policies need to be developed that will give direction as to what type of non-cash gifts will be accepted by the church. The primary benefit of gift acceptance policies is to maintain discipline in gift acceptance and administration. The procedures should direct which committee/group will make the determination of acceptance of gifts that can often cost the church time, money, and possibly its reputation. There are some gifts that the church may not want or need.
- **Policies and procedures for special offerings:** Policies need to be developed that will give direction as to which special offerings are allowed and which are not allowed. The procedures need to be developed to give direction as to how special offerings are to be handled.

NOTES

- **Policies and procedures for bonding:** Each person who is involved with the church's financial process needs to be bonded as a way to protect the church from loss and damage. Bonding is done as a rider on the church's property insurance.
- **Policies and procedures for petty cash:** A policy needs to be developed that will give guidance as to the keeping of petty cash in the church office. The policy should state the maximum amount that should be allowed to be kept in the petty cash area. Procedures should be developed detailing how to request petty cash, dispense petty cash, and report petty cash.

Church Financial Organization Models

The following section provides an overview of the duties and responsibilities of some of the church financial team members. The functions and responsibilities of each of these groups will vary based on the size, needs and organizational systems of the individual church. Depending on the church operating structure some of the responsibilities or duties identified below may be combined, assigned to staff members (e.g. business administrator) or spread to additional committees with financial responsibilities (e.g. Deacons, Elders, Trustees, and Facilities, Personnel, Budget, Stewardship, Benevolence or Missions Committees)

- **Responsibilities and Procedures of a Church Treasurer:** The church treasurer is responsible for properly receiving, disbursing, accounting and safeguarding church resources in accordance with the established policies and procedures of the church. [See page 5 regarding the work of the Church Treasurer.]
- **Responsibilities and Procedures of a Counting Team (Committee):** The counting team is

[illegible]

responsible for properly receiving, counting and depositing all funds received by the church.
[See page 14 regarding the work of the Counting Team/Committee]

- **Responsibilities and Procedures of a Finance Committee:** The Finance Committee is charged by the church to develop and present the financial policies and procedures to the church. The Finance Committee has the overall responsibility of coordinating the church's financial activities, monitoring accounts and expenditures to ensure the financial policies and procedures of the church are being followed or revising the policies and procedures if necessary. The church treasurer should serve as an ex-officio member of the Finance Committee.
- **Responsibilities and Procedures of a Budget (Preparation) Committee:** (In many churches the Finance Committee also serves as the Budget Committee.) The Budget Committee is charged by the church with the responsibility of planning and presenting an annual budget for the new church fiscal year. The procedure assigning this responsibility to this committee should be placed in written form and approved by the church. The church treasurer will have significant interaction with this committee. [See page 84 regarding Budget Preparation]
- **Responsibilities and Procedures of a Financial Secretary/Bookkeeper/Accountant:** The financial secretary/bookkeeper should work as an assistant to the church treasurer. The financial secretary/bookkeeper will typically be responsible for posting contributions, mailing statements, writing checks, preparing monthly financial reports and maintaining the church financial records. In spite of this assignment of duties, the church treasurer still has legal and fiduciary responsibility for these functions. Many churches do not have a financial secretary/bookkeeper. It is not a requirement as part of

NOTES

- [illegible]

According to LifeWay Christian Resources, the 2017 Annual Church Profile reflected that the Southern Baptist Convention was comprised of 47,544 autonomous Baptist churches. These churches represent a wide diversity of organizational and operational models. One size of church organization certainly does not fit all. (The following models were adapted from the Mississippi Baptist Convention, *Safeguarding Your Church Offerings* booklet.)

These models provide a simple overview of the possible separation of duties and responsibilities of the entire church financial management team. Each church will vary from this model, but it provides a systematic presentation of the main responsibilities of the financial team. One important principle is to separate duties related to the authorization, record keeping and reconciliation/custody functions of cash management. (See page 71 on Internal Controls/Financial Policies and Procedures).

Sample Church Financial Organizational Models

Type	Treasurer	Counting Team (Committee)	Finance/Budget Committee
B A S I C	<ul style="list-style-type: none"> • Pay bills/payroll • Write checks • Monthly financial reports • Post contribution/mail statements • Maintain church financial records • Tax compliance • Report to church regularly • Coordinate staff compensation issues 	<ul style="list-style-type: none"> • Separate & count offerings • Write deposit slips • Complete offering reports • Safeguard deposits • Deposit money 	<ul style="list-style-type: none"> • Reconcile bank statements • Monitor accounts, expenditures & cash flow • Review financial reports • Plan and present budget for adoption • Recommend budget adjustments • Plan and conduct stewardship campaigns • Conduct periodic financial examination
E X P A N D E D	<ul style="list-style-type: none"> • Co-sign checks • Monitor accounts, expenditures and cash flow • Report to church regularly • Coordinate staff compensation issues • Recommend budget adjustments 	<ul style="list-style-type: none"> • Separate & count offerings • Write deposit slips • Complete offering reports • Safeguard deposits • Deposit money 	<ul style="list-style-type: none"> • Reconcile bank statements • Review financial reports • Plan and present budget for adoption • Plan and conduct stewardship campaigns • Conduct periodic financial examination • Recommend debt & finance options
E L A B O R A T E	<ul style="list-style-type: none"> • Co-sign checks • Monitor accounts, expenditures and cash flow • Report to church regularly • Recommend budget adjustments • Coordinate staff compensation issues 	<ul style="list-style-type: none"> • Separate & count offerings • Write deposit slips • Complete offering reports • Safeguard deposits • Deposit money 	<ul style="list-style-type: none"> • Coordinate financial input from church leadership: <ul style="list-style-type: none"> o Staff o Ministry Leaders o Missions Committee o Personnel Committee o Facilities Committee • Review financial reports • Plan and present budget for adoption

Financial Secretary/ Bookkeeper/Accountant	Stewardship Committee	Audit Committee
<p>Ideally, checks should be signed by two people who are not responsible for record keeping (writing checks) or performing bank reconciliations.</p>		
<ul style="list-style-type: none"> • Pay bills/payroll • Write checks • Monthly financial reports • Post contributions • Mail giving statements • Maintain church financial records • Tax compliance 		
<ul style="list-style-type: none"> • Pay bills/payroll • Write checks • Monthly financial reports • Post contributions • Mail giving statements • Maintain church financial records • Tax compliance 	<ul style="list-style-type: none"> • Plan year-round stewardship education • Conduct annual budget promotion • Coordinate biblical money management training opportunities • Encourage estate bequests • Coordinate capital fundraising campaign 	<ul style="list-style-type: none"> • Reconcile bank statements • Recommend budget adjustments • Review financial records • Conduct periodic financial examinations • Recommend debt & finance options • Administer designated gifts

How Long Does the Church Need to Keep Various Church Records?

Each church is unique and different. However, good recordkeeping is an issue facing every church. How long does a church keep a certain type of document? The answer varies, but the following chart is a general guideline to assist churches in the minimum length of time to keep a record. The length of time in keeping a document depends on the historical interest, possible liability issues, and tax concerns. Depending on the church's needs, records might need to be kept longer than suggested.

Record	Minimum Time to Keep Record
Articles of Incorporation, Constitution, and By-Laws	Permanent
Church Minutes	Permanent
501(c)(3) Determination Letter to indicate Church's Non-profit Status	Permanent
General Ledger Books and Church Financial Statements	Permanent
Employee's Personnel File including the Application, Interview Form, and Reference and Background Checks	Permanent
Federal and State Employer Identification Numbers	Permanent
Form 8274 if the Church elected Exemption from FICA Taxes	Permanent
Bank Statements without Cancelled Checks or Deposit Slips	Permanent
Church Financial and Employee Benefit Policies	Permanent
Church Audits/Financial Reviews and Government Correspondence	Permanent
403(b) Retirement Plan Document	Permanent
Cancelled Checks, Deposit Slips, Check Stubs	7 to 10 Years
Invoices and Receipts	7 to 10 Years
Annual Contribution Credit Statements	7 to 10 Years
W-4, State Withholding Forms, I-9, New Hire Reporting Form after an Employee leaves Employment . (I-9's should be kept 3 years after an employee leaves employment)	10 Years
Salary Reduction Agreements of Employees	7 Years
Housing Allowance Designations given to Ministers	7 Years
Form 8282 to report to the Government sale of Donated Property valued over \$5,000	7 Years
Payroll Tax Forms like 941s, 944, W-2s, W-3, 1099MISC and 1096	7 Years
Form 5578 used by Church Schools to comply with Nondiscrimination Requirements	4 Years
Offering Envelopes – See Page 20 for suggestions on donor communication	3 to 7 Years

This document is intended to provide churches, pastors, and staff with current and accurate information about the subjects covered. However, such information is not intended to be sufficient for dealing with a particular legal problem, and the authors and distributors do not warrant or represent its suitability for such purpose. The reader should not rely upon this document as a substitute for independent legal consultation or IRS instructions. This document has been updated based on information originally appearing in the Georgia Baptist Convention, Tax-Fax Updates, Volume 2008, Number 2.

Records Retention Guidelines

Sample Record Retention Guidelines

1. Record Retention Guidelines
National Council of Nonprofits
[www.councilofnonprofits.org/tools-resources/
document-retention-policies-nonprofits](http://www.councilofnonprofits.org/tools-resources/document-retention-policies-nonprofits)
2. Sample Record Retention Policy
Evangelical Council on Financial Accountability
www.ecfa.org/Documents/RecordsRetention.doc

NOTES

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

REPORTS

Accounting/ Record Keeping

Deuteronomy 25:15-16

You must have a full and honest weight, a full and honest dry measure, so that you may live long in the land the LORD your God is giving you. For everyone who does such things and acts unfairly is detestable to the LORD your God.

“A church needs to have a budget to give financial direction and evaluation to the mission and ministries of the church.”

Working with the Budget Preparation Committee

A church needs to have a budget to give financial direction and evaluation to the missions and ministries of the church. The church budget is actually a spending plan for the congregation. In addition to being used as a measurement tool, it should also be used to tell the story of church ministry to the congregation and encourage personal stewardship and commitment. The church treasurer plays an important role in assisting the church in this vital area. The church treasurer will either be a member of the finance/budget preparation committee or will provide needed information to this committee.

The church treasurer can assist the church budget committee by providing information to lead them in developing a “ministry based budget.” A ministry based budget focuses on what the church wants to accomplish for the Kingdom of God rather than on how much money the church has or needs. As a financial leader in your church you will need to assist the budget committee in projecting ministry priorities for the coming year. Once the ministry priorities are in place then a plan can be established to reach those priorities through careful financial planning and budgeting.

There are four actions that are involved in planning and promoting a church budget that will impact the Kingdom of God.

1. Seek spiritual direction
2. Consult with church leaders
3. Build congregational acceptance
4. Encourage personal commitment

First, the budget committee needs to **seek spiritual direction** before proceeding with budget planning. Prior to the process of putting budget numbers in place, there needs to be a clear definition and understanding of your church’s

mission and vision. The committee needs to seek God through prayer and ask Him for wisdom in how to best use the resources of the church to accomplish the priorities of the church.

This time can also be spent in teaching personal biblical stewardship as a primary support to fulfilling the church's mission mandate. The members of the church will be more highly motivated to give if they truly understand and are committed to the mission of the church.

Second, the budget committee needs to ***consult with church leaders*** in each ministry area of the church. This insures that every ministry area will be considered for support in the budget being proposed. Each leader responsible for a ministry of the church can submit a budget proposal for their specific area of ministry. The committee can consult with each leader to make necessary adjustments to each proposal.

Once all ministry proposals are in place the committee can finalize a coherent plan that addresses all ministry needs of the church.

Budget Preparation Models (People Based):

Each model should involve significant church member participation:

- **Incremental Budget (Most Common):** Typically this approach begins with the budgeted or actual expenditure amount from the prior year with minor, if any, changes for the proposed budget (Also referred to as Line Item, Same as Last Year and Traditional Budgeting).
- **Zero Based Budget:** This is the most effective, but also the most time consuming model. Essentially this approach begins with a blank sheet of paper and requires each ministry area to justify their needs and request the amount of money needed to carry out the ministry goals for the next budget year. This approach requires a critical evaluation of each activity to determine how effective and efficient it is in carrying out the mission of the church.
- **Blended/Combination Budget:** Realistically, many churches include both preparation models in their budgeting process. Some line items necessarily remain consistent from year to year with incremental increases and other items are evaluated annually, resulting in either elimination or inclusion in response to ministry priorities and available resources.

Third, the budget committee needs to ***build congregational acceptance***. This is done by writing an attractive and easy to understand budget proposal and providing a copy for every member of the church. In a ministry based budget proposal, the members see immediately how their tithes and offerings will be used to accomplish the mission and goals of the church.

Once the proposed budget has been presented to the members, an opportunity for dialogue and questions should be given. Members need to have this opportunity in order for them to “own” the budget and commit to supporting the ministries of the church.

Budget Presentation Models:

- **Line Item/Accounting Budget:** This model identifies the standard accounting presentation of natural or functional accounts (e.g. salaries, benefits, postage, utilities, etc.) and is most useful for internally monitoring monthly activity among staff and financial leadership.
- **Ministry Action/Based Budget:** This model is useful in presenting budgeted activities grouped into categories such as Missions, Personnel, Church Growth and Operational Ministries. This is a very practical approach to organize the church expenses into ministry action categories by focusing on what the church is seeking to accomplish for the Kingdom of God.
- **Missional/Narrative Budget:** This is a very contemporary approach that is used to unite the churches mission/vision/goals directly to the budgeted expenditures for the upcoming year. The missional budget should clearly and concisely present a compelling story to the congregation through a simple narrative approach. This model seeks to engage the church member by connecting the missional spending plan (budget) to the vision and mission of the church.

Fourth, the budget/finance committee should ***encourage personal commitment*** to support God's work through church.

There are a number of ways this can be done.

- Interpret what the Bible says about stewardship and giving through sound teaching and preaching on giving.
- Have testimonies in each service from members who are practicing biblical stewardship.
- Ask members to declare their intentions for giving through commitment cards or simply by making a public commitment in a worship setting.
- Provide offering envelopes for each member or for each family as an encouragement and a reminder to them of their personal commitment to support the Lord's work.

Develop your church budget based on a biblical strategy to get your church from your Mission to your Vision! In your budgeting process, leave plenty of room for God to do something miraculous in the hearts of your people.

SDA Resources **stewardshipdirect.com**

- Great Commission Budgeting
- Connecting the Dots
- Building A Church Budget Bridge for the Kingdom
- Building A Church Budget Wall Together For the Kingdom

Reporting to Stakeholders

A complex series of relationships exists in every church which significantly impacts the church's mission and ministry. The organizational concept of stakeholders recognizes any person, group, or organization which can indirectly/ directly affect or be affected by the church's mission, ministry, objectives and policies. Although each stakeholder has varying degrees of influence on the church, they each represent an entity that may necessitate periodic reporting. Key stakeholders for the church include the congregation, local community, denominational entities, government agencies and other donors.

Congregation

Reporting to the congregation is as important as proper distribution and recording. An informed church is more responsible and active than an uninformed church. Therefore, the reporting should be as informative and open as possible. It should be as simple but as detailed as needed. Some churches will require that every penny brought into the church and sent from the church be presented to the church membership during regular business meetings for discussion. Some churches will request the financial committee to closely monitor the finances and make a general or summary report to the congregation at the regular business meetings. It is the responsibility of the church treasurer to make sure the reports are completed, accurate and presented at the proper time to the proper group. Even churches with a financial secretary should have the treasurer be the final surveyor of the reports before they are given to the proper group.

If not identified in the church by-laws, the financial policies and procedures of the church should outline when the financial reports are to be given. The church treasurer should be aware that the church could call for a report at anytime by following the guidelines and procedures.

Community

At certain times, the church financial information may become public information. When this need arises it should be granted through agreement by the congregation. Most of the time this type of need will arise when the church is in a position of needing to secure finances from an external source (such as a loan for a building program). Again, it is the responsibility of the church treasurer to make sure the information needed is gathered and presented in a proper fashion. The church treasurer should also review the requested information to make sure no confidential information is disclosed.

Denomination

Because a Southern Baptist church is an autonomous body it is under no obligation to disclose any financial information. The church may voluntarily give financial information to the association, state convention and/or Southern Baptist Convention (SBC). An illustration of this voluntary disclosure is the Annual Church

[illegible]

Government

Additionally, any church that operates, supervises or controls a private school (including a daycare or preschool) is required to file Form 5578 (Annual Certification of Racial Nondiscrimination for a Private School Exempt from Federal Income Tax), with the IRS on annually. typically, this form is due by May 15 of each year for the preceding calendar year.

Any gift to the church must have documentation (i.e., cancelled check, recorded offering envelope or letter from the church acknowledging receipt of goods or money). Individual privacy of these gifts and the records is extremely important. See page 20 for the Charitable Contribution Substantiation Rules.

Keeping Financial Records: Church Treasurer's Role

The church treasurer is to be responsible for the keeping of an accurate financial record of all funds identified with the church. This is true even if the church has a financial secretary to do the day-to-day bookkeeping. A financial record keeping system may be selected by the church's finance committee or the church treasurer and submitted to the church for approval. Any subsequent changes may be handled the same way. There are many sources of financial record keeping systems, including LifeWay Christian Resources, that market software for churches and manual financial record keeping systems. The record keeping system that is used should be one that meets all the requirements of the church and one with which the church treasurer is comfortable.

Recording or over-seeing the recording of all receipts is the responsibility of the church treasurer. The collection of monies that come in through meetings such as Sunday School, worship services, revival services, etc., should be done by a counting committee. There should be good communication between the counting committee and the church treasurer. ***It is not recommended that the church treasurer be the person or one of the persons to gather and count the money.***

Additionally, the church treasurer is responsible for recording or over-seeing the recording of all expenditures. The expenditures are to be recorded in the record keeping system in the appropriate categories of the established guidelines of the church.

The church treasurer is responsible for recording or over-seeing the recording of all members' gifts into personal contribution records. The 2006 Pension Protection Act required that persons filing an itemized income tax form may not use cancelled checks as verification of donations for any individual gift of \$250 or more. The amount of

Web Resources

mbsinc.com

Annual Comparison of
Church Financial and
Donor Management
Software

acstechnologies.com

Church Software
provider

logoscms.com

Church Software
provider

shelbyinc.com

Church Software
provider

quickbooks.com

Software provider
(Nonprofit Edition)

ministrytech.com

Comprehensive listing
of Church Management
Software features

capterra.com/ church-management- software/

Provides
comparisons for
Church Management
Software features

Web Resources

stayexempt.irs.gov

Excellent **IRS** online training website for charitable organizations

anniearmstrong.com

Annie Armstrong Easter Offering Resources

[https://www.imb.org/](https://www.imb.org/lottie-moon-christmas-offering)

lottie-moon-

christmas-offering

Lottie Moon Christmas Offering Resources

wmu.com

Woman's Missionary Union - encouraging and enabling Christians to become involved in missions

sbc.net/

stateconventionsearch

Contact information for State Conventions and Associations

the donation is to come from the statement issued by the church. In order for the money to be counted as a charitable contribution it must be given in lieu of religious services performed by the church and/or its representatives. Contributions made through the church for special events that are church sponsored religious activities are acceptable. Some examples of this type of contribution are the Lottie Moon Christmas Offering, Annie Armstrong Easter Offering, State Missions Offering and local church building fund offering.

Individuals may not be given credit for certain items for which they have given money to the church. An example of something that is commonly misused for donations is a church supper or a fund raising dinner. A person may write a check for a church meal but the amount of money that would go to pay for the meal will not count as a charitable contribution to the church. Any amount above the fair market value of the meal may be considered for a charitable contribution to the church. Other items that will not qualify for donations are registration fees for camps or concerts. Nor can anyone deduct the value of personal time or services given to a qualified organization. (See page 20 for detailed Charitable Contribution Substantiation Rules.)

Doing it Right: Accuracy & Accountability

Keep Accurate Records

Accurate and detailed records are essential to make sure all policies and procedures are followed. If records are incomplete or missing, questions may arise. It is the responsibility of the treasurer to make sure all records are being completed and filed, even if someone else is doing the bookwork. [See page 82 for sample record retention policy.]

Follow Established Church Guidelines

When a person assumes the position of church treasurer, he or she must first study the financial policies and guidelines of the church. If the policies and guidelines are non-existent or incomplete, it is the responsibility of the treasurer and budget and finance committee to request the church remedy the situation as soon as possible.

Bonding Insurance

On page 17 of this guide, the statement is presented that members of the Counting Team (Committee) should be bonded. In fact, bonding insurance should also be purchased to cover anyone in the church that handles money.

Accountability Involves Everyone

Basically, in a Baptist church, anyone who chooses to may ask to see or question financial information. In an effort to promote transparency and accountability, Baptist churches typically allow anyone to see and question financial information. Although most records should be open for public inspection, individual giving records do not have to be publicly disclosed. Those inquiring could be the pastor, staff member, financial committee, internal or external financial reviewer, or financial review committee. It also could be the local, state or federal government. It is suggested that a professional financial person, Certified Public Accountant or lawyer, be consulted before turning over financial information if an individual, organization, group, or government official requests to see financial information that is not publicly available.

NOTES

Web Resources

**Guidestone.org/
learningcenter/
ministry**

GuideStone Financial
Resources - Tax
Information for Ministers
& Churches

nacba.net

The Church Network –
Resources
for Churches

**capincrouse.com/
churchhealth/**

Church Financial
Health Index to help
your church identify its
financial strengths and
weaknesses

Resources

Evangelical Council for Financial Accountability

440 West Jubal Early Drive
Suite 130
Winchester, VA 22601
Phone: 1-800-323-9473
Website: ecfa.org

ECFA is an accreditation agency dedicated to helping Christian ministries earn the public's trust through adherence to Seven Standards of Responsible Stewardship™. Founded in 1979, ECFA provides extensive resources on their website for faithful financial management of nonprofit organizations.

GuideStone Financial Resources of the Southern Baptist Convention

2401 Cedar Springs Rd
Dallas, TX 75221
Customer Relations: 1-888-984-8433
Property Casualty Ins: 1-877-455-4772

Websites: guidestone.org (Main)
guidestonepropertycasualty.org (Property & Casualty Ins.)
guidestoneretirement.org (Retirement Services)
guidestoneinsurance.org (Employee Benefit Plans)
missiondignity.org (Ministry to retired pastors/widows)

GuideStone provides detailed resource for pastors and churches in the areas of tax compliance; retirement plans and investment opportunities; medical, dental, life, accident and disability insurance plans; and church property and casualty insurance. Annually updated resources include the following:

- Ministers Tax Guide
- Compensation Planning Guide
- Federal Reporting Requirements for Churches
- Minister's Tax Issues
- Minister's Housing Allowance

Internal Revenue Service

Request Tax Forms: 1-800-TAXFORM (1-800-829-3676)
Employment Tax Questions: 1-800-829-4933
Information Reporting Questions: 1-866-455-7438 (W-2/1099 Aid)
Exempt Org. Customer Service: 1-877-829-5500
Electronic Federal Tax Payment Systems Inquiries: 1-800-555-4477
Electronic Federal Tax Payment System website: eftps.gov
IRS Exempt Organizations website: irs.gov/eo
IRS Exempt Organization Online training website: stayexempt.irs.gov
Federal Resources for Financial information: mymoney.gov

IRS Publications:

Publication 15	Circular E, Employer's Tax Guide
Publication 15-A	Employer's Supplemental Tax Guide
Publication 15-B	Employer's Tax Guide to Fringe Benefits
Publication 15-T	New Wage Withholding and Advance EIC Payment Tables
Publication 463	Travel, Entertainment, Gift, and Car Expenses
Publication 502	Medical and Dental Expenses
Publication 517	Social Security & Other Information for Members of the Clergy & Religious Workers
Publication 525	Taxable and Nontaxable Income
Publication 526	Charitable Contributions
Publication 538	Accounting Periods and Methods
Publication 557	Tax-Exempt Status for your Organization
Publication 561	Determining the Value of Donated Property
Publication 583	Starting a Business and Keeping Records
Publication 596	Earned Income Credit
Publication 598	Tax on Unrelated Business Income of Exempt Organizations
Publication 910	IRS Tax Guide to Free Services
Publication 919	How do I adjust my Tax Withholding?
Publication 950	Introduction to Estate and Gift Taxes
Publication 969	Health Savings Accounts and other Tax-Favored Health Plans
Publication 1771*	Charitable Contributions – Substantiation and Disclosure Requirements
Publication 1828*	Tax Guide for Churches and Religious Organizations (Key Publication)
Publication 3833*	Disaster Relief, Providing Assistance Through Charitable Organizations
Publication 4220*	Applying for 501(c)(3) Tax-Exempt Status
Publication 4221-PC*	Compliance Guide for 501(c)(3) Public Charities
Publication 4302*	Charity's Guide to Vehicle Donations

- Publication 4303* Donor's Guide to Vehicle donations
- Publication 4484 Choose a Retirement Plan for Employees of Tax-exempt Organizations
- Publication 4573 Group Exemptions
- Publication 4630* Exempt Organizations Products and Services Navigator

** These materials are produced in an easy to read non-technical format*

IRS/Federal Forms:

- Form I-9 USCIS - Employment Eligibility Verification (www.uscis.gov/i-9)
- Form W-2 Wage and Tax Statement
- Form W-3 Transmittal of Wage and Tax Statements
- Form W-4 Employee's Withholding Allowance Certificate
- Form W-9 Request for Taxpayer Identification Number and Certification
- Form SS-4 Application for Employer Identification Number
- Form SS-5 SSA - Application for a Social Security Card (www.ssa.gov)
- Form SS-8 Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding
- Form 720 Quarterly Federal Excise Tax Return
- Form 941 Employer's Quarterly Federal Tax Return
- Form 941-X Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund
- Form 944 Employer's Annual Federal Tax Return
- Form 990-T Exempt Organization Business Income Tax Return
- Form 1023 Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code
- Form 1023-EZ Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code
- Form 1094-C Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns
- Form 1095-B Health Coverage
- Form 1095-C Employer-Provided Health Insurance Offer and Coverage Insurance
- Form 1096 Annual Summary and Transmittal of U.S. Information Returns
- Form 1099-Misc Miscellaneous Income
- Form 5578 Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax
- Form 8822-B Change of Address or Responsible Party – Business
- Form 8940 Request for Miscellaneous Determination

Unless identified separately, all forms can be obtained at irs.gov

LifeWay Christian Resources of the Southern Baptist Convention

One LifeWay Plaza • Nashville, TN 37234

Customer Service: 1-800-458-2772

Lifeway Generosity: 1-844-647-4413

LifeWay Envelope Services: 1-800-874-6319

Affiliated Websites: lifeway.com (Main)

LifewayGenerosity.com

lifewayenvelopes.com (Envelope Services)

compstudy.lifeway.com (SBC Church Compensation Study)

LifeWay Christian Resources is one of the world's largest providers of Christian resources, including: Services, Bibles, Bible Studies, Research, Events, Church Music and Supplies, and Digital Services. The company owns and operates LifeWay Christian Stores across the nation, as well as the Ridgecrest Conference Center in North Carolina. LifeWay also publishes books and the widely-respected CSB Bible translation under the B&H Publishing Group imprint. LifeWay is a nonprofit organization that reinvests income above operating expenses in mission work and other ministries around the world.

The Church Network (Formerly National Association of Church Business Administration)

100 North Central Expressway, Suite 914 • Richardson, TX 75080-5326

Phone: 1-800-898-8085 • Website: thechurchnetwork.net

The Church Network (TCN) is an inter-denominational, professional, Christian organization which exists to serve the church by promoting the highest level of professional competence in individuals serving Christ through administration in local churches. TCN provides many articles, bulletins and other pertinent information about church administration in their multiple publications. Additionally, TCN coordinates a national certification program for Church Business Administrators.

Baptist Leader Network

Website: blnetwork.net

The BLN is made up of leaders serving a church and/or religious institution in a Baptist denomination, or a church member in a Baptist denomination serving a church and/or other religious institution of another denomination. This group represents men and women from various backgrounds and positions working together with a passion for Church Administration. We are lifelong learners hungry for resources that will make us better leaders through training, fellowship and networking. Our passion is networking together to form an alliance of Baptist leaders that serve one another through support, encouragement, and prayer.

Southern Baptist Convention (National) Websites

Southern Baptist Convention, Official Website	sbc.net
Southern Baptist Convention, Executive Committee	sbcec.net
Cooperative Program Resources	sbc.net/cp/ or talkcp.com
Southern Baptist Foundation	sbfdn.org
My Legacy of Faith	mylegacyoffaith.org
International Mission Board, SBC	imb.org
North American Mission Board, SBC	namb.net
Annie Armstrong Easter Offering Resources	anniearmstrong.com
The Ethics & Religious Liberty Commission, SBC	erlc.com
Woman's Missionary Union	wmu.com

Your Church Resources/Christianity Today International

Christianity Today International
465 Gundersen Drive
Carol Stream, IL 60188

Hardgood/physical products Orders	1-800-222-1840
Downloadable products Support	1-877-247-4787

Affiliated Websites: christianitytoday.com
 churchlawandtax.com
 churchlawtodaystore.com
 reducingtherisk.com
 churchsafety.com

Christianity Today International provides extensive online and print resources in the area of church administration (Books and Monthly Newsletters). They publish annually, updated resources in the areas of church and clergy taxes in conjunction with Richard Hammar, J.D., LL.M., CPA. A few of the resources available through Yourchurchresources.com include the following:

- *****(Annual) Church & Clergy Tax Guide *****
- Church Finance: The Complete Guide to Managing Ministry Resources
- Essential Guide to Church Financial Reporting
- Essential Guide to Church Budgeting
- Essential Guide to Church Financial Health
- Essential Guide to Internal Controls for Churches
- Affordable Care Act: Church Administrators Survival Guide

Social Security Administration

Phone: 1-800-772-1213

Websites: ssa.gov or socialsecurity.gov

Stewardship Development Association (SDA)

stewardshipdirect.com

The Southern Baptist Stewardship Development Association (SDA) is a national organization of denomination stewardship leaders from all 50 states, the District of Columbia, and Canada. For more than 40 years, SDA has equipped churches to address Biblical stewardship by investing in resource development and leader training in areas such as:

- Tithing/Giving/Generosity
- Sunday School and small group material
- Biblical Sermons
- Church Budgets
- Stewardship training for staff and lay financial leaders (Basic, Intermediate, and Advanced)
- Cooperative Program promotion

Resources Include:

CHURCH-WIDE STEWARDSHIP EMPHASIS

- **GENEROSITY:** Expressing Biblical Discipleship
- **BEYOND:** Giving over and Above the Tithe
- **Touchstones:** Markers for Measuring Discipleship
- **Impact:** Seeking God's Best
- **Missional Motivations:** Living with Heart
- **Traction:** Living in Sync with God
- **Transitions:** Discovering the Generosity Factor
- **UNLimited:** God's Grace & Glory

COOPERATIVE PROGRAM

- **52 Sundays**
The resource provides your church with a Southern Baptist missionary or mission activity to pray for each Sunday. it includes a PowerPoint slide and prayer guide to be used in the worship service.
- **CP Tracts**

For more information contact: Johnathan W. Gray • jgray@gbfoundation.org

BUDGET PLANNING

- Great Commission Budgeting
- Connecting the Dots
- Building A Church Budget Bridge for the Kingdom
- Building A Church Budget Wall Together for the Kingdom

CHILDREN AND YOUTH

- Fun and Games for a Stewardship Adventure

DRAMA

- Spotlight on Stewardship
- Restoring Hearts Around the Cooperative Program

HISPANIC

- Church Financial Guidebook CD (Hispanic Edition)
- Be an Encourager: Tithe/ Budget Bridge CD (Hispanic Edition)

STEWARDSHIP LEADER MATERIALS

- Church Financial Guidebook
- Catch the Vision: Guidelines for Developing A Strong Stewardship Ministry
- Practical Ideas for a Two Year Stewardship Promotion
- Points of Connection for a Missional Leader
- Connecting the Dots

STEWARDSHIP & COOPERATIVE PROGRAM TRACTS AND INSERTS



Additional Sample Forms/Checklists

Sample Cash Receipt Count Summary Form

CASH RECEIPTS COUNT SUMMARY						
For Period _____ to _____						
	Sunday School	Sunday AM	Sunday PM	Wed. Evening	Received During Week	TOTALS
Coins	\$	\$	\$	\$	\$	\$
Currency						
Checks						
TOTALS	\$	\$	\$	\$	\$	\$
Breakdown By Type Of Gifts						
General Operating Budget						
Worship Service(s)	\$	\$	\$	\$	\$	\$
Sunday School						
In Mail						
Donor Designated Gifts						
Building Fund						
Missions Fund						
Benevolence Fund						
Other Designated Gifts: (List each separately)						
Non-Contribution Receipts						
Interest Income						
Rental Income						
Use of Facilities Fee:						
TOTALS	\$	\$	\$	\$	\$	\$
Counted By : _____ (Each Person Should Sign) _____ _____ Deposited On : _____ , 20 _____ Note: Attach validated bank deposit slip and other receipt documentation.						

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Sample Monthly Bank Reconciliation Form

BANK RECONCILIATION

BANK / ACCOUNT

FOR THE MONTH

, 20

Bank Balance				Church Check Register Balance			
Shown on statement		\$ _____					
Add (+)							
Deposits not shown on this statement (if any)		\$ _____					
Total		\$(+)					
Subtract (-)							
Checks and other items outstanding but not paid on this statement (if any)				Add (+)			
Ck #	\$	Ck #	\$	Interest paid (for use in balancing interest-bearing accounts only)		\$ _____	
		Total		\$(-)			
BALANCE		\$		Total		\$(-)	
				BALANCE		\$	

↑ These balances should agree ↑

ADDITIONAL SUPPORT / COMMENTS: _____

Prepared By _____

Date _____

Reviewed By _____

Date _____

Sample Check Request Form

CHECK REQUEST

FUND _____

GENERAL INFORMATION

Payable To			Vender No.	
Address			Phone	
City		State		Zip
Date Required		Total Amount	\$	
Mail Check?	Yes / No	Other Instructions		
Description/Comments				

ACCOUNT DISTRIBUTION

[illegible]

REQUIRED SIGNATURES

Prepared By _____	Date _____
Approved By _____	Date _____

FOR FINANCE OFFICE USE ONLY

Check Preparer Verified (initial or N/A each):			Paid :
Invoice to P/R#	_____	Discount Taken _____	Date _____
Footings	_____	Payment Terms _____	
Calculations	_____	Account Number _____	Ck No. _____
Tax Exemption	_____	Adequate Support _____	
Items Received	_____	Form 1099 (payee)* _____	
Service Performed	_____	* Obtain Form W-9 from payee	General Ledger:
			Entered: _____
Comments	_____		

Church Accounting Period Closing Procedure Checklist

Sample Monthly Closing Checklist

Monthly Procedures:	Preparer	Reviewer
Bank reconciliations (may add line for each account)		
Review of cancelled checks		
Investment reconciliation (beginning balance, purchases, sales, interest and dividends, gain/loss, fees, ending balance) by investment account		
Accounts receivable subledger tied to general ledger		
Review allowance for doubtful accounts estimate for reasonableness		
Reconcile prepaid expenses to general ledger		
Reconcile accounts payable subledger to the general ledger		
Reconcile deferred revenue balances to the general ledger		
Reconcile notes payable balances to bank statements		
Update temporarily restricted net asset schedule (beginning balance, contributions, releases, ending balance)		
Reconcile the donor system to the general ledger contributions accounts		
Record any noncash gifts received		
Proper review of journal entries recorded for the month		
Prepare department financial statement reports		
Prepare committee and board financial reports		
Prepare financial/nonfinancial dashboard report		
Quarterly/Annual Procedures:		
Quarterly 941 payroll reconciliation to general ledger		
Record depreciation and update fixed asset schedule (asset description, purchase date, cost, life and accumulated depreciation information) tying to the general ledger. This may be completed monthly, quarterly, or annually.		
Perform inventory count and adjust general ledger balances. This can be done annually or cyclically.		
Record accrued vacation balances at least annually as well as accrued salaries and wages, if applicable		
Monitoring of internal controls by the board or a committee		
Annual W-2 preparation		
Annual 1099 preparation		
Annual donor statements		

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Sample Personnel Policy Content Checklist - page 1

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Important Documents and Records Checklist - page 1



Legal/Finance Checklist

Documents and Records

Charters, bylaws, member lists, and more—the list of legal documents and records that church leaders must work with is seemingly endless. It is always a good idea to seek legal counsel on any matters concerning legal documents, but church leaders must also have a working knowledge of the importance of these documents.

	Yes	Needs Attention
1. If your church is incorporated, do you consistently file an annual report with the Secretary of State's office?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are you familiar with your church's organizational document (e.g., articles of incorporation, charter, or constitution)?	<input type="checkbox"/>	<input type="checkbox"/>
3. Are you aware of any restrictions and limitations outlined in your church's organizational documents?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does your church's organizational document include any provisions that are required/recommended by the IRS?	<input type="checkbox"/>	<input type="checkbox"/>
5. Does your church's organizational document state that your organization's duration is perpetual, rather than a specified number of years?	<input type="checkbox"/>	<input type="checkbox"/>
6. Do your leaders have a working knowledge of the church bylaws?	<input type="checkbox"/>	<input type="checkbox"/>
7. Do you have your church bylaws reviewed by an attorney regularly, or when any changes are made to the document?	<input type="checkbox"/>	<input type="checkbox"/>
8. Are all your church leaders familiar with the organization's financial and accounting records?	<input type="checkbox"/>	<input type="checkbox"/>
9. Do board members review church finances at each board meeting, and are they encouraged to ask questions?	<input type="checkbox"/>	<input type="checkbox"/>
10. Does your church maintain a current list of active, voting members?	<input type="checkbox"/>	<input type="checkbox"/>
11. Do your church records include a complete set of minutes from all board and committee meetings, as well those from annual business meetings and other special meetings?	<input type="checkbox"/>	<input type="checkbox"/>
12. Does your church maintain up-to-date records on all insurance policies and keep records of past policies as well?	<input type="checkbox"/>	<input type="checkbox"/>

(Continued on back)

This is a sample document only. Your organization is responsible for compliance with all applicable laws. Accordingly, this form should not be used or adopted by your organization without first being reviewed and approved by an attorney. Brotherhood Mutual Insurance Company assumes no liability in the preparation and distribution of this sample form.

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Important Documents and Records Checklist - page 2



Legal/Finance Checklist

	Yes	Needs Attention
13. Are church leaders familiar with tax records and requirements, including payroll tax forms, housing allowance designations, and contribution records?	<input type="checkbox"/>	<input type="checkbox"/>
14. Do you keep well-organized employment records for each employee, including applications for employment, reference checks, disciplinary actions, attendance records, changes in employee status, and I-9 immigration forms?	<input type="checkbox"/>	<input type="checkbox"/>
15. Are you familiar with your church's property deed and any restrictions that may be outlined in it?	<input type="checkbox"/>	<input type="checkbox"/>
16. Do your church leaders consult with the church's attorney before signing any contracts on behalf of the church?	<input type="checkbox"/>	<input type="checkbox"/>

Notes: _____

Completed by: _____ Date: _____

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Church Administration Checklist - page 1



Administration Checklist

Church Board Administration

The governing board of a church plays a key role in the ministry. You're responsible for guiding the church and helping the ministry fulfill its mission. As a board member, you're held to a higher standard of accountability than others in the congregation. The following questions can help you determine whether you're taking necessary steps to protect the church and board members from legal liability, fines and other loss.

	Yes	Needs Attention
Are we incorporated?		
1. Does our Secretary of State's office have a record of our ministry's incorporation?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the name that we use for filing with the IRS and other government offices indicate incorporation?	<input type="checkbox"/>	<input type="checkbox"/>
3. Do our bylaws, constitution, or other governing documents state whether the ministry is incorporated?	<input type="checkbox"/>	<input type="checkbox"/>
Do we follow our bylaws?		
4. Are members, pastors, and church leaders accepted into the church in accordance with the bylaws?	<input type="checkbox"/>	<input type="checkbox"/>
5. Do we adhere to the bylaws in making church decisions?	<input type="checkbox"/>	<input type="checkbox"/>
6. Do we conduct meetings in keeping with the bylaws?	<input type="checkbox"/>	<input type="checkbox"/>
Are we putting the ministry's needs first?		
7. Do we follow established rules to prevent self-dealing, or using one's position on the board for personal benefit rather than the church's benefit?	<input type="checkbox"/>	<input type="checkbox"/>
8. Do we follow a set of rules to prevent conflicts of interest from affecting church board decisions?	<input type="checkbox"/>	<input type="checkbox"/>
9. Are all financial decisions documented and available to church members?	<input type="checkbox"/>	<input type="checkbox"/>
Are we protected by good Samaritan laws?		
10. Are we familiar with our state's good Samaritan law, which provides limited protection for people who provide emergency medical aid?	<input type="checkbox"/>	<input type="checkbox"/>
11. Do we know the limits of protection under our state's good Samaritan law?	<input type="checkbox"/>	<input type="checkbox"/>
12. Does our state's good Samaritan law apply to all church staff members?	<input type="checkbox"/>	<input type="checkbox"/>
Do charitable immunity laws protect us from lawsuits?		
13. Do the charitable immunity laws in our state provide any protection for our ministry?	<input type="checkbox"/>	<input type="checkbox"/>
14. Do our state's charitable immunity laws protect all ministry volunteers?	<input type="checkbox"/>	<input type="checkbox"/>
15. Do the charitable immunity laws in our state prevent ministry beneficiaries from suing volunteers who serve on our governing board?	<input type="checkbox"/>	<input type="checkbox"/>

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Go to brotherhoodmutual.com/resources to download the BIG BOOK OF CHECKLISTS with over 40 checklists on key ministry areas.

Church Administration Checklist - page 2

	Yes	Needs Attention
Do indemnification provisions in the bylaws help us?		
16. Do our bylaws contain a provision that will protect board members from paying out-of-pocket costs if they're sued in connection with their ministry work?	<input type="checkbox"/>	<input type="checkbox"/>
17. Do the indemnification provisions also protect employees and volunteers working on behalf of the ministry?	<input type="checkbox"/>	<input type="checkbox"/>
18. Do the bylaws give our governing board the right to decide when and if an individual will be indemnified for out-of-pocket costs associated with the lawsuit?	<input type="checkbox"/>	<input type="checkbox"/>
Are we protecting our ministry from loss?		
19. Do we have a process in place to identify common causes of physical injury and property damage at our church?	<input type="checkbox"/>	<input type="checkbox"/>
20. Have we developed an effective approach to promptly correct safety concerns or threats to ministry property?	<input type="checkbox"/>	<input type="checkbox"/>
21. Do we have an effective worker screening in place?	<input type="checkbox"/>	<input type="checkbox"/>
Do we comply with tax-exempt requirements?		
22. Do we qualify for automatic recognition as an "exempt organization"?*	<input type="checkbox"/>	<input type="checkbox"/>
23. Are we filing an annual report with the IRS and the state, if required?**	<input type="checkbox"/>	<input type="checkbox"/>
24. Are we following the rules restricting political and lobbying activity by tax-exempt organizations?	<input type="checkbox"/>	<input type="checkbox"/>
Are we properly reporting any unrelated business income to the IRS?		
25. Do we have church income from non-ministry activities, such as selling coupon books, renting our parking lot, or operating a coffee shop or book store?	<input type="checkbox"/>	<input type="checkbox"/>
26. Are we properly documenting this income separately from tax-exempt income?	<input type="checkbox"/>	<input type="checkbox"/>
27. Are we filing Form 990-T with the IRS to report this unrelated business income?	<input type="checkbox"/>	<input type="checkbox"/>
Are board members covered individually by the church's insurance policy?		
28. Does our insurance policy grant coverage to church leaders specifically?	<input type="checkbox"/>	<input type="checkbox"/>
29. Does our insurance policy include directors and officers coverage?	<input type="checkbox"/>	<input type="checkbox"/>
30. Does our insurance policy cover church leaders for claims related to employment or sexual misconduct?	<input type="checkbox"/>	<input type="checkbox"/>
Notes: _____		

Completed by: _____ Date: _____		
<p>* Ask the church's attorney or certified public accountant (CPA) to answer this question. Churches with related ministries that resemble non-church organizations should not assume that the automatic exemption applies to all church operations.</p> <p>** Ask the church's attorney or certified public accountant (CPA) if your state has any annual filing requirements for tax-exempt organizations. Religious organizations must file Form 990 with the IRS each year, but churches are exempt from this requirement.</p>		

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Notes

[illegible]



*Then the master told the servant, 'Go out into
the highways and hedges and make them
come in, so that my house may be filled.*

Luke 14:23 CSB

Published by the Stewardship Development Association

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