



Leading congregations  
to lead people  
to actively follow Jesus Christ.

**Rev. Kendall Waller**

**Director of Administrative Ministries**

# Devotion: Acts 2:42-47

- **42** They devoted themselves to the apostles' teaching and to fellowship, to the breaking of bread and to prayer.
- **43** Everyone was filled with awe at the many wonders and signs performed by the apostles.
- **44** All the believers were together and had everything in common.

# Devotion: Acts 2:42-47

- **45** They sold property and possessions to give to anyone who had need.
- **46** Every day they continued to meet together in the temple courts. They broke bread in their homes and ate together with glad and sincere hearts,
- **47** praising God and enjoying the favor of all the people. And the Lord added to their number daily those who were being saved

# A Brief Devotional Reading

- From: *The God Who Beckons* by Robert Cummings Neville

# Church as a Business

Combined Local Church Operating Expenses	\$ 76,530,745
Apportionments Collected	\$ 8,365,822
Other Benevolences	\$ 5,536,897
Pensions & Benefits	\$ 5,727,720
Lydia Patterson Institute	\$ 30,000
<b>TOTAL</b>	<b>\$ 96,191,184</b>



# Finance Committee



# Who is on Finance?

¶ **258.4** There shall be a committee on finance, elected annually by the charge conference upon recommendation by the committee on nominations and leadership development or from the floor, composed of the chairperson; the pastor(s); a lay member of the annual conference; the chairperson of the church council; the chairperson or representative of the committee on pastor-parish relations; a representative of the trustees to be selected by the trustees; the chairperson of the ministry group on stewardship; the lay leader; the financial secretary; the treasurer; the church business administrator; and other members to be added as the charge conference may determine. It is recommended that the chairperson of the committee on finance shall be a member of the church council. The financial secretary, treasurer, and church business administrator, if paid employees, shall be members without vote.

The positions of treasurer and financial secretary should not be combined and held by one person, and the persons holding these two positions should not be immediate family members.

# Four Duties of Finance

- Budgeting and Management
- Stewardship and Income
- Reporting and Communication
- Audit and Internal Controls



# Budgeting

All financial askings to be included in the annual budget of the local church shall be submitted to the committee on finance. The committee on finance shall compile annually a complete budget for the local church and submit it to the church council for review and adoption. The committee on finance shall be charged with responsibility for developing and implementing plans that will raise sufficient income to meet the budget adopted by the church council. It shall administer the funds received according to instructions from the church council.

**What is God calling us to do?**

**Who will do it?**

**What will it cost?**

# Stewardship

Where there is no stewardship ministry area, stewardship shall be the responsibility of a subgroup of the committee on finance or shall be assigned to a task group that shall report to the church council.

The committee shall carry out the church council's directions in guiding the treasurer(s) and financial secretary.

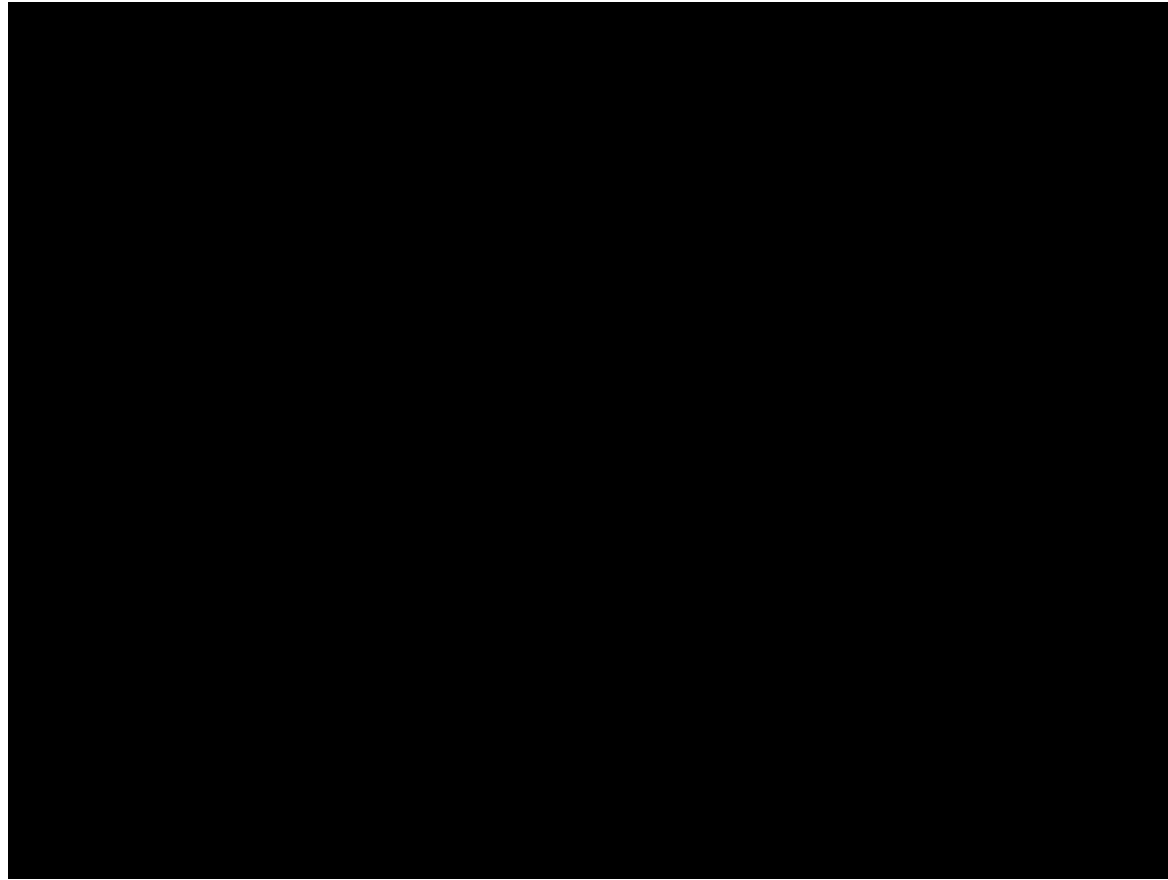
# Keys to Effective Stewardship

- Have you prayed about it?
- Does the Leadership Team tithe?
- Does the pastor tithe?
- Is the program based on the giver's need to give or the church's need to receive?
- Can you draw a straight line from each line item of your budget to your mission?
- Do you talk about stewardship all year?
- Stewardship moments

# Ginghamsburg Videos



# Ginghamsburg Videos





# Reporting and Communication

- The importance of transparency
- Reports for Church Council

# Giving Tracking Sheet

2012		8:00	9:30	11:00	5:30		MO ATTEND &	TOTAL	AVG PER	MO OFFERING &		PRE SCHOOL	PDO	KIDS		1st TIME	TOTAL
SVC	DATE	1ST	2ND	3RD	4TH	TOTAL	AVG WKLY ATT	OFFERING	ATTENDEE	AVG WKLY OFF	BUILDING	RECEIPTS	RECEIPTS	ATTEND.	OFFER.	FAMILIES	INCOME
1	1/1	10	20	125	40	195	JANUARY	\$5,000.00	\$25.64	JANUARY							\$5,000.00
2	1/8	12	25	122	45	204	1,056	\$5,000.00	\$24.51	\$25,000.00							\$5,000.00
3	1/15	35	14	127	43	219	211	\$5,000.00	\$22.83	\$5,000.00							\$5,000.00
4	1/22	33	27	122	47	229		\$5,000.00	\$21.83								\$5,000.00
5	1/29	27	22	120	40	209		\$5,000.00	\$23.92								\$5,000.00
6	2/5					0	FEBRUARY		#DIV/0!	FEBRUARY							\$0.00
7	2/12					0	0		#DIV/0!	\$0.00							\$0.00
8	2/19					0	0		#DIV/0!	\$0.00							\$0.00
9	2/26					0			#DIV/0!								\$0.00
10	3/4					0	MARCH		#DIV/0!	MARCH							\$0.00
11	3/11					0	0		#DIV/0!	\$0.00							\$0.00
12	3/18					0	0		#DIV/0!	\$0.00							\$0.00
13	3/25					0			#DIV/0!								\$0.00
14	4/1					0	APRIL		#DIV/0!	APRIL							\$0.00
15	4/8					0	0		#DIV/0!	\$0.00							\$0.00
16	4/15					0	0		#DIV/0!	\$0.00							\$0.00
17{2}	4/22					0			#DIV/0!								\$0.00
18	4/29					0	MAY		#DIV/0!	MAY							\$0.00
19	5/6					0	0		#DIV/0!	\$0.00							\$0.00
20	5/13					0	0		#DIV/0!	\$0.00							\$0.00
21	5/20					0			#DIV/0!								\$0.00
22	5/27					0			#DIV/0!								\$0.00
YTD:ATTENDANCE		117	108	616	215	1,056	OFFERING	\$25,000.00			\$0.00	\$0.00	\$0.00	0	\$0.00	0	\$25,000.00
														*Average		VISITOR	TOTAL
# OF WEEKS:			5		5						BUILDING	PRE SCHOOL	PDO	SS ATT	SS OFF	FAMILIES	INCOME
														SS WEEK	0		
YTD. AVERAGE																	
ATTENDANCE		23	22	123	43	211	OFFERING	\$5,000.00	\$23.67	-(PER ATTENDEE)			AVERAGES:	#DIV/0!	#DIV/0!	0	\$5,000.00
								\$5,000.00	\$23.67	-(PER ATTENDEE INCLUDING BUILDING)				ATTENDANCE IS ONLY PRE K - 5TH GRADE NO YOUTH OR NURSERY			

# Giving Tracking Sheet

OPERATIONS BUDGET WEEKLY		BUDGET YTD	\$0.00	OVER (UNDER) YTD{1}	\$25,025.00		
{1} YTD Offering plus YTD Sunday School plus YTD Building minus Budget YTD.				SPECIAL SERVICES	ATTENDANCE		OFFERING
{2} Sunrise attendance added to 8:00							
				Ash Wednesday			
				Holy Week Service			
				Easter Sunrise			
				Christmas Eve 12/23			
				Christmas Eve 2:30			
				Christmas Eve 4:00			
				Christmas Eve 5:30			
				Christmas Eve 7:00			
				Christmas Eve 8:30			
				Christmas Eve total		0	

# Reporting and Communication

- Reporting to the church  
    Missional Budget
- The committee shall carry out the church council's directions in guiding the treasurer(s) and financial secretary

# Reporting and Communication

## Tax Records

Donors who make a contribution of \$250 or more must have a “contemporaneous written acknowledgment from the donee organization.” This written document should include the church’s name (perhaps on letterhead) and provide the following data:

1. The name of the donor.
2. The date and amount of each contribution of \$250 or more during the year.
3. A statement that no goods or services were provided to the donor in exchange for the contribution. (an exception, of course, is the “intangible religious benefits” provided by the church’s ministry.)
4. A description and good faith estimate of the value of any noncash property contributed.

# Record Retention

- <http://gcah.org/resources/managing-records-of-the-annual-conference-and-local-church> This booklet offers answers to many common questions about which records to keep and for how long.



**ARCHIVES & HISTORY**

General Commission on Archives and History

THE UNITED METHODIST CHURCH

Records Management Guidelines

**Guidelines for Managing Records of  
the Local Church**  
2017 Edition



# Record Retention

Some of the suggested retention periods are for legal reasons, while others are based on practical considerations. You may want to keep some records longer than the table suggests.

Some of the reasons to keep files and records include legal requirements, potential relevance in future litigation, and the needs of the organization, as well as historic importance.

*Of particular importance is the retention of insurance policies and related documents. From time to time, lawsuits are brought which reach back many years. Therefore, it is important to determine the policy in effect at the time that a claim arose.*

# Audits and Internal Controls

¶ 258.4 cont'd

c) The committee on finance shall establish written financial policies to document the internal controls of the local church. The written financial policies should be reviewed for adequacy and effectiveness annually by the committee on finance and submitted as a report to the charge conference annually.

# Internal Controls Minimums

Internal policies, at a minimum, might include:

- who collects, counts, records, and deposits all monies
- who is part of the counting team (not less than two non-family members should count and verify offerings (258.4a))
- distribution on contribution records
- authorization process for purchases
- check signing policy
- bank reconciliation
- reimbursement policy with documentation
- petty cash disbursement/purposes/accounting

# Internal Controls Resources

**We suggest the following resources may be helpful in developing Internal Controls policies:**

- a) “Guidelines for Leading Your Congregation 2017-2020 – Finance” may be ordered from Cokesbury (ISBN 9781501829666 for \$3.99).**
- b) “2017-2020 United Methodist Church Financial Records Handbook”, publication date August 2018, order from Cokesbury (ISBN 9781501835711).**

# Counting and Separating Duties

¶ 258.4 cont'd

a) The committee shall designate at least two persons not of the immediate family residing in the same household to count the offering. They shall work under the supervision of the financial secretary. A record of all funds received shall be given to the financial secretary and treasurer. Funds received shall be deposited promptly in accordance with the procedures established by the committee on finance. The financial secretary shall keep records of the contributions and payments.

# Financial Secretary

- Receives funds
- Oversees counting
- Keeps donor records



# Treasurer

- Keeps records
- Prepares reports
- Disburses funds

# Audits

¶ 258.4 cont'd

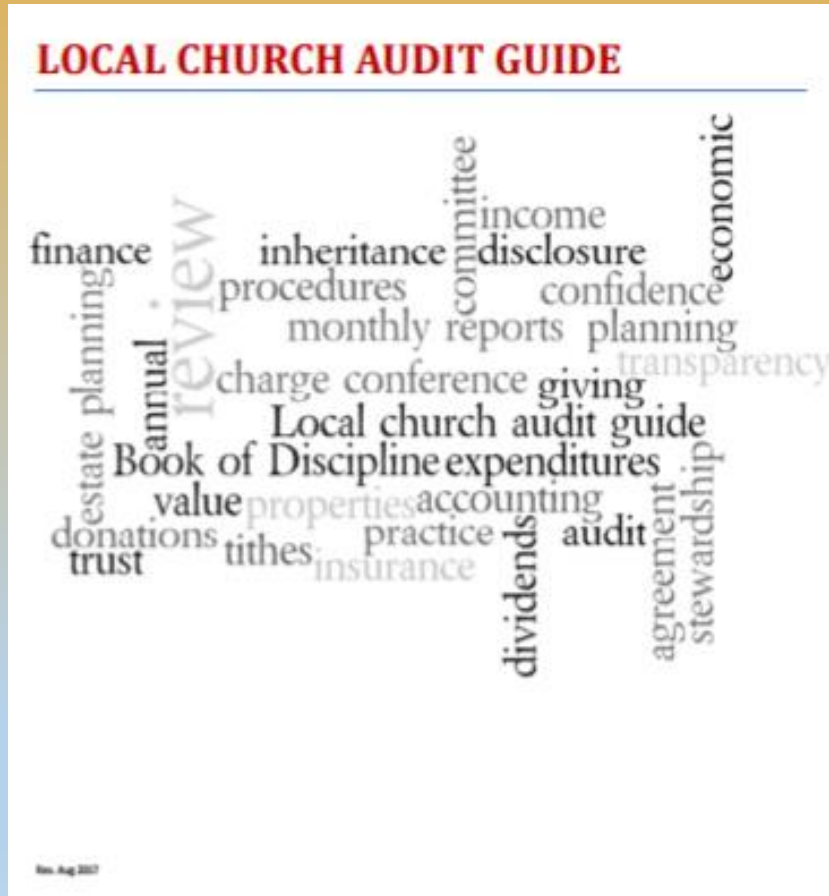
d) The committee shall make provision for an annual audit of the financial statements of the local church and all its organizations and accounts...

A local church audit is defined as an independent evaluation of the financial reports and records and the internal controls of the local church by a qualified person or persons...

# Audits

- The audit may include:
  - 1) a review of the cash and investment reconciliations
  - 2) interviews with the treasurer, financial secretary, pastor(s), finance committee chair, business manager, those who count offerings, church secretary, etc., with inquiries regarding compliance with existing written financial policies and procedures
  - 3) a review of journal entries and authorized check signers for each checking and investment account
  - 4) other procedures requested by the committee on finance.

# The Local Church Audit Guide



[www.gcfa.org/media](http://www.gcfa.org/media)

# Audit Form

THE UNITED METHODIST CHURCH



## Fund Balance Report

The Committee on Finance is required to make provision for an annual audit of the records of all the financial officers (including the financial secretary or church business manager and treasurers) of the church and all its organizations and shall report to the Charge Conference. Guidelines for handling of an accountability of funds can be found in the 2017-2020 United Methodist Church Financial Records Handbook and in Guidelines for Leading Your Congregation: FINANCE available at <http://www.cokesbury.com>, and The Local Church Audit Guide, available at <http://umc.org/gcfa/forms>.

**THIS REPORT IS TO BE COMPLETED BETWEEN JAN. 1 AND FEB. 1**  
**THIS REPORT SHOULD NOT BE INCLUDED WITH YOUR OTHER CHARGE CONFERENCE FORMS**

*Copies of this report should be filed with the recording secretary, pastor, district superintendent and chairperson of the committee on finance*

Church \_\_\_\_\_ Charge \_\_\_\_\_  
 District \_\_\_\_\_ Annual Conference \_\_\_\_\_

For the period beginning \_\_\_\_\_, and ending December 31, \_\_\_\_\_

**1. Receipts, Disbursements, and Balances (Round to the nearest dollar)**

LOCAL CHURCH FUNDS (Use those applicable to your church.)	(a) Balance at Beginning of Period	(b) Cash Received and Recorded	*(c) Total Disbursements for Period (-)	*(d) Transfers + (-)	(e) Balance End Of Period
General Fund					
Benevolence Fund					
Building or Improvement Fund					
Board of Trustees' Fund					
United Methodist Women					
United Methodist Youth Fellowship					
United Methodist Men					
Church School					
Other Organizations or Funds (enter name):					
Name:					
Total amount of cash in all treasuries of the church					

2. The Auditors  Auditing Committee  (check one) has examined the accounts listed on the front side; reviewed procedures of counting and accounting under the current Book of Discipline; has reconciled receipts and disbursements with bank deposits and bank balances; and has found the balances displayed to be correct, procedures proper, and records properly kept, except as noted below (attach additional pages as needed):

3. Recommendations for changes in financial policies and practices (attach additional pages as needed):

Signatures of the Church Audit Committee, (if applicable)

\_\_\_\_\_, Chairperson \_\_\_\_\_, Member

Printed Name: \_\_\_\_\_ Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_ Date: \_\_\_\_\_

Fund Balance Report, 2017-2020  
 Prepared and edited by the General Council on Finance and Administration and authorized as the official form for this purpose.

The committee shall make a full and complete report to the annual charge conference.

# Additional Considerations

## ¶ 258.4 cont'd

- f) Contributions designated for specific causes and objects shall be promptly forwarded according to the intent of the donor and shall not be used for any other purpose. 11
- g) After the budget of the local church has been approved, additional appropriations or changes in the budget must be approved by the church council.
- h) The committee shall prepare annually a report to the church council of all designated funds that separate from the current expense budget.

11. See Judicial Council Decision 976.

**UNITED METHODIST CLERGY**

**Special**

# ANSWERS TO 3 KEY QUESTIONS



***CLERGY PAY WHAT?***

# INCOME TAX

## **Governed by:**

- Internal Revenue Code
- Internal Revenue Regulations
- Revenue Rulings
- U.S. Court Decision

**All Subject to Change!**

# **SOCIAL SECURITY AND MEDICARE TAXES**

# PAYROLL TAX

## **Governed by either:**

- Self Employment Contributions Act (SECA)
- Federal Insurance Contributions Act ( FICA)

These taxes fund Social Security and Medicare.

# PAYROLL TAX

- The tax rate for Social Security and Medicare is 15.3% of Wages/Income.
- In FICA
  - $\frac{1}{2}$  is paid by the employer (7.65%)
  - $\frac{1}{2}$  is withheld from employee paychecks (7.65%)

**Key Point: The Employer Pays FICA.**

# BUT

A self-employed individual pays under SECA and is responsible for paying the entire share.

# WHY?

**They employ themselves.**

# AS CLERGY WE PAY WHICH ONE?

Most people with an employer pay FICA ...

But clergy are **special** so ...

## CLERGY PAY SECA!

***CLERGY WORK FOR WHO?***



**Conference, bishop,  
local church or  
conference board of  
pensions?**

# THE LOCAL CHURCH

At least as far as income tax is concerned

# ***EMPLOYMENT STATUS?***

Seriously? What does that mean?

# REMEMBER

Clergy are treated as employees of the salary paying unit.

That was for  
purposes of income tax.

**BUT, REMEMBER, CLERGY ARE  
SPECIAL ...**

**CLERGY ARE ALSO  
RESPONSIBLE FOR SECA.**

**Congress made clergy  
self-employed for  
purposes of SECA.**

Simple, right?

# SECA

- Most people who pay SECA have a particular employment status
- They aren't "employees" at all
- They are "independent contractors"
- That means they aren't "employees" of who/whatever is paying them



# SO WHAT?

When someone is an “independent contractor,” the “employer” will issue a tax form called a **1099** which will list the amounts paid during the course of the preceding year.  
**They do NOT get a W-2.**

Despite paying SECA, clergy are  
“employees” for income tax purposes

**CLERGY GET A W-2**

# CLERGY THUS ...

- Receive benefits through the administration of the conference and are supervised by their bishop **but** are employed by the local church for purposes of income tax.
- **But** clergy are self-employed for purposes of Social Security and Medicare, meaning they pay SECA, which is paid by them individually by April 15 and filed as a schedule SE with the rest of their tax returns.
- **BUT**, as employees of local churches they are issued a W-2 by January 31 of each year, reflecting the wages paid by the local church with notes for tax-deferred pension and housing (we'll get there later).

# CHURCHES SHOULD NOT ...

- Give clergy a 1099 reflecting their salary support; or
- Withhold and pay FICA from and on behalf of clergy
  - Elder
  - Deacon
  - Licensed Local Pastor

# CHURCHES SHOULD ...

- Give clergy a W-2 reflecting the cash support paid during the year
- Show - 0 - in the boxes for Social Security and Medicare Wages

# ***INCOME TAX BASICS***

In case you've never had it explained  
This is all subject to change by act of Congress.

**HOUSING**

# HOUSING

- At least as of today, compensation (cash or in-kind) paid to clergy in the form of “housing” is exempt from **INCOME TAX**. (That same compensation **MUST** be reported and **IS** subject to SECA.)
  - This is due to an old section of the Internal Revenue Code (26 U.S.C. sec. 107), and it **HAS** been and will probably continue to be challenged on grounds of the Establishment Clause of the 1st Amendment of the U.S. Constitution
  - In fact, in October, the U.S. Circuit Court for the Western District of Wisconsin found 26 U.S.C. section 107(2) violated the Establishment Clause.
  - **For now**, but **only for now**, housing treatment remains as it has always been.



# WHAT IS HOUSING?

- Parsonages
- Housing allowances
- Amounts paid for utilities
- Amounts paid for “furnishings”

Something to remember:

**THIS IS ACTUALLY A  
BENEFIT**

(Even if SECA hurts)

# WHAT'S THE RULE?

- Clergy can exempt from **INCOME TAX** (not SECA) any compensation (in-kind or cash) paid for housing including
  - Rent
  - Mortgage payments
  - Utilities
  - Furnishings or other expenses related to housing

# ACCOUNTABLE REIMBURSEMENT

- Church must adopt an accountable reimbursement policy (charge conference form in Missouri)
- Clergy will then account for expenses to the local church, **NOT** the IRS and reimbursements are **NOT** considered income (not taxed) AND it avoids SECA!!!
- **BUSINESS RELATED** (No personal use)
- Key rule: **ADEQUATE ACCOUNTING**
  - Itemized receipts
  - Mileage logs (beginning reading/end reading)

# MILEAGE

- Rate of reimbursement for business-travel: \$.56/mile
- No commuting miles (home office exception)
- Alternative: Actual costs (reimbursing clergy for gas)

# *A Word about Tax Reform*

# Detrimental Changes for UMC Clergy

- Moving expenses no longer deductible
- Reimbursed moving expenses now taxable
- Charitable contributions will largely have no impact on taxes
- Mortgage Interest also less relevant AND risk of loss for housing allowance

# Missouri Conference Clergy Tax Webinar

Nate Berneking

<https://www.moumethodist.org/resourcedetail/clergy-tax-webinar-12412487>



# Tax issues

- Effects of recent tax reforms
- Housing Exclusion
- Moving Expense
- Affordable Care Act?

# Tax Resources

- **[www.gcfa.org](http://www.gcfa.org)**

- Departments & Services
- Legal services
- Tax Packet

- **[www.store.churchlawandtax.com](http://www.store.churchlawandtax.com)**

- Church & Clergy Tax Guide

# Clergy Compensation Form

The Pastoral Support Form is a very important document. It is an official agreement between the church and the pastor.

Information reported on this form is used for several purposes:

- Setting pastoral compensation for the local church / charge.
- Reporting compensation to the General Board of Pension
- Reporting compensation to the Internal Revenue Service
- Reporting compensation to the Appointive Cabinet

# 2021 Pastor Compensation Form for 1- Point Charge/Church



**Effective Dates:** From: 1-Jan-2021 To: 31-Dec-2021

Line #	Part I - General, Pastor, and Charge/Church	Info & Calculations	Line #	Charge Expense
1	<b>Pastor Name</b> (Select green cell, then use drop-down button to find pastor's name.) >	Waller, Kendall A	1	
2	Appointment Title	Executive Director	2	
3	Conference Relationship	FE	3	
4	% Service (Full Time=100%, 3/4 time=75%, half time=50%, quarter time=25%)	100%	4	
5	<b>Charge Name</b> (Select green cell, then use drop-down button to find Name of Charge)	SAnt: Oak Meadow UMC	5	
6	District	Las Misiones District	6	
9	Church is Former Rio Grande Conference (RGC) Legacy Church > (If "Yes", then some benefit expenses are paid through Legacy Funds)	No	9	
Line #	Part II - Salary		Line #	Charge Expense
10	Base Salary Paid by Church		10	\$ 43,900
11	Conference or District Salary Support (must be requested & approved)		11	
12	Total Salary to Pastor from Church(es) + Conference/District Salary Support	\$ 43,900	12	
13	Type of Housing Supplied by Church to Pastor		13	< ERROR. Change Line 13
14	Housing Allowance supplied instead of Parsonage		14	\$ 12,000
15	Pre-tax deduction from Pastor's Salary for IRS 107 Exclusion as Pastoral Housing Cost	\$ -	15	
16	<b>Plan Compensation For Pension Purposes</b>	\$ 43,900	16	
<b>A Full Time Clergy must elect A UMPIP Contribution of at least 1% of Plan Compensation to receive full pension Benefits</b>				

Line #	Part III - Health Benefits (HF = HealthFlex) See Notes					Line #	Charge Expense	
17	Full-Time Clergy is Eligible and Premium Required for HealthFlex Plan					YES	17	
18	Pastor's HealthFlex Benefit Coverage Tier Selection					Pastor Plus One	18	
19	Church's Clergy HF Premium Credit Responsibility for Full-Time Appointment						19	\$ 10,800
20	Optional "Church Contribution" for Dependent Coverage - Enter Amount						20	\$ -
21	<b>Church's Total HealthFlex Cost For This Pastor</b>						21	\$ 10,800
Line #	Part IV - Pastor's Accountable Reimbursable Plan (ARP)					Line #	Charge Expense	
22	Accountable Reimbursement Plan (ARP) Recommendation 13% of base compensation						22	\$ 5,700
Line #	Part V - Recap of Charge/Church Costs					Line #	Charge Expense	
23	Salary						23	\$ 43,900
24	Housing Allowance						24	\$ 12,000
25	Accountable Reimbursement Plan (ARP)						25	\$ 5,700
26						Paid by RGC Legacy Funds	26	
27	Health Benefit Expense					\$ -	27	\$ 10,800
28	Comprehensive Protection Plan (CPP)					\$ -	28	\$ 1,317
29	Clergy Retirement Security Program (CRSP) defined benefit					\$ -	29	\$ 6,132
30	Clergy Retirement Security Program (CRSP) defined contribution					\$ -	30	\$ 1,317
31	UMPIP Church Contribution (for Part Time Appointments)					\$ -	31	\$ -
32	Total RGC Legacy Contribution >					\$ -	32	
33	<b>Church's Total Compensation Expense (Excludes cost of Utilities)</b>						33	\$ 81,166
34	Church's Total Compensation Expense (Excludes cost of Utilities) LESS any RGC Legacy Contribution						34	\$ 81,166

# Figuring Apportionments

1. Qualified Expenses
2. Find Conference Wide Total Expense
3. Determine the Decimal
4. Multiply by the Budget

# So, Why did ours change?

- Local Church Spending relating to the Conference Total
- The Conference Budget
- Closed Churches



Leading congregations  
to lead people  
to actively follow Jesus Christ.

**Rev. Kendall Waller**

**Director of Administrative Ministries**