



# Local Church Finance Workshop

*Version 1.0*

# Workshop Outline

- ▶ Local Church Finance Team
- ▶ Internal Controls
- ▶ Year-End Statistics
- ▶ Apportionments



# Effective Finance Committee

- ▶ Regularly schedules organized meetings
- ▶ Keeps documented Minutes
- ▶ Supports the Vision of Church Council
- ▶ Reviews financial reports to keep within Budget
- ▶ Financial transparency with committees and congregation
- ▶ Plans for the future

# Finance Committee Role

- ▶ Oversees the duties of the Financial Secretary
- ▶ Oversees the duties of the Treasurer
- ▶ Provides adequate financial software to meet the needs of the church
- ▶ Supports the Pastor during Stewardship
- ▶ Works to gather budget requests from committees
- ▶ Proposes a budget to Church Council
- ▶ Ensures Annual Audit is completed

# Church Net Assets

- ▶ Unrestricted
  - ▶ Tithes to general operating fund
- ▶ Board designated
  - ▶ Church Council designates funds for a purpose and can redirect funds if needed
- ▶ Donor restricted
  - ▶ Restricted to a specific purpose and cannot be changed by church
  - ▶ Church is not obligated to accept gift

# Internal Controls

- ▶ Receipt of Funds
- ▶ Disbursement of Funds
- ▶ Payroll
- ▶ Financial Reporting
- ▶ Credit Cards
- ▶ Audit
- ▶ Insurance



# Receipt of Funds

- ▶ Financial Secretary cannot serve as Treasurer
- ▶ Financial Secretary oversees scheduling and training of count teams of two unrelated persons
- ▶ Teams should use a preformatted count sheet to accurately record the details including donor restrictions of the deposit and signed by the two count persons

# Receipt of Funds (continued)

- ▶ Financial Secretary issues a Statement of Giving for all contributions > \$250 no later than Jan 31<sup>st</sup> for the prior year, quarterly is recommended
- ▶ Statement of Giving states that discrepancies are to be reported directly to Finance Chairperson
- ▶ Year End Statement of Giving includes IRS Statement  
*“No goods or services were provided other than intangible religious benefits.”*



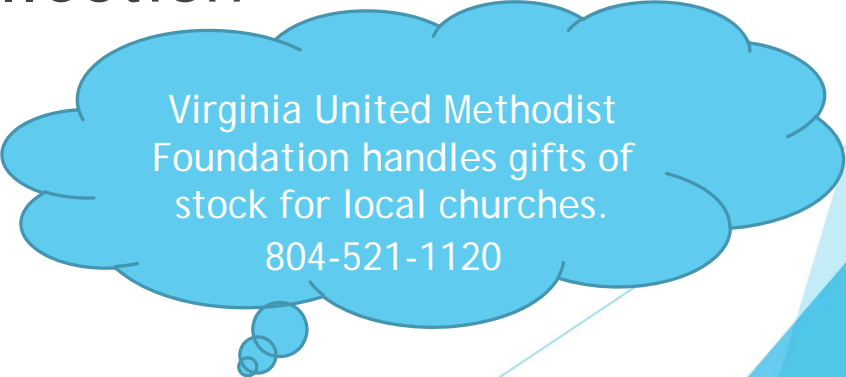
# Receipt of Funds (continued)

## ▶ Non-Cash Gifts

- ▶ Financial Secretary provides a letter of acknowledgement of item and includes a description of item but does not value the item
- ▶ Must contain the same IRS disclosure requirements
- ▶ Stock gift is a non-cash gift

# Receipt of Funds (continued)

- ▶ Finance Committee policies safeguard funds until they are deposited at the bank
  - ▶ Weekly offering
  - ▶ Electronic offering
  - ▶ Sunday school collection
  - ▶ Mid-week funds
  - ▶ Special events
  - ▶ Gifts of stock



Virginia United Methodist  
Foundation handles gifts of  
stock for local churches.  
804-521-1120

# Disbursement of Funds

- ▶ Treasurer cannot serve as Financial Secretary
- ▶ Mail is routinely opened and invoices processed
- ▶ Vouchers are used to approve invoices for payment and signed by a leader of the church
- ▶ No one authorizes their own reimbursement
- ▶ Signature cards are up to date at the bank and should not be the pastor
- ▶ Apportionments are sent to Conference Treasurer

# Disbursement of Funds (continued)

## Cash management and Investments

- ▶ Treasurer monitors cash balances to ensure adequate cash is maintained in bank accounts
- ▶ Treasurer recommends to Finance Committee any excess cash be invested
- ▶ Treasurer records investment gains/losses monthly

# Disbursement of Funds (continued)

## Contractors

- ▶ Contractors have been properly identified by IRS guidelines (IRS Publication 1779)
- ▶ Treasurer maintains SSN/EIN for all contractors
- ▶ Treasurer issues a 1099-Misc for all contractors paid > \$600

# Accountable Reimbursement

## Accountable Reimbursement

- ▶ Treasurer uses charge conference agreement paperwork to set up Accountable Reimbursement Plan
- ▶ Mileage log and receipts substantiate reimbursement disbursements
- ▶ Reimbursement requests must be timely (<60 days)
- ▶ Treasurer may not exceed reimbursements more than the Accountable Reimbursement Plan amount

# Payroll

- ▶ At the direction of the SPR Committee, the Treasurer
  - ▶ processes employee payroll
  - ▶ carries out employee benefits plan
  - ▶ processes raises and bonuses
- ▶ Treasurer remits payroll taxes and forms according to IRS requirements and maintains I9, W4, VA-4 for all employees

# Payroll (continued)

## Clergy Payroll

- ▶ use clergy charge conference forms to set up clergy payroll
- ▶ do not withhold Social Security and Medicare
- ▶ remit clergy pension obligation monthly
- ▶ withhold employee health contribution
- ▶ provides a W2 at the end of each year
- ▶ NEW in 2018 - moving expenses are taxable



# Reporting

## ▶ Financial Secretary

- ▶ Provides summary statement of giving to Finance Committee
- ▶ Provides historical analysis of giving trends
- ▶ Provides reports to Finance Committee to project receipts for year-end
- ▶ Provides Pastor with donor information
- ▶ Provides reports to Stewardship Committee

# Reporting (continued)

- ▶ Treasurer
  - ▶ Provides Income statement with Budget comparison to Finance Committee
  - ▶ Provides Balance Sheet to Finance Committee
  - ▶ Provides Board designated funds and Donor restricted funds reporting to Finance Committee
- ▶ Finance Committee provides Financial Reports to Church Council

# Credit Cards

- ▶ Trustees authorize credit cards and limits
- ▶ Finance Committee accounts for credit card monthly payments, reporting any delinquencies to Trustees
- ▶ Receipts must be submitted to Treasurer to substantiate credit card charges

# Audit

- ▶ Finance Committee schedules at least two independent persons to perform the annual audit
- ▶ Audit includes testing of all areas of internal controls
- ▶ Audit includes ALL accounts of the church
- ▶ Audit is reported at Charge Conference

# Insurance

- ▶ Trustees annually reviews Insurance policy to protect the assets of the church
  - ▶ General liability
    - ▶ Employee liability (sexual misconduct, discrimination)
    - ▶ Directors & Officers
  - ▶ Property
  - ▶ Fidelity bond
  - ▶ Workers Compensation



United Methodist Insurance  
offers insurance coverage  
for local churches.  
800-975-5442

# Year End Statistics

- ▶ Membership and participation
- ▶ Church assets and liabilities
- ▶ Church expenses
- ▶ Church income



# Common mistakes

- ▶ Report whole dollars, no cents
- ▶ Mortgage payments and capital improvements should not be reported as Operating expenses
- ▶ Benevolent expenses for the benefit outside the church should not be reported as Operating or Program expenses
- ▶ Review final statistical report to look for obvious errors before submitting

# Common mistakes

- ▶ Membership - its okay to correct

  - Line 2c - correct previous year's reporting errors of total professing membership numbers by addition

  - Line 5c - correct previous year's reporting errors of total professing membership number by subtraction

- ▶ Brief explanation - each line item shows you the % change from the previous year; be sure to enter an explanation for big changes



# Apportionment Data Verification

- ▶ Issued to all pastors and treasurers
- ▶ Compares two years of expenses
- ▶ Make changes directly in EVC
- ▶ Important to be accurate because this information is used for the Apportionment calculation

# Local church expenses

- 46 Total amount spent for local church program expenses (report the total of all amounts spent on local church programs for the purposes of education, witness, outreach, mercy, communication, worship, and other ministries) Do not include amounts given to support benevolences.
- 47 Total amount spent for other local church operating expenses (report operating expenses such as office expenses, property maintenance, insurance, utilities, etc) Do not include expenses related to the parsonage, it is reported on Lines 42a-c.

# Local church expenses (continued)

## Base Compensation

41a Base compensation paid to Senior Pastor or other persons appointed in the lead pastor role of the church (this person could be an elder, deacon, supply pastor, local pastor, retired pastor)

41b Base compensation paid to all Associate Pastor(s) appointed to this role of the church

41c Base compensation paid to any Deacon not included in lines 41a-b

## Housing Benefits

42a-c Housing allowances or housing expenses paid by the church for parsonage corresponding with persons reported in lines 41a-c

## Local church expenses (continued)

- 39 Clergy pension benefits paid to VUMPI for CRSP/CPP
- 43 Total amount of accountable reimbursement paid to/for all persons reported in lines 41a-c
- 44 Total amount of cash allowances paid to/for all persons reported in lines 41a-c (non-accountable)
- 45 Total amount paid in salary and benefits for all other church staff and diaconal ministers.

# 2019 Apportionment Formula

For all Apportionments except Active Clergy Health

$$\left( \frac{\text{2017 Local Church Expenses}}{\text{2017 All Churches Expenses}} \right) = \text{Church Decimal} \times \text{Conference Budget} = \text{Your Church Ministry Share}$$

For Active Clergy Health Apportionment

$$\begin{array}{l} \text{TIER 1} \\ \$5,000 \text{ flat amt} \\ \text{for each full-time} \\ \text{active clergy} \end{array} + \begin{array}{l} \text{TIER 2} \\ \text{Your clergy's salary} \\ \text{divided by all} \\ \text{clergy's salary} \end{array} = \text{Your Church's Share of Active Clergy Health}$$

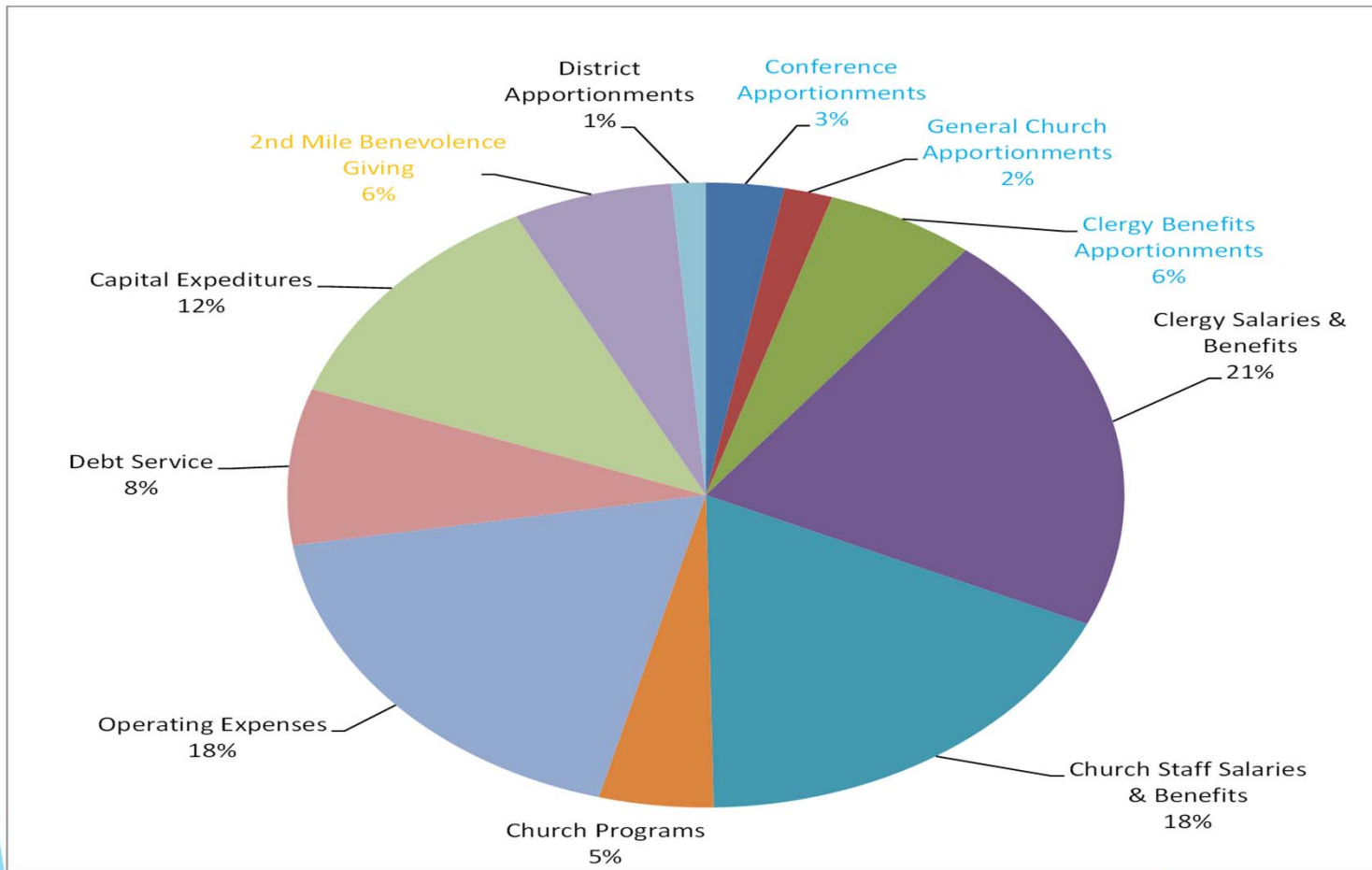
<b>2019</b>	
<b>Conference Apportionments</b>	
401 - Conference Mission & Ministries	3,225,000
402 - Conference Services	1,875,000
403 - District Superintendents Fund	2,005,000
404 - Equitable Compensation	300,000
405 - Church Extension & Development	1,125,000
406 - Virginia Education Fund	700,000
<b>Total Conference Apportionments</b>	<b>9,230,000</b>
<b>Clergy Benefits Apportionments</b>	
407 - Active Clergy Health	9,710,000
408 - Retired Clergy Health	6,060,000
409 - Pension Liability Assessment - Pre 82	750,000
<b>Total Clergy Benefit Apportionments</b>	<b>16,520,000</b>
<b>General &amp; Jurisdictional Apportionments</b>	
410 - Episcopal Fund	875,000
411 - World Service	3,000,000
412 - General & Jurisdictional Connectional Fu	420,000
413 - Ministerial Education	1,000,000
414 - Black College Fund	400,000
415 - Africa University Fund	90,000
416 - Interdenominational Cooperation Fund	80,000
<b>Total General &amp; Jurisdictional Apportionments</b>	<b>5,865,000</b>
<b>Total Apportionments</b>	<b>31,615,000</b>

# Annual Conference Budget

# Online Apportionments

- ▶ Go to [www.vaumcpayapp.org](http://www.vaumcpayapp.org) to view the most current apportionment statement for your church OR see historical statements
- ▶ Pay apportionments and benevolences online or set up monthly automatic payments by contacting our office

# 2017 Local Church Expenditures





# Treasurer's Office Staff

Happy to help with questions

DavidDommissse@vaumc.org - Conference Treasurer

CarolDraper@vaumc.org - Assistant Treasurer

TinaGudgel@vaumc.org - Staff Accountant

JenniferHoneycutt@vaumc.org - Staff Accountant

SarahCarbocci@vaumc.org - Staff Accountant

JanetDavis@vaumc.org - Accounts Payable and Payroll

Conference Office 804-521-1100