



Training Tuesday

Finance Committee
Overview

Committee on Finance



Membership

- **Chairperson**
- **Pastor(s)**
- **Lay Member**
- **Chair of Church Council**
- **Pastor-Parish Relations Rep.**
- **Board of Trustee Rep.**
- **Chair of Stewardship**
- **Lay Leader, Treasurer, Financial Secretary**



Asset Management

- Cash
- Personnel
- Equipment
- Property
- Endowment Funds

Purpose



- Raising Funds
- Dispersing Funds
- Managing Funds

Role of Chairperson



- To guide the work of the board/committee by:
 - Planning the agenda.
 - Presiding at meetings.
 - Creating an environment that nurtures participation of all members of the board/committee.
- Be knowledgeable about the disciplinary and legal requirements related to board/committee responsibilities.
- Participate in the church council.
- Communicate with the pastor.

Role of Financial Secretary



- Account for all receipts deposited by the church
- provide accounting to the Treasurer
- keep an accurate record of contributions by individuals
- provide adequate substantiation to contributors for tax purposes

Role of Treasurer



- disbursing of funds
 - as authorized by the budget and appropriate church leaders
- cash management
- tax withholding and reporting to SSA & IRS
- reporting to Committee on Finance
- bank reconciliation



How does the Committee Manage Church Funds?

Annual Budget



The annual budget is simply a plan of how funds are to be managed during the year. It is designed to support the Vision outlined by the Charge Conference and administered by the Church Council.

How is the Budget Used



- as a guide to the ministry of the church
 - should be flexible not a mandate
 - able to be changed if assumptions change
- as a communications tool
- as an authorization for expenditures
- as an evaluation tool

Steps to a Budget

Vision



Goals



Program Policies



Budget



Establish Policies and Internal Controls

Why?



- Church Leaders have a special fiduciary obligation to make sure that all church assets are protected from:
 - Honest Errors
 - Dishonest acts

What are Internal Controls?



“Internal Controls” can be defined as the various procedures adopted by an organization to:

- safe-guard assets
- check the reliability and accuracy of financial records
- ensure compliance with established policies

Internal Controls Take Two Forms



Preventive

Detective

Preventive



- Segregation of Duties
- Collection Counting Procedures
- Use of Purchase Orders
- Invoice pre-approval
- Approved Vendor Listing

Detective



- Independent review of monthly bank statements
- Periodic review of selected activity
- Use of transfer schedule
- Vendor ranking list
- Annual audit



Financial Projects for 2022

Training Tuesday

November 16, 2021

2022 Project Considerations?



- Implement Improved Governance, Reporting, and Controls
- Upgrade Church Accounting Software
- Upgrade Church Management Software
- Implement Online Giving Options
- Address the Retention of Church Records
- Process IRS Form 941 Employee Retention Credits



Upgrade Church Management Software

www.capterra.com/church-management-software





- This software focuses on church giving statements and general church management of membership and groups.
- Once again, the Capterra website provides a good starting point for software comparisons.
- The Capterra site enables direct comparisons between vendors and provides direct links to the vendor websites.
- Many vendors include church accounting and management features in the same package.
- Online giving features can also be compared.
- GCFA has worked with VANCO and Servant Keepers in support of local churches.

Comparing 2 Church Management Software Products

Tithe.ly vs Church Windows

< PRICING BEST FOR RECOGNITION SCREENSHOTS FEATURES REVIEWS PROS & CONS DEPLOYMENT

 Tithe.ly VISIT WEBSITE	 Church Windows VISIT WEBSITE
<h4>PRICING</h4>	
Not provided by vendor View vendor pricing page ✓ Free Trial ✓ Free Version	Starting from \$379 /One-Time Pricing Model: Flat Rate ✓ Free Trial ✗ Free Version
<h4>BEST FOR</h4>	
1-1000+ users Tithe.ly is perfect for churches and ministries of all sizes. We're currently serving everyone from church plants to churches of 15,000+ members. Our pricing & simple signup is perfect for everyone!	1-10 users Church Windows Software serves churches of various denominations and sizes. Designed to assist with membership management, donation management, and accounting. Desktop, Small Church, and Web Versions!

Address the Retention of Church Records

<http://www.gcah.org/resources/managing-records-of-the-annual-conference-and-local-church>

- Retention guidelines are published by the General Commission on Archives and History.

For example:

- Permanent: Audit Records, Annual Budgets, Property Files, Tax-exempt Certificates, Bequests, Insurance Policies
- 7 years: Accts Payable/Receivable, Bank Statements, Personnel records, Tax Withholdings
- 6 years: Contracts for repairs, Lease and Loan agreements
- 5 years: Pay records
- 4 years: Service contracts
- 3 years: Deposit slips, Time sheets,
- 1 year: Offering envelopes



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

The United Methodist Church General Commission on Archives and History
www.gcah.org

IRS Form 941 Employee Retention Credit: REMINDER



- Available for any churches with lay employees where the church pays SS/Med payroll taxes and submits quarterly Form 941 reports to the IRS, even if PPP funds were received.

Note: Does not apply for Clergy Pay per IRS determination

- ERC Eligibility: Shutdown Test OR Gross Receipts Test

Shutdown Test - any employer that had to fully or partially suspend operations “due to orders from an appropriate governmental authority” due to the coronavirus disease

MD order was rescinded March 12, 2021. Shutdown test applies for 2020 and Qtr 1, 2021.

DC order was reversed by courts on March 25, 2021. Shutdown test applies for 2020 and Qtr 1, 2021.

DE order was rescinded May 12, 2021. Shutdown test applies for 2020 and Qtr 1 & 2, 2021.

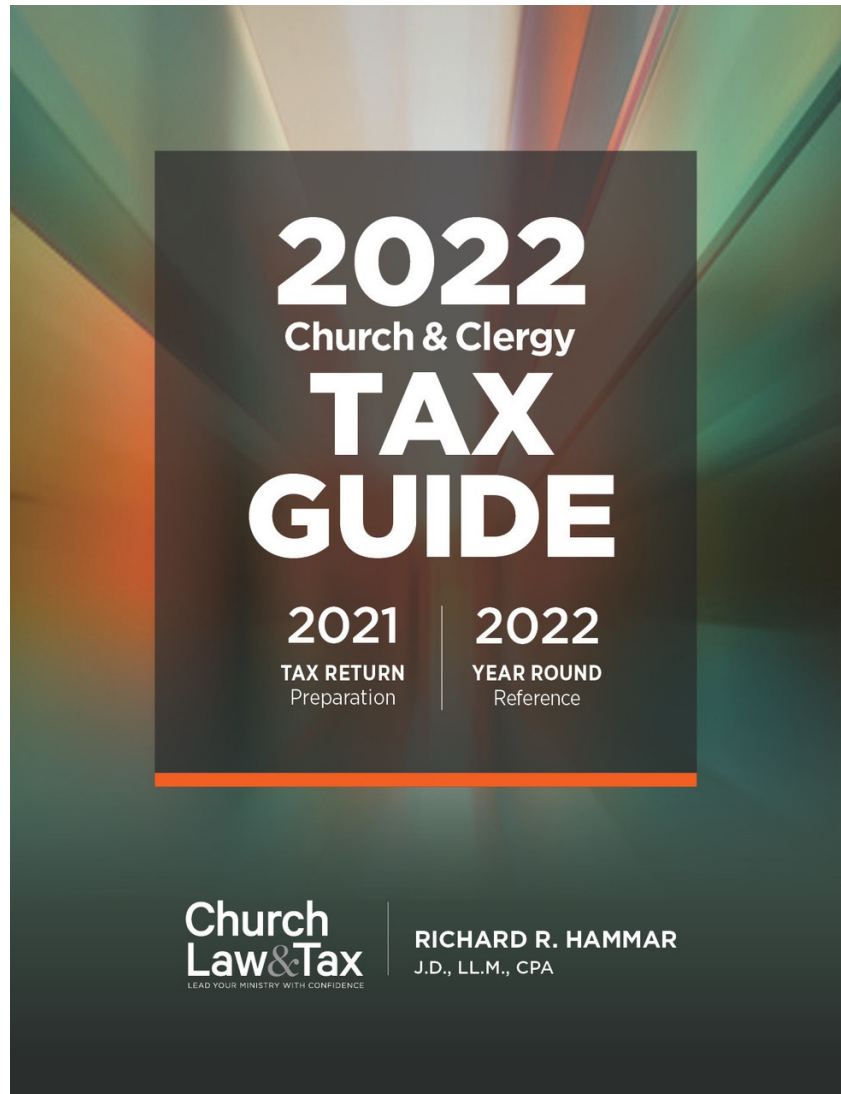
WV declared religious services as essential. Therefore, the shutdown test does not apply.

Gross Receipts Test – For 2020, any employer that has seen a 50% drop in gross receipts when compared to the same quarter in 2019. For 2021, changed to a 20% drop vs. same quarter in 2019.

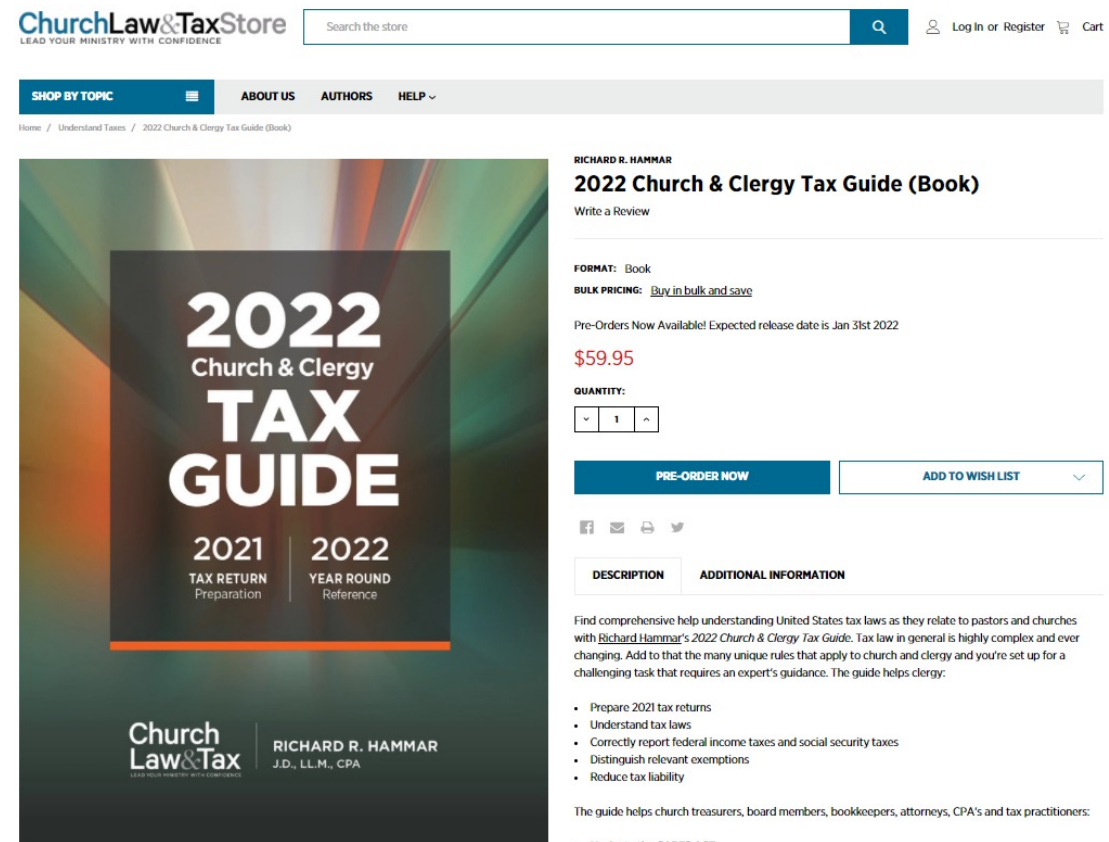
Your church may need professional assistance to properly claim the ERC!

- Wespath guidance: <https://www.wespath.org/assets/1/7/5677.pdf>
- Video: How to optimize PPP loans and the ERC: <https://youtu.be/eaeCVWdOIRw>

Last, But Not Least



Consider 2022 as the year for buying your church treasurer the perfect gift.





THANK YOU



APPENDIX

IRS Form 941 Employee Retention Credit

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OR

Gross Receipts Test – For 2020, any employer that has seen a 50% drop in gross receipts when compared to the same quarter in 2019. For 2021, changed to a 20% drop vs. same quarter in 2019.

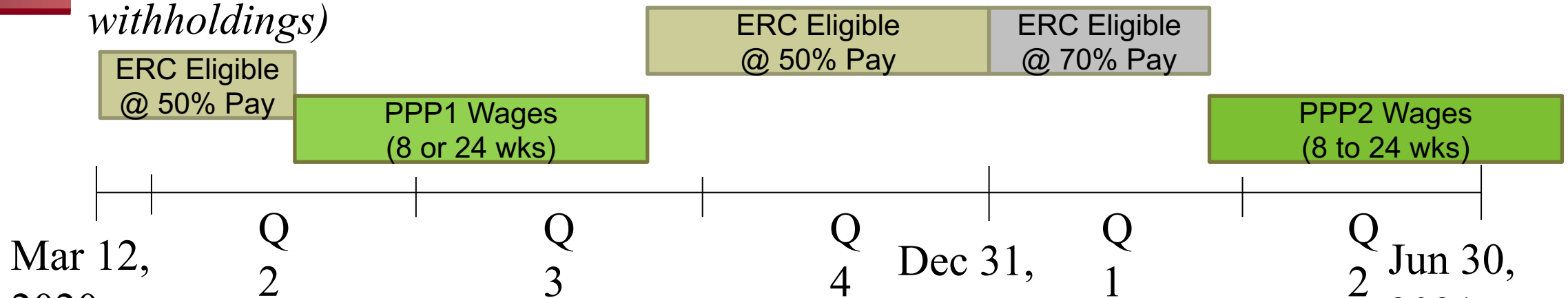
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Employee Retention Credit Details

- Credit is retroactive to March 12, 2020, and continues until June 30, 2021
- Credit applies to “eligible wages” (*includes health benefits and excludes PPP paid wages*)
- **2020 Credits: 50% of eligible wages (Max. eligible wage threshold = \$10K/Yr)**
Results in credits up to \$5,000/employee (for 2020)
- **2021 Credits: 70% of eligible wages (Max. eligible wage threshold = \$10K/Qtr)**
Results in credits up to \$7,000/employee (per Qtr) and \$14,000/employee (for 2021)
- **Combined 2020 and 2021 Credits are up to \$19,000 per employee! (This is typically > PPP)**

Establish a wage timeline for each non-clergy employee (paid by W-2 with withholdings)



IRS Form 941 Employee Retention Credit: UPDATE

Note: Does not apply for Clergy Pay per IRS determination

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- ERC Eligibility: Shutdown Test OR Gross Receipts Test

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Claim Employee Retention Credit on Form 941



Form **941 for 2021: Employer's QUARTERLY Federal Tax Return** 950121
(Rev. March 2021) Department of the Treasury — Internal Revenue Service OMB No. 1545-0029

Employer identification number (EIN) -

Name (not your trade name)

Trade name (if any)

Address
Number Street Suite or room number

City State ZIP code

Foreign country name Foreign provinces/county Foreign postal code

Report for this Quarter of 2021 (Check one.)

☐ 1: January, February, March
☐ 2: April, May, June
☐ 3: July, August, September
☐ 4: October, November, December

Go to www.irs.gov/Form941 for instructions and the latest information.

- ERC Credits are claimed on the quarterly Form 941
- Worksheet 1 in the 941 Instructions is used to complete Lines 11c and 13d.
- Credits will result in an “Overpayment” situation that will enable the church to receive a check or apply the funds to future payments.

10 Total taxes after adjustments. Combine lines 6 through 9 10

11a Qualified small business payroll tax credit for increasing research activities. Attach Form 8974 11a

11b Nonrefundable portion of credit for qualified sick and family leave wages from Worksheet 1 11b

11c **Nonrefundable portion of employee retention credit from Worksheet 1** 11c

You MUST complete all three pages of Form 941 and SIGN it. **Next** ➔

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher. Cat. No. 17001Z Form **941** (Rev. 3-2021)

950221

Name (not your trade name) Employer identification number (EIN)

Part 1: Answer these questions for this quarter. (continued)

11d Total nonrefundable credits. Add lines 11a, 11b, and 11c 11d

12 Total taxes after adjustments and nonrefundable credits. Subtract line 11d from line 10 12

13a Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter 13a

13b Reserved for future use 13b

13c Refundable portion of credit for qualified sick and family leave wages from Worksheet 1 13c

13d **Refundable portion of employee retention credit from Worksheet 1** 13d

13e Total deposits and refundable credits. Add lines 13a, 13c, and 13d 13e

13f Total advances received from filing Form(s) 7200 for the quarter 13f

13g Total deposits and refundable credits less advances. Subtract line 13f from line 13e 13g

14 Balance due. If line 12 is more than line 13g, enter the difference and see instructions 14

15 **Overpayment.** If line 13g is more than line 12, enter the difference Check one: ☐ Apply to next return. ☐ Send a refund.

Part 2: Tell us about your deposit schedule and tax liability for this quarter.

If you're unsure about whether you're a monthly schedule depositor or a semiweekly schedule depositor, see section 11 of Pub. 15.

Retroactive Credits Use Amended Form 941-X



Form **941-X: Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund**
(Rev. October 2020) Department of the Treasury — Internal Revenue Service OMB No. 1545-0029

Employer identification number (EIN) -
Name (not your trade name)
Trade name (if any)
Address
Number Street Suite or room number
City State ZIP code
Foreign country name Foreign province/county Foreign postal code

Read the separate instructions before completing this form. Use this form to correct errors you made on Form 941 or 941-SS. Use a separate Form 941-X for each quarter that needs correction. Type or print within the boxes. You MUST complete all four pages. Don't attach this form to Form 941 or 941-SS unless you're reclassifying workers; see the instructions for line 36.

Part 1: Select ONLY one process. See page 5 for additional guidance.

☐ 1. **Adjusted employment tax return.** Check this box if you underreported amounts. Also check this box if you overreported amounts and you would like to use the adjustment process to correct the errors. You must check this box if you're correcting both underreported and overreported amounts on this form. The amount shown on line 27, if less than zero, may only be applied as a credit to your Form 941, Form 941-SS, or Form 944 for the tax period in which you're filing this form.

☐ 2. **Claim.** Check this box if you overreported amounts only and you would like to use the claim process to ask for a refund or abatement of the amount shown on line 27. Don't check this box if you're correcting ANY underreported amounts on this form.

Part 2: Complete the certifications.

Return You're Correcting...
Check the type of return you're correcting.
☐ 941
☐ 941-SS
Check the ONE quarter you're correcting.
☐ 1: January, February, March
☐ 2: April, May, June
☐ 3: July, August, September
☐ 4: October, November, December
Enter the calendar year of the quarter you're correcting.
 (YYYY)
Enter the date you discovered errors.
 / /
(MM / DD / YYYY)

- Use the Form 941-X to amend quarterly reports already submitted.

Q1 2020

Q1 2021

Q2 2020

Q2 2021 (Use 941 if filed on time in July

2021)

Q3 2020

Q4 2020

Note: It may take only 1 or 2 amended qtrly returns for 2020 to reach the \$10K/employee max. wage for the year.

- Form 941-X is due “within 3 years of the date the original 941 was filed”
- Form 941-X will be revised in July 2021 for use with Q2 2021 and later.

- Video: How to claim the ERC with Form 941-X:

<https://www.youtube.com/watch?v=mUrnakfeNvc>

- Form 941-X (2020 & Q1 2021 claims): <https://www.irs.gov/pub/irs-pdf/f941x.pdf>
- Form 941-X Instruction (2020 & Q1 2021 claims): <https://www.irs.gov/pub/irs-pdf/i941x.pdf>

Employee Retention Credit Example



First UMC has one full-time pastor and one part-time administrator. The church pays the employer's share of payroll taxes for the administrator and files quarterly Form 941s to the IRS. The administrator is paid \$20,000/year with no health benefits. PPP funded \$3,000 in 2020 and \$3,000 in 2021 Q2. The pastor's compensation is not eligible for the ERC credit.

- **Shutdown Test** – The church is eligible for the ERC by virtue of the government ordered constraints on public gatherings during the pandemic.
 - **Eligible Wage and ERC Calculations**
 - 2020:** \$16,100 (3/12-12/31) - \$3,000 (PPP) = \$13,100; **2020 max. threshold = \$10K/Yr**
Eligible wage for **50% credit** = \$10,000; **Credit = \$5,000**
 - 2021 Q1:** \$5,000 (total pay) - \$0 (PPP) = \$5,000; **2021 max. threshold = \$10K/Qtr**
Eligible wage for **70% credit** = \$5,000; **Credit = \$3,500**
 - 2021 Q2:** \$5,000 (total pay) - \$3,000 (PPP) = \$2,000; **2021 max. threshold = \$10K/Qtr**
Eligible wage for **70% credit** = \$2,000; **Credit = \$1,400**
-
- TOTAL EMPLOYEE RETENTION CREDIT AVAILABLE = \$9,900**