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Training Tuesday Webinar

Finance Committee Overview

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November 19, 2019

Agenda

- Financial Resources – Books/Publications
- Finance Committee Overview
- Focus on Budgets
- Focus on Financial Policies
- Financial Resources – Online Websites

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Church Finance Resources

Cokesbury Publications ($4-25)

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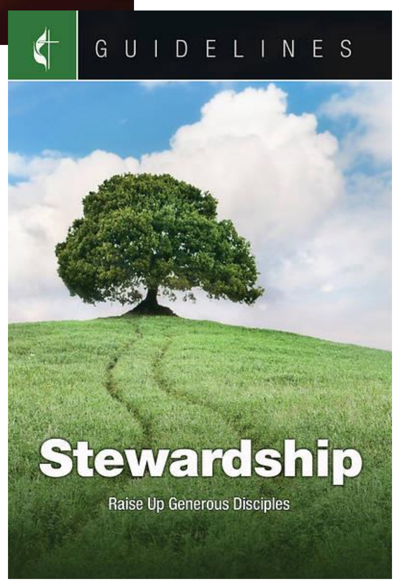
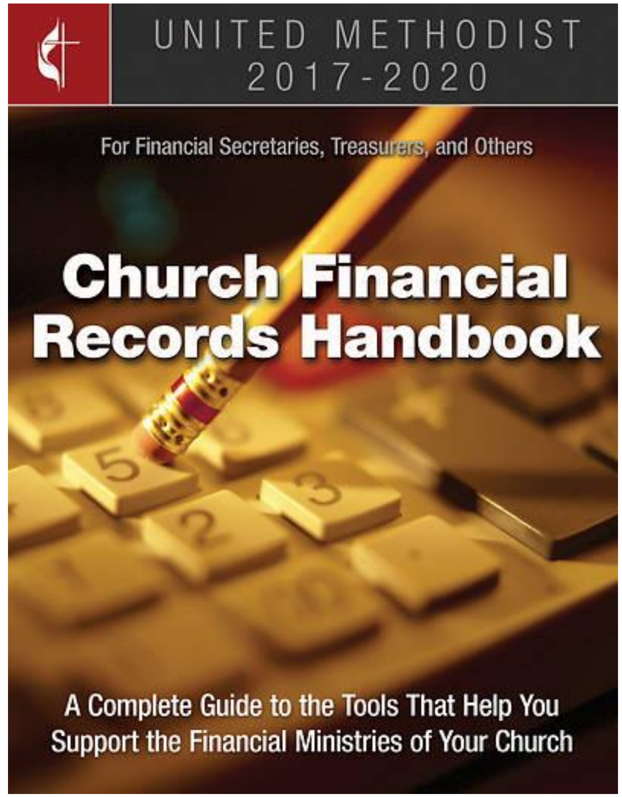
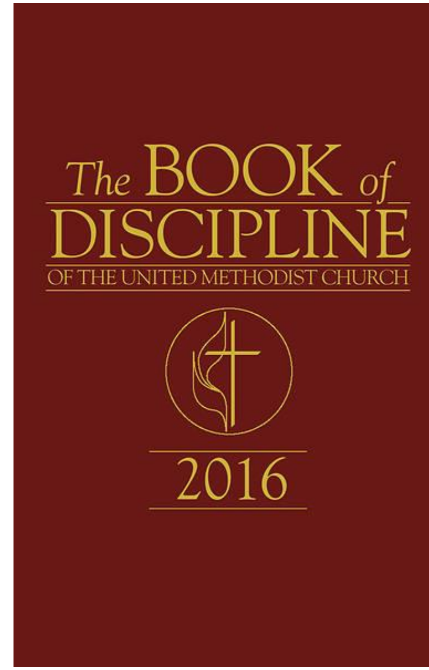
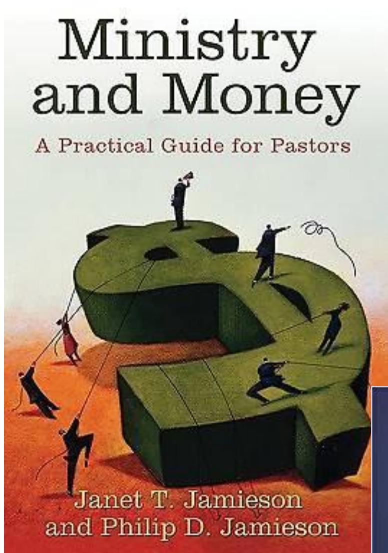
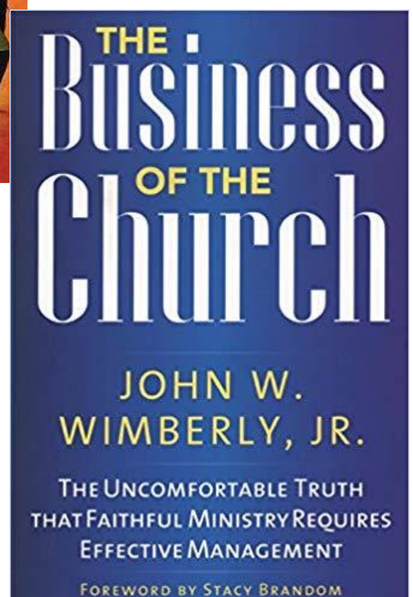


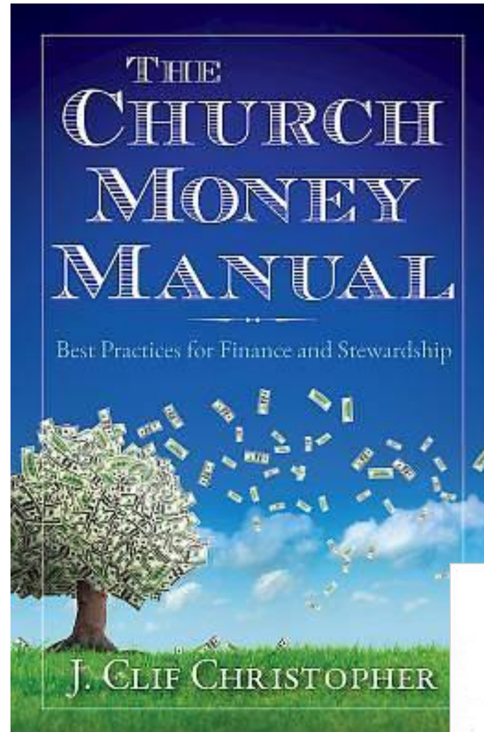


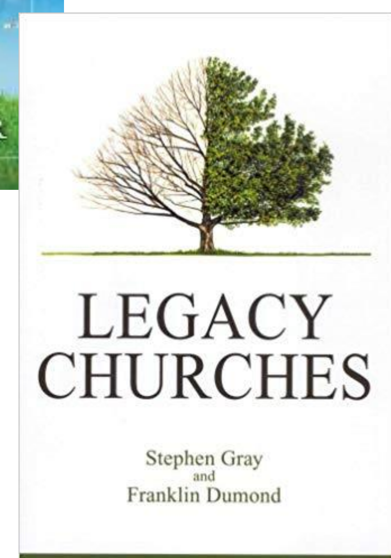


Other Publications ($10-25)



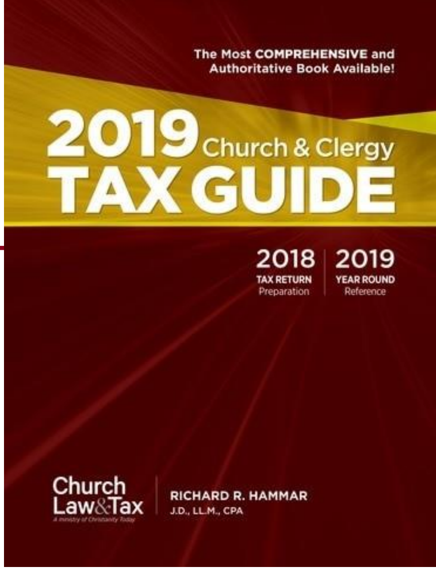






A Comprehensive Resource - $50

By Richard R. Hammar



- The guide helps clergy:
  - Prepare 2018 tax returns
  - Understand tax laws
  - Correctly report federal income taxes and social security taxes
  - Distinguish relevant exemptions
  - Reduce tax liability
- The guide helps church treasurers, board members, bookkeepers, attorneys, CPA's and tax practitioners:
  - Define "income" for the church
  - Handle and report employee business expenses
  - Understand the substantiation rules that apply to charitable contributions and designated contributions
  - Grasp federal tax reporting requirements that apply to churches and church employees
- Additional in-depth coverage on:
  - Charitable contributions
  - Clergy retirement plans
  - Social Security taxes
  - Church reporting requirements
  - Housing allowance
  - Business-expense reimbursements

Finance Committee Overview

Who's on the Committee?

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<u>Finance Committee</u>: Discipline ¶258.4

- Finance Chair
- Pastor(s) and Lay Leader
- Chair of Church Council
- Chair or representative from PPR
- Representative of Trustees
- Chair of Stewardship
- Lay Member of Annual Conference
- Financial Secretary*, Treasurer*, Business Administrator*
- And <u>others to be determined</u> by the Church Council.

* If these persons are paid staff, they serve without vote. The offices should be held by two different persons who are not immediate family members.

The Work of the Committee:
Discipline ¶258.4(a-h)

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- Compile a budget.
- Submit it to the Church Council for review and adoption.
- Develop and implement plans to raise sufficient income.
- Administer the funds according to instructions from the Church Council; Establish written policies
- Carry out the Church Council's directions in guiding the Treasurer and Financial Secretary

FOCUS ON BUDGETS & POLICIES

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Focus On
Budgets

Budgets

- Narrative budget is important
  - What is the vision
  - What opportunities and challenges are before the congregation
- Three Budgets in One
  - Operating or Annual Budget
  - Capital Budget
  - Legacy Budget
- Group budget into Committee Categories
  - Budget inputs should be received from each Committee
  - Allows for ownership and control of spending
- Denote items funded by fees, reserves, or endowments.
  - Transparency is essential.

Online Budget Resources

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- Discipleship Ministries: Budget Topics
  https://www.umcdiscipleship.org/content-library/tags/budgets

Other Highlights:

19 February 2015 — PRINT

A Twelve-Month Plan for Stewardship in the Local Church

Churches that are doing stewardship well focus on it more that a couple of weeks in the fall. We suggest a year-round strategy for helping your folks learn that being a faithful steward is about more than how the church gets its bill paid! Herb Mather offers one comprehensive plan that a church might use in developing a year-round stewardship strategy!

28 March 2014 — PRINT

IRS Publication 1771, Charitable Contributions–Substantiation and Disclosure Requirements

IRS Publication 1771, Charitable Contributions–Substantiation and Disclosure Requirements, explains the federal tax law for organizations such as charities and churches that receive tax-deductible charitable contributions and for taxpayers who make contributions.

30 September 2013 — PRINT

10 Things You Should Know About Online Giving

DOWNLOAD

https://www.umcdiscipleship.org/content-library/tags/budgets

Discipleship Ministries | Bud... | General Council on Finance an...

File Edit View Favorites Tools Help

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DISCIPLESHIP MINISTRIES
The United Methodist Church

Worship Planning | Equipping Leaders

Home ▸ Content Library - Tags ▸ Tag: Budgets

Tag: Budgets

12 February 2019 — ARTICLE
Building a Narrative Budget

2 August 2016 — ARTICLE
What's on the Radar for Financial Stewards in our Churches?

6 August 2015 — ARTICLE
Sample Narrative Budget

Online Budget Resources

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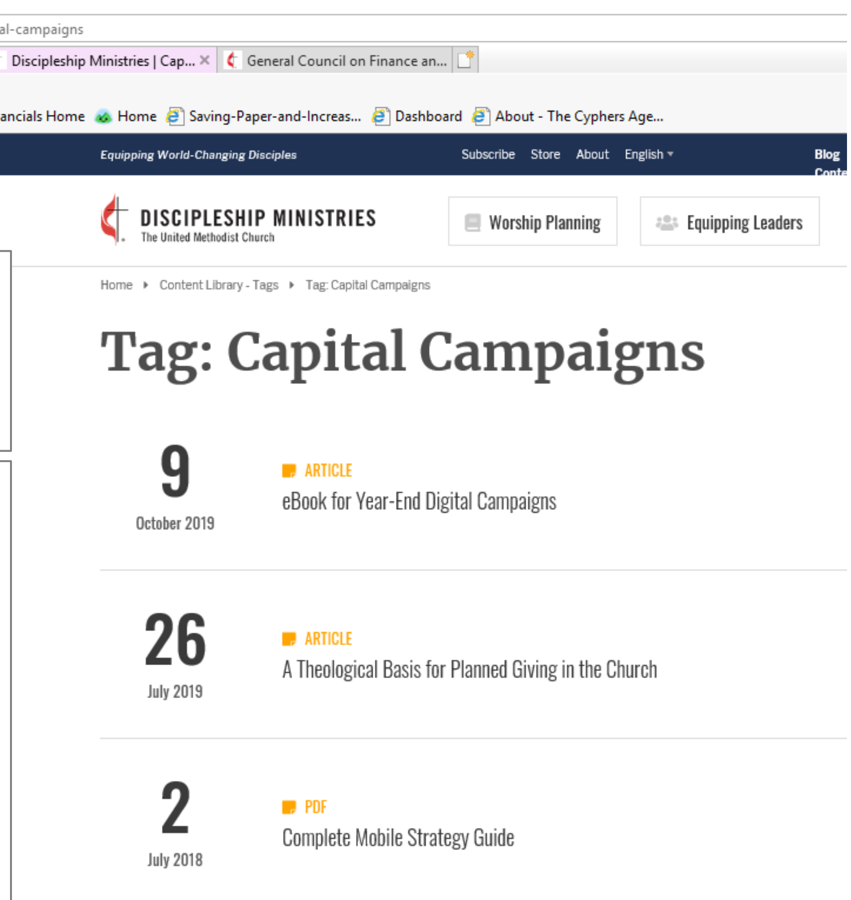
- Discipleship Ministries: Capital Campaign Topics
  https://www.umcdiscipleship.org/content-library/tags/capital-campaigns



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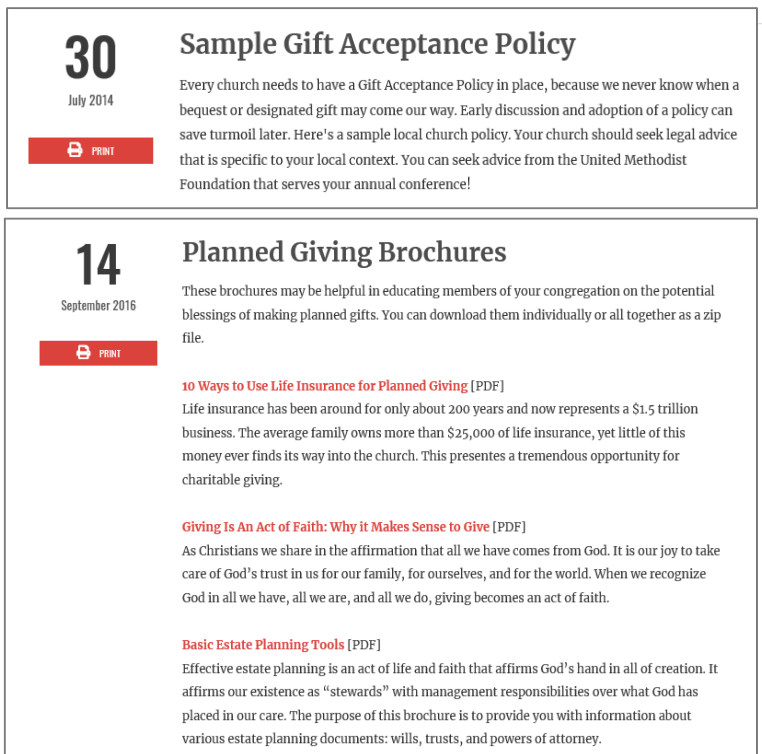

30
July 2014
PRINT

Sample Gift Acceptance Policy

Every church needs to have a Gift Acceptance Policy in place, because we never know when a bequest or designated gift may come our way. Early discussion and adoption of a policy can save turmoil later. Here's a sample local church policy. Your church should seek legal advice that is specific to your local context. You can seek advice from the United Methodist Foundation that serves your annual conference!

14
September 2016
PRINT

Planned Giving Brochures

These brochures may be helpful in educating members of your congregation on the potential blessings of making planned gifts. You can download them individually or all together as a zip file.

10 Ways to Use Life Insurance for Planned Giving [PDF]
Life insurance has been around for only about 200 years and now represents a $1.5 trillion business. The average family owns more than $25,000 of life insurance, yet little of this money ever finds its way into the church. This presentes a tremendous opportunity for charitable giving.

Giving Is An Act of Faith: Why it Makes Sense to Give [PDF]
As Christians we share in the affirmation that all we have comes from God. It is our joy to take care of God's trust in us for our family, for ourselves, and for the world. When we recognize God in all we have, all we are, and all we do, giving becomes an act of faith.

Basic Estate Planning Tools [PDF]
Effective estate planning is an act of life and faith that affirms God's hand in all of creation. It affirms our existence as "stewards" with management responsibilities over what God has placed in our care. The purpose of this brochure is to provide you with information about various estate planning documents: wills, trusts, and powers of attorney.

Classification of Assets

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Effective Jan 2018, there are two classifications of assets for financial reporting purposes defined by the IRS for nonprofits:

- *Without Donor Restrictions* are those items that have no donor-imposed restrictions.
- *With Donor Restrictions – formerly temporarily or permanently restricted*

  Types of Restrictions:

  - *Purpose*
  - *Time (includes "permanent")*
  - *Investment Income restrictions*
  - *Management*

Additional Fund Considerations

- *Designated Funds* are unrestricted assets voted by the local church council to be used for a particular purpose. The stipulation can be changed by the local church council.

- *Can Temporary and Permanent Restrictions be Changed*?
  - Uniform Prudent Management of Institutional Funds Act (UPMIFA)
  - UPMIFA permits deviation (in management, investment or purpose)
    - **With Donor consent**
    - With court and Attorney General approval
  - UPMIFA adds a new provision that allows a charity to modify a restriction on a small (less than $25,000) and old (over 20 years old) fund without going to court.
  - If you consider making a change, make sure an expert financial advisor is involved in the decision.
  - Keeping good written records and procedures is key!

Sample Budget Proposal

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2020 General Operating Budget
Recommendation

	2020 Budget	2019 Actual	2018 Actual
Income	$145,500	*$141,347	$138,203
Expenses	$144,300	$141,057	$138,309
Difference:	+1,200	+290	-106

Expenses	2020 Budget	2019 Actual
Church Ministries (children, men, youth, women)	= $22,200	20,124
Outreach	= $7,500	6,600
Missions Support	= $10,000	9,000
Salaries	= $65,000	61,750
Office Admin	= $ 5,800	7,126
Facilities (Mortgage, Utilities, maintenance)	= $33,800	36,457
TOTAL	**$144,300**	**$141,057**

(See Special Notes on next slide)

Fund Reporting Basics

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Sample Statement of Revenue and Expense
Per month/Year to Date

Support and Revenue	General Fund	Restricted Fund	Plant Fund	Endowment Fund	Total All Funds
Contributions	309,027	5,472	16,575		331,074
Interest Income	6,132	3,655	640	5,130	15,557
Workshops/Events Income	733				733
Bequests				10,000	10,000
Total Support and Revenue	315,892	9,127	17,215	15,130	357,364
Expenses (by Program)					
Worship	98,541	2,435		5,000	105,976
Education	10,205	750			10,955
Care/Fellowship	9,876	219			10,095
Evangelism	9,545				9,545
Resources	46,723				46,723
Community Relief	3,000	1,934			4,934
Youth	3,025				3,025
Administration	123,786		11,000		134,786
Total Expenses	304,701	5,338	11,000	5,000	326,039
Excess of Support and Revenue over Expenses	11,191	3,789	6,215	10,130	31,325
Fund Balances at Beginning of Fiscal Year	41,730	72,158	446,995	55,370	616,253
Fund Balances at End of Fiscal Year	52,921	75,947	453,210	65,500	647,578

- It is important that you find some way to keep restricted fund activities separate from unrestricted funds. This is a nice example.

Stewardship Overview

Creating a Culture of Generous Givers

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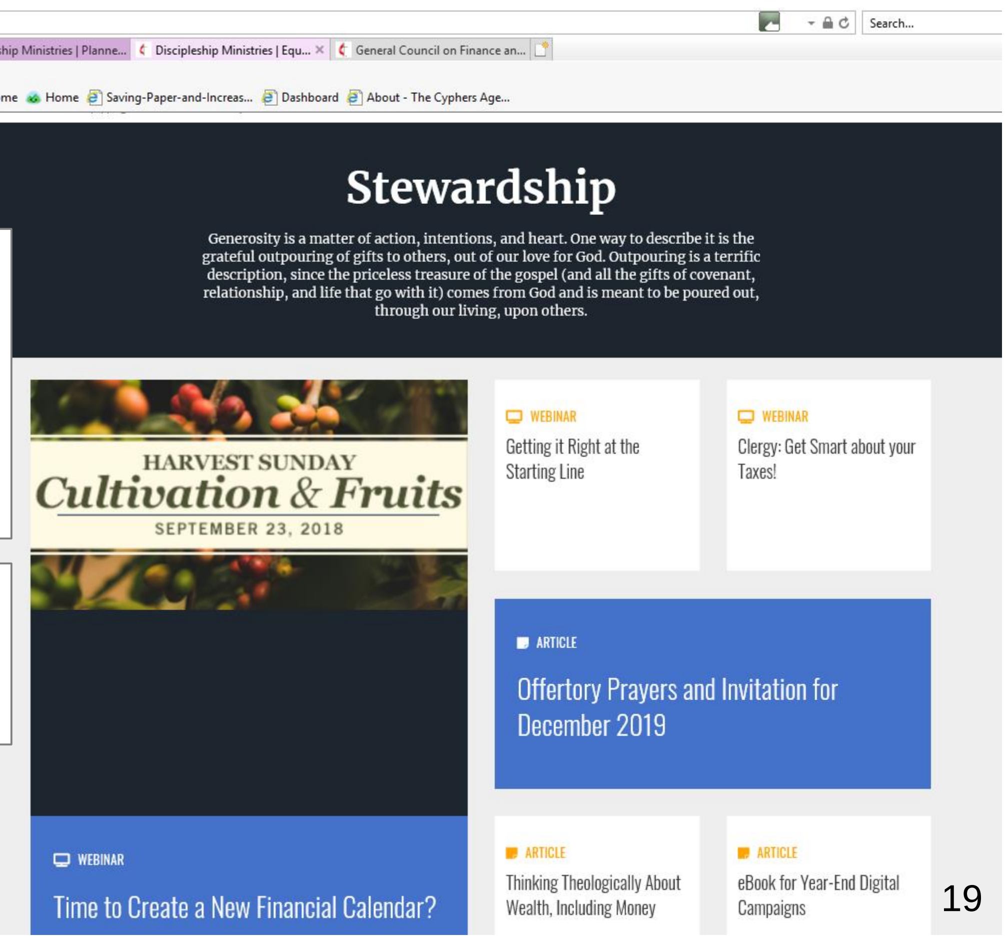
5 Key Elements

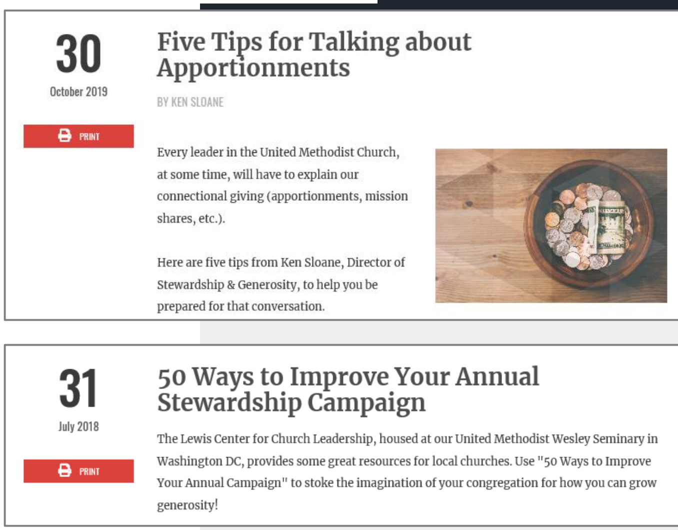
- Guided Self-Examination of personal values/priorities
- Unapologetic “First Fruits” Teaching
- Opportunities for Personal Witness
- State Clear Vision for Mission
  - How will lives be changed?
- Hold High Expectation of Members

Online Budget Resources

- Discipleship Ministries: Stewardship Topics
  https://www.umcdiscipleship.org/equipping-leaders/stewardship



Other Highlights:



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Focus On

Financial Policies

Financial Policies

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- The policies are left to the discretion of the church
- Recommend starting small
  - What has gone wrong? What could go wrong?
  - Find sample policies that you like
- Important areas for consideration:
  - Counting and deposit procedures
  - Memorial Funds
  - Accountable Reimbursements
  - Credit Cards/Purchase Approvals
  - Church Audits

Local Church Resources

Internal Control Recommendations

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https://www.bwcumc.org/administration/local-church-resources/

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Baltimore-Washington Conference

ABOUT | MINISTRIES | NEWS | EVENTS | ADMINISTRATION | RESOURCES

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Want to know how to get your church hooked up with electronic giving? Where do you go to get a grant or loan for your church to build a new elevator or start a new program? You're not alone. Thousands of resources exist to help you and your church live out God's call to be good stewards. A sampling of the most useful of these resources is below.

- Market USA Credit Union
- Electronic Giving
- Mid-Atlantic United Methodist Foundation
- Grants and Loans
- Scholarships

TAXES, ACCOUNTING, AND OTHER RESOURCES

Reports and Trends

- Local Church Fund Balance Report (Audit): Word | PDF | Excel

INTERNAL CONTROL OF CHURCH FINANCES

Below is a list of recommended policies and procedures to help ensure adequate control over church financial assets.

1. The church treasurer, financial secretary, and finance committee chairpersons should not be the same person nor from the same family or household.
2. The church should have a budget. Financial results should be compared to the budget on a monthly basis at finance committee meetings. Inquiry should be made of variances from budget.
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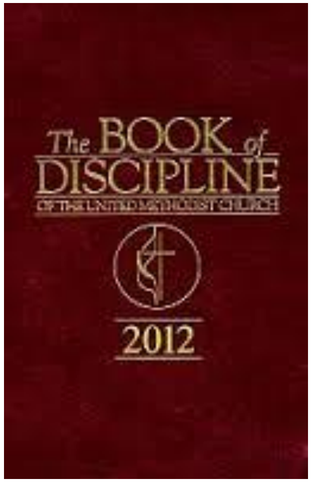
4. At least two people should count the weekly church offerings and prepare the deposit slip. The deposit slip and deposit should be placed in a bank deposit bag and locked. A copy of the deposit slip should be given to the treasurer for recording and comparison to the bank statement.

Book of Discipline: Audits

<u>Discipline</u> ¶258.4d

The United Methodist Book of Discipline assigns the responsibility for the annual audit of financial records to the committee on finance.

The committee "*shall make provisions for an <u>annual audit of the financial statements</u> of the local church and all its organizations and accounts. The committee shall make a full and complete <u>report to the annual charge conference</u>.*"



Annual Audit Overview

- As used in the *Discipline*, the annual audit is meant to be a process that provides reasonable assurance that good stewardship is being used in handling and accounting for the funds and other assets of the local church

- Several Goals
  - Protection of church officers
  - Trust and confidence of donors
  - Accountability and transparency of personnel activities
  - Assurance that restricted gifts are used properly and provide checks and balances for the receipt and expenditure of funds

Local Church Audit Guide

- Revised Audit Guide offered in 2014
- Committee on Audit and Review of GCFA
  (General Council on Finance and Administration)

https://www.gcfa.org/media/1342/local_church_audit_guide_-10-14-16-__revaug2017.pdf

Selecting an Auditor

- Must be Independent
  - Not subject to control or influence by anyone who has financial responsibilities in the church
  - Unrelated to anyone who has financial responsibilities in the church
- Selection of an auditor and the type of audit will depend on the financial constraints of the church
- If less than $500,000 annual income
  - Select an independent qualified member or other volunteer to perform audit
  - Should include a written report to the Finance Committee within 6 months of the year end close
  - Should be conducted annually

Selecting an Auditor

- If greater than $500K annual income
  - Recommend incorporating a financial statement audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) by an external Certified Public Accountant

$500K to $1M:	GAAS Audit every 3 years
$1M to $2M:	GAAS Audit every 2 years
> $2M:	GAAS Audit annually

  - A “review” or “compilation” by a CPA does not meet the intent of the recommended GAAS “audit”
  - Each year between GAAS Audits should follow the <$500K guidelines that includes a written report to the Finance Committee by an independent qualified member or other volunteer

Purpose of the Audit

- Independently verify the reports of the treasurer and financial secretary
- Follow the money and test how it was treated
- Document that donations have been used as stipulated by donors' stipulation records
- Review accounting controls (loss, errors, embezzlement)
- Segregation of duties (checks and balances by more than one person)
- Reasonableness of systems and procedures based on church size

Groups Included in the Audit

<u>Discipline</u> ¶258.4d

… "all its organizations and accounts"

This include:

- Trustees (if funds are held separately)
- Memorial Funds
- Endowment Funds
- UM Men, UM Youth, Pastor's discretionary, Church School

Does NOT include UM Women since funds are not owned by local church per *Discipline.* Should still be audited annually, but reported separately to the UMW.

Information Required for Audit
Regardless of audit type

- Church financial policies and procedures, including minutes approving these policies
- Copies of all minutes from the finance committee, trustees, church council, and charge conferences
- List of all bank and investment accounts
- Monthly records (plus the prior Dec. and the following Jan.)
  - Financial Statement (Income Statement and Balance Sheet)
  - Bank and Investment Account Statements
  - Bank reconciliations
- Printout of all transactions by account
  - General and subsidiary journals
- All paid invoices, payroll data and files
- Financial Secretary's income records

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Church Finance Resources

Online Resources

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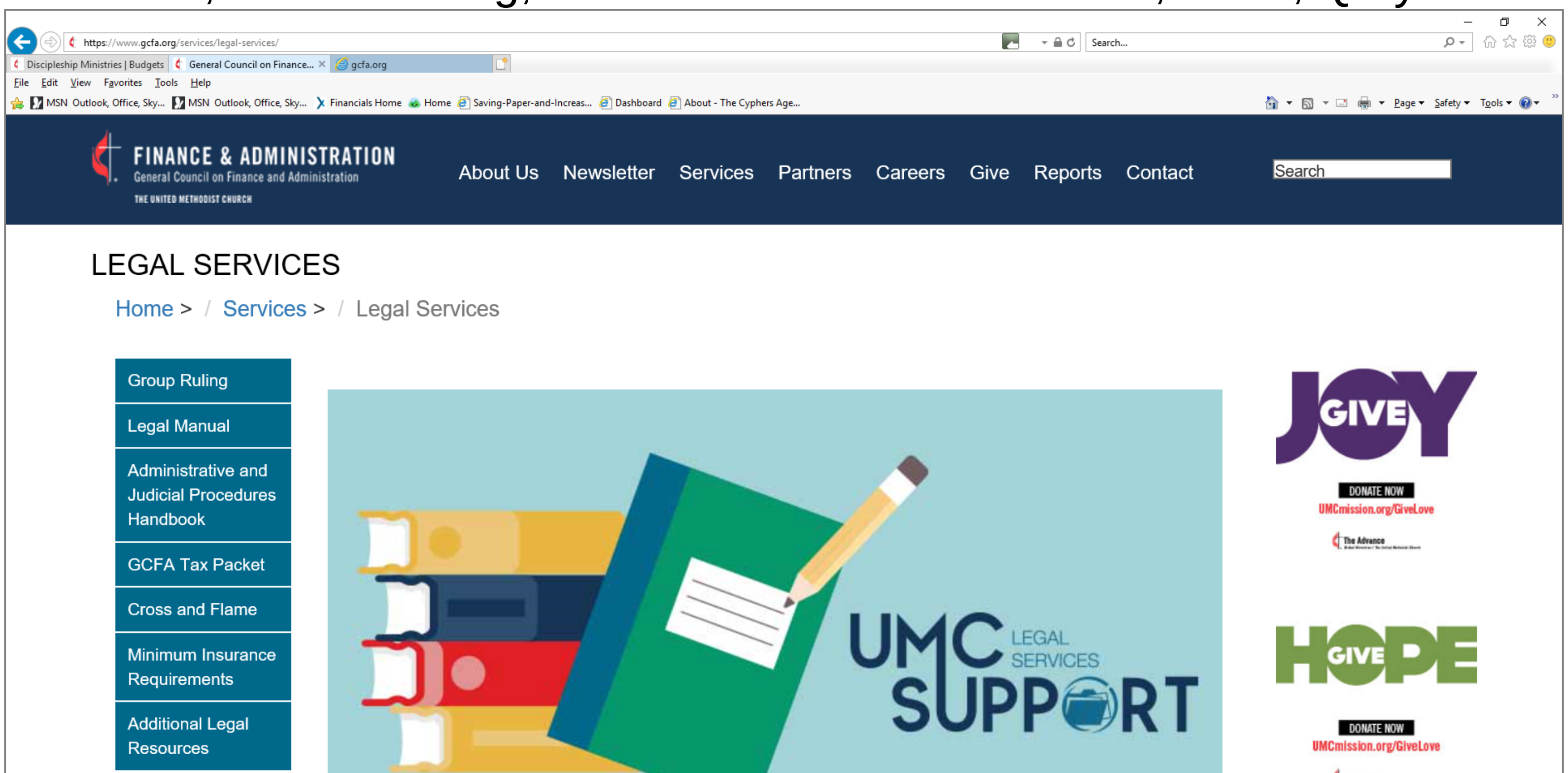
- GCFA: Legal Resources
  https://www.gcfa.org/services/legal-services/
  (Group Ruling, Clergy Tax Packet, Cross and Flames, Min. Insurance Requirements, Trust Clause, Parking Issues, Housing Allowance Court Cases, Crowdfunding, Accountable Reimbursement, W-2s, Qtrly 941



Online Resources

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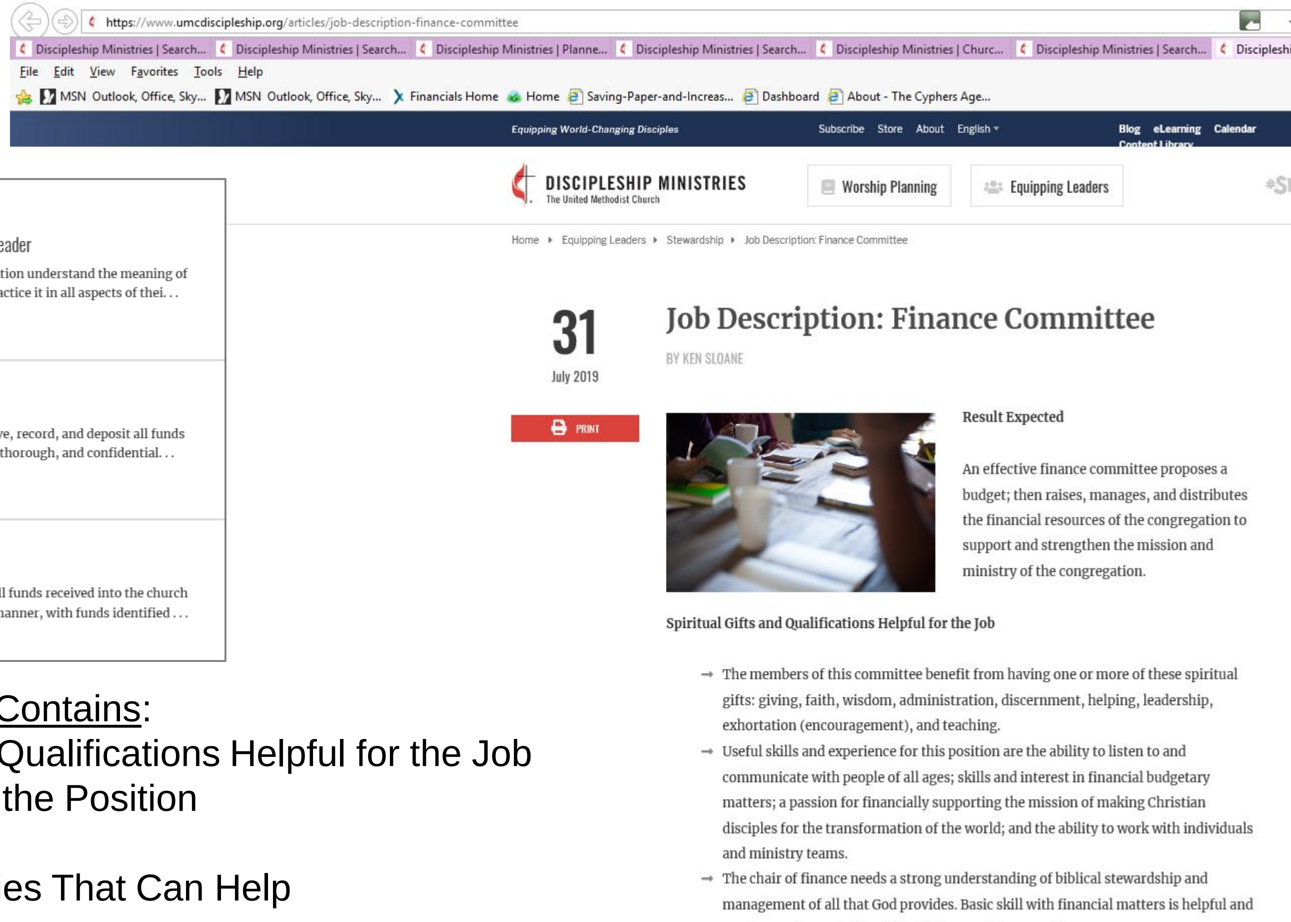
- Discipleship Ministries: Job Descriptions Series
  https://www.umcdiscipleship.org/articles/job-description-finance-committee

Other Highlights:

31
July 2019
Job Description: Stewardship Ministry Leader
An effective leader will help the congregation understand the meaning of Christian stewardship and the need to practice it in all aspects of thei. . .

31
July 2019
Job Description: Financial Secretary
An effective financial secretary will receive, record, and deposit all funds received by the congregation in a timely, thorough, and confidential. . .

31
July 2019
Job Description: Church Treasurer
An effective church treasurer disburses all funds received into the church treasury in a responsible and organized manner, with funds identified . . .



https://www.umcdiscipleship.org/articles/job-description-finance-committee

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DISCIPLESHIP MINISTRIES
The United Methodist Church
Worship Planning Equipping Leaders

Home ▸ Equipping Leaders ▸ Stewardship ▸ Job Description: Finance Committee

31
July 2019

Job Description: Finance Committee
BY KEN SLOANE

PRINT

Result Expected

An effective finance committee proposes a budget; then raises, manages, and distributes the financial resources of the congregation to support and strengthen the mission and ministry of the congregation.

Spiritual Gifts and Qualifications Helpful for the Job

→ The members of this committee benefit from having one or more of these spiritual gifts: giving, faith, wisdom, administration, discernment, helping, leadership, exhortation (encouragement), and teaching.
→ Useful skills and experience for this position are the ability to listen to and communicate with people of all ages; skills and interest in financial budgetary matters; a passion for financially supporting the mission of making Christian disciples for the transformation of the world; and the ability to work with individuals and ministry teams.
→ The chair of finance needs a strong understanding of biblical stewardship and management of all that God provides. Basic skill with financial matters is helpful and can be supplemented by skills of others on the committee.

<u>Each Job Description Contains</u>:
- Spiritual Gifts and Qualifications Helpful for the Job
- Responsibilities of the Position
- Getting Started
- People and Agencies That Can Help
- Web and Print Resources

MidAtlantic Foundation

https://midatlanticfoundation.org/

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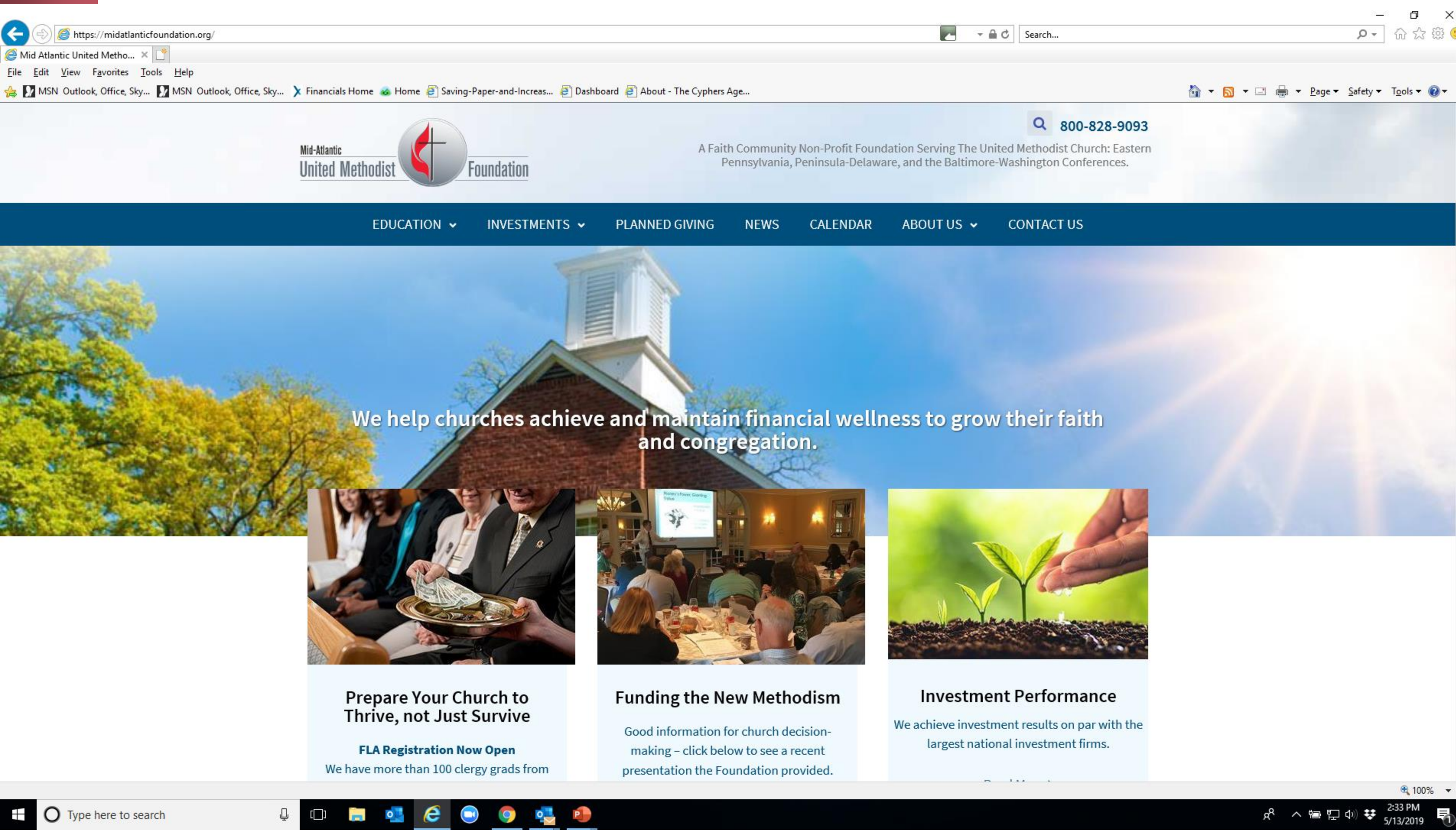

BWC Website

http://bwcumc.org/administration/finance/

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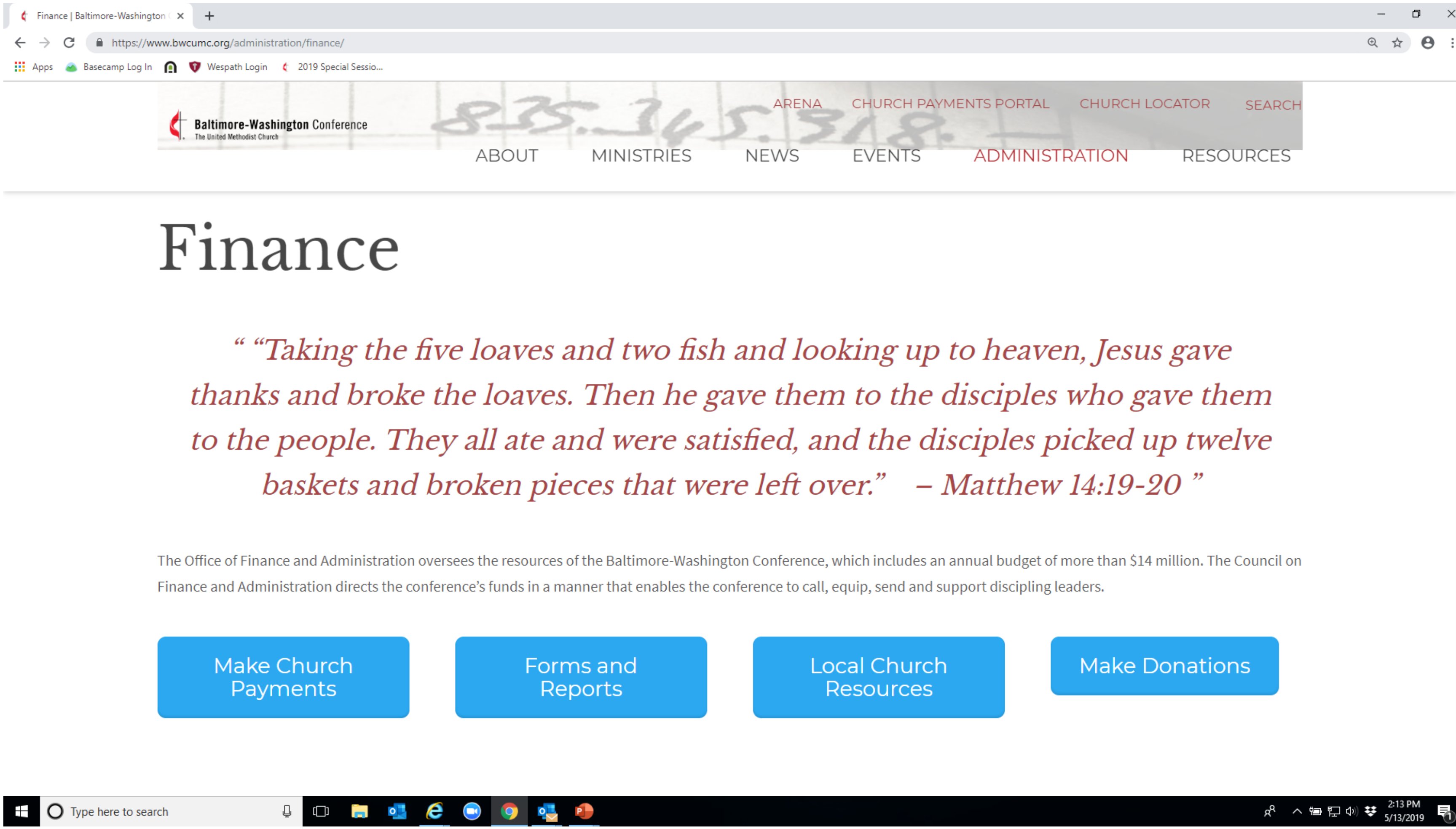

Forms and Reports

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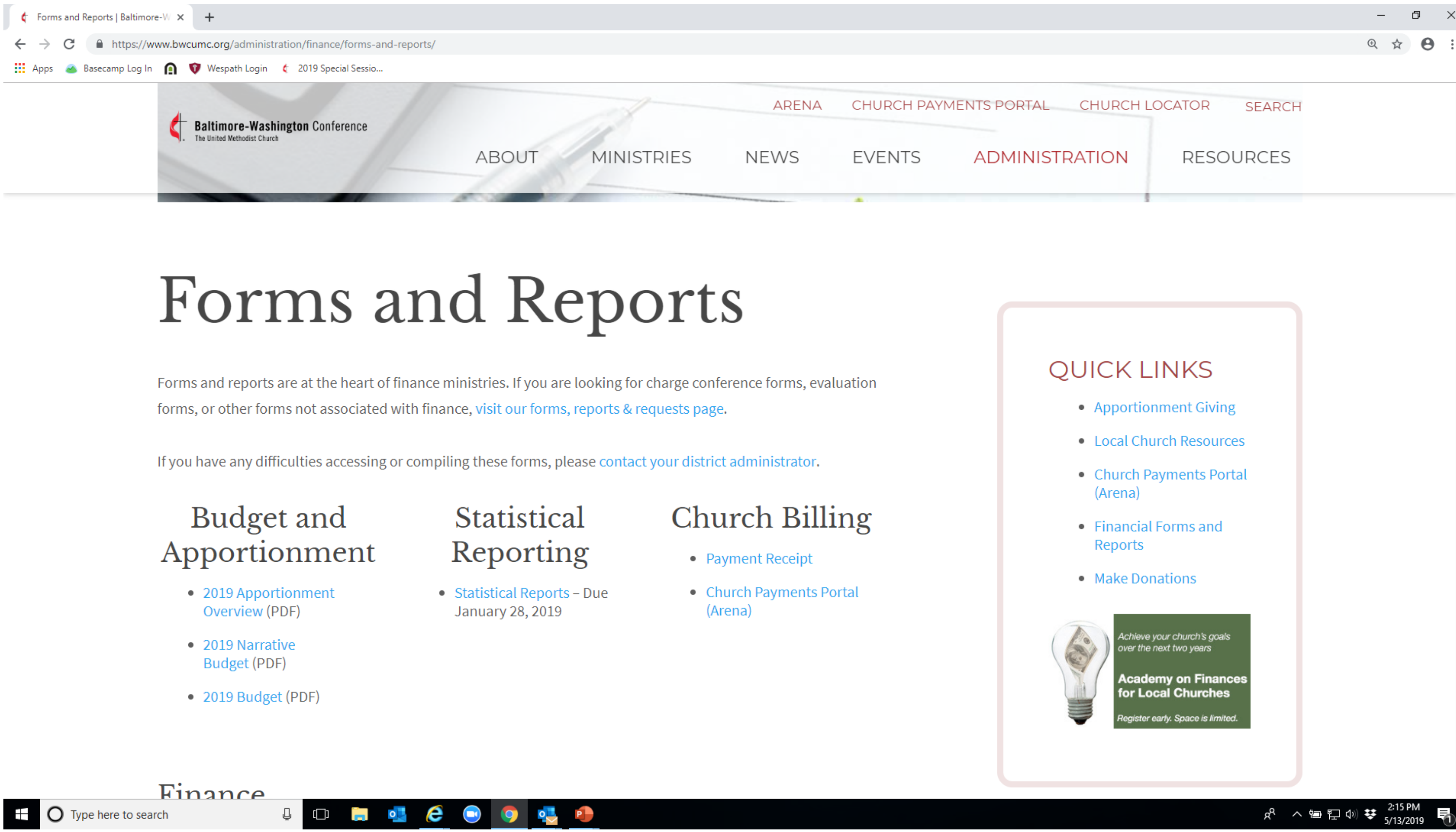

Local Church Resources

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Local Church Resources

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- Finance Committee Overview
- Focus on Budgets
- Focus on Financial Policies
- Financial Resources – Online Websites

Thank you