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
Church Finance Resources
Cokesbury Publications ($4-25)

- **Finance**: Guiding Principles for Handling God’s Money in the Church
- **Stewardship**: Guidelines for Raising Up Generous Disciples
- **United Methodist 2017-2020**: For Financial Secretaries, Treasurers, and Others

*The Book of Discipline of the United Methodist Church 2016*
Other Publications ($10-25)

- Ministry and Money: A Practical Guide for Pastors
  - Janet T. Jamieson and Philip D. Jamieson

  - J. Clif Christopher

- The Business of the Church: The Uncomfortable Truth That Faithful Ministry Requires Effective Management
  - John W. Wimberly, Jr.

- Legacy Churches
  - Stephen Gray and Franklin Dumond
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?

Finance Committee: 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 others to be determined 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)

- 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
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

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

Other Highlights:

<table>
<thead>
<tr>
<th>Date</th>
<th>Title</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>19 February 2015</td>
<td>A Twelve-Month Plan for Stewardship in the Local Church</td>
<td>Churches that are doing stewardship well focus on it more than 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 bills paid! This method offers a comprehensive plan that a church might use in developing a year-round stewardship strategy!</td>
</tr>
<tr>
<td>28 March 2014</td>
<td>IRS Publication 1771, Charitable Contributions—Substantiation and Disclosure Requirements</td>
<td>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.</td>
</tr>
<tr>
<td>30 September 2013</td>
<td>10 Things You Should Know About Online Giving</td>
<td>Download</td>
</tr>
</tbody>
</table>
Online Budget Resources

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

Other Highlights:

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!

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 $35,000 of life insurance, yet little of this money ever finds its way into the church. This presents 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 that 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

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!
# 2020 General Operating Budget

## Recommendation

<table>
<thead>
<tr>
<th></th>
<th>2020 Budget</th>
<th>2019 Actual</th>
<th>2018 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>$145,500</td>
<td>*$141,347</td>
<td>$138,203</td>
</tr>
<tr>
<td>Expenses</td>
<td>$144,300</td>
<td>$141,057</td>
<td>$138,309</td>
</tr>
<tr>
<td>Difference:</td>
<td>+1,200</td>
<td>+290</td>
<td>-106</td>
</tr>
</tbody>
</table>

## Expenses

<table>
<thead>
<tr>
<th>Expense</th>
<th>2020 Budget</th>
<th>2019 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Church Ministries (children, men, youth, women)</td>
<td>$22,200</td>
<td>20,124</td>
</tr>
<tr>
<td>Outreach</td>
<td>$7,500</td>
<td>6,600</td>
</tr>
<tr>
<td>Missions Support</td>
<td>$10,000</td>
<td>9,000</td>
</tr>
<tr>
<td>Salaries</td>
<td>$65,000</td>
<td>61,750</td>
</tr>
<tr>
<td>Office Admin</td>
<td>$5,800</td>
<td>7,126</td>
</tr>
<tr>
<td>Facilities (Mortgage, Utilities, maintenance)</td>
<td>$33,800</td>
<td>36,457</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$144,300</strong></td>
<td><strong>$141,057</strong></td>
</tr>
</tbody>
</table>

(See Special Notes on next slide)
### Fund Reporting Basics

#### Sample Statement of Revenue and Expense

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

- 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

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:

30 October 2019
Five Tips for Talking about Apportionments
BY KEN SLOANE

Every leader in the United Methodist Church, at some time, will have to explain our connectional giving (apportionments, mission shares, etc.).

Here are five tips from Ken Sloane, Director of Stewardship & Generosity, to help you be prepared for that conversation.

31 July 2018
50 Ways to Improve Your Annual Stewardship Campaign

The Lewis Center for Church Leadership, housed at our United Methodist Wesley Seminary in Washington, DC, provides some great resources for local churches. Use "50 Ways to Improve Your Annual Campaign" to stoke the imagination of your congregation for how you can grow generosity.
Focus On
Financial Policies
Financial Policies

• 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 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 chairperson 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.

3. All operating checking and savings accounts should be under control of the treasurer. Separate checking accounts for church activities should be discouraged. Investment accounts should be accounted for by the treasurer and activity reported monthly to the finance committee.

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.

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

- Local Church Fund Balance Report (Excel, Word, PDF, Excel)
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 annual audit of the financial statements of the local church and all its organizations and accounts. The committee shall make a full and complete report to the annual charge conference.”
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)

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

**Discipline ¶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
Church Finance Resources
Online Resources

- 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

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

Other Highlights:

- **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 life.

- **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 manner.

- **Job Description: Church Treasurer**
  An effective church treasurer disposes all funds received into the church treasury in a responsible and organized manner, with funds identified and recorded accurately.

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

“Taking the five loaves and two fish and looking up to heaven, Jesus gave thanks and broke the loaves. Then he gave them to the disciples who gave them to the people. They all ate and were satisfied, and the disciples picked up twelve baskets and broken pieces that were left over.” — Matthew 14:19-20

The Office of Finance and Administration oversees the resources of the Baltimore-Washington Conference, which includes an annual budget of more than $14 million. The Council on Finance and Administration directs the conference's funds in a manner that enables the conference to call, equip, send and support discipling leaders.
Forms and Reports

Forms and reports are at the heart of finance ministries. If you are looking for charge conference forms, evaluation forms, or other forms not associated with finance, visit our forms, reports & requests page.

If you have any difficulties accessing or compiling these forms, please contact your district administrator.

**Budget and Apportionment**
- 2019 Apportionment Overview (PDF)
- 2019 Narrative Budget (PDF)
- 2019 Budget (PDF)

**Statistical Reporting**
- Statistical Reports - Due January 28, 2019

**Church Billing**
- Payment Receipt
- Church Payments Portal (Arena)

**QUICK LINKS**
- Apportionment Giving
- Local Church Resources
- Church Payments Portal (Arena)
- Financial Forms and Reports
- Make Donations

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Achieve your church's goals over the next two years.
Academy on Finances for Local Churches
Register early. Spaces are limited.
Local Church Resources

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TAXES, ACCOUNTING, AND OTHER RESOURCES

Reports and Trends

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