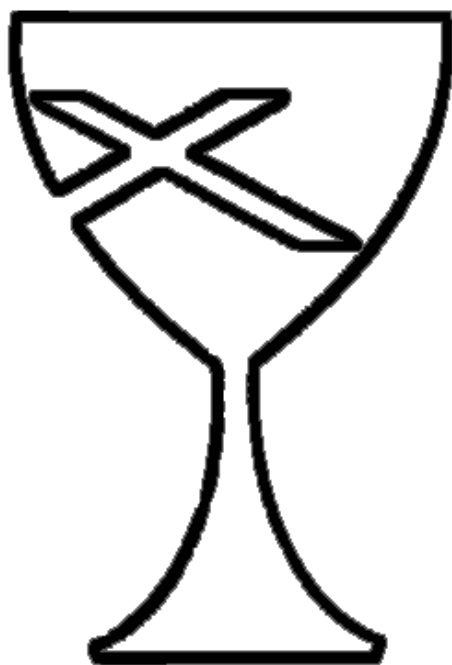


**HANDBOOK FOR TREASURERS**  
**OF**  
**CHRISTIAN CHURCH**  
**(DISCIPLES OF CHRIST)**  
**CONGREGATIONS**



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## INTRODUCTION

Members of the Christian Church (Disciples of Christ) entrust to their congregations millions of dollars each year. The stewardship or similar departments of those congregations are ultimately responsible for the funds. But the day-to-day management of those dollars – the counting, the record-keeping, the banking and the distribution – is the job of the church's treasurer and financial secretary. The task is a tremendous one.

Other positions of leadership may be more visible. Yet, few require the hours of work or the scrupulous attention to detail. If other avenues of service provide greater recognition, the treasurer can find satisfaction in the knowledge that his or her work is a primary opportunity for Christian stewardship and vital to the ongoing life of the congregation.

Stewardship is expressed through financial leaders in the congregation. By the stroke of the pen, mission work becomes a reality. Local ministries are carried out. The pastor's livelihood is ensured. Obligations are met. As the treasurer is accountable, he or she becomes a mirror through which the congregation sees itself in its faithfulness and by which its integrity is mirrored to the world.

### **A. Purpose of the Handbook**

The purpose of this handbook is to help make the financial leaders' tasks easier by providing specific, practical guidelines for the people who handle the church's money. It is a useful resource for the pastor, the stewardship committee, the personnel committee, ministerial search committee or anyone in the congregation who, for whatever reason, is involved in the financial or employee-related life of the congregation.

The authors represent Church Extension, the Pension Fund, Christian Church Foundation and OGMP Treasury Services. The information presented here is based on their experiences with church treasurers and other financial leaders across the years.

We have tried to anticipate your questions. To help us do that, we have shared the initial manuscript with a number of other persons prior to publication. That group, composed of pastors, regional staff persons and real-life church treasurers, gave us valuable feedback and suggestions. We are indebted to them for their participation in this process.

Despite our best efforts, you may have questions that the book doesn't answer. If that is the case, do not hesitate to write or telephone the financial ministries – Church Extension (800-274-1883 toll free), the Pension Fund ([pfcc1@pension.disciples.org](mailto:pfcc1@pension.disciples.org) or 866-495-7322 toll free), Christian Church Foundation ([jcullumb@ccf.disciples.org](mailto:jcullumb@ccf.disciples.org) or 800-668-8016 toll free), or OGMP Treasury Services (317-635-3100 ext. 2453). Our staff members will be pleased to talk with you and to help in any way we can to make

your job easier.

We appreciate your willingness to serve the church in this important capacity and commend you for the special ministry you have undertaken.

## **B. Financial Best Practices for Congregations**

### **Accountability and Transparency**

In an era with laser levels and infrared plumb lines, even do-it-yourself home renovations achieve new levels of accuracy and dependability. With laptop computers, online giving and increased scrutiny by government and people in the pews, church finances have moved to a new stage. Front and center are issues of payroll taxes, security of electronic giving and increasing healthcare costs.

For servants who function as treasurers and financial officers, the plumb line exacts accuracy, knowledge of rapidly changing laws and the ability to communicate effectively with donors. Sophisticated investors demand to know how financial contributions are leveraged to maximize mission. A visible return on investment equates to a world that emulates God's dream for justice and righteousness.

Competent financial servants need to implement best practices to keep IRS examiners at bay, insure solvency and inform parishioners of what God is doing through the use of their gifts – a balancing act to be sure! Even more important, the ministry of money serves as an extension of a congregation's spirituality. In every aspect financial ministry must engender trust.

Best practices provide benchmarks against which faith communities may hold the plumb line for accountability and transparency. Disciples general financial ministries offer the following standards as core practices to strengthen your ministry of money.

#### **1. Implement and sign conflict of interest and ethics policies**

- a. Develop a statement of ethics, describing the type of behavior expected of church officers, secretary, ministry team and board with regard to handling of church assets. (See sample, page 76).
- b. Implement a conflict-of-interest policy designed to preclude private inurement and inappropriate transactions between servants and their businesses or companies in which they hold a financial interest. (See sample, page 69).
- c. Sign conflict of interest and ethics statements annually.

#### **2. Develop Charters for Teams, Committees, Task Groups**

- a. Write desired outcomes for working groups
- b. Provide a clear statement of purpose and time-line for the groups work
- c. Establish to whom the group reports and reporting requirements

3. **Establish a Finance Committee**

- a. The Finance Committee works closely with the Treasurer to monitor receipts, commitments and expenses. The Finance Committee insures the budget is properly implemented and makes decisions when emergency or unexpected situations arise in accordance with church by-laws or constitution.
- b. The Finance Committee reviews monthly financial reports and statements.
- c. The Finance Committee interprets spending (in terms of mission) to the congregation.
- d. The Finance Committee manages banking relations and recommends signature authorizations and expense limitations to the board.
- e. The Finance Committee facilitates transitions of Treasurers and other financial officers to insure consistency in practices, policies and procedures.
- f. The Finance Committee advises the pastor, board, planning/visioning teams and others.

4. **Develop Job Descriptions for Treasury and Financial Officers**

- a. State duties, responsibilities and skills required to function successfully.
- b. Provide term limits.
- c. Indicate what body or individual will provide oversight.

5. **Establish an Audit Committee**

- a. The Audit Committee insures third party review of the financials and proper internal. This may be done by hiring an independent auditor or conducting an internal audit.
- b. The Audit Committee receives reports of any suspected wrongdoing or violations of financial policies.
- c. Members of the Audit Committee may be non-members or volunteers from the community who have financial expertise.
- d. The Audit Committee should document its meetings and its processes of reviewing internal controls.
- e. The annual audit report should be made available for members to review.
- f. The Audit Committee meets with the auditor to discuss financials and internal control. A portion of the meeting should be without staff or Treasurer present.

6. **General**

- a. Have two signers on checks
- b. Be sure someone other than the Treasurer receives, opens and reviews the bank statement.
- c. Make certain that payroll withholdings are properly deposited and filed timely with IRS and other government agencies.
- d. File IRS Form-1099 for any non-employee receiving \$600 or more. Don't forget to request tax identification numbers prior to making payments.
- e. Always have at least two individuals who count offerings. Use preprinted tally sheets that require signatures.

- f. Deposit offerings in the bank immediately; do not take them home or leave them in the church office.
- g. Verify deposit slips with bank statements.
- h. Provide receipts/contribution statements to all donors.
- i. Secure financial records, software back-ups and sensitive data to prevent loss due to theft, fire or natural disaster.

### **C. Roles of General Financial Ministries**

As a financial leader in the congregation, you will probably have reason to communicate, at some point, with one of these financial units. You will be helped by understanding who each one is and what it does.

**OGMP-Treasury Services(formerly church Finance Council):** OGMP-Treasury Services administers a carefully designed system to receive, record, acknowledge and distribute Disciples Mission Fund, Week of Compassion and Reconciliation gifts that support the many outreach ministries of the Christian Church (Disciples of Christ). OGMP-Treasury Services also provides accounting services for various ministries.

Part of the treasurer's responsibility will be to remit your congregation's outreach monies to OGMP-Treasury Services under the congregational board's authorization. The outreach ministries of the church – Disciples Mission Fund, Week of Compassion and Reconciliation — will be discussed further in Chapter IV.

**Church Extension:** Church Extension is the ministry of our church that since 1883 has helped congregations in the planning and financing of church facilities. Church Extension staff helps regions and congregations plan for the building or renovation of facilities, evaluate sites, direct capital-fund campaigns and provide loans. Loans from Church Extension are funded by investments placed with the board by members and organizations of the Christian Church. In addition, Church Extension also provides oversight to New Church Ministries.

**Pension Fund:** The Pension Fund of the Christian Church (Disciples of Christ) was founded in 1895 to provide relief funds to ministers and their families with inadequate incomes. Today, through congregational participation, it provides benefits through contractual pensions. At the same time, it continues to make supplemental gifts to those ministers and their spouses whose salaries were low or whose congregations did not participate in the Pension Fund.

The Pension Fund also administers a health-care insurance program for church employees as well as a churchwide accident insurance program.

**Christian Church Foundation:** The Christian Church Foundation helps members of the Christian Church (Disciples of Christ) support the ministries of the whole church through planned gifts and permanent funds. Founded in 1961, it encourages and solicits planned gifts, including trusts: annuities, bequests, outright gifts and deferred gift annuities. The

CCF also manages the permanent endowments that those gifts establish and distributes dollars for congregations, regions, ministries and institutions of the church based upon the expressed desires of the donors. The CCF also serves as an investment trust officer for Disciples congregations, regions and other church entities. Through the Joint Investment Trust, participating entities of the church may invest funds with the CCF. Funds are managed by professional investment managers based upon guidelines developed by the CCF Board and set within the corporate responsibility guidelines of the church.

## CHAPTER 1: CONGREGATIONAL FINANCIAL MATTERS

In this chapter, we turn our attention to the practical, day-to-day business of handling the congregation's finances. We will look at such things as budgeting, capital campaigns, borrowing money, audits, bonding and record-keeping.

We will not deal with the congregation's annual financial stewardship program. Resources for stewardship themes and annual programs are available from the OGMP's Center for Faith and Giving (contact Todd Adams, [tadams@ogmp.disciples.org](mailto:tadams@ogmp.disciples.org) or 317-713-2414).

### A. Budgeting

**The key ingredient to budgeting is common sense.** The budget is the financial aspect of implementing the goals for your congregation. It is one of the critical steps in making dreams a reality.

#### Basic Information

**Does My Congregation Need a Budget?** Can you imagine spending \$1,000,000 without a plan? \$200,000? \$25,000? Can you imagine spending the money that the members of your congregation give without some plan? Of course not! Every congregation needs a plan for using its income – a budget. In essence, a budget is a spending plan.

It is true that churches often get along for years with a system of congregational finance based on the principle of, “Just spend what we take in, and if any emergencies arise, we’ll manage to meet them when they come.” The fallacy of such a plan is that it places the mission and ministry of the church on a minimal and emergency basis. It also can encourage the development of poor stewardship practices among members who learn only to respond to emergency needs rather than to grow consistently in annual and long-term commitment. The congregation needs a budget because it needs a planned program for mission and ministry.

**The Budget as an Issue of Faith:** When Jesus said, “Where your money is, there will your heart be also,” he probably wasn’t thinking about congregational budgets. However, Christ’s words are just as true for the congregation as for any individual.

The annual budget of a congregation is a statement of faith. In a very real sense, the current budget is the most eloquent pronouncement any church makes. It says to the congregation, to the community and to the world, “This is the way we believe in God; here is the evidence of our faith.” Does a congregation believe that Christ calls it to serve the world? The mission and outreach items in the budget will give us the real answer. Does a congregation believe that education, worship, and evangelism are primary functions? Look at the program budget, and you can tell very quickly.



Planning the annual budget is a major responsibility. In a very real sense, it reflects the faith and commitment of a congregation. The budget, or spending plan, of the congregation should be one way of implementing the congregation's mission statement.

### **Three Phases of the Budgeting Process<sup>1</sup>**

Preparing, managing and adjusting are the three phases of the budgeting process.

#### **Phase One – Preparing the Budget**

The budget is a spending plan for living out the congregation's discipleship. It is helpful when the congregation has established a plan for ministry and mission. But even a congregation that has not created a plan does have some areas of particular interest. Perhaps they are to increase worship service or add custodial staff.

Funding the mission and ministry plans of a congregation moves it from promotion and interpretation to practice.

The budgeting process can provide a discipline that allows the congregation to identify and fund its priorities.

In identifying priorities the congregation may:

Examine the available alternatives for its mission and ministry. Is the congregation called to work with elderly persons, young families, refugees? A congregation may never have taken the time to examine the many options for ministry open to it.

Reinforce past priorities. One congregation decided seven years ago to increase giving to Disciples Mission Fund by one percent of its budget each year until it reaches 30 percent. The congregation chooses to continue to do so. Another congregation has a very effective youth program and wants to see it continue and grow.

Revise past priorities. A congregation built in a new suburb finds itself overrun with children. It had planned for a limited ministry in this area. Now it begins to examine the needs of children and to plan creative programs to address those needs.

Establish new priorities. A congregation begins to focus on deepening its spiritual life, or on opening its doors to homeless persons, or establishing an adult literacy class.

Eliminating old priorities. A congregation has sponsored a children's after school program for 30 years. The neighborhood has few children now. The congregation decides to drop the after school program.

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<sup>1</sup> This section is adapted from the University of Notre Dame course "Principles of Budgeting," taught by Dr. Ken Milani.

The effectiveness of the budget will be partially determined by the clarity of the congregation's vision and the support its plan receives from its members. In order for a plan to become reality, it must be funded. In order to be funded, it must be expressed in priorities. Likewise, if what receives funding is not really a priority of the congregation, the financial tail will end up wagging the dog.

The financial tasks in preparing the budget are to estimate income, allocate anticipated resources, and to ensure that income and allocations balance.

### Estimating Income

There are many streams of giving which enable members to financially contribute to the life and witness of a congregation. The regular offerings of members continue to be the primary source of income for most congregations. There are several ways to estimate this income. One of the most effective is to conduct an annual stewardship emphasis in which members make "pledges," "estimates of giving" or "financial commitments."

Some stewardship enlistment (pledge) programs, such as Consecration Day, do not allow the budget to be presented to the congregation until after all pledges are received. Other programs use the budget as a part of the pledging program, which must then be adjusted to match the actual pledged amount.

Another method of estimating income is to look at the previous year's income and forecast growth or decline based on membership growth or decline, economic factors in the community, inflation, etc. While this method has some base in reality, it is often subject to failure from overly optimistic or pessimistic calculations.

Another method is to estimate the giving potential of your congregation. For example, if your congregation is in a community where the average "family" income is \$40,000 a year and your membership is typical of your community, you could project an income of \$60,000 if all 50 giving units in the congregation gave three percent of their income. If they gave five percent, the income would be \$100,000. If the entire membership tithed (10 percent), the income would be \$200,000.

The giving potential of a congregation is just that, giving potential. It cannot be assumed that a congregation will realize its potential in actual giving. In addition, no congregation has a membership all of whose income reflect the average family income of the community. Giving potential can be a good measure of what a congregation could do, but it should not be used to estimate what a congregation will do.

In addition to members' offerings, other sources of income need to be considered in estimating the income. Does the congregation receive income from interest or dividends? Fees charged? Special contributions? Sale of assets? Special fund-raising activities?

### Allocating Anticipated Resources

The budget must deal with the financial demands that arise in the whole program of a church; therefore, all functional departments/committees are involved in planning the budget. Each program area of the congregation that receives budget funds needs to prepare its askings. In a small membership congregation, committees or departments may or may not exist. Persons responsible for the different areas of the congregation's life may be responsible for planning the budget.

Just as the congregation needs to prioritize, so does each area of the congregation's life. Each department or area should figure the amount needed to carry out its goals and priorities, and these should be submitted to the body charged with developing this aspect of the budget.

If the congregation has clear priorities and goals, and if each department or area in the congregation has estimated the cost of doing its work well, the allocations process will be much simpler. Prioritizing means that some things **will be done!** It also may mean that other things won't. Very few congregations can do everything they would like in a given year. Every budget request cannot be funded. The presence of clear priorities and goals will establish the funding allocations. High priorities are funded, non-priorities are not.

The goals and priorities must be the goals of the entire congregation. They must not be the goals of only a limited group! All functional departments should be involved as the budget is finalized.

### **Phase Two – Budget Management**

No one has ever created a budget that perfectly matched the actual income and expenditures in a given year. A good budget may come close, but there are always discrepancies. These discrepancies create the need for the "compare" phase of budgeting.

The difference between the actual figures and the budgeted figures is called a variance. If actual income is higher than the budget, or actual expenses are lower than the budget, a favorable variance is created. If actual income is lower than the budget or actual expenses are higher than the budget, the result is an unfavorable variance.

The terms favorable or unfavorable variance relate only to the budget. They do not necessarily reflect a favorable or unfavorable situation for the congregation. For example, the July financial statement of a congregation shows a favorable variance of \$500 for utilities. The actual utilities cost \$500 less than the budget estimated. However, if the reason for the favorable variance is that on the first Sunday of July the air conditioning unit for the sanctuary went out and has not been repaired and consequently the utility bills have been much lower than expected, the variance does not reflect a favorable situation for the congregation.

Or, let's say that a congregation shows an unfavorable variance of \$150 in the Christian Education Department. Is that bad news? Not if Vacation Bible School had a record attendance, and the \$150 was spent on additional curriculum, arts and crafts supplies and refreshments. That is, in fact, a favorable situation for the congregation.

A variance is never a problem or a blessing per se. It is only a sign, a signal pointing to something else that must be examined. By regularly comparing the actual figures to the budget figures, a congregation can identify a potential problem and take advantage of potential good news as soon as possible. It is better stewardship than waiting for a catastrophe or allowing an opportunity to pass by unnoticed.

### **Phase Three – Budget Adjustment**

In a congregation that has not monitored the budget and actual expense, this phase is sometimes called budget “despair.” It need not be. There is no formula or textbook solution about when action should be taken or what type of action is required.

The most important action in repairing the budget is to understand the nature and cause of the variance. We need to ask, “**WHY?**” If trends are understood and recognized, then preventative action can be taken to avoid a real financial crisis.

### **Types of Budgets**

#### **The Line-Item Budget**

When most of us think of a budget, we picture a line-item budget. It lists by the dollars to be spent on each item – salaries, utilities, outreach, Christian education, evangelism, stewardship, etc. Each line is carefully listed, costs estimated and the amounts budgeted.

The line-item budget is the basic budget. Even if other budgeting techniques are used, the congregation will eventually need to develop a line-item budget to show the dollar amount available to each area. This type of budget is essential for accounting purposes.

#### **The Narrative Budget**

Communicating the budget can become essential in helping congregations understand what their offerings accomplish. The budget can be an interpretive tool for the ministry and mission of the congregation.

Your congregation's budget is a story that is to be shared within your congregation and beyond. Unfortunately, the story is often difficult for people to see when the budget is presented only within the format found in annual reports and line-item budgets. Many persons find those financial statements to be a maze of figures rather than an expression of ministry.

Narrative budgets effectively represent the witness of your congregation by providing a clearer picture of the mission and ministry realized through your church's offerings. It is an invaluable educational tool.

For example, the line-item budget for your congregation may show very little funding for worship. But is that accurate? A narrative budget takes all the costs for all aspects of anything related to worship and shows the real amount of money directed toward worship. The percentage of the minister's time that is spent in preparation and leadership of worship, the cost of utilities for worship, the cost of paper for worship bulletins, music for the choir and custodial time are all a part of the real cost for Christian worship in a congregation.

The narrative budget often results in an increase in giving. People know how their money is being used to help others. They want to be a part of the vision of mission the congregation has set.

When members of your congregation see that their budget addresses real needs in the lives of people, and that their involvement and contributions are of significant value in supporting such mission, they are more likely to be generous in their giving.

### **The Zero-Based Budget**

The zero-based budget is a budgeting process that asks every department in the church to start from scratch in its budget requests. Previous years' budgets are not to be used as a basis for analyzing the needs for the next year's budget. Zero-based budgeting mandates that every item is justified, not simply repeated from the previous year's budget.

This process for budgeting keeps a department from doing the same old things and using the congregation's money in the same old ways. It is a very helpful process when the department wants to carefully examine its program and expenditure. However, zero-based budgeting is extremely difficult for a congregation to do! The process of seeking information is a time-consuming step. It is much easier to simply rely on information available from the previous budget. Zero-based budgeting is a helpful tool, but is not necessary in all congregations or departments, nor is it necessary every year.

### **The Cash-Flow Budget**

The line-item budget is based on a fiscal year. The premise is that at year's end, income and expenses will match. However, in the day-to-day operations of a congregation, income and expenses seldom match on a monthly basis.

A cash-flow budget is a way of projecting income and expenses month by month. It can also be used to discover if, when and where a cash shortage might exist in the coming year. Income and expenses are projected beginning with the first month (including the balance from the previous year) and the projected balances are then carried forward to each new month. An effective cash-flow budget requires information from all areas of the

church. Dates of past expenditures may give some guidelines, but all major expenses – mortgage, insurance, special programming – should be confirmed.

For example, if a congregation's offerings drop during the month of July when several large expenses will occur, a cash shortage is likely. By projecting a cash-flow budget, the shortage becomes obvious months in advance, and the congregation can take action. The church might make arrangements to change the date of the expense payments, or it might escrow funds from the previous year to meet the expenses, or it might make arrangements for a short-term loan.

### **The Stewardship Department's Budget**

The budget requests for the stewardship department should be treated like that of all areas of the congregation. The budget requests will be based on the program the department chooses to carry out. A three-year planning cycle, not set in stone, but thought through will make the process of creating the stewardship department's budget much simpler.

Some items may be included in the stewardship department's budget or in a general administration portion of the budget. Such items include offering envelopes, bonding of financial officers and the annual audit expense. It is, however, the responsibility of the stewardship department to make sure that those budget items appear somewhere, and that the amounts listed are adequate to do the job.

Two major categories should appear in the stewardship department's budget. The first is the annual stewardship-enlistment program (pledge program). All costs for the program should be included here – stewardship theme material, dinners, training events, speakers, basic program guides.

The second area of the stewardship budget is stewardship education. If it is not budgeted, stewardship education will have a very difficult time being implemented. The program should determine the budget. What would you like to see happen – education with children? Youth? Adult? Special retreats? Video resources? A will's seminar? Guest preachers? Let the budget be a witness to what you would like to see happen in stewardship.

### **B. Principles and Procedures for Handling Money**

As church members make offerings to God through the congregation, they entrust those offerings to their leaders. From the moment an offering is made until it is spent for its intended purposes, the leaders of the congregation are responsible for what represents a portion of the members' lives and livelihood and, spiritually, is God's money. To fulfill this stewardship adequately requires use of good systems and careful selection of individuals to do particular tasks. The ushers, counters, financial secretary and treasurer must be part of a system that upholds the members' integrity. Likewise, the system must protect the church's funds from misuse or mishandling.

## **Principles**

Four basic principles are imperative for every congregation in the handling of its money:

1. **Offerings should never remain unattended in the chancel, church office or elsewhere.**
2. **Counting of money should always be done with two or more persons present who are not related.** This is not to suggest that any individuals are not trustworthy, but to protect them from suspicion. It also provides a double check on accuracy.
3. **Persons who handle money should not be those who have responsibility for keeping records.** Separation of the functions is another way to protect personnel as well as to support orderly procedures.
4. **All money should be banked as soon as possible.** Church offices and even church safes are vulnerable to thievery, and no person should be expected to keep church funds at home. Most banks provide facilities for night and Sunday options.

## **Record Keeping**

Some congregations have computerized their financial record keeping; others prefer to maintain a system in which the records are kept manually. The following information describes basic procedures for either system.

**The Counters:** Two specifically selected individuals should count the money the day it is received, each counting all funds as an accuracy check on the other. They should record on a counting form the amount of loose offerings, all checks and the amount of cash from envelopes. As envelopes are opened, the amounts enclosed should be recorded on the outside for the financial secretary's accounting and on a giving-record form. Any time an envelope contains no money or the amount is different from that indicated, a note should be written to the financial secretary. One copy of the counting record should go to the financial secretary with the opened, marked offering envelope, and the other should be filed in the church office. The counted funds should be deposited in the bank as soon as possible, either by the counters or by the financial secretary.

**The Financial Secretary:** The financial secretary's responsibility is to keep an accurate record of the sources of all offerings and give proper credit to each identifiable donor's account. The financial secretary should be given a copy of the counter's report, the envelopes with amounts recorded thereon, a giving-record report, a note concerning any irregularities and a duplicate bank-deposit slip (if funds were banked by the counters). If irregularities in contents of offering envelopes are discovered, donors should be contacted within the week to eliminate later misunderstandings caused by conflicting records.

### **The importance of providing gift receipts to contributors**

At least quarterly, the financial secretary should prepare individual records for each donor. Previously, the documentation needed to deduct cash contributions (including by check and credit card) on an individual's income taxes depended on whether the amount was less than \$250. If under \$250, recordkeeping was minimal; if \$250 or more, the taxpayer had to have a written acknowledgement from the charity that included certain information.

**All** cash gifts, regardless of amount, must be substantiated by a bank record or a written communication stating the charity's name and the amount and date of the contribution. In addition, self-created records (such as logbooks), which previously could be used to document small donations, will not be accepted.

Essentially, this new rule will probably encourage contributors to make most donations by either check or credit card, as the cancelled check or statement will satisfy the requirements.

Although the burden of proof is still on the individual taxpayer to substantiate the deductions they are claiming for gifts to charity on their tax return, charitable organizations can take the initiative to be ready to provide receipts or acknowledgements for every cash contribution no matter the size. A good practice for these organizations would be to provide receipts or acknowledgements for every contribution rather than only if a giver requests one.

The following paragraph should be included along with the reports.

*"Federal regulations require us to state that we have not provided you with any goods or services in exchange for this contribution. Please retain this document for your records. It is an important document necessary for any available federal income tax deduction for this contribution.*

*We have provided you with only intangible religious benefits and, consistent with the tenets of our faith and practice, only incidental tangible benefits."*

As these are mailed, there is an opportunity for the stewardship department, board chairperson or pastor to include a letter interpreting church program progress and expressing appreciation for the member's participation. When the pledge made by each contributor is confirmed, the letter should also:

- Include the number of the offering envelope set (if envelopes are used), asking that any discrepancy between the record and the number on the envelope be corrected;
- Request each contributor to sign the envelope, at least for the first several weeks, to assist in ensuring accuracy of the secretary's records.



A summary report of receipts covering pledges, loose offerings and other funds should be made at each regular meeting of the congregation's board.

**The Treasurer:** The treasurer seldom sees the money in any form except the checks he or she writes to meet the congregation's obligations. However, he or she should receive copies of all deposit slips and record all deposits and expenditures. Many expenditures are routine and may be paid by the treasurer on the authority of the congregation's board. Other items will need board approval before payment. Your congregation's policy determines which procedure is to be followed. In general, it is wise for the board to authorize as many expenditures as possible for routine payment and charge them against the respective budget accounts. These include salaries, pensions, debt obligations, utilities and operating supplies if an invoice has been received. Much confusion can be avoided if payment is made not on a statement but only upon receipt of an invoice.

**Confidentiality** doesn't mean secrecy. It does mean that only those few persons in a congregation who need to know something about the records of individual pledges should have access to them. The pledges and giving of individual members of the congregation should never become coffee-hour conversation.

**Preserving Financial Records:** Care should be taken to preserve the records of the financial secretary, the treasurer(s) and the annual audit for a period of at least five years. A copy of the annual audit should be kept at some place other than the church (in case of fire or other destruction), such as a safe deposit box at a local bank. All invoices, vouchers and cancelled checks should be included with the records for the respective year and preserved in a safe, dry place. The chairperson of the stewardship committee, the secretary of the board and the pastor should know where such records are kept in case they should be needed for later reference. Each year, the oldest set of records should be destroyed under the direction of the stewardship chairperson.

### **Bonding Officers**

Bonding of its officers is a precaution that the congregation should consider in its corporate stewardship. In effect, bonding buys insurance on the officer's reliability and assures the congregation that finances are being handled correctly.

Some congregations are reluctant to bond persons handling finances, believing that the church should not question the integrity of any of its leaders. Unfortunately, irregularities in the handling of church money occur often enough that a congregation cannot ignore that possibility. If the officers are not bonded, the congregation should be ready to safeguard both the money and the individuals who handle it. This should include an annual audit.

In the secular world, persons who handle money are usually bonded. Bank employees, treasurers of organizations and some accountants are bonded. Within the church, many employees of OGMP Treasury Services, the Christian Church Foundation, Church

Extension, the Pension Fund and other organizations and units are bonded. Most responsible persons who deal daily with financial matters would not work for an organization that would not bond them.

There are a variety of bonding patterns. In some instances, the person is bonded; in others the position is bonded so that a change of personnel does not require a new bonding contract. There are also group bonds that cover all who handle money.

The cost of bonding will vary greatly, depending on the number of persons involved and the amount of money handled. The best place to begin seeking information on bonding is with your congregation's local insurance agent. For a small premium, bonding can often be added as a rider to the congregation's current policy.

### **Types of Financial Examination**

Small congregations handle thousands of dollars annually, and many large congregations process a greater volume of money than some thriving businesses. Finances of that magnitude demand careful and effective management, especially when entrusted to volunteer treasurers, financial secretaries and other officers.

All financial records and reports should be examined annually, both for the protection of the congregation and those responsible for handling its funds. Ideally, every congregation should have an outside professional audit. It is the best way to ensure the accuracy of the financial records and to protect the integrity of the persons who handle the funds.

### **Audits, Reviews and Compilations**

The term "audit" is often used to apply to any examination of the congregation's financial records. Actually, an audit is one of three types of reports that an independent accountant may issue to the congregation. A review is the second type, and a compilation is the third.

**Audits:** An audit is the most comprehensive and expensive process. The two identifying characteristics of an audit are: specific testing of records and a stated opinion by the auditor or auditing firm. Specific testing means that specific items are tested and verified. Transactions are followed from the beginning to end. If the congregation says that it has \$5,000 invested in a bank account, the auditors require a letter from the bank verifying that amount. Specific expenditures are tested to make sure that the funds were used as stated. Not all transactions are tested, but a thorough, representative sample is used.

The second aspect of an audit is the opinion of the auditor or auditing firm. The opinion states that the financial statements are presented in accordance with generally accepted accounting principles. In other words, the auditor risks his or her professional reputation on the accuracy of the financial statement. If the audit is used as a basis for other financial agreements (such as a loan) and the financial statement is in error and jeopardizes the other financial institution, the auditing firm may be held legally responsible.

**Reviews:** A review is a process that examines the overall financial records to see if they appear reasonable. A review does not include a detailed examination, as an audit does, nor does the auditing firm offer an opinion. However, the accountants do issue a statement that they are not aware of any material modifications that should be made to the financial statements. The cost of a review is about 40 to 50 percent less than an audit.

**Compilations:** A compilation includes no testing. It assesses the financial statement from a bookkeeping point of view. The cost of a compilation is about 75 percent less than that of an audit.

Each procedure mentioned above may be helpful to a congregation. A congregation which has no history of evaluating or examining its financial records may want to begin with a compilation and move the next year to a review or an audit.

**Benefits of an Outside Accounting Firm:** An outside accountant supports the financial integrity of the congregation and the persons responsible for handling the funds. In addition, an outside accountant can provide expertise that may not be available in the congregation. An accountant can advise the congregation and keep it abreast of trends and changing situations in tax law and other legal areas. (This is particularly helpful for congregations who also administer preschool or special programs.)

Accounting firms can also help the congregations establish or revise a financial accounting system. Their services are usually available at an hourly rate and can be independent from an audit, review or compilation.

**When to do an Outside Audit:** Ideally, a congregation should have an outside audit each year. If this is not possible, here are some guidelines for times when an outside audit is especially needed.

1. When a treasurer or financial secretary is being replaced and records are being turned over to his or her successor. The audit is a protection for both individuals.
2. If, for any reason, the integrity of a person responsible for handling funds is called into question. The audit is the only documentation for this person's integrity.
3. If the integrity of the congregation's financial status is called into question.
4. If the congregation's system of handling money is questioned.
5. If a financial institution requires an audit before making a loan.

**Choosing an Auditing Firm:** Finding the right accounting firm may seem complicated. It need not be. Call your state association for certified public accountants and ask for a list of firms in your area that may have a specialty in non-profit, church, or fund auditing. Once you have the names of a few firms, you will need to interview them and receive bids. All firms will ask to see the congregation's financial statement and talk with you about the complexity of the congregation's accounting system.

The cost of an audit will be determined largely by the complexity of the congregation's finances, competency of personnel and by the accounting market in your area. If there is a CPA in your congregation who works for an accounting firm, you might inquire about a more favorable rate for the congregation. Always get estimates from several different firms of certified public accountants.

**In-House Audit:** A larger congregation will probably employ the services of an outside professional auditor. A small congregation may ask the stewardship department to select an auditing committee of competent laypeople to do the task.

The auditing committee should not include individuals who have been involved in handling funds or keeping records, nor should members of their families be selected.

A good book on audits for non-profit organizations would be most helpful.

### **Guidelines for an In-House Audit**

If your books must be audited by a non-professional committee, here are some guidelines.<sup>2</sup>

#### **1. Income**

- a. Check how money is received (Sunday offering, mail, office) and what happens to it before it is deposited. Who handles, counts and deposits it? Is a timely deposit made?
- b. Compare the entries in the cash-receipts journal with deposit slips and counters' reports.
- c. Compare the financial secretary's monthly report with the treasurer's report.
- d. Check to see if designated monies were used for their intended purposes.
- e. Verify income from each regular contributor through a year-end statement. This will also serve as an inducement to meet pledges not yet paid.
- f. Send confirmation letters to verify bank balance.
- g. Investigate non-sufficient fund checks and other items charged back by the bank.
- h. Investigate any checks outstanding for more than 30 days.

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<sup>2</sup> Reprinted from Accounting Systems for Churches, Financial Recording and Reporting, Augsburg Publishing House, 1984, pp. 54-55.

i. Prove footings in the cash-receipts journal.

**2. Expenditures**

- a. Prove footings in the cash-disbursements journal.
- b. All checks listed in the cash-disbursement journal should be made with pre-numbered checks. The number, date, amount, payee and accounts should also be listed in the journal.
- c. From the cash-disbursements journal, trace the entries to the general ledger for proper recording.
- d. Determine who authorizes expenditures. Is there sound budget control?
- e. Examine payroll records. Has the treasurer complied with government regulations about social security taxes, unemployment insurance, worker's compensation insurance, income tax withholding, and other state and federal requirements?
- f. Account for all checks used.
- g. Check how expenditures are made. Who determines payment? Who schedules Disciples outreach payments?
- h. Reconcile the bank statement.

**3. Petty-Cash Funds**

Check for control of petty-cash funds. Examine disbursement vouchers.

**4. Debt Retirement**

Debt balances to all lenders should be verified in writing. Examine loan conditions and repayment schedules.

**5. Insurance Policies**

Check policies for limits (coverage, premium, and payment terms) and expiration dates.

**6. Saving Certificates**

Check amounts, interest and conditions of all saving accounts.

Having the auditing committee examine every entry in the records and every document supporting those entries would involve a tremendous expenditure of time. Such a thorough examination is not feasible. The committee is primarily concerned about control and accuracy. When internal control centers on one person, the risk for problems is high. More than one person should count the offerings and make the deposit. Records of individual contributors should not be kept by the person who writes the checks. It is the auditing committee's responsibility to check all procedures of internal control and suggest corrections, if needed.

Instead of going through every item in detail, the committee can check the accuracy of financial records through tests and samples. To test the financial records means to examine a part of or a sample of all the financial transactions to determine accuracy. By

examining a part of the records, the committee can draw conclusions about the whole set. Random and stratified samplings are some of the judgment devices used by professional auditors.

In random sampling, the committee decides the size of its sample and tests the entire population. For example, the committee may wish to examine 50 checks out of the 500 that were written, randomly selected. They could establish guidelines that check the disbursement journal and check in detail all transactions in a random manner.

In stratified sampling, the material is divided into groups. A guideline for stratified sampling might read: The committee will examine all expenditures of more than \$150 and five percent of those less than \$150 in the months of September and July.

When samples detect numerous or serious errors, the committee will want to determine the nature of the error and whether to increase its sample or use other procedures.

The auditing committee report to the church council should be complete, fair, and confidential. (Suggested written format for such reports may be found in any auditing textbook.) Errors in recording and reporting are not necessarily indicators of fraud. Many church treasurers are untrained and give of their time only after much coercion. A kind word and a helpful suggestion will go a long way in improving their skill. When properly done, the annual audit signals to the congregation that their leadership takes its stewardship responsibility seriously. The auditing report should be oral and written so that a legal record is at hand in case of later examination.

### **C. Funding Major Capital Expenditures**

That new building project or major renovation will likely take more money than a Sunday school class or Disciples Women group can raise in next year's ice cream social. Even the proceeds from the CYF Saturday afternoon car wash will not be enough. Whether it is remodeling, construction, or relocation, most congregations experience "sticker shock" when the cost estimates arrive. "How are we going to pay for it?"

Rarely is a congregation able to fund a major capital expenditure from its operational income. Most churches simply can not afford to put away extra money in a building fund or add a major monthly mortgage payment to the general fund. The answer: a capital campaign.

#### **Capital Campaigns**

A capital campaign seeks gifts that are over-and-above regular giving -- special gifts for a special project. By receiving pledges for capital that are separate from general fund expenses, a congregation can take advantage of the special type of giving received through a capital campaign. You will not receive more than token over-and-above gifts unless you conduct a special effort to solicit them.

Capital giving is unique and distinctly different from regular giving. For example, individuals that contribute to the on-going operational fund of the church typically do so from their regular income. But gifts for capital are often made not only from regular income but also from accumulated resources. It is not unusual for over half of the money received from a special campaign to come from members' accumulated wealth. Special projects generate special gifts.

### When to Conduct the Capital Campaigns

Once the congregation recognizes the need for building improvements, construction, or renovation, a proposal should be developed by a committee representative of the entire congregation. The proposal needs to include: a description of the project with sketches or plans; estimate of costs; rationale for the project; timeline; and a plan of financing. Once the proposal has been discussed and formerly approved, you are prepared to start a capital campaign.

It is best to conduct the capital campaign during the opposite season of the year than when the operational budget is being underwritten. This highlights to contributors that capital giving is, indeed, over-and-above regular giving. Therefore, for the congregation that conducts its stewardship emphasis in the fall, the best time for a capital campaign is the spring. Conversely, if your congregation underwrites its budget in the spring, a fall capital campaign is best.

If capital pledges are received at the same time as operational pledges, members are tempted to simply divide their gift and the likely loser is the general fund. Operational and capital pledges may be received at the same time only if capital needs are relatively small or there has been an established pattern of capital pledges for several years.

### The Effect of a Capital Campaign on Operational Giving

Rarely does conducting a capital campaign have a negative impact on operational giving. In some cases operational giving the year following a capital campaign will be flat, particularly if the congregation raises a significant amount for capital. However, many congregations actually experience an increase. The increased participation and investment in the congregation through a capital campaign often has a positive long-term impact. Capital improvements enthusiastically supported by a congregation can ultimately increase the entire level of giving to the church by providing better facilities, more programs, and greater involvement. While a capital fund drive will not solve major internal problems or revive the dead, it can be a major educational focus on stewardship that will have positive long-range results.

### Campaign How-Tos

A capital campaign is a concentrated effort for a short period of time. Rooted in mission and vision, a capital campaign marshals the resources of the congregation for personal solicitation. It must begin with a clear purpose. Donors want to be told what it is they are being asked to support; they want guidelines illustrating what it is they are being asked to consider. A range of gifts that illustrate the number of gifts needed at various levels will allow the donor to see how his or her gift fits into the whole.

People give because they want to invest themselves in a truly worthwhile purpose. Members must “buy into” a project spiritually before making a contribution. A capital campaign is merely the process whereby we organize ourselves and commit to a shared vision, a common goal.

Fund-raising services are available to Disciples of Christ congregations from Church Extension at a nominal fee. There are numerous commercial fund raising companies, but their fee is considerably -- approximately 10 times -- higher than Church Extension's. The role of a fund-raising consultant is not to solicit. It is to organize, encourage, facilitate, provide an organized procedure, and maximize the effectiveness of volunteers. Here is Church Extension's capital campaign philosophy:

- The campaign is a spiritual act of the congregation, as well as a financial responsibility. Thus, the campaign should be part of the prayer and devotional life of each member.
- Maximum involvement and education of the congregation is essential. Involvement is the best way to increase ownership in the project. Fifty percent of the congregation's participating membership involved in the campaign process is a worthy goal; 75 percent is recommended.
- Members of the congregation are the leaders of the campaign. Church Extension consultants primarily provide advice, counsel, training, and materials.
- The campaign promotional period should be a high priority for a short period of time.
- All members should be given the opportunity to make a financial commitment.
- Twenty percent of the anticipated pledging units will need to contribute 50 to 60 percent of the goal. A special effort to encourage significant pledges is crucial.
- Pledges are best achieved from a combination of personal and group contacts.
- Individuals should be challenged to make a gift based upon their ability and commitment, not upon an average needed to achieve the goal.
- Youth should be encouraged to participate in the campaign process and challenged to make a gift based upon their ability.



- A committee appointed to monitor pledges and provide follow-up during the campaign payout period is essential.

### How Much Can We Raise?

The amount a congregation is able to raise from a capital campaign varies according to the nature of the project, financial resources of members, health of the congregation, members' understanding and acceptance of the cause. Most Disciples of Christ congregations generally raise one to one and one-half times their annual operational income in three-year capital pledges. In some instances, such as construction of a new sanctuary, congregations raise over two times their regular annual giving.

### Handling Capital Campaign Money

It is critical that gifts to capital projects remain separate from regular income. Church Extension recommends that a different treasurer be appointed for the capital funds. This avoids extra work for the regular treasurer and makes it clear that the capital contributions are over-and-above giving. Separate offering envelopes are also recommended. This makes it easier to keep track of the capital offerings and clearly separates them from other giving.

Reporting gifts should be done in two ways. First, regular updates should go to the congregation and the church's board reporting the amount of pledges and cash received-to-date. For a three-year pledge period, the cash received should be reported from the beginning of the pledge period to date. Second, reports should be made to donors at least quarterly. All donors need to be kept informed of their giving. Some donors simply forget to note what they have given. Some will fall behind without reminders.

### Financial Capital Projects

"A congregation is not healthy unless it is in debt." This is an oft-quoted statement that suggests that a congregation should always seek to be in debt if it is to remain healthy. However, the statement taken by itself is not only misleading, but frequently incorrect. Debt and church vitality are not so much cause and effect as by-product of a state of being. This is to say, taking on debt cannot bring about vitality. However, vital congregations are frequently indebted.

A vital, growing congregation often requires larger and more usable space, more adequate furnishings, or transportation equipment. Rather than waiting until funds have been raised to cover the total cost of the capital project, a congregation may choose to borrow funds and repay the loan over some extended time period.

Even for major capital projects, it is suggested that a congregation not borrow more than can be repaid in a 15-20 year period. The reasons for this suggestion are many. However, there are three key reasons that should be considered:

1. Membership within a congregation changes significantly over approximately 15 years. It is more difficult to interest new members in underwriting a debt that the congregation is already saddled with and older members move, die or simply leave the congregation. Thus, a long term debt can become a difficult burden if continued for significant periods of time.
2. A long-term debt can inhibit future capital projects. If a congregation is growing or needs updated facilities, an existing debt reduces the congregation's capacity for new debt, and therefore diminishes the scope or delays the project. Either of these situations can have substantial negative result.
3. The amount that payments can be reduced by extending the payout period becomes insignificant beyond 20 years. Thus, while a congregation, in order to have greater borrowing capacity may choose to lengthen the amortization to 20 years, beyond this time frame payments are reduced only nominally. Further, beyond 20 years, interest paid over the life of the loan greatly exceeds any benefit from reduced payments.

A portion of any capital project should be underwritten from the outset. One suggestion is that a congregation should not borrow more than 75% of the cost of the project. While others may suggest that a higher percentage is acceptable, some equity interest is always desirable. Lenders typically limit financing to 75% of total costs, up to 90% depending upon the nature of the project.

Funding the loan payments of a major capital project frequently requires a capital campaign. A campaign is an important indicator for a lender in its evaluation of the congregation's ability to repay the loan, and more importantly the amount of loan for which the congregation may qualify.

Usually, a congregation may borrow up to one and one-half times the amount of building funds that can be raised over a three-year period and repay it in 10-15 years. In some instances, such as construction of a new sanctuary, congregations may borrow up to two times its fund raising results and secure a 20-year loan.

Approvals for projects and for borrowing should be received from the church governing board and congregation. In some instances, approval from an area or regional body may also be required. Although a simple majority may be legally required, a congregation is generally wise to delay borrowing until a resounding majority is in favor of the action. A favorable vote of at least 75% of those attending a generally announced congregational meeting is a good rule of thumb. Without such support, there is risk of divisiveness that could undermine both the project and the congregation.

Debt service -- payments of principal and interest -- should be kept in balance with other congregational activities. It is typically recommended that a congregation should not allocate more than one third of its total giving to debt service, the balance being divided between local operations and outreach activities. Excessive debt can become burdensome and rob resources from mission and ministry.

Sources of borrowing and available terms are two key factors to consider when finalizing capital plans. Generally, lending sources fall into four categories: local lenders, bonding firms, members and denominational bodies.

1. Local lenders can be good sources of funding. Being in the community, they may know something about the congregation and its members. Face to face discussions are often helpful, and proximity makes this more convenient. Further, the administrative details of applying, responding to questions and executing documents are facilitated.

However, many banks and savings institutions do not fully understand the nature of a congregation's funding. Nor are they comfortable with debt service being dependent upon charitable giving. Thus, unless the congregation has a substantial track record, the local bank may not be excited about working with the congregation. In some instances, the institution may require individual members to sign the congregation's note, thereby assuming personal responsibility for repayment of the loan.

2. There are a number of bonding companies which specialize in church capital funding. A bonding company establishes a contract with a congregation to underwrite the funding of a capital project by issuing mortgage bonds, secured by an indenture or mortgage on the church property. The bonds are then sold to members and friends of the congregation for specific rates and terms. Bonds not sold in this manner are then offered to the public.

Frequently, the effective interest rate that a congregation pays will be higher than rates available from local lending institutions. Further, the mortgage indenture will place a lien on the first receipts of a congregation, meaning that funds are not available for operational costs or mission until the monthly bond payment is paid. Finally, although bonding companies are open to lending for periods longer than ten to fifteen years, there are rarely prepayment privileges, except at specific prescribed dates. Thus a congregation loses some of its flexibility to manage its financial affairs in the interests of its ministry.

#### **Ten factors to know when considering church bonds:**

- 1) Bond repayment arrangements may be more restrictive than other forms of financing.
- 2) Demand by bondholders for early redemption can pose financial difficulties.

- 3) A congregation may find a decision to prepay or retire bonds early prohibited or subject to penalties.
- 4) If a congregation needs additional borrowing for capital needs, securing further funds may be more difficult.
- 5) The sale of church bonds by members can subject them and the congregation to additional legal risk.
- 6) Decision making may be more difficult when a church has financed through the sale of bonds.
- 7) Bonds may limit a congregation's options in times of financial difficulties.
- 8) The actual cost of bond financing, particularly because of underwriting costs, is generally greater than the stated rate of the bonds.
- 9) The timing of bond payments also can increase the cost of financing.
- 10) Bonding companies are not created equal.

For additional information contact Church Extension and ask for “The Planning Guide: Church Bonds are Not for Everyone.”

3. A number of denominations have lending bodies to assist congregations with capital financing. Church Extension is the ministry of the church which offers loans to Disciples of Christ congregations for capital projects. Loan rates are typically at or below market rates. One of the advantages of borrowing from Church Extension is the understanding Church Extension consultants have of the financial dynamics of congregations. Loan commitments are based upon the congregation's ability to repay instead of land and property values. Also, loans are made to congregations (occasionally Regions/Areas on behalf of a congregation) and personal guarantees from individuals are not required. Current loan information is available by contacting Church Extension.

## Loan Terms

Terms of a loan are important factors in the evaluation of borrowing options. All interest rates are not created equal. The actual cost of a simple interest loan of 10% is not the same as a 10% discounted note for like term. Thus, it is important to understand the proposed loan terms and know the true cost of borrowing.

1. **Interest rate:** Of course, the lower the interest rate, the better. However, when comparing interest rates that are very similar, how interest is calculated may also be an important factor. Is the loan based upon simple interest--meaning that

interest is calculated only on the unpaid principal balance? Or, is the interest to be discounted at the date of funding, which raises the effective rate? Or, does the loan provide for interest to be paid for the full term regardless of when the loan is repaid? One may find any of these options, depending upon the lender. The best option, however, is a simple interest loan.

2. **Repayment options:** One should always try to negotiate a loan with no prepayment penalties. This allows the congregation to pay off the loan more quickly than required. Coupled with simple interest, this option provides the best way to minimize interest costs.
3. **Payment frequency:** For simple interest loans, it is better to negotiate a monthly payment. The reason is that as payments are made, the principal balance is reduced. And, it is the principal balance on which interest is computed. If, for example payments were made annually, the principal would be reduced less frequently, thereby leaving a higher balance for a least eleven months of the year on which interest would be charged.
4. **Fees:** Many lenders charge either commitment or closing fees. Some charge both. Such fees are designed to defray loan initiation costs incurred by the lender.
5. **Amortization:** This term simply means the period of time over which the loan is to be repaid. Although a shorter amortization requires higher payments, it will also result in a significantly lower interest cost over the life of the loan. Better that giving should go for ministry than interest.
6. **Collateral:** For large capital projects, virtually every lender will require collateral. Most prefer a First Mortgage of Deed of Trust given by the title holder of the church property.

Debt, if used wisely, can be an effective tool for enabling a vital congregation to provide quality facilities and equipment for ministry. It may even be an effective symbol of growth and vitality. However, if used imprudently, debt can diminish program and outreach, and threaten the vitality of a congregation. Debt cannot bring vitality. The vital congregation, however, has learned to use debt to its benefit, as it seeks to be faithful to its calling.

#### **D. Managing Accumulated and Permanent Funds**

A question that often arises in a congregation relates to the management and investment of its money. We have already touched on this subject in a previous section of this chapter, as part of the discussion on financing capital campaigns. Here, we will consider it in more detail and as a general topic not related specifically to capital expenditures.

A checking account at a bank is sufficient to handle the week-by-week giving to the operating budget. It sometimes pays to look into the possibility of having these funds placed in a money-market savings account that can earn daily interest. If there are several banking institutions in a community, compare charges and interest rates, as they vary widely.

Congregational funds that are held longer (such as memorial and permanent funds in which only the fund's earnings are to be used) should be invested to earn more income than most checking or savings accounts provide. The congregation will need to decide if it wants fixed income on such investments or if it wants to achieve both income and growth to the principal. It will then be in a position to choose between certificates of deposit, for example, or balanced mutual funds.

As service to the church, the Church Extension and the Christian Church Foundation offer investment opportunities for congregations in management of capital and permanent funds. Church Extension offers fixed-income investments that pay rates comparable to those at commercial banks and savings institutions. The difference is that investments with CE are used to make loans to congregations and church organizations for new church starts, capital repair, etc. That is, the investment is put to use for the church's benefit. The Christian Church Foundation offers a series of investment opportunities aimed at growing permanent and endowment funds to keep them inflation-adjusted while at the same time providing dollars to be spent for ministry. Through the Joint Investment Trust, several opportunities exist, each with stated investment goals and objectives. The individual investment opportunities available through the Trust are invested in a mixture of stocks and bonds (domestic and foreign), professionally managed based on guidelines established by the CCF Board and set within the corporate-responsibility guidelines of the total church. Through long-term investing, these investment opportunities provide dollars for ongoing ministry and potential growth of principal in line with the general inflation rate, thus maintaining the real value of the initial funds.

These investment opportunities are discussed in further detail in Chapter 5.

## **Chapter 2: THE CONGREGATION AS EMPLOYER**

Many people do not think about the congregation as an employer. Ministers are called to service rather than hired as employees. Non-ministerial staff members are often chosen partly because of skills and partly for their loyalty to the church. Yet, congregations are employers and are obligated to follow applicable laws. In addition, it is important that congregations exemplify high standards in fulfilling their responsibilities as employers.

While the Treasurer may not be directly responsible for employment decisions and policies, it is important to be fully aware of them so that funding and reporting responsibilities may be carried out properly. Thus, the following brief discussion is intended to address key concerns regarding the employment relationships.

### **1. Establishing Personnel Policies**

Every congregation needs to develop and approve a set of personnel policies. While the policies may suit the unique needs of the congregation, it is important that such policies be in writing and communicated to all concerned. Personnel policies should include such topics as:

- a. Compensation Policy - establishing salary ranges for each position. These policies should also cover such employee benefits as:
  - 1. Pension Plan Dues
  - 2. Health Care Premiums
  - 3. Social Security Offset
  - 4. Life Insurance
  - 5. Vacation
  - 6. Holidays
  - 7. Days off
  - 8. Parental and Family Leave
  - 9. Sabbatical and Educational Leave
  - 10. Sick Leave
- b. Employment Policies
  - 1. Relationship and behavior policies
  - 2. Grievance process
  - 3. Office hours & access

### **2. Distinguishing between Employment Costs and Business Expenses**

The cost a congregation incurs for its minister(s) is more than a salary and parsonage allowance (or parsonage). However, it is important in the employment relationship to first establish an appropriate salary for the services

to be rendered. Employee benefits, which can represent a significant additional cost, need to be considered separately after the salary and parsonage allowance discussion has been finalized. Thus, the cost of employment is compensation plus benefits plus business expenses related to the minister's service. A congregation that combines these into a single amount to be distributed places the minister at a distinct disadvantage as benefit costs such as health care premiums rise faster than the percentage increase in the "salary package."

1. Compensation includes such items as salary and parsonage allowance (or parsonage).
2. Benefits include such items as pension dues, health care, Social Security offset, employer contributions to a 403(b) account and employer contributions to a Health Savings Account (HSA) or Health Reimbursement Account (HRA).
3. Business expenses include automobile or travel reimbursement, assembly registration and travel costs, professional expenses (e.g., books) and discretionary items.

When congregations lump all of the above items as a "Salary Package" and "cap" total expenses, it is often at the expense of the minister's salary. Experience shows that many ministers dip into salary to meet church business expenses or benefit costs, decreasing real income on which to live.

Ideally, budget items for the reimbursement of business expenses should be established aside from salary and benefits and capped if necessary. The minister should provide regular "contemporaneous accounting" for automobile, other travel and meals costs when requesting reimbursement. (See Sect. E,4)

### **3. Compensation Review**

Studies and experience indicate that ministers often seek relocation because of financial concerns. This can usually be avoided when the church has a plan to periodically review and adjust compensation, benefits and business expense budgets. An annual review is customary, to assess business costs and review salary and benefits in light of annual inflation and merit. Rising costs are a fact of life. Churches that neglect to take this into account ultimately pay a price for the greater stress this places on their leadership. In many instances, the church suffers financially in securing and relocating leadership.

### **4. Resources for Compensation Concerns**

Annually, the Pension Fund publishes Compensation Planning for the Church, which contains the latest salary information and procedures for budgeting a church's business expenses. Copies are sent to ministers, board chairpersons



and treasurers of every congregation. These are available as downloadable files from the Pension Fund web site at [www.pensionfund.org](http://www.pensionfund.org), or may be ordered at no cost. The Pension Fund also publishes a quarterly Bulletin containing information about taxes, salaries, healthcare and other matters of interest to congregational officers and ministers.

The Pension Fund periodically conducts workshops in general and regional assemblies on congregation compensation concerns and minister's personal finances. Contact the Pension Fund directly to schedule an event.

Another important resource is the regional or area minister. He or she is familiar with the compensation that other congregations in your geographic vicinity provide. Many problems can be avoided by discussing compensation matters with someone who frequently works with pulpit and personnel committees.

## **A. Ministerial Salary and Parsonage Matters**

### **Salary**

Salaries for church employees should be comparable to salaries in the community for positions that require similar education, experience and responsibilities. The Compensation Planning Guide, provided by the Pension Fund, contains a thorough discussion of both lay and ministerial salaries, benefits and related information for the church employer. The guide is updated annually. It is designed for use by church treasurers, board chairpersons, Personnel Committees and Pastoral Relations Committees, as well as Financial/Budget Planning Committees. Please call the Pension Fund to request FREE copies or download the guide from the Pension Fund website.

### **Parsonage**

Some congregations find it helpful and efficient to provide the minister with a parsonage in which to live while serving the congregation. This can be most helpful in communities in which real estate markets are very slow (some rural communities) or in markets in which the price of housing far exceeds the financial ability of pastors, based upon their ministerial income (some urban and coastal markets). The parsonage should be comfortable, adequate in size and in good repair. Note: If the congregation provides a parsonage, it is still advisable for the congregation to designate a portion of the minister's compensation as parsonage allowance for furnishings and utilities.

### **Parsonage Allowance**

The congregation should designate a portion of a minister's salary as parsonage allowance in the following circumstances:

1. The congregation owns and cares for a parsonage -- Designate a housing allowance to cover furnishings and utilities.
2. The congregation does not own a parsonage and the minister elects to rent housing -- Designate a parsonage allowance to cover rent, furnishings and utilities.
3. The congregation does not own a parsonage and the minister elects to purchase a home -- Designate a parsonage allowance to cover the cost of housing.

The housing allowance is limited to 1) the fair rental value of the home, furnished plus the cost of utilities; *or* 2) the actual expenses of operating the home; *or* 3) the amount properly designated by the congregation, ***whichever amount is lower***. The housing allowance must be noted in official church records (e.g., church board minutes) and must be designated ***in advance*** (i.e., by December for the following year).

The housing allowance is excluded from income tax but ministers must pay Social Security on the fair rental value of the parsonage and housing allowance. (See **Taxes and Tax Reporting, Page 41.**)

### **Housing Assistance**

There are unique situations in which the congregation may wish to assist the minister to purchase a home, which could result in income considerations. Generally these require creative funding procedures such as the following:

1. Providing a down-payment loan with a clearly defined method of repayment. (The IRS would consider this loan part of the minister's income, if the loan was provided at less than the current market interest rate.) The minister would finance most of the home with a long-term commercial loan. The congregation would provide the down-payment loan out of accumulated funds, or the congregation could borrow the funds from a bank or Church Extension. Usually, this type of loan would be repaid over a five-year period. Of course, the combined borrowing would need to be within the financial capacity of the minister.
2. Purchasing a home and selling it to the minister on a contract of sale. In order to protect both the congregation and minister, the services of a local attorney must be secured to develop the contract. The congregation could finance the purchase through accumulated resources or borrow the funds from a bank or Church Extension. To borrow from Church Extension, the congregation would hold title to

the property and provide to Church Extension a first mortgage or deed of trust.

3. Jointly provide a down payment for the purchase of a house, which the minister would finance with a commercial loan. An agreement would be reached about what percent of equity each participant (minister and congregation) has in the property. If and when the house is sold, the net receipts would be divided according to that agreement.

Each of these methods requires a signed agreement about the disposition of the property in case the minister retires or relocates before all financial obligations to the congregation have been met. Further, forgiveness of part of all of any related debt between the minister and congregation would result in taxable income to the minister. The congregation should consult an attorney and possibly a tax advisor before entering into any of these arrangements.

## **B. Employee Benefit Programs**

### **Pension Plan**

The Pension Fund of the Christian Church is an essential employee benefit program designed to provide protection for church employees, both ministerial and lay. As employers, all congregations are strongly encouraged to include all employees in this comprehensive plan.

The Pension Plan is more than a retirement program. It is a defined benefit program that also provides in service death and disability benefits. These benefits are fully funded on an actuarial basis. Ministers are vested immediately. Lay employees are vested after two years of participation in the Plan. Questions and Answers, a brochure which provides a complete description of the Pension Plan including an Enrollment Form, is available without charge from the Pension Fund and may also be downloaded from the Pension Fund's website, [www.pensionfund.org](http://www.pensionfund.org).

### **Eligibility**

1. Lay employees -- All compensated employees are eligible to participate in the Pension Plan once employment begins. As with most secular employers, some congregations require a trial period of employment for lay employees before they will contribute to the Pension Plan. However, if enrollment is delayed beyond 24 months from the date of hire, death and disability benefits are modified for five years in accordance with plan stipulations. Therefore, it is important to begin participation as soon as possible.

2. Ministerial employees -- Ministers who are not already a member of the Pension Plan and who accept a call to a congregation should be enrolled in the Plan effective with the first day of employment. Ministers who are already enrolled in the Pension Plan and who accept a call to a new location are viewed as continuing employment in the church. Thus, the new employing congregation should begin to pay pension dues effective with the first day of employment.

### Pension Plan Dues

Pension Plan contributions, called dues, are 14% of compensation. Most congregations pay the full 14% of dues on behalf of their employees. Some congregations pay 11% and the employee pays the remaining 3%. (In these situations, the 3% should be withheld from salary before taxes are calculated.)

Whenever a salary increase is granted, Pension Plan dues must be re-calculated. Salary changes often occur at the beginning of the congregation's fiscal year. The examples below can be used as guidelines for calculating pension dues on the new salaries. Additional information on calculating pension dues can be found on page 64. Pension Fund staff are also available to assist with the calculations.

When employment terminates, pension dues should be paid on compensation provided to the employee through the termination date. If vacation pay is provided beyond the last working day, pension dues should be paid on it also.

### Calculating the Dues:

Dues for **lay employees** are calculated on salary only. Divide the annual salary by twelve in order to obtain the monthly salary. Then multiply this figure by 14 percent (.14) to calculate the monthly pension dues.

Example: A church secretary's salary is \$21,000 per year. The monthly salary is \$1,750.00 and Pension Plan dues are \$245.00 per month (\$21,000 divided by 12 months = \$1,750.00 x .14 = \$245.00). *Note: If the congregation is paying 11 percent, its portion is \$192.50 and the 3 percent employee portion is \$52.50.*

Dues for **ministerial employees** are computed on the salary plus housing and/or parsonage allowance.

**Ministers living in a church owned parsonage.** Pension dues are calculated on the cash salary, fair rental value of the home, plus housing allowance for furnishings and utilities. The fair rental value is determined by what a similar home in the same area of the community would rent for.

Example: A minister receives cash salary of \$23,000 plus parsonage that is valued at \$7,200 per year (a similar home would rent for \$600 per month). In addition, the minister has a housing (utilities) allowance of \$3,600 per year (\$300 per month). The total salary and housing is \$33,800 per year, \$2,816.67 per month and the pension dues are \$394.33 per month ( $\$33,800 \div 12 = \$2,816.67 \times .14 = \$394.33$ ).

**Ministers purchasing or renting housing.** Pension dues are calculated on the cash salary plus housing allowance.

Example: A minister serving a congregation that does not own a parsonage has annual cash salary of \$28,000 and housing allowance of \$12,000, for a total of \$40,000 per year, \$3,333.33 per month. Pension dues are \$466.67 per month ( $\$40,000 \div 12 = \$3,333.33 \times .14 = \$466.67$ ).

**Ministerial students.** A Student Gift Membership Grant is provided for full time students preparing for ministry. The Grant provides 3% of the 14% pension dues. Therefore, most churches remit 11% dues on behalf of their student ministers.

Example: A full time seminary student is serving a congregation and receives \$800 per month in compensation. Dues for the seminary student would be \$88.00 per month ( $\$800.00 \times .11 = \$88.00$ ).

**Retired Interim Ministers.** Ordinarily, retired ministers are receiving a retirement pension under the provisions of the Pension Plan. Therefore, no pension dues are paid. However, the congregation is encouraged to contribute the equivalent of Pension Plan dues to a Tax Deferred Retirement Account on behalf of the retired minister. (See information on Tax Deferred Retirement Accounts below.)

## Payments

Pension Plan dues are paid monthly on the first of each month for that month. Remittance forms are mailed to church treasurers/remitting officers on the 15<sup>th</sup> of each month. (See sample remittance form, page 62)

## Tax reporting

When Pension Plan dues are paid by the church employer on behalf of its employees, the dues are tax deferred and not reportable for income tax purposes. Retirement pensions will be reportable for tax purposes once the employee begins receiving his/her pension. If a portion of pension dues are paid with after tax dollars, it is important to communicate this to the Pension Fund. Dues paid with after tax dollars are recorded as an investment in contract and will not be taxed again when received as a benefit.

## Tax Deferred Retirement Account

The Pension Fund also offers a 403(b) Tax Deferred Retirement Account for church employees. This is a defined-contribution program provides church employees an opportunity to set aside funds for retirement and earn an excellent rate of return. This program differs from the Pension Plan in that there are no death or disability benefits associated with the Tax Deferred account. Additional information about the Tax Deferred account and Application Form are available upon request from the Pension Fund or by download from [www.pensionfund.org](http://www.pensionfund.org).

Eligibility: All compensated employees of the church are eligible to participate in the Tax Deferred account program. All participants in the Tax Deferred account program are vested immediately. Church employees may participate in both the Tax Deferred account and Pension Plan.

Contributions to the account: Deposits to tax deferred accounts must be made by the employer on behalf of the employee. Contributions may be made either 1) in addition to the employee's salary or 2) through salary reduction. If using the second method, the church and employee should complete a Salary Amendment Agreement, available from the Pension Fund. In both instances, the contributions are excluded from the employee's current taxable income to the extent they do not exceed the limits set out in the Internal Revenue Code.

Current tax regulations place limitations on the amount that can be contributed to a 403(b) account through salary reduction. Generally, the maximum amount that can be contributed is \$16,500 annually if the employee is earning at least this amount in taxable income from church employment. For ministers, the housing allowance is already excluded from taxable income and cannot be included when calculating Tax Deferred account contributions.

There are "catch up provisions" in the regulations which allow employees who have 15 years or more of service and for those who are over age 50 to contribute more than the \$16,500. Since these provisions are periodically increased, employees wishing to utilize one or both of these provisions should contact the Pension Fund for assistance in calculating the contribution limit.

Payments: Generally, deposits to Tax Deferred accounts are made monthly and may be made along with Pension Plan dues payments. (See sample remittance form, page 62)

Tax reporting:

**For lay employees,** contributions made in addition to salary (method #1) are excluded from income for both federal income and Social Security tax purposes. Contributions made through salary reduction (method #2) are excluded from federal income tax but included for Social Security (FICA).

**For ministerial employees**, both contributions made in addition to salary and through salary reduction are excluded for federal income and Social Security tax purposes.

Tax reporting: For contributions made in addition to or in lieu of salary, no reporting is required. Contributions made through salary reduction (method #2) are reported on the W-2 form in Box 12. Record the dollar amount followed by the letter E (the code for employee contributions to 403(b) plan).

### **Churchwide Health Care**

Since 1972, the Pension Fund has administered a health care program on behalf of the Christian Church (Disciples of Christ). As currently designed, the program provides wellness benefits in addition to coverage in the event of illness. Complete information and Enrollment Forms for Churchwide Health Care may be obtained from the Pension Fund or through the website [www.discipleshealth.org](http://www.discipleshealth.org).

Eligibility: All compensated employees are eligible to participate in the Churchwide Health Care program. If the employee is not a participant in a qualified group insurance plan, he/she must complete an application for health care. Coverage begins the first of the month once the Health Care application is approved and first month's premium are received. Coverage will be terminated upon request, at the end of the month through which premiums have been paid.

Premiums are determined by the participant's age, type of coverage (employee only, employee plus one adult, employee plus minor children, employee plus family), and state of residence.

Payment: Remittance forms are mailed to church treasurers/remitting officers on the 15<sup>th</sup> of each month for premiums due on the 1<sup>st</sup> of the following month. Health care premiums are due on the first of each month for that month. Since the premiums must be forwarded to a third party administrator, there is no grace period for late payment of health care premiums. Coverage will be terminated after notice, for lack of premium payment. (See sample remittance form, page 63)

Tax reporting: When paid directly by the employer, health care premiums are not reportable for income tax purposes. If the employee pays health insurance premiums personally, he/she may include the premiums as a deduction on Schedule A when filing the federal income return. However, all medical expenses will be reduced by 7.5% of adjusted gross income. Therefore, the employer provides a tax advantage for its employees when it pays health care premiums on their behalf.

### **Churchwide Accident Insurance**

Churchwide Accident Insurance provides low cost, 24/7 accidental death and dismemberment coverage. All compensated church employees, as well as Pension

Plan members and beneficiaries, are eligible for coverage up to age 80. This insurance is offered on an annual premium basis with coverage extending from July 1 through June 30 of the following year.

New enrollment announcements and renewal notices are mailed in May and June of each year. Coverage ranges from \$20,000 to \$300,000 and the spouse may also be covered for one-half the principal amount (\$10,000 to \$150,000).

Premiums paid by the employer on behalf of the employee are non-taxable.

## **Other Benefits**

### **Medical Expense Reimbursement Plans**

Increases in health care premiums throughout our economy have prompted many to seek ways to manage health care costs more carefully. Associated with Churchwide Health Care are three tax advantaged strategies that can help.

1. Participants in Churchwide Health Care can set aside a portion of their income through salary renegotiation to fund a Flexible Spending Account. The contribution to such accounts comes from the employee under an agreed plan in which the congregation guarantees the annual funding commitment. The employee has access to the full amount of the annual commitment to meet qualified health costs. Employees are encouraged to utilize this tax advantaged opportunity to fund health costs on a pretax basis. Further information is available from the Pension Fund and on the [www.discipleshealth.org](http://www.discipleshealth.org) website.
2. Some congregation elect to provide a higher deductible healthcare program and self-insure part or all of the deductible and out-of-pocket portion of coverage. If the employee has health care needs that use up the higher deductible, the congregation can reimburse these additional charges through a Health Reimbursement Arrangement. However, if the employee does not utilize the full deductible, the congregation will save the funds that would have been used to pay for lower deductible premiums. For further information, contact the Pension Fund.
3. Some congregations elect to secure a higher deductible healthcare program and encourage the employee to establish a Health Savings Account (HSA), which is a tax advantaged account associated with certain high deductible health care plans. The Churchwide program has a high deductible program for which HSA's are appropriate. For further information or to enroll, contact the Pension Fund or download applications from the healthcare website, [www.discipleshealth.org](http://www.discipleshealth.org).



## Term Life Insurance

As the name implies, term life insurance provides protection for a limited period of time, usually in one-year increments. Its purpose is to provide a death benefit for loved ones. It does not contain a savings element or retirement pension and has no cash surrender value. It does, however, assist the family with the financial transition associated with the loss of income of the deceased.

Congregations provide their employees with some protection through participation in the Pension Plan. However, employees with young children may need additional protection, which the congregation can help to provide by purchasing term insurance for its employee(s).

A congregation can purchase up to \$50,000 of term insurance for its employees without tax consequences. Premiums for coverage in excess of \$50,000 and the premium for any other insurance coverage of which the employee is the owner, are taxable. In addition, the premiums for any term life insurance may be taxable if the insurance is not provided to all full-time church employees on a nondiscriminatory basis.

## Workers Compensation Insurance

Most states require employers to purchase workers compensation insurance. This is an insurance policy that assists in the event of an on-the-job injury for the employee. Some states exempt employers with less than a specified number of employees. However, workers compensation insurance provides protection for both the employee and the congregation. Even if not required, it is highly recommended that such coverage be purchased.

## Liability Insurance

Adequate casualty insurance from a reputable provider is essential protection for a congregation. Of course coverage should provide protection on a congregation's buildings and contents. Equally important is coverage for personal and professional liability. Contact your local insurance agent to help you evaluate the congregation's insurance package. You may also want to contact the United Church Insurance Board, a combined program of the United Church of Christ and the Christian Church, to evaluate the wide array of insurance coverage available through its insurance program.

## Social Security Offset

(See Taxes and Tax Reporting Section on Page 41)

All churches are required to pay Social Security taxes (7.65 percent on compensation) for lay employees. Another 7.65 percent is withheld from the lay employee's salary making the total 15.3 percent of compensation.

Ministers are required to pay Social Security taxes at the self-employed rate (15.3 percent), based on salary plus parsonage/housing allowance. Many congregations provide their ministers with a Social Security offset, equivalent to the 7.65 percent employer portion they would pay if the minister were a lay employee. This does not mean that the minister is self-employed (in fact, or in regard to any other area of taxation or reporting).

Social Security offset payments to the minister do become taxable income. However, all or part of it may be put into a Tax Deferred Retirement Account, which defers taxes until the funds are withdrawn. If paid directly to the minister, it becomes taxable income but assists the minister with the payment of the Social Security tax to the same extent required for lay employees.

## Establishing Accounts

### Notification

When the congregation calls a new minister who is a Pension Plan member, the church communicates this to the Pension Fund by sending a completed Church Report of Ministerial Change (see sample on page 64-65), a copy of the Letter of Call or by calling the Pension Fund at 866-495-7322 or 317-634-4504. Forms are available from the Pension Fund by mail or can be printed from the Pension Fund website.

### Enrollment

When the congregation calls a new minister who is not a Pension Plan member, or when it hires a lay employee for whom benefits are to be paid, the congregation must send the employee's completed Enrollment Form along with an initial dues payment, to the Pension Fund, 130 East Washington Street, Indianapolis, Indiana, 46204. The Enrollment Form is available from the Pension Fund by mail or can be printed from the Pension Fund website.

### Remitting Payments

Remittance forms for Pension Plan dues and Tax Deferred Accounts are printed on blue paper and sent out on the 15<sup>th</sup> of each month for the next month's payment. A sample remittance form is shown on page 62.

Churchwide Health Care remittance forms are printed on pink paper and are sent out on the 15<sup>th</sup> of each month for the next month's payment. A sample remittance form is shown on page 63.

#### Communication Regarding Accounts

Regular remittances are mailed to a lock box at a bank for immediate deposit. Correspondence about accounts should not be included with the payment but directed to the Pension Fund office, 130 E Washington St., Indianapolis IN 46204.

#### Verifying Account Status

The Pension Fund will verify the payment status of Pension Plan, Tax Deferred or Health Care accounts whenever requested. If there is a question about whether a payment has been properly posted, the Pension Fund may request that the church treasurer provide a copy of the front on back of the check in question in order to research the error.

#### Business Expenses

Allowances (other than housing allowance) given to an employee to cover church business expenses are included in taxable income and result in unnecessary taxes for the church employee. If it has not already done so, the congregation should establish an Accountable Reimbursement Plan (a sample can be found on page 61).

With an Accountable Reimbursement Plan, the employee reports to the church treasurer in a timely manner the time, place, amount and business nature of the expense. The treasurer then issues a reimbursement check. Any funds advanced to the employee (i.e., General Assembly expenses) must also be accounted for and excess fund returned within two months.

**Warning:** Churches that use Accountable Plans may discover that there are funds remaining in the accounts at the end of the year and wish to disperse this to the employees. However, doing so negates the Accountable Plan and all of the funds paid to the church employee, even those that had been properly accounted for, become taxable income for the employee. If funds remain in a church business expense account at the end of the year, it is best to leave the funds in the account and re-evaluate the budgeted amount for the next year.

### C. Taxes and Tax Reporting

The Church and Non-Profit Tax and Financial Guide, by Dan Busby, is an excellent resource providing additional information and instructions on completing tax forms. It is updated annually and available through the Evangelical Council for Financial Accountability (800) 323-9473, or Zondervan.

## 990 Forms

Disciples congregations that are listed in the Year Book and Directory of the Christian Church (Disciples of Christ) are exempt from filing Form 990 unless there is Unrelated Business Income, such as rental income. Check with your tax advisor for further information. The Office of General Minister and President files annually for blanket 501 (c) 3 exemption for all congregations, regional and general ministries and related ministries.

## W-2 Forms

Every year in January, the congregation must provide each employee with a W-2 form showing the amount of salary paid and the taxes withheld. IRS Publication 393 contains instructions for completing W-2 forms. This publication can be downloaded from the Internal Revenue Service's website [www.irs.gov](http://www.irs.gov).

## W-3 Forms

Every employer must file a W-3 form by February 28 each year. The W-3 form reports taxes paid on behalf of all employees.

## **Lay employees**

Income taxes: Congregations are required to withhold income taxes for their lay employees. Each employee must complete a W-4 form for his/her personnel record. The amount of tax to be withheld is calculated using the tables found in publication 15-A, which is provided by the IRS annually to every employer remitting taxes.

Social Security: Congregations are required to pay Social Security on behalf of their lay employees, unless the congregation applied for and was granted an exemption by the IRS in 1984. Social Security taxes total 15.3 percent of salary. This amount is divided equally between employer and employee, with the employer paying 7.65% and 7.65% withheld from the employee's salary.

## **Ministerial Employees**

Income taxes: The congregation is *not required* to withhold income taxes for ministers. When taxes are not withheld, the minister makes quarterly tax payments. However, income taxes may be withheld at the minister's request. To make the request, the minister should complete a W-4 form.

Social Security: Ministers must pay Social Security at the self-employed *rate*. This *does not* mean that ministers are self-employed. By law, church employers *cannot*

pay the employer portion of Social Security ***nor can they withhold*** the employee portion of Social Security for ordained ministers. Ministers must pay 15.3 percent of salary plus housing/parsonage allowance for Social Security.

The minister may request additional withholding to cover the Social Security obligation. The treasurer remits this to the IRS as income taxes withheld. When the minister files his/her tax return, the overpayment of income taxes will cover the Social Security tax owed. With this method, the minister does not need to make quarterly tax payments.

### **Licensed and Student Ministers**

Licensed ministers and seminary students who are licensed, may be treated as either lay or ordained for income tax and Social Security purposes. If treated as a lay employee, the licensed minister cannot have a housing allowance and the church employer must withhold income tax and the employee's portion of Social Security as well as pay the employer's portion of Social Security. However, if the licensed minister is treated as ordained, he/she may have a housing allowance but the church cannot withhold the employee's portion of Social Security, nor can the church pay the employer's portion of Social Security.

### **Frequently Asked Questions**

1. *What tax form do we provide to the minister?*  
In most situations, the IRS considers ministers to be employees. Therefore, the minister should receive a W-2 form.
2. *In what situations would the church issue a 1099 form instead of a W-2?*  
Examples of persons to whom the church would issue a 1099 form include the guest preacher hired to preach for a revival, a minister hired for three months to serve the church while regular minister is on sabbatical or the person hired to remove snow from the church parking lot.
3. *Where is the parsonage/housing allowance listed on the W-2 form?*  
There is no place for the parsonage/housing allowance on the W-2 form. It is best to provide the minister with a separate letter indicating the amount that was designated by the church as housing allowance. Another option is to type the amount in Box 14 with a note that this is ministerial housing allowance.
4. *The minister indicates that he wants to change the amount of housing allowance. Can we do this?*  
Since the housing allowance must always be designated in advance, upon request from the minister, the church board may change the housing allowance ***prospectively***. The minister or church treasurer can never simply change the housing allowance and the change cannot be made retroactive.

5. *Our church has just changed treasurers and we are confused about payments made on behalf of the employees. How can we find out about payments?*  
Contact the Pension Fund, which will be able to provide information on the status of accounts.

## **CHAPTER 3: OUTREACH**

### **A. Disciples Mission Fund, Week of Compassion and Reconciliation Mission**

The main avenues through which individuals and Disciples congregations work together to carry out our denominational outreach are listed below. Many individuals and congregations are deeply involved in outreach to their own communities, and that is to be celebrated as part of the total mission of the church. This section, however, will address denominational outreach only.

Disciples Mission Fund traces its roots to 1909 and 1941. In 1909 the church called for a unified funding system. In 1941 the church approved “Unified Promotion” in which congregations covenanted to contribute 10% of their local receipts to the common funding system of the church and support the four special day offerings.

### **Disciples Mission Fund**

**What is it?** Disciples Mission Fund, the largest Disciples outreach fund, is an outgrowth of the church’s effort to respond as one body to the call of Christ. Disciples Mission Fund under girds and supports the ongoing life and ministry of the church and gives Disciples the opportunity to jointly and joyfully spread God’s love at home and abroad. It helps to support general and regional ministries, and Disciples-related colleges and seminaries and seminary houses. Click on this link for the names and contact information for these ministries: <http://www.disciplesmissionfund.org>

These organizations perform important ministries on behalf of the church: Caring for the aging and children, educating our leaders and youth, providing ministerial relief and stewardship training, helping a congregation call a new pastor, sponsoring regional youth camps and conferences, enabling Disciples Women programs, and supporting overseas staff around the globe. These Disciples Mission Fund ministries make God’s love a visible reality in the world in which we live.

### **Allocation Decisions:**

The General Board of the Christian Church (Disciples of Christ) has the authority to make final allocation decisions on behalf of the whole church. The Council of General Ministries makes allocation recommendations to the General Board on behalf of general ministries. The College of Regional Ministers develops allocation recommendations for the regional portion of Disciples Mission Fund and then forwards its recommendations to the General Board. The Council on Theological Education and the Council of Colleges and Universities make allocation recommendations for higher education ministries.

### **Participation:**

The General Board asks that each of 72 Disciples partners funded through Disciples Mission Fund prayerfully consider participation in this funding plan. The 2007 Funding Plan offers incentives and a process, for partners who have participated in alternative funding systems, to rejoin the General Board approved system.

**The Four Special Day Offerings and Disciples Mission Fund:** In addition to the Disciples Mission Fund contributions from congregational budgets, Disciples Women and Youth groups, money comes through four Special Day observances – Easter, Pentecost, Thanksgiving and Christmas. Each Special Day corresponds to a season of celebration in the life of the church and allows Disciples the dual opportunity to give and to grow. These four Special Offerings are designated Disciples Mission Fund giving:

- EASTER – for general ministries implementation of Disciples Imperative to strengthen congregational life.
- PENTECOST – for new church development, divided equally between the region in which the offering is received and general new church ministry.
- THANKSGIVING – for higher education institutions.
- CHRISTMAS – for regional ministries in the region where the funds are contributed for implementation of the church’s imperative: “To strengthen congregational life for this mission.”

OGMP-Promotion creates and distributes special resources, which highlight and interpret Disciples Mission Fund ministries. Congregations use the materials to promote the offerings, which give individual members the opportunity to support these ministries in addition to their regular giving to congregations.

### **Week of Compassion and Reconciliation Mission**

Week of Compassion and Reconciliation Mission are two special mission funds. Through regular giving and special offerings, Week of Compassion and Reconciliation allow Disciples to expand their commitment to alleviate the world’s suffering and to eliminate racism in North America.

**Week of Compassion:** Through Week of Compassion, Disciples join with other Christians in One Great Hour of Sharing, a ministry that provides immediate relief to disaster victims around the world and helps people to become self-sufficient through long-term development projects. Through Week of Compassion, Disciples feed the hungry, give water to the thirsty, provide medical supplies for the sick, and critical emergency relief for refugees and victims of disasters. They also provide water-conservation projects, cereal banks, seeds and tools and agricultural instruction that help people build better lives for themselves.

The Week of Compassion is a year-round ministry, but its annual emphasis is in February. Special materials are available at <http://www.weekofcompassion.org>

**Reconciliation Mission:** Established in the midst of the turbulent 1960s, Reconciliation is the special mission of the Christian Church (Disciples of Christ) to eliminate racism in North America. The mission began in the late 1960s as the church’s Urban Emergency



Program. It seeks to combat the causes of racism in America, not merely to treat the symptoms. Reconciliation grants have funded programs for inner city children, tutors for teenagers, aid for children of imprisoned mothers and other innovative programs. Half of all contributions to Reconciliation are returned to regions for use in local programs.

Like Week of Compassion, Reconciliation Mission is a year-round program, but its emphasis and special offering takes place the last Sunday of September and the first Sunday of October. Special materials are available at [www.reconciliationministry.org](http://www.reconciliationministry.org)

The Reconciliation and Week of Compassion observances, though vital ministries of the church, should not be confused with the Disciples Mission Fund Special Day offerings. Funds given through the Easter, Pentecost, Thanksgiving and Christmas observances are distributed through Church Finance Council to the various units and institutions of the church. Reconciliation and Week of Compassion funds are also administered and distributed by OGMP-Treasury Services. Typically, fifty percent of Reconciliation funds are returned to their committee whose members determine how the money will be used and 50% percent is sent to the applicable region for regional programs. Check with OGMP Treasury Services for your region's allocation. One hundred percentage of the Week of Compassion offering is returned to their committee whose members determine how the money will be used.

## **B. The Administration and Distribution Process**

OGMP-Treasury Services, the administrator and distributor of Disciples Mission Fund gifts, uses an efficient, computerized system to accurately manage our church's outreach dollars. This section will discuss the receiving, record-keeping, and distribution processes. Knowledge of these procedures will make your job easier and help OGMP-Treasury Services to handle your congregation's money in the way it has a right to expect.

### **On-Line Remittance/The Remittance Form**

**Method of remitting:** Most congregations remit their Disciples Mission Fund offering through OGMP-Treasury Services. However, in some instances congregations' outreach monies are remitted to the regional office. Check with your regional office for the recommended practice. However, any congregation can remit its money to OGMP-Treasury Services directly using a remittance form or using the on-line Contribution Tracking System.

**On-Line System:** As treasurer you can remit monies using OGMP-treasury Services' on-line system. First, you would need to create an account by going directly to <http://cts.ogmp.disciples.org/web/default.asp> or <http://www.disciplesmissionfund.org/> then clicking on LOGIN for Reports & Remitting. After OGMP-Treasury Services has activated your account (no activation is needed if choosing another member type other than treasurer) you can follow the instructions and fill in the amounts and designations that you are remitting. You can either print out the receipt and mail in a check or have us

directly withdrawal the contributions from the church's checking account. With the direct withdrawal you don't have to mail anything and have the potential of it getting lost. Just remember to deduct it in your check register!

### **Remittance Form:**

Browsing to [www.disciplesmissionfund.org](http://www.disciplesmissionfund.org) will lead you to a remittance form in English or in Spanish.

The remittance form is an important vehicle of communication between the remitting organization and OGMP-Treasury Services. Through the remittance forms, congregations relate to OGMP-Treasury Services the exact intent of the contribution. Please use the forms! Correctly completed, they are your congregation's best safeguard against error.

### **How to Use the Remittance Form:**

If you remit to your regional office you may have a regionally specific remittance form. Contact your regional office for information.

1. **The Top Section:** The remittance form is divided into three sections. The first section calls for general information from the remitter. Here you record the congregation's name, address, city and state and the total amount of the contribution, (if more than one check or money order is remitted, all must be tallied and this total recorded in the space provided). Also write in your Church Pin Number. You can retrieve this 6-digit number from a monthly report of giving received from OGMP-Treasury Services or from the second column of your church's entry in the Yearbook. Please supply all other information to ensure proper congregational credit.
2. **The Body:** The middle section, or the body of the form, asks for a breakdown of the whole. Here the congregational and monetary information from the first section is broken into its component parts.

The body of the remittance form is designed like a columnar pad. A separate column is provided for each of the following entities of the church: the congregation, church school, Disciples Women, youth and individual contributor. These columns intersect rows bearing the names of the outreach funds: Disciples Mission Fund, Special Day (Easter, Pentecost, Thanksgiving, Christmas), Blessing Box, Designated Operating, Capital, Week of Compassion and Reconciliation Mission, along with their subdivisions.

This arrangement allows each entity to record simultaneously its contributions and assign a specific amount to an outreach fund without interfering with another entity's recording. The congregation, its Disciples Women and its youth group, for example, can use the same form to remit monies to Disciples Mission Fund, Week of Compassion, Reconciliation or Capital and still maintain its own distinct giving records while contributing to the collective ministries of the church.

3. **The Final Section:** The final section is for the recording of columnar totals. Each remitting church organization should tally its contributions and write the total amount in the space provided. Also there is a place for your name, daytime phone number and email address where you want the monthly giving reports sent to.

### **Designated Giving**

Designated giving allows funds to be earmarked for a particular general or regional ministry or institution of the church. All designated remittances are sent in full to the institution or program for which they are marked. These marked funds are over and above regular Disciples Mission Fund giving and do not become a part of the regular Disciples Mission Fund monies to be split among all its recipients.

**Recording Designated Giving:** The remittance form provides space for designated giving. Write the monetary amount for a donor in the section labeled Designated Operating. Write the name of the institution or ministry for which the funds are earmarked below the amount. Listing the name of the designated or specified organization/program and the dollar amount of the contribution are crucial to proper recording of the remittance.

It should be noted here that the discussion of designated offerings pertains only to regular, not special day, Disciples Mission Fund remittances. Congregations on standing order for free Special Day Offering materials agree not to designate Special Day Offerings promoted by those materials. All Special Day Offerings submitted by congregations on standing order for materials become a part of the general Disciples Mission Fund and are distributed accordingly.

**Organizations Participating in OGMP-Treasury Services:** In addition to regular Disciples Mission Fund recipients, OGMP-Treasury Services will forward *designated* funds to selected institutions not a part of Disciples Mission Fund. These are called OGMP-Treasury Services Participating Organizations. A few organizations who participate in OGMP-Treasury Services do not receive Disciples Mission Fund. A comprehensive list of OGMP-Treasury Services participating organizations can found at the following web link <http://www.disciplesmissionfund.org/LinkClick.aspx?link=media%2fOneVision6.pdf&tabid=105>. OGMP-Treasury Services provides this forwarding service on behalf of congregations to make sure that gifts designated for these non-Disciples Mission Fund participating organizations become a part of the congregation's giving records.

Make checks or money orders intended for OGMP-Treasury Services Participating Organizations payable to OGMP-Treasury Services and clearly mark the designated amount and the institution's name on the remittance form, using the procedures outlined in the designated-giving section above.

### **When to Mail the Remittance**

Remittances should be mailed each month. This monthly mailing schedule has two advantages: First, it allows OGMP-Treasury Services to produce detailed monthly reports for each remitting congregation (see the Distribution section for more information). Second, it gives congregations the opportunity to verify these transactions and report any errors to OGMP-Treasury Services. All remittances must be *received* by the 8<sup>th</sup> of the month to be credited for the previous month and **by January 8** to be credited for the previous year.

### **The Distribution Process**

**OGMP-Treasury Services** electronically distributes Disciples Mission Fund contributions to the Disciples Mission Fund-receiving institutions of the church. The designated day for distribution is either the 14<sup>th</sup> of each month or the last business day before the 14<sup>th</sup> if the 14<sup>th</sup> falls on a weekend or bank holiday. Also disbursed on the 14<sup>th</sup> of each month are the following funds: Week of Compassion, Reconciliation and the OGMP-Treasury Services participating organizations (see section above labeled “Non-Disciples Mission Fund Participating Organizations”). OGMP-Treasury Services has begun to distribute contributions twice a month to over half of the partners. This allows those ministries to receive and use contributions that are received early in the month and not have to wait until the 14<sup>th</sup>.

### **Remittance Reporting**

Monthly, OGMP-Treasury Services emails reports to congregations who have provided OGMP-Treasury Services with their email address(es). If you would like to receive these reports, please email [contributions@ogmp.disciples.org](mailto:contributions@ogmp.disciples.org) with your PIN or church name and city.

You can also view these report on-line by creating an account at <http://cts.ogmp.disciples.org/web/default.asp>.

Two times a year (in November (10-month statements) and February (year-end statements), OGMP-Treasury Services mails reports to congregations. These year-to-date reports are record-keeping, acknowledgment and error-detecting tools. They are designed to be used either alone or together. In addition, your regional office receives a monthly report of all congregational remittances.

An independent, outside auditing firm conducts a full audit of OGMP-Treasury Services annually. All members of the OGMP-Treasury Services staff are bonded. These practices protect the professional character of the staff and guarantee accuracy and integrity in the handling of the church’s outreach funds.

## CHAPTER 4: ACCUMULATED RESOURCES

When congregations develop a stewardship program, they usually focus on an enlistment program to obtain annual commitments or pledges from their members. The emphasis is on underwriting the budget. Every member is encouraged to make a commitment to support the church, based on a percentage of one's annual income, and as an awareness of blessings received from God.

In some congregations, the tithe (10 percent) is the model for giving. Other congregations emphasize proportionate giving and ask members to consider increasing their annual giving by one percent.

In all of these programs, the emphasis is basically one-dimensional: stewardship is taught only in relation to one's income, one's checkbook, what one earns.

A second, equally important dimension of Christian stewardship is that of accumulated resources. Christians are asked to consider assets along with income as part of their total commitment to Jesus Christ. Not just the checkbook, but the savings accounts and investments, such as stocks, property, real estate, life insurance, retirement plans. All of these are part of God's claim on one's life. The Christian Church Foundation and Church Extension can help individuals and congregations invest assets to benefit the church and its mission.

### A. Wills and Trusts

As Christians, we strive to put God first in our lives; our estate planning is thus a natural extension of our faith commitments. Our wills, trusts and other estate planning documents become vehicles to express our faith. By leaving gifts to the church, we acknowledge the importance of Christ in our lives and leave an inheritance that is more than dollars, more than earthly possessions.

**Ways to Give Through A Will:** A person who has been a tither, for example, may want to leave a tithe of his or her estate to the work of the church. Someone else may want to leave a share equal to that given to each child. In some cases, especially in families with younger children and limited assets, the bequest may be a contingent gift, i.e. "If my spouse and children die at the same time I do, I direct my assets to be distributed to the church."

**Seek Legal Counsel:** Always seek professional legal counsel to make a will. In most cases, the costs of competent legal advice will be less than the probate costs charged to the estate if there is no will. Many congregations provide estate planning seminars to give helpful information and to encourage their members to remember the church in their estate plans.

## **B. Deferred Giving**

Many people, especially those who receive large investment incomes or have highly appreciated investments, benefit by making outright or deferred gifts before their deaths. The advantages can be attractive. For example, significant tax savings (income tax, capital gain tax, estate tax), income for life, and the knowledge that one's resources will benefit the church now and into the future, make deferred giving a smart way to practice Christian stewardship. Contact the Christian Church Foundation for additional information.

## **C. A Congregational Program**

In its work with hundreds of congregations for more than 40 years, the Christian Church Foundation has identified three important elements of a congregational program in the area of the stewardship of accumulated resources. If you would like additional information on these issues; please call the Christian Church Foundation at (800) 668-8016 to obtain a free booklet called "How Firm a Foundation: Developing Permanent Endowment Funds for Your Congregation"

### **1. Develop a Policy**

Every congregation needs to develop a clear, concise policy that will answer several basic questions about any gifts received through bequests and planned gifts. The policy should answer such questions as

- a. How will the funds be used?
- b. How will the funds be managed? Who will make decisions about the investments of such funds?
- c. How will such gifts (especially if they are larger gifts) be related to the annual budget of the congregation?
- d. How can we continue to encourage the regular stewardship of our members when permanent fund begin to accumulate?

A congregational policy that answers these questions can encourage persons to consider gifts to the church in their estate plans. These are gifts that might not have come if a policy had not existed, and quite often can be the largest give a person can make.

Most people will not be willing to include congregations in their estate plans if they do not know how their gifts will be used. They fear that the gift will be spent inappropriately or put into a bank account and never used. A clear policy can address these legitimate concerns and provide a foundation for building a program in the stewardship of accumulated resources. A sample policy that has been developed by the Christian Church Foundation for use by. congregations is included in the appendix.

## **2. Educate and Inform**

It is not enough simply to have a policy. A program of education, information-sharing and practical how-to guidelines related to this area of Christian stewardship are also necessary. A simple reminder in the congregation's newsletter, such as "Have you remembered the church in your will?", can be a starting point. Sponsoring seminars on financial and estate planning will offer an opportunity to give important information and a word of encouragement to those who have hesitated in moving ahead with their long-term financial planning. Foundation staff members, located throughout the United States, provide no-cost inheritance planning seminars for congregations, including Disciples Women and Disciples Men groups, Sunday School classes and church leaders. Estate-planning attorneys, life insurance agents and others in the community can be helpful.

## **3. Recognize Those Who Give**

A third element in a congregation's program should include recognition of all memorial gifts and bequests. This should include an acknowledgment in the congregation's newsletter as soon as the gift is received. (This should be done with the permission of the family in the case of bequests.) In addition, we recommend that a special worship service be celebrated each year to recognize all individuals who have remembered the church in their wills or who have established permanent funds in the congregation. This could be done on the first Sunday of November, when many Disciples congregations celebrate All Saints Day.

An annual report should be made to the congregation on the status of any permanent fund or endowments, as well as a listing of the ways such funds were used in the total work and outreach of the congregation.

These three elements -- a policy, a program of education, and appropriate recognition and reporting -- form the basis for a comprehensive stewardship-emphasis program related to the accumulated resources of a congregation's members. At every point, these efforts must be seen in conjunction with the annual stewardship program for the general operational budget.

## **D. Memorial Funds**

One of the most important aspects of our Christian faith is memory. We want to belong to a community that knows us and remembers us. The congregation, in its work and worship, has the task of transforming sacred memory into reality.

Many congregations have found that developing a permanent Memorial Fund can serve as an effective means to remember the saints in their Christian witness and service to the congregation. The existence of such a fund encourages families to think of the church when they are choosing an appropriate memorial for a loved one.

As a part of its service to the whole church, the Christian Church Foundation works with

congregations and individuals to provide counsel in this area. In doing so, it makes three recommendations:

**Develop a Memorial Fund:** Establish a general memorial fund and publicize it in the church newsletter. The funds can be used in a variety of ways.

Memorial funds do not have to be restricted to the purchase of things. Although they may be used for candelabras, communion ware, pictures, Bibles, etc., at least one other option should be considered:

If the congregation had a permanent fund to receive all memorial gifts from members and friends, could the earnings be used for ministries or activities, as well as things? Would it be just as meaningful, for example, to send three youth to church camp, or to provide scholarships to students, or to carry out some special mission project in the community? Would this kind of use of memorial funds attract continuing gifts rather than a one-time contribution by family members?

Each congregation will need to develop a policy for its memorial fund that offers a meaningful and appropriate way for individuals to remember persons of faith. Such a policy should also be an expression of the congregation's outreach witness.

The Christian Church Foundation suggests six elements to consider as a congregation develops its policies on memorial funds.

- a. Appropriate and immediate responses to donors and family from the congregation.
- b. A public and permanent record of the name of the person being remembered.
- c. Adherence to policy on the use of such funds.
- d. Complete, annual financial reports to the congregation.
- e. Both immediate and annual recognition of persons being remembered.
- f. Annual contact with the deceased person's family.

**Create a Memorial Space:** A space within the church building, preferably a very visible space, can serve as a constant reminder of the contributions and lives of former members of the congregation. The space should be permanent and in good taste. It can contain appropriate art works, a Book of Memory, wall plaques and historical objects.

**Have an Annual Memorial Service:** Once each year, a Sunday morning service that focuses on remembering the saints can become one of the congregation's most important and appreciated worship experiences. There are two obvious times for such a service: Memorial Day Sunday and All Saints Day (the first Sunday in November). The congregation can pick its own day of observance to fit the church's calendar and make the observance the same Sunday each year. Suggested materials about developing an annual memorial worship service are available from the Christian Church Foundation.



## **E. Management of Funds**

One of the important issues related to permanent and memorial funds in a congregation is the management of the money. Significant questions must be answered:

- a. Should we maintain the buying power of the original gift? If so, do we reinvest earnings or accomplish this through investment management?
- b. Do we want the money at work in the Christian Church while it is invested?
- c. What are our goals for these funds and how can we best achieve them?
- d. What is the role of the trustees? Of the Board?
- e. How do we deal with potential conflicts of interest in the investing of church funds?

Both Church Extension and the Christian Church Foundation offer opportunities for congregational investments. Chapter 5 addresses money management and investment-related issues.

## **Chapter 5: CHURCH INVESTMENT OPPORTUNITIES**

Through wise investing, the good stewards earn the Master's praise in the Parable of the Talents as recorded in Matthew 25. The poor steward also learns an important lesson as he incurs the Master's wrath: Investing is stewardship, too. Congregations, likewise, have been entrusted with the financial resources to do ministry. They are called to be good stewards and display the appropriate fiduciary care to be called "good and faithful" by the Master.

Church Extension and the Christian Church Foundation, ministries of the Christian Church (Disciples of Christ), are here to help your congregation invest wisely. Many investment options are available. Your investment with Disciples-related institutions provides you with competitive returns, excellent service and the opportunity to serve beyond your doorsteps.

Congregations can use Church Extension and the Christian Church Foundation as part of a responsible investment policy. Investing with your church-related institutions makes good sense:

- Investments with Church Extension earn an attractive rate. Money invested with Church Extension is loaned to other congregations in North America and Puerto Rico to build and refurbish existing churches, allow congregations to buy land for new church buildings and help start new congregations.
- Investments with the Christian Church Foundation produce returns based on market conditions. Money invested through the Foundation is pooled with that of other Disciples' ministries in a highly diversified and sophisticated investment portfolio. The objective is to produce income for current ministry while also growing the invested dollars to keep pace with inflation. In addition to providing congregations with a focused investment strategy and competitive returns, investing through the Foundation supports the Foundation's mission to provide planned giving support to all ministries of the Christian Church.

### What is Right for Our Congregation?

The decision to invest with Church Extension or the Christian Church Foundation should be based on the ultimate purpose of your invested funds.

Church Extension offers a variety of Investment Notes that, depending on the Note, pay fixed or variable interest rates. These notes are attractive to congregations in place of savings accounts or bank-issued CDs; furthermore, it is important to remember that Church Extension uses these Notes for loans to church ministries for capital needs. Notes range in duration from "on-demand" to five years.

The Christian Church Foundation offers three pooled funds in which congregations can invest their long-term, or endowment money. It is recommended funds invested with the

Foundation be left in the investment pool for at least five years. The Foundation's investment pools are widely diversified to lower the potential risk and enhance the potential return, following the prudent investment guidelines established for endowments.

As an example of partnership, Church Extension has some of its permanent fund money placed as an investment at the Christian Church Foundation and, likewise, the Christian Church Foundation uses Church Extension as one of its fixed-income asset managers.

#### **A. Investment Opportunities With Church Extension**

Church Extension Investment Notes help individuals, families, churches, regions and general ministries save for the future and practice Christian stewardship. Church Extension uses the money from your investments to make loans to new and established congregations for purchasing land and buildings, constructing new facilities, remodeling existing buildings and other capital purposes. Options include:

##### **Demand Notes**

**Demand Plus Notes** – Allows easy access for investing and withdrawing funds as often as needed to all investors with only a \$50 minimum initial investment.

**Capital Builder Notes** – Churches and church organizations can build investment portfolios while helping other churches. Capital Builder Notes offer the flexibility of demand note and a variable interest rate. Special features of this note are:

- \$1,000 minimum initial investment
- Higher rates of interest on investments of \$5,000+ and of \$25,000+
- Additional deposits as low as \$100 may be made to the investment
- Withdrawals of as little as \$100 allowed
- The interest rate adjusts monthly and is based on the Merrill Lynch Ready Assets Trust rate as published in the Wall Street Journal on the last business day of the month

**Jumbo Mission Notes** – Provide an opportunity for churches, church organizations and institutions with larger portfolios to meet investment needs while supporting the mission of the Christian Church (Disciples of Christ). Jumbo Mission Notes are flexible and easily accessible. Special features of this investment are:

- \$100,000 minimum initial investment
- Higher rate of interest on investments of \$250,000+ and of \$1,000,000+
- On demand withdrawals and additional investments
- The interest rate adjusts weekly and is based on the Merrill Lynch Ready Assets Trust rate as published in the Wall Street Journal

## Fixed Term Notes

**Term Plus Notes** – Investments are for a specific period of time, 6 months to 5 years, with a fixed interest rate and a \$100 minimum investment.

**Flex Plus Notes** – Provides flexibility to add to or withdraw a portion of the funds from the investment while the interest rate moves with our loan rates. These notes are available with only a \$100 minimum initial investment.

### B. Investment Opportunities with Christian Church Foundation

Only congregations, regions and other church ministries may invest through the Christian Church Foundation. Three investment pools are available, and each one uses professional, institutional investment managers to achieve a specific investment goal. While each pooled fund has its own “recommended” income payout rate that allows the fund to grow over time at an inflation-protected rate, each ministry may set the income payout rate that meets their needs. A minimum of \$1,000 is required to open an account.

The three funds are:

- **Beasley Growth Fund:** To produce a high total return that both keeps pace with inflation over the long term while providing 5% payout for ministry. This fund has an asset allocation of 75% common stocks, including growth, mid-cap and small-cap equities, and 25% fixed income.
- **Common Balanced Fund:** To produce an overall total return that both keeps pace with inflation and allows for a 4% annual payout. Investors in the Common Balanced Fund may expect less period-to-period volatility than in the Beasley Growth Fund. The Common Balanced Fund has an asset allocation of 56% common stocks, with a considerable portion of the portfolio in value equities, and 44% fixed income.
- **Brown Income Fund:** To provide a lower volatility option that still allows invested funds to grow with inflation while also providing 2.5% for current ministry. This fund’s asset allocation is 75% in fixed income products and 25% in common value equities.

In all three funds, investing ministries:

- Can set payout rates that match the fund’s purpose and the ministries’ needs;
- Can make investment additions at any time;
- Enjoy the benefits of the pooled accounts with larger lots of stock trade at lower per share cost;
- May have multiple accounts;
- Receive regular monthly and quarterly investment results;
- Benefit from the Foundation’s fiduciary guidelines and established security procedures;

- Have flexibility in the timing of distributions and withdrawals;
- Have managers focused on the concerns and specific issues related to long-term institutional investing;
- Practice socially responsible investing through the Foundation's relationship with the Interfaith Center on Corporate Responsibility (ICCR).

### How Do We Decide What is Right for Our Congregation?

There are several issues to consider. A combination of investment services offered by Church Extension and the Christian Church Foundation may be right for your congregation.

- If the congregation expects to expend the invested funds in a period of five years or less, an Investment Note with Church Extension would be most appropriate.
- If the congregation is willing to accept some volatility to meet their goal of receiving a growing stream of income that keeps pace with inflation, the Christian Church Foundation's Beasley or Common Funds would be the best choice.
- If the congregation desires to use their investment dollars to help new churches and provide loans to other churches, Church Extension would be the best place to invest.
- If the congregation has a commitment to its fiduciary responsibility and prudently delegating investments to avoid the appearance of conflicts of interests, either Church Extension or Christian Church Foundation would be good choices.
- If the congregation wants to invest reserve funds to draw upon only in an unforeseen emergency, either Church Extension Investment Notes or the Christian Church Foundation's Brown Income Fund would be appropriate investment tools.
- If the congregation has permanent/endowment funds and hopes to undergird the church's ministry in perpetuity, Christian Church Foundation would be the appropriate investment choice.

### Need More Information?

Church Extension and Christian Church Foundation staff members are eager to help you discover the appropriate investment vehicle for your specific congregation and situation. Simply give us a call.

Church Extension  
(800) 274-1883  
En español (866) 534-1949

Christian Church Foundation  
(800) 668-8016 (English or Spanish)

## APPENDIX

### Accountable Reimbursement Plan

\_\_\_\_\_ Christian Church has established an accountable plan to reimburse its employees for business expenses incurred in behalf of the congregation.

Substantiated expenses are to be reported to the church treasurer on a regular basis (generally monthly) and reimbursement will be made. Travel mileage is to be reimbursed at the current IRS allowable rate.

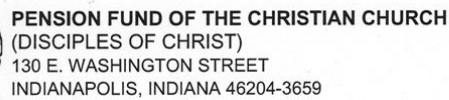
If a cash advance is provided, it must be accounted for and any excess returned to the church within 120 days of the expense.

Funds will be set aside each year as a separate item in the congregation's budget. These are not considered part of any employee's salary. They are church business expenses.

+++++

Expenses for reimbursement include, but are not limited to:

Automobile mileage and tolls  
Overnight lodging and meals conventions  
and assemblies  
Continuing Education  
Books and periodicals  
Other professional expenses



Apr 15, 2007 Page 1 of 1

FIRST CHRISTIAN CHURCH  
SAMPLE CHURCH/EMPLOYER  
1234 ANGELIC LN  
INDIANAPOLIS IN 46237

Church/Employer #	30064645
Billing date	Apr 15, 2007
Due date	May 01, 2007
Last payment amount	\$ 0.00
Date of last payment	

Acct Type	Account Number	Member Number	Account Owner	Last Amount Remitted	Last Date Remitted	Amount Due
PPD	8336	900501174	The Reverend Joe Schmo Monthly compensation: \$3,750.00 Paid thru 4/2007	\$ 0.00		\$ 525.00
TD	505361	900501174	The Reverend Joe Schmo	\$ 0.00		\$ 250.00
PPD = Pension Plan Dues TD = Tax Deferred Account BA = Benefit Accumulation Account					<b>TOTAL AMOUNT DUE</b>	<b>\$ 775.00</b>

**NOTE: If payment is different than total amount due, please make changes above & send a copy with payment**

Please detach and return this portion with your payment

Church/Employer #	30064645
Due date	May 01, 2007
Total due	\$ 775.00
Amount enclosed	



FIRST CHRISTIAN CHURCH  
SAMPLE CHURCH/EMPLOYER  
1234 ANGELIC LN  
INDIANAPOLIS IN 46237  
||..|||...||..|||...||..||

**PENSION FUND OF THE CHRISTIAN CHURCH  
(DISCIPLES OF CHRIST)  
P.O. BOX 660225  
INDIANAPOLIS, IN 46266-0225**

**CHRISTIAN CHURCH HEALTH CARE BENEFIT TRUST**  
PO BOX 660030  
INDIANAPOLIS, IN 46266-0030

Remittance Number
91-2923-7871

Apr 15, 2007 Page 1 of 1

## Health Care Remittance Form

FIRST CHRISTIAN CHURCH  
SAMPLE CHURCH/EMPLOYER  
1234 ANGELIC LN  
INDIANAPOLIS IN 46237

Remitter #	30064645
Billing date	Apr 15, 2007
Due date	May 01, 2007
Last payment amount	\$ 0.00
Date of last payment	

Insured	Coverage	HC Amt	Dental Amt	FSA Amt	HSA Amt	Amount Due
Joe Schmo Policy #s: 2712, 2713	*Multiple*	\$ 346.24	\$ 29.65	\$ 213.33	\$ 0.00	\$ 589.22
	Paid thru 04/2007					
	<b>TOTAL AMOUNT DUE</b>	\$ 346.24	\$ 29.65	\$ 213.33	\$ 0.00	<b>\$ 589.22</b>

**NOTE: If payment is different than total amount due, please make changes above & send a copy with payment.**

Please detach and return this portion with your payment

Remittance Number  
91-2923-7871

Remitter #	30064645
Due date	May 01, 2007
Total due	\$ 589.22



**CHRISTIAN CHURCH HEALTH CARE BENEFIT TRUST**  
(317) 634-4504 or (866) 495-7322

Amount enclosed

FIRST CHRISTIAN CHURCH  
SAMPLE CHURCH/EMPLOYER  
1234 ANGELIC LN  
INDIANAPOLIS IN 46237

CHRISTIAN CHURCH HEALTH CARE BENEFIT TRUST  
PO BOX 660030  
INDIANAPOLIS, IN 46266-0030







**CHURCH/ORGANIZATION REPORT OF MINISTERIAL CHANGE**  
 (Mail to Pension Fund (Disciples of Christ) 130 E. Washington Street  
 Indianapolis IN 46204-3659)



Name of New Minister (or Associate, D.R.E., Custodian, Secretary or \_\_\_\_\_):  
 (Circle which)

Address _____ _____ zip _____	Name of Former Minister or ( _____ ):
Location: Church _____ Address _____ City _____ State _____ zip _____ Phone _____ Email _____ Date Ministry Begins _____	Date Salary Terminated: _____  Church or Organization He/She Serves Now: _____ _____ City _____ State _____

**Monthly Compensation:**

Cash Salary per month ..... \$ \_\_\_\_\_  
 Parsonage Allowances ..... \$ \_\_\_\_\_  
 Pension Plan dues must be paid on the cash salary plus parsonage. If parsonage is provided, add fair rental value (at least 25% of cash salary) plus all utility and housing allowances. Otherwise, add full amount of any and all parsonage, housing, utility allowances.  
 Other Expense Allowances ..... \$ \_\_\_\_\_  
 Other allowances such as auto, assembly, book, etc., may be included and will increase Plan benefits accordingly.

Total Monthly Compensation on ..... \$ \_\_\_\_\_  
 which Pension Plan dues will be paid.

**Please check how dues will be paid:**

- ☐ Church/Organization pays full 14% dues.
- ☐ Church/Organization remits 14% dues, with 3% member dues reduced before taxes from salary.
- ☐ Church/Organization remits 14% dues, with 3% member dues withheld after taxes from salary
- ☐ Church/Organization pays 11% dues and member remits 3% dues personally.
- ☐ Other \_\_\_\_\_

Member of Churchwide Health Care Program:  
☐ Yes ☐ No COVERAGE: ☐ Single ☐ Family  
 Full Premium will be paid by the church:  
☐ Yes ☐ No

If no, please indicate the amount of premium to be paid  
 by the church \$ \_\_\_\_\_  
 by member \$ \_\_\_\_\_

**Treasurer or Remitting Officer:**

**Board Chair/Moderator**

Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_  
 State \_\_\_\_\_ zip \_\_\_\_\_

Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_  
 State \_\_\_\_\_ zip \_\_\_\_\_

(REMITTANCES may be returned with this form  
 SEE REVERSE SIDE FOR OTHER INFORMATION.)

## GENERAL INFORMATION For Remitting Officers and Pension Plan Members

1. The church is encouraged to pay full 14% pension dues, but must pay at least 11% on the average monthly compensation leaving 3% for the member.
2. To compute the monthly compensation, find the total annual salary. This may be done by taking the weekly salary multiplying by 52. The annual salary is divided by 12 and to it must be added any and all parsonage allowances (and/or the fair rental value - at least 25% of salary - if a church-owned parsonage is provided.) *This is the minimum Pension Plan monthly compensation.* Auto, books, travel, convention or assembly or other allowances *may* also be added and will increase the benefits accordingly.

*EXAMPLE "A": Salary \$600.00 a week and parsonage:*

$\$600 \times 52 = \$31,200 \div 12 = \$2,600.00$  plus (25% of \$2,600.00) = \$3,250 monthly  
14% full dues = \$455.00, or 11% church dues = \$357.50 & 3% member dues = \$97.50

*EXAMPLE "B": Salary \$30,000 annually, \$12,000 annual parsonage allowance, \$3,000 annual expense allowance.*

Total base:  $\$30,000 + \$12,000 + 3,000 = \$45,000 \div 12 = \$3,750.00$  monthly  
14% full dues = \$525.00 or 11% church dues = \$412.50 & 3% member dues = \$112.50

3. Where possible, all Pension Plan dues, Additional Benefits and Tax-deferred Payments should be remitted through the church treasurer or remitting officer to the Pension Fund in one monthly mailing, even if separate checks are used.
4. Health Care premiums should be remitted through the church treasurer or remitting officer to the Christian Church Health Care Benefit Trust, P. O. Box 660030, Indianapolis, Indiana 46266-0030.
5. Treasurers are notified of any delinquencies.
6. Detailed information on benefits of the Pension Plan and its auxiliary programs are available from:

Pension Fund of the Christian Church  
(Disciples of Christ)  
130 East Washington Street  
Indianapolis, Indiana 46204-3659  
Ph. 317.634.4504 FAX 317.634.4071

## **SAMPLE PERMANENT FUND POLICY**

### **I. PURPOSE:**

The primary purpose of the Permanent Fund of (name of congregation) is to expand the witness and mission of Jesus Christ in the world, serving human needs in our community and around the world. It is not intended to compete with the regular annual giving of members, nor to diminish the opportunities for responsible stewardship by present or future members.

All assets received by the Permanent Fund shall be considered permanent. Each year an amount will be spent from the Permanent Fund for ministry. For purposes of this document, the amount to be spent annually shall be:

1) An annual withdrawal of \_\_% of the market value of the Permanent Fund's investment portfolio. This percentage amount shall be reviewed periodically to determine that the buying power of the original gift is not being deflated

OR

2) The fund's income. (Income is defined by state law. In some states and in cases where the Permanent Fund is held by a Trust, the Trust may have the power to define "income.")

### **II. TYPES OF GIFTS:**

Permanent funds are usually not memorial funds, reserve funds or building funds. A separate policy should govern these gifts.

Gifts to a congregation's permanent fund come in a variety of forms, including stocks, bonds, real estate, tangible property and cash. All bequests and gifts received in any form other than cash will be converted to cash at its fair market value as soon as practical. On some rare occasions, a church may want to refuse a gift or bequest to its Permanent Fund. This should be done by the Church Board upon the recommendation of the Permanent Fund Trustees.

All gifts designated for the Permanent Fund shall be considered permanent and therefore cannot be spent.

Undesignated gifts in the form of bequests, the residual value of charitable trusts and charitable gift annuities, and life insurance shall be the property of the Permanent Fund.

### **III. PERMANENT FUND TRUSTEES:**

The Permanent Fund of (name of congregation) shall be managed by at least five (5), and no more than seven (7) trustees, elected by the congregation.

Terms of office shall be for three years. They may be re-elected one time, but cannot serve for more than six (6) consecutive years. The senior minister and chair of the board of the congregation will be ex-officio members without vote.

The Responsibilities of Permanent Fund Trustees Will be to:

A. Meet quarterly (e.g., on the second Monday of the months of February, May, August and November). They shall elect their officers each year (President, Vice President, Secretary/Treasurer) from the trustees as needed.

B. Publicize the fund to the congregation, sponsor “planned giving seminars,” contact prospective donors and promote other activities which will bring growth in the Permanent Fund.

C. Provide a written annual report to the Church Board and Congregation which shall include a list of new gifts received, investment transactions, amount spent for ministry, and total value of the Permanent Fund at year end.

D. Allocate Permanent Fund spending to the Stewardship and Finance Department of the congregation annually for expenditure according to Item IV. Annual Spending for Ministry. Trustees shall not have the responsibility for the spending policy of the Permanent Fund.

E. Invest the corpus of the Permanent Fund, subject to confirmation of the Church Board. It is recommended that an agency of the Christian Church (Disciples of Christ) such as the Christian Church Foundation, Inc., or the Board of Church Extension, be considered to manage all or part of the Permanent Fund.

Although it is not required, trustees are encouraged to make provisions in their own financial planning to provide a gift to the Permanent Fund of (name of congregation).

#### IV. ANNUAL SPENDING FOR MINISTRY:

A. Spending from designated gifts will be according to the donor’s instructions.

B. Spending from unrestricted funds will be as follows\*:

1. 10% will be spent according to the recommendation of the Stewardship Committee with the confirmation of the Church Board. However, support to the operational budget may never represent an amount greater than 20% of the total operational budget.

2. 50% will be designated for outreach causes and transferred to the Outreach Committee for expenditure. These funds will not be considered as part of the regular budget expenditure for outreach causes. The Outreach Committee will report to the Church Board within six months concerning these expenditures.

3. 30% will be designated for retirement of outstanding debt(s) on congregational properties. If the congregation has no debt, then this 30% will be distributed according to Items 1 and 2 above, or directed to a “reserve fund” to meet future capital needs.

4. 10% will be given to regional programs and causes, including a direct donation to the regional office.

#### V. AMENDING PROCEDURES:

The policy may be amended by a 3/4 majority vote of the Church Board at two successive meetings, upon published written notice of proposed changes to the board members at least two weeks prior to the first meeting. Reasons to amend may include catastrophic events such as earthquakes, fires or floods.

#### VI. TERMINATION:

In the event that (name of congregation) should terminate its ministry, the assets of the Permanent Fund shall be transferred to the Christian Church Foundation, Inc., of the Christian Church (Disciples of Christ) with instructions concerning future spending.

This sample policy was developed for use by congregations of the Christian Church (Disciples of Christ) by the Christian Church Foundation, Inc. For more information, please contact the

Christian Church Foundation, Inc.  
130 East Washington Street  
P.O. Box 1986  
Indianapolis, IN 46206-1986  
1-800-668-8016

\* The percentages in each category are only examples and they may be changed to fit the needs and goals of any local congregation. The Christian Church Foundation recommends a local congregation allocate no more than 10-20% of Permanent Fund spending to meet local expenses; the example in Item IV is a way for a local congregation to do this.

## SAMPLE CONFLICT OF INTEREST POLICY

### I. Introduction

The (*organization*) exists legally as a nonprofit, church-related corporation. This means that we are required by law to operate for the benefit of the church and its ministries rather than to serve private interests. In an effort to achieve the highest organizational integrity and ethical standards possible and ensure that investor and donor interests take precedence over any private interests, the Foundation has developed this Conflict of Interest Policy (the “Policy”) with which all officers, directors and employees with policy-making roles must comply. Cooperation with and support of this Policy are essential to its success. Questions or comments about the Policy should be addressed to the (*Board Moderator/Senior Minister*).

### II. Definitions

- A. Interested Person. Any officer, director, or employee with a policy-making role who has a direct personal interest, as defined below.
- B. Family. Your spouse, children, parents, or any other persons included in your household.
- C. The Church. The Christian Church (Disciples of Christ).
- D. Personal Interest. A person has a Personal Interest if the person has, directly or indirectly, through business, investment or family –
  - 1. an ownership or investment interest in any entity with which the (*organization*) has a transaction or arrangement, or
  - 2. a compensation arrangement with the (*organization*) or with any entity or individual with which the (*organization*) has a transaction or arrangement, or
  - 3. a potential ownership interest, investment interest, or compensation arrangement with any individual or entity with which the (*organization*) is negotiating a transaction or arrangement.
- E. Compensation. Compensation includes direct and indirect remuneration, both current and deferred, as well as gifts or favors, which you in good faith believe to have a value greater than \$100.

### III. Avoidance of Conflicts

(*Organization*) officers, directors and covered employees may, on occasion, find that they have Personal Interests that have the potential to conflict with the best interests of the (*organization*). Where such conflicts exist (as an example: serving on the board of or being employed by another ministry of the Church) the conflict should be acknowledged as early as practicable when matters being discussed and/or decisions being taken might be affected by the actual or perceived conflicting roles.

The board may determine which employees (in addition to employees with policy-making roles) are covered by this policy and may determine that other persons shall be subject to this policy, such as substantial contributors and others who may, under certain facts and circumstances, have the ability to apply substantial influence on any material decision of the (*organization*).

### IV. Disclosure of Conflicts

The (*organization*) celebrates the active involvement of our board members and staff in a multitude of the ministries of the Church. Your commitment and involvement with other manifestations of the Church provide opportunities to enhance your ministry with and service to the Foundation. There are occasions when other relationships within the Church and/or other Personal Interests may create an actual or perceived conflict with the best interests of the Foundation. When conflicting interests are present, they must be disclosed and properly handled so as to minimize any possible actual or perceived harm to the interests of the (*organization*). All (*organization*) officers, directors and covered employees must complete the Policy's written disclosure form, attached hereto as Exhibit A, at least annually. In addition, they will be asked to update this form whenever any new interests or changes in previously reported interests develop. In some situations, an officer, director or covered employee may not have or recognize an interest potentially in conflict to the (*organization's*) interest until faced directly with a particular issue. In those situations, the person has a duty to make a prompt oral disclosure of the interest as well as a more formal written disclosure as soon as possible thereafter. When disclosure is required, the covered person shall disclose all facts material to the subject conflict of interest. Disclosure shall be made to (*Board Chair/Senior Minister*).

V. Procedures for Handling of Conflicts (Personal Interest other than as donor or member/employee of a church affiliate)

The (*organization's leader*) may appoint a disinterested person or a committee of the board consisting of disinterested persons to assess the fairness or reasonableness of the terms of the proposed transaction or arrangement or to investigate alternatives to a proposed transaction or arrangement and to report to the full Board or committee.

No transaction or arrangement between the (*organization*) and a covered person that involves a material conflict of interest requiring disclosure under this Policy and no arrangement under which the (*organization*) shall pay compensation to a covered person for services shall be approved or authorized by or on behalf of the (*organization*) unless such authorization is provided by the Board or a duly empowered committee of the Board observing the following procedures.

- A. Disinterested Approval. If a personal interest potentially in conflict with a particular issue or transaction is to be discussed and/or voted on at (*organization's*) Board or committee meeting, the interested person shall be given the opportunity to disclose material information to the board or committee and to respond to any questions from others. Following such presentation and response to questions, the interested person shall leave the relevant meeting while the issue or transaction is discussed and/or voted on. When the interested person is a director, the interested person shall not be included in any count of persons for the purpose of establishing a quorum of the Board or any Board committee acting on the issue or transaction.
- B. Records of Proceedings. The minutes of any meeting from which a person is excluded for all or part of a meeting due to an actual or potential conflict of interest shall reflect the following: the nature of the conflict, the absence of the conflicted individual during the pertinent portions of the meeting, the names of the persons who are present for discussion and voting on the issue or transaction in question, the content of the discussion, and a record of any vote. Minutes or other records of the Board or such committee may also include any documentation deemed pertinent by the directors to the determination of whether the compensation authorized is reasonable or as to the value received, and provided, by the (*organization*), in the pertinent transaction or arrangement.
- C. Approval May be Withheld. The (*organization*) shall not approve any transaction, relationship, or compensatory arrangement if it appears to the Board or committee considering such matter that the interested person has, directly or indirectly, received or will receive economic benefit from the



(*organization*) that exceeds the value (not the cost) of the benefit provided the (*organization*). No compensation arrangement for an employee shall be approved if it appears to the Board or committee considering such matter that the employee has received or will receive greater than a reasonable amount of compensation.

- D. Inadvertent Errors. Inadvertent errors in complying with these procedures shall not invalidate any decision on an issue or any transaction, provided that prompt corrective measures (to the extent possible) are taken after such errors are discovered and brought to the attention of the (*organization's leadership/Senior Minister*) .

VI. Procedures for Handling Conflicts (Personal Interest as donor or member/Board member/employee of a Church affiliate)

The ministry and mission of the (*organization*) is enhanced through meaningful representation by persons who are donors and/or members, employees, or other stakeholders. It is expected therefore, that interested persons who have a Personal Interest will exercise their assigned responsibilities faithfully in the best interests of the (*organization*) and those who are served by the (*organization*).

- A. Except as otherwise provided in this Policy, interested persons will have voice and vote on (*organization*) policies, programs and services to the extent their general responsibilities dictate, provided that any conflict of interest or potential conflict of interest has been disclosed prior to any vote.
- B. Directors, committee members, or officers with a potential conflict of interest shall abstain from a vote on all matters affecting a substantial personal interest.
- C. A director, committee member, or officer may request that disinterested Board or committee members determine by a majority vote whether a matter of substantial personal interest exists. A determination of substantial personal interest would require the interested director, committee member or officer to abstain from voting on matters for which the determination was requested.
- D. Inadvertent Errors. Inadvertent errors in complying with these procedures shall not invalidate any decision on an issue or any transaction, provided that prompt corrective measures (to the extent possible) are taken after such errors are discovered and brought to the attention of (*organization's leadership/Senior Minister*).

VII. Violations of Policy

If the (*organization's*) Board has reasonable cause to believe that an officer, director, or covered employee has failed to disclose an actual or potential conflict of interest, it shall inform the person of the basis for such belief and afford the person the opportunity to explain the alleged failure to disclose. If, after hearing the response of the person and making such further investigation as may be warranted under the circumstances, the Board determines that the person has in fact failed to disclose an actual or potential conflict of interest, it shall take appropriate disciplinary and/or corrective action. Such action may include suspension or termination of the person's service for the (*organization*), either as director, officer, or covered employee.

**SAMPLE CONFLICT OF INTEREST POLICY  
Disclosure Form**

Pursuant to the purposes and intent of the (*organization's*) Conflict of Interest Policy (the "Policy"), a copy of which has been furnished to me, I hereby state that I and/or members of my immediate Family have the following affiliations or Personal Interests, or have taken part or, to the best of my knowledge, may be expected to take part in transactions or activities which, when considered in conjunction with my position in relation to the Foundation, might constitute an actual or perceived conflict of interest. (Check NONE if applicable, or report interest in the space provided, attaching additional pages if necessary.)

1. Investments and relationships: List and describe, with respect to yourself or your immediate Family or household, all Personal Interests in outside entities (the "Conflict Entities") from or with which the (*organization*) does or may be expected to: purchase goods or services, invest funds, transact business, or compete for donated funds.

*Describe/Explain:*

\_\_\_\_NONE

2. Proprietary Information: List and describe any situations in which you may use or disclose any information gained through your affiliation with or service to the (*organization*) which could result in personal profit or advantage to you or members of your Family.

*Describe/Explain:*

\_\_\_\_NONE

3. Gifts, Gratuities, and Entertainment: List and describe any instances within the past twelve months in which you or members of your Family have accepted gifts, gratuities, favors, free services, special discounts, bargain purchases, entertainment, travel, education, or training from a conflict entity which you in good faith believe to have a value greater than \$100.

*Describe/Explain:*

\_\_\_\_NONE

4. Other: List and describe any other direct or indirect interest that you or members of your Family have that could appear to constitute a conflict of interest or appear to influence your judgment, advice or decisions on behalf of the (*organization*) in any way.

*Describe/Explain:*

\_\_\_\_NONE

*I agree that I have the continuing, affirmative duty to report immediately and completely any new interests, as well as any changes in previously reported interests, which may appear to constitute a conflict of interest under the current policy or which might appear to affect my ability to exercise impartial, ethical judgment on behalf of the (organization).*

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Position

\_\_\_\_\_  
Date

## **SAMPLE ROLE OF THE BOARD OF DIRECTORS**

### **I. FUNCTION**

As representatives of the (*organization*) be the primary force pressing the (*organization*) to the realization of its mission and ministry of stewardship and the fulfillment of its obligations to all its constituencies.

### **II. DUTIES**

#### **A. PLANNING**

1. Collaborate with staff to form the (*organization's*) strategic plan. Once approved, annually assess and adjust the strategic plan in relation to the ever-changing environment
2. Annually review and approve the (*organization's*) plans for funding its strategy.
3. Annually review and approve the (*organization's*) budget.
4. Approve major policies.

#### **B. ORGANIZATION**

1. Elect, monitor, appraise, advise, stimulate, support, reward and, if deemed necessary or desirable, change top management.
2. Be assured that management succession is properly being provided.
3. Be assured that the status of organizational strength and human resources planning is equal to the requirements of the long-range goals.
4. Annually review the performance of the board and take steps (including its composition, organization, and responsibilities) to improve its performance.

#### **C. INVESTMENT**

1. Establish and approve investment policy.
2. Monitor investment performance.
3. Maintain fiduciary standards and procedures.

#### **D. OPERATIONS**

1. Review the results achieved by management as compared with the performance of similar organizations/institutions.
2. Confirm that the financial structure of the (*organization*) is adequate for its current needs and its long-range strategy.
3. Provide candid and constructive criticism, advice and comments. Approve major actions of the (*organization*), such as capital expenditures on all projects over authorized limits and changes in programs and services that deviate from the approved strategic direction.
4. Establish and implement procedures for Board membership, education, development and performance assessment.

### **III. PERSONAL RESPONSIBILITIES**

(This list is suggested with the understanding that not every Board Member will be proficient with every area on the list. We have differing gifts and graces.)

#### **A. PERSONAL LIFE**

1. Be an active member of a congregation.
2. Make the (*organization*) a priority in your life.
3. Pray for the mission of the (*organization*) and individually for officers and

- staff.
4. Remember the (*organization*) in your estate planning.

**B. BOARD PARTICIPATION**

1. Attend (*organization*) Board meetings.
2. Read and reflect on materials provided in advance in time to be fully prepared at board meetings.
3. Become knowledgeable concerning the programs, materials and goals of the (*organization*).
4. Give encouragement and feedback to staff members.

**C. WITNESS**

1. Become an advocate of the (*organization*) in your circle of influence.
2. Use your individual professional expertise in working with staff members.

Revised 7/09