

**JAMES W. RICKARD
THE STEWARDSHIP SERVICES FOUNDATION
21726 PLACERITA CYN. RD.
NEWHALL, CA 91321**

**CHURCH LEASHIP
and
FINANCE**

- Qualifications of Leadership
- Budgeting for the Church
- Reporting to the Church
- IRS Issues
- Pastor's Benefit Package

THE QUALIFICATIONS OF A LEADER

I Timothy 3:1-7 and Titus 1:5-9

1. He is above reproach.
2. He is prudent.
3. He is respectable.
4. He is not given to wine.
5. He is not pugnacious.
6. He is not in love with money or sordid gain.
7. He is not contentious.
8. He is not quick tempered.
9. He is not self-willed.
10. He is a one-woman man.
11. He manages his own household well.
12. He is hospitable.
13. He has a good reputation outside the church.
14. He is a lover of what is good.
15. He is not a new convert.
16. He is just.
17. He holds fast the faithful Word.
18. He has a working knowledge of Scripture.

LEADERSHIP MUST HAVE NON-NEGOTIABLES

1. Accommodation
2. Legitimation
3. Assimilation
4. Participation
5. Amalgamation
6. Identification

WHAT DO I OWE PEOPLE AS A LEADER

1. A vision
2. Clear statement of values
3. Loyalty
4. Freedom to make decisions
5. Assessment of abilities
6. Continuity of future leaders

SIGNS OF DETERIORATION IN A CHURCH

1. Reliance on structure rather than people
2. Tension among key people
3. No time for fun
4. When problem makers outnumber problem solvers
5. Confusion of heroes with celebrities

CHURCH BUDGETING

A budget, like motherhood, is something very few would argue against. Yet, the art of preparing and using budgets in a meaningful manner is completely foreign to many churches. It is not that the treasurer or board is unaware of their importance, but more that they are uncertain of their skills in budgeting techniques, and often are reluctant to use a budget as a tool to control the financial activities.

A budget is a "plan of action". It represents the churches blueprint for the coming months, or year, expressed in monetary terms. This means that a church must know what its goals are before it can prepare a budget.

Zero based budgeting or zero-based planning - a process that requires each deacon to justify why his area of responsibility should spend money. Why not establish goals and objectives for each major area in the church program, establish the budget in lieu of those goals and then measure results at year-end? Planning is more general than budgeting. Planning establishes programs, sets goals and objectives, and makes basic policy decisions for the church as a whole.

1. Budget should be based on calendar year fiscal year - when possible
2. A budget is a tool - not a club - be flexible when necessary
3. Must be monitored:
 - Daily by Pastor or appointee
 - Monthly by finance committee
 - Quarterly by church and the board
4. Budget Formation
 - A. Supervised by chairman of finance committee and members of finance committee
 - B. Assign responsibilities to the board
Example - Deacon in charge of Christian Education, Missions, Buildings and Grounds, Finance, Worship, Evangelism, Music, and Membership
 - C. Salaries and Benefits - personnel committee - consisting of board chairman, chairman finance committee and Pastor
 - D. Compile historical giving and attendance records in order to project accurate income estimates
5. Time Schedule

October 1	Begin with committee assignments
November 15	Present to finance committee
November 30	Present to board
December 15	Present to church for final approval

PROPOSED ANNUAL BUDGET

<u>Acct. No.</u>	<u>Description</u>	<u>1992 Budget</u>	<u>Proposed Budget</u>
	<u>Salaries and Benefits</u>		
401.00	Salaries	\$ 96,650	\$126,900
401.06	Health Insurance	4,100	8,200
401.07	Workman's Compensation	400	1,000
401.12	Payroll Taxes (Soc. Sec.)	-0-	2,247
	Sub-Total	<u>\$101,150</u>	<u>\$138,347</u>
	<u>Transportation</u>		
402.01	Vehicles	\$ 7,000	\$ 9,000
402.02	Conference & Travel	<u>3,100</u>	<u>6,250</u>
	Sub-Total	<u>\$ 10,100</u>	<u>\$ 15,250</u>
	<u>Building Operation</u>		
403.01	Utilities	\$ 9,500	\$ 10,000
403.02	Building Maintenance	3,000	5,000
403.03	Equipment Maintenance	1,000	2,000
403.04	Grounds Maintenance	1,000	2,000
403.05	Improvements	4,000	4,000
403.06	Equipment	1,000	1,000
403.07	Open	-0-	-0-
403.08	Maintenance of Rentals	<u>1,500</u>	<u>1,500</u>
	Sub-Total	<u>\$ 21,000</u>	<u>\$ 25,500</u>
	<u>Supplies and Services</u>		
404.01	Office Equipment Maintenance	\$ 1,200	\$ 4,500
404.02	Office Supplies	3,000	2,000
404.03	Janitorial Supplies	1,200	1,200
333404.04	Kitchen & Food Supplies	2,500	3,000
404.05	Miscellaneous	400	600
404.06	Postage	<u>600</u>	<u>700</u>
	Sub-Total	<u>\$ 8,900</u>	<u>\$ 12,000</u>
	<u>Building Finance and Insurance</u>		
405.01	Open	\$ -0-	\$ -0-
405.02	Liability Insurance	3,000	2,500
405.03	Legal Fees	300	250
405.04	Miscellaneous	100	100
405.05	Property Purchase	<u>17,200</u>	<u>15,690</u>
	Sub-Total	<u>\$ 20,600</u>	<u>\$ 18,540</u>

Christian Education

406.01	Sunday School	\$ 3,000	\$ 3,500
406.02	Library	800	1,000
406.03	Children's Church	300	300
406.04	Awana	3,800	3,800
406.05	D.V.B.S.	1,200	1,400
406.06	Athletics	1,000	1,000
406.07	Youth Activities	1,000	2,500
406.08	Nursery	-0-	400
406.09	Camp Fund	-0-	500
406.10	Graduation Gifts	<u>-0-</u>	<u>150</u>
	Sub-Total	<u>\$ 11,100</u>	<u>\$ 14,550</u>

Worship

407.01	Flowers, Communion, Etc.	\$ 2,250	\$ 3,000
407.02	Choir Material	2,500	3,150
407.03	Advertising	2,500	3,500
407.04	Visual Aids - Films	750	750
407.05	GARB Home Office	500	500
407.06	Audio Equipment	2,520	1,500
407.07	Church Bulletins & Printing	2,000	2,000
407.08	Tape Ministry	2,000	3,000
407.09	Baptist Bulletin Subscriptions	<u>-0-</u>	<u>500</u>
	Sub-Total	<u>\$ 15,020</u>	<u>\$ 17,900</u>

Special Speakers

408.01	Flowers, Communion, Etc.	\$ 1,000	\$ 1,500
408.02	Transportation	1,500	3,000
408.03	Meals and Lodging	<u>500</u>	<u>1,200</u>
	Sub-Total	<u>\$ 3,000</u>	<u>\$ 5,700</u>

409.01	Scholarships	<u>\$ 4,000</u>	<u>\$ 7,800</u>
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GRAND TOTAL \$194,870 \$255,587

GENERAL FUND INCOME

Contributions	\$234,550	<u>Projected</u> \$240,487
Rental Income	5,543	5,600
Liberty Christian School	2,274	5,000
Awana	3,250	3,500
Tape Ministry	<u>950</u>	<u>1,000</u>
Total	<u>\$246,567</u>	<u>\$255,587</u>

MISSION FUND INCOME \$ 96,780 \$115,000

GRAND TOTAL \$343,347 \$370,587

**FIRST BAPTIST CHURCH
BUDGET REPORT
FIRST QUARTER ENDED 03-31
25% of Year**

<u>INCOME</u>	<u>Total for Quarter</u>	<u>%</u>	<u>Year To Date</u>	<u>%</u>	<u>1993 Budget</u>
General Fund	\$55,779	21.8	\$55,779	21.8	\$255,587
Missions Fund	23,204	25.7	23,204	25.7	90,000
Agency Fund	<u>4,643</u>	29.0	<u>4,643</u>	29.0	<u>16,000</u>
Total	<u>\$83,626</u>	23.1	<u>\$83,626</u>	23.1	<u>\$361,587</u>

<u>EXPENDITURES</u>	<u>Total for Quarter</u>	<u>%</u>	<u>Year To Date</u>	<u>%</u>	<u>1993 Budget</u>
Salaries & Benefits	\$34,649	24.9	\$34,649	24.9	\$138,347
Transportation	2,930	19.2	2,930	19.2	15,250
Building Operations	6,966	27.3	6,966	27.3	25,500
Services & Supplies	6,601	55.0	6,601	55.0	12,000
Building Fin. & Ins.	6,459	34.8	6,459	34.8	18,540
Christian Education	3,612	24.8	3,612	24.8	14,550
Worship	6,157	34.3	6,157	34.3	17,900
Special Speakers	1,703	21.8	1,703	21.8	5,700
Scholarships	<u>800</u>	10.2	<u>800</u>	10.2	<u>7,800</u>
Total	<u>\$69,877</u>	27.3	<u>\$69,877</u>	27.3	<u>\$255,587</u>

Missions Fund	\$23,204	25.7	\$23,204	25.7	\$ 90,000
Agency Fund	<u>4,389</u>	27.4	<u>4,389</u>	27.4	<u>16,000</u>
Total	<u>\$97,470</u>	26.9	<u>\$97,470</u>	26.9	<u>\$361,587</u>

CASH SUMMARY - YEAR TO DATE

Balance					\$ 53,375
Income:					
General Fund	\$55,779				
Missions Fund	23,204				
Agency Fund	<u>4,643</u>		<u>83,626</u>		
Total available cash			\$137,001		
Expenditures:					
General Fund	\$69,877				
Missions Fund	23,204				
Agency Fund	<u>4,389</u>		<u>97,470</u>		
Balance					<u>\$ 39,531</u>

GENERAL INFORMATION

W-2's to employees

1099 to Guest Speakers and Singers

Accurate 941 Quarterly reports

Contractual Labor verses Employees

Annual minutes approving the Housing/Parsonage Allowance

Proper receipting of "Gifts in Kind"

Proper handling of Designated Giving

Co-mingling designated and General Fund Cash Accounts.

IRA verses 403b Pension Plans

PROFESSIONAL EXPENSES - RULING TD 8324

Being reimbursed by your church is a must in today's climate.

A. Expense account cannot be tied to salary.

B. Expense allowances must be accounted for and any unused amount refunded to the church.

C. Unused balances in expense accounts stay with the church.

D. Church action must be taken to approve reimbursement procedures.

E. 2009 professional mileage rate \$.55.

F. RECORDS, RECORDS, RECORDS

EDUCATIONAL ASSISTANCE

Statutory - Section 127 – Pays up to \$5,250 per year per employee. Not limited to courses that are job related or part of a degree program.

Non-Statutory - For employees to improve their skills as long as the education is not required nor prepares the employee for a profession - treated as reimbursed Professional Expense.

HOUSING ALLOWANCE

Home Equity Loans qualify for Housing Allowance only when used for home improvements, repairs or furnishings.

Understanding the Fair Market Rental Value requirement.

Housing Expenditure record keeping a must.

THE PASTOR'S BENEFIT PACKAGE

1. Approve the annual parsonage allowance before the year begins.
2. Help the senior pastor buy his own home.
3. Pay his salary based on a fair and livable wage.
4. Fringe benefits to include full family medical, retirement plan, disability insurance and \$100,000 of term life insurance.
5. When church mileage exceeds 20,000 miles church could consider furnishing pastor automobile for business and personal use - church to pay all costs, and pastor to pay his portion that was for personal use or the church can add the pastors portion to his W-2.
6. Church should reimburse pastor for all professional expenses.
7. Church should pay portion of pastor's social security obligation.
8. Give pastor and wife opportunity to attend three church conferences a year at church expense.
9. Church should give pastor four weeks of vacation per year including four Sundays.

PASTOR'S BENEFIT PACKAGE

1. Establish compensation
2. Establish fringe benefits
3. Designate housing allowance
4. Establish reimbursement plan for professional expenses

SAMPLE BENEFIT PACKAGE

Salary:		
1.	Base Salary	\$ 40,000
2.	Housing Allowance	14,500
3.	Church Paid Social Security	<u>3,810</u>
	Total Cash Salary	<u>\$ 58,310</u>
Tax Free Fringe Benefits:		
1.	Medical Insurance \$700/12 mos.	\$ 8,400
2.	Group Term Life Insurance - \$50,000	300
3.	Disability Insurance	1,600
4.	Retirement Plan - 403b	4,000
5.	Professional Reimbursement Fund	<u>4,000*</u>
	Total Benefits	<u>\$ 18,300</u>
Total cost to the church		\$ 76,610
W-2, Block 1 – Taxable wages		\$ 43,810
W-2, Block 12a - Retirement Plan		\$ 4,000
W-2, Block 14 - Housing Allowance		\$ 14,500
Social Security Tax = \$58,310 x .9235 x 15.3% =		\$ 8,239

**Should be in separate budget category. Professional expenses are not considered benefits but are a cost to the church for the pastor performing his duties.*

INSERT FOR MINUTES OF MEETING FOR PARSONAGE ALLOWANCE

The chairman informed the meeting that under the tax law a minister of the gospel is not subject to Federal Income Tax on the "parsonage allowance paid to him as part of his compensation to the extent used by him to rent or provide a home."

The parsonage owned by the church has a rental value of \$ _____ and is provided for the convenience of the church. Actual utility expenses will be paid by the church and they will amount to approximately \$ _____ for the year.

After considering the statement "Pastor's Estimate of Home Expenses" prepared by _____ a motion was made and seconded, and passed to adopt the following resolution.

Resolve that Pastor _____ receive a total cash remuneration of \$ _____ for the year of 20__, of this amount \$ _____ is hereby designated as parsonage allowance.

Resolved that as long as Pastor _____ is our employee the above amount of parsonage allowance shall apply to all future years until modified.

Date _____ Signed _____

NOTE: Using the above insert for the minutes is probably the most convenient for a church to use. The names of the individuals making the motion and seconding it should be included. If the church does not provide the home and pay the utilities, then the second paragraph is to be omitted.

BOARD MINUTES FOR PROFESSIONAL EXPENSE REIMBURSEMENT

Sample minutes would be as follows:

The chairman informed the meeting that according to Regulation 1.622 (TD8324), an employee who adequately accounts to the employing body the details of his professional expenses can be reimbursed. It is very important that the professional expense reimbursement portion of the budget be separate from salaries and that at no time should the two be commingled. We also recommend that separate checks be written for professional expense reimbursement. ***Reg. 1.62(d)(3) further requires that no part of an employee's salary be recharacterized as being paid under this reimbursement arrangement.***

A motion was made by _____ and seconded by _____ passed to adopt the following resolution:

Resolved that in addition to the salary provided our employees, we will reimburse them for all professional expenses considered ordinary and necessary for them to carry out their duties. It is further understood that a person other than the employee will examine the adequately accounted records and that the records will be kept for at least four years by the employing body.