

Money in Church

*Talking, Raising & Managing Money
for God's Work in the World*



Registration

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EVALUATION

1. Which workshop elements did you find most helpful?

2. What topics/materials would you suggest we add/delete/change in future sessions?

3. What workshops would you like to see us offer in the future?

4. Any other feedback you believe would help this program?

Church Money Essentials

Essential Financial Statements

Few ministers leave seminary with a solid foundation in finance. But ministry requires money. And for better or worse, pastors often serve as the *de facto* CEO of a mission-based business — a role that requires an understanding of church finance and how money moves through a church from month to month and over the years.

So let's start with the basic elements of church finances (*see the glossary at the end of this section*) —

Income

Money that comes into the church is income: pledges paid, cash received in the offering plate, rent from tenants, donations, grants, legacies, even rental fees from cell phone towers.

Expense

Money spent by the church for everything from the Sunday School curriculum to electricity, from roof repairs to the pastor's salary.

Net Profit/Loss

The sum of Income and Expenses — usually calculated at the end of a fundraising event, a month, a quarter and/or a year. To achieve a Net Profit (a perfectly acceptable and legal result), the church must end the period with more Income than Expenses. A Net Loss means the church spent more than it gathered in.

Every dollar in a church budget represents one person's generosity and good will. The church budget is not a necessary evil or a mere tool; it is a celebration of organized generosity.

— Inspiring Generosity

The Budget

Many church leaders dread talk of the budget — but this important financial statement is nothing more than a plan that estimates how much money the church *expects* to bring in during the year from different sources (Income), and how much the church will need to spend to conduct its ministry (Expenses). Another, more positive way to think of the Budget: it's a *mission spending plan*

Many churches are not only using different language for the budget, they're beginning to recast their plans according to mission categories — worship, Christian education, pastoral care, justice — allocating the utilities or the pastor's salary, for instance, across the mission categories that benefit from these expenses. This method works well in developing *narrative budgets*, which ultimately reflect the actual cost of each ministry more effectively than the traditional *line-item budget*.

But the line-item budget remains an effective tool for church leaders charged with managing and tracking church finances. Here are a few tips for crafting your church's mission spending plan —

- Be realistic when estimating income based on your church's trends over the last three to five years
- Strive to develop budgets that return a "profit" to the church at the end of the year
- Consider incorporating special offering minimums. If the special offering collects the same or more than the budgeted amount, that money goes to the offering; if less is collected, the church submits the budgeted amount.
- Begin working toward a tithe to OCWM based on gifts and offering received, or on total income
- Build a reserve of at least three months average expenses to cover unexpected events

The Budget

REFORMED PILGRIM UCC 2011 Budget

| INCOME | | |
|------------------------------|-----------|----------------------|
| Members | | 220 |
| Avg. gift per member | \$ | 875 |
| Gifts & Offerings | | |
| Pledges | \$ | 192,500.00 |
| Offering Plate | \$ | 10,000.00 |
| Special Offerings | \$ | 5,000.00 |
| | | \$ 207,500.00 |
| Earned Income | | |
| Building Rental | \$ | 16,000.00 |
| Fundraisers | \$ | 5,000.00 |
| Program Fees | \$ | 3,500.00 |
| Garage Sale | \$ | 2,000.00 |
| | | \$ 26,500.00 |
| Investment Income | | |
| Endowment | \$ | 4,779.11 |
| Other Investments | \$ | 750.00 |
| | | \$ 5,529.11 |
| Other Income | | |
| | \$ | 1,000.00 |
| | \$ | 1,000.00 |
| TOTAL INCOME | \$ | 240,529.11 |

| EXPENSES | | |
|--------------------------------|-----------|----------------------|
| Mission | | |
| OCWM (5%) | \$ | 9,625.00 |
| Special Offerings (4) | \$ | 5,000.00 |
| Pastor's Fund | \$ | 500.00 |
| | | \$ 15,125.00 |
| Personnel | | |
| Clergy | \$ | 62,000.00 |
| Other Staff | \$ | 20,280.00 |
| | | \$ 82,280.00 |
| Insurance Benefits | \$ | 16,456.00 |
| Retirement Benefits | \$ | 11,519.20 |
| Other benefits | \$ | 10,000.00 |
| Social Security | \$ | 6,171.00 |
| | | \$ 44,146.20 |
| | | \$ 126,426.20 |
| Programs | | |
| Worship & Music | \$ | 12,650.00 |
| Missions | \$ | 3,550.00 |
| Christian Education | \$ | 3,800.00 |
| Outreach | \$ | 3,000.00 |
| Children & Youth | \$ | 8,000.00 |
| Deacons | \$ | 500.00 |
| | | \$ 31,500.00 |
| Building & Grounds | | |
| Mortgage interest | \$ | 16,156.32 |
| Utilities | \$ | 10,000.00 |
| Janitorial | \$ | 7,600.00 |
| Repairs | \$ | 6,000.00 |
| Grounds Care | \$ | 4,000.00 |
| Property Insurance | \$ | 6,000.00 |
| | | \$ 49,756.32 |
| Administrative Expenses | | |
| Supplies | \$ | 2,800.00 |
| Phone & Internet | \$ | 3,000.00 |
| Office equip.maint. | \$ | 500.00 |
| Postage | \$ | 500.00 |
| Staff training | \$ | 500.00 |
| Other | \$ | 1,200.00 |
| | | \$ 8,500.00 |
| TOTAL EXPENSES | \$ | 216,182.52 |
| NET INCOME | \$ | 24,346.59 |

The Statement of Activities

Ideally, a church begins the year with a budget against which to measure actual income & expenses through the year — actual amounts that are reported monthly, quarterly and annual in the Statement of Activities —

| | |
|--------------------------|-----------------------------|
| Income | Money you bring in |
| — Expenses | Money you spend |
| Net Income (Loss) | Your “profit” (loss) |

More commonly known as the Income Statement (or Profit & Loss in the for-profit world), this document reflects the work or “activities” of the organization — showing how money was earned and how money was spent to advance the church’s mission. The **bottom line** of the Statement of Activities is the sum of income & expenses — the Net Profit or Net Loss.

Included in the Statement of Activities —

- **Pledges/Member Gifts** generally represent the foundation of a church’s finances, and should comprise the bulk of the income reflected in the Statement of Activities. Where churches rely heavily on endowment or other income to support the essential operation of the church, the pastor and church leaders should explore the effectiveness of giving education & programs.
- **Special Offerings** include One Great Hour of Sharing, Strengthen the Church, Neighbors in Need, The Christmas Fund, and other offerings your church may collect for special projects. In many churches, benevolent giving is an “off-book” item, meaning that whatever the church collects is sent directly to the recipient, leaving the church with an under-reported record of the congregation’s overall giving. By including special offerings as part of total giving income, the church not only reports its giving more accurately, but gains an important paper trail: when a check is written to the recipient, the special offering funds received as income will be expensed by the church as mission, ensuring the church’s income is not inflated by including the special offering income.
- **Investment Income** may be simply interest earned on a savings account, or may be dividends and

interest earned from an endowment or other investment account.

- **Earned Income** helps support many churches, and may include rental of church facilities for weddings or local group meetings, rental of land for a cell tower, sale of assets and fundraising events. Some earned income is taxable, so be sure to consult an accountant when filing year-end reports.
- **Other Income** might include gifts, grants from foundations or other institutions, and bequests.

Expenses are generally accounted for in several traditional categories —

- **Mission or benevolences** could include a church’s Five For Five offerings [Our Church’s Wider Mission (OCWM) plus the UCC’s four special offerings], contributions to local social service agencies, or support of missionaries and mission trips.
- **Personnel** includes the cost of salaries and benefits like health insurance and pension contributions. Note that personnel expenses do *not* constitute “overhead” as a church’s clergy and staff remain key to the church’s *program*.
- **Program** expenses might include worship supplies, music stipends, Christian education materials, promotional costs and youth events.
- **Building and grounds** expenses include the cost of maintenance, repairs, utilities, janitorial and lawn care (or snow removal) services, and property insurance. Interest on building-related debt may also be considered a building expense, though the principal portion of each mortgage payment is simply a reduction in liability.
- **Administrative** expenses include the cost of office supplies, postage, copier maintenance, telephone and internet connections.

Reviewing the Statement of Activities

The Statement of Activities should be prepared on a monthly basis and reviewed by the church's financial leadership and/or governing body, showing —

- current month results
- year-to-date (YTD) results
- comparison to the same period of the previous year (month & YTD)
- comparison of the current results to the budget

A regular review helps to ensure church leaders remain aware of the church's financial status and can address potential problems before they become big headaches.

Other helpful analyses —

1. Identify the percentages of each element of Total Income
 - What percentage of Total Income comes from Gifts & Offerings?
 - From investments?
 - Is the church becoming more reliant on non-gift/offering income for operations?
2. Identify the percentages of each element of Total Expenses
 - Does the amount of money spent in the various expense categories reflect the church's understanding of its mission?
 - Has spending shifted over the last few years?
 - Do any percentages look out of line?
3. How have these percentages changed over the last three to five years?
4. Calculate the average gift per member (or per giving unit), and review how that average has changed over the last three to five years.
5. Calculate the percentage of pledges fulfilled each year — are you getting closer to 100% or is fulfillment dropping?

The Statement of Activities

REFORMED PILGRIM UCC
 Statement of Activities
 Year-to-date as of September 30, 2011

| INCOME | | EXPENSES | |
|------------------------------|----------------------|--------------------------------|----------------------|
| Gifts & Offerings | | Mission | |
| Pledges | \$ 122,423.45 | OCWM | \$ 8,101.49 |
| Offering Plate | \$ 6,603.30 | Special Offerings (4) | \$ 4,586.00 |
| Special Offerings (4) | \$ 3,230.00 | Pastor's Fund | \$ 325.00 |
| | \$ 132,256.75 | | \$ 13,012.49 |
| Earned Income | | Personnel | |
| Building Rental | \$ 12,000.00 | Clergy | \$ 45,083.33 |
| Fundraisers | \$ 3,450.00 | Admin Assistant | \$ 14,686.67 |
| Program Fees | \$ 2,590.00 | Insurance Benefits | \$ 11,954.00 |
| Garage Sale | \$ 1,835.00 | Retirement Benefits | \$ 8,367.80 |
| | \$ 19,875.00 | Car Allowance | \$ 6,966.67 |
| Investment Income | | Payroll tax expense | \$ 4,482.75 |
| Endowment | \$ 3,584.33 | | \$ 31,771.21 |
| Other Investments | \$ 562.50 | | \$ 91,541.21 |
| | \$ 4,146.83 | Programs | |
| Other Income | | Worship & Music | \$ 8,782.28 |
| | \$ 740.00 | Missions | \$ 624.33 |
| TOTAL INCOME | \$ 157,018.58 | Christian Education | \$ 778.58 |
| | | Outreach | \$ 833.94 |
| | | Children & Youth | \$ 1,031.01 |
| | | Deacons | \$ 579.31 |
| | | | \$ 12,629.45 |
| | | Building & Grounds | |
| | | Mortgage interest | \$ 11,152.13 |
| | | Utilities | \$ 7,988.00 |
| | | Janitorial | \$ 5,273.64 |
| | | Repairs | \$ 1,205.82 |
| | | Grounds Care | \$ 3,000.00 |
| | | Property Insurance | \$ 6,000.00 |
| | | | \$ 34,619.59 |
| | | Administrative Expenses | |
| | | Supplies | \$ 724.25 |
| | | Phone & Internet | \$ 2,104.17 |
| | | Office equip.maint. | \$ 375.00 |
| | | Postage | \$ 481.68 |
| | | Staff Training | \$ 284.95 |
| | | Other | \$ 138.97 |
| | | | \$ 4,109.02 |
| | | TOTAL EXPENSES | \$ 142,899.28 |
| | | NET INCOME | \$ 14,119.30 |

The Statement of Financial Position

When gifts are gathered in a church, the cash and checks are counted and deposited into a bank account. When the treasurer pays the bills each month, one of those checks may go to a mortgage holder to repay a loan — a loan that may well have been taken out to pay for improvements to the building and property. A church might have a savings account, investments, or an endowment. But because none of these items show up on the Statement of Activities, another layer of financial elements and reporting must come into play — and these elements are reported on the Statement of Financial Position —

| | |
|----------------------|-----------------------|
| Assets | What you own |
| — Liabilities | What you owe |
| Net Assets | Your net worth |

More commonly known as the Balance Sheet, the Statement of Financial Position provides a “snapshot” of the organization’s financial status at a given point in time (usually at quarter- or year-end). While balances in checking accounts rise and fall, the Statement of Financial Position offers a glimpse of the organization’s financial health on the day the statement was prepared —

Assets

A church’s possessions — bank accounts, investments, pledges receivable, buildings, equipment, computers, even valuable communion sets — are all assets. The value of a particular asset may be determined by a number of factors, including age, condition and marketability. (See *Liquid Assets*, *Accounts Receivable*, *Fixed Assets*)

Liabilities

Money owed to others constitutes a debt or liability, which can include a mortgage on church property, a line of credit, staff salaries that have been earned but not yet paid, and invoices. (See *Accounts Payable*)

Net Assets

Commonly known as Net Worth and also known in not-for-profits as Fund Balance, Net Assets reflect the

financial value of the organization: the difference between the organization’s assets and its liabilities.

Restricted Gifts/Endowments

Some donors make gifts that may only be used for a particular purpose, which is identified in the documentation transferring the gift to the church. When the church accepts these *restricted* funds, they agree to abide by the limitations and track the investment and use of the funds. (See *Endowment*)

Assets are generally categorized as either Current (Liquid) or Fixed —

- **Current (Liquid) Assets** can be converted into cash (or liquidated) with little delay: checking & savings accounts, money market accounts, certificates of deposit, Cornerstone Fund Notes. While mutual funds and other investments (including accounts with United Church Funds) are considered liquid assets (because they can be turned into cash quickly), they are better considered long-term investments, because an untimely sale can result in a loss.
- **Fixed Assets** (also known as Long-Term or Capital Assets) are those intended to be held for a long time like buildings, equipment and endowments.

Liabilities are generally categorized as either Current or Long-Term —

- **Current Liabilities** include debts that are due within 12 months: mortgage payments, salaries and other benefits that have been earned but not yet paid, and accounts payable like charge accounts and invoices from vendors.
- **Long-Term Liabilities**, like mortgages, are generally payable over many years and are usually secured by collateral: an asset “signed over” to the lender to guarantee the debt.

A few thoughts about valuing church assets —

- Accountants value fixed assets like real estate at its “book value” or purchase price, even though the value of the property may have changed dramatically since it was purchased. Because not-for-profits are not required to pay capital gains tax when they sell their property, this distinction

is less important for church financial statements. Consider footnoting your Statement of Financial Position with the tax value of your property, and be sure insurance is based on the cost of replacing the building in the current market.

- Be careful about over-valuing furnishings, fixtures and equipment, but be certain to insure them adequately.

Reviewing the Statement of Financial Position

The Statement of Financial Position requires less scrutiny than the Statement of Activities, but should be monitored at least quarterly and reviewed by the church's financial leadership and/or governing body.

Even if a church owns few assets beyond its building, creating a Statement of Financial Position offers the opportunity to "inventory" the church's various accounts. In some churches, the treasurer may open a bank or investment account without reporting that transaction in the usual array of financial reports — the Statement of Financial Position offers the appropriate venue for complete and transparent reporting.

In reviewing the Statement of Financial Position, leaders should —

1. Evaluate the amount of cash the church has on hand
 - Is cash adequate to cover upcoming expenses?
 - Is cash appropriately invested considering the church's needs?
 - Does the church have a readily available reserve to cover emergencies?
2. What comprises the bulk of the church's assets?
In most cases, the largest percentage of Net Assets will be from building and property.
3. Compare liabilities against cash & liquid assets
 - Is the church taking on an appropriate amount of debt given the flow of income?
 - Are accounts payable and other regular expenses being paid on time?

4. Compare the current period and YTD to the same period the previous year

In preparing the Statement of Financial Position, church leadership will be well served to ask the treasurer to break out Net Assets into useful line items —

- real estate
- restricted funds or endowments
- unrestricted funds or endowments

Such a breakdown will clarify how much of the church's net worth is actually available to sustain the congregation.

The Statement of Financial Position

REFORMED PILGRIM UCC
Statement of Financial Position
September 30

| ASSETS | | LIABILITIES & NET WORTH | |
|----------------------------------|----------------------|---|----------------------|
| Cash | | CURRENT LIABILITIES | \$ - |
| Community Bank checking | \$ 16,937.02 | | |
| Community Bank savings | \$ 5,238.83 | LONG-TERM LIABILITIES | |
| | \$ 22,175.85 | Cornerstone mortgage | \$ 59,863.91 |
| Emergency reserve | | Equity line of credit | \$ 8,745.00 |
| Cornerstone 1-yr investment | \$ 58,940.89 | | \$ 68,608.91 |
| | | | |
| CURRENT ASSETS | \$ 81,116.74 | TOTAL LIABILITIES | \$ 68,608.91 |
| | | | |
| Investments | | NET ASSETS | |
| Endowment | \$ 306,937.32 | Endowment | |
| | | Restricted | \$ 16,000.00 |
| Fixed Assets (Book Value) | | Unrestricted | \$ 290,937.32 |
| Building & property* | \$ 322,438.00 | Real Estate | \$ 322,438.00 |
| Office equipment | \$ 1,500.00 | Unrestricted Net Assets | \$ 130,201.74 |
| Pews, altar & other furniture | \$ 37,000.00 | | |
| Organ & electric piano | \$ 10,000.00 | | |
| | \$ 370,938.00 | | |
| | | TOTAL NET ASSETS | \$ 690,968.15 |
| Other Assets | | | |
| Store credit at Cokesbury | \$ 585.00 | | |
| | | TOTAL LIABILITIES & NET ASSETS | \$ 759,577.06 |
| TOTAL ASSETS | \$ 759,577.06 | | |

* Market value: \$1.5 million

How Money Flows Through Financials

The Statement of Activities and Statement of Financial Position report different information, working together to present a more complete financial picture than either statement can offer independently. Each entry made on either statement requires a complementary entry to ensure that “the golden rule of accounting” remains true:

$$\text{Equity (Net Assets)} = \text{Assets} - \text{Liabilities}$$

This system, known as *double-entry bookkeeping*, was originally developed by a monk in the 15th century, and helps to minimize errors. Of course, since most accounting is now done with specialized software, errors are even less likely — but the double-entry system still underlies modern accounting.

The chart at the right provides a few examples of the impact of various financial transactions on the Statement of Activities, the Statement of Financial Position, and Net Assets.

| TRANSACTION | STATEMENT IMPACTED |
|--|--------------------|
| Offering comes in | |
| Income recorded | Activities |
| Assets/Cash increase | Financial Position |
| Net Assets increase | Financial Position |
| Bills come in | |
| Expenses recorded | Activities |
| Liabilities increase | Financial Position |
| Net Assets decrease | Financial Position |
| Bills are paid | |
| Liabilities decrease | Financial Position |
| Assets/Cash decrease | Financial Position |
| [No change to Net Assets] | |
| Church sends money to endowment account | |
| Assets/Cash decreases | Financial Position |
| Assets/Investments increases | Financial Position |
| [No change to Net Assets] | |
| Gift is made to endowment | |
| <i>1. Donor's check is deposited in church checking acct</i> | |
| Assets/Cash increases | Financial Position |
| Net Assets increase (restricted) | Financial Position |
| [No impact on Income] | |
| <i>2. Church writes a check to the endowment account</i> | |
| Assets/Cash decreases | Financial Position |
| Assets/Investments increases | Financial Position |
| [No impact on Net Assets] | |
| Church borrows money to buy a piece of property | |
| <i>1. Church writes a down payment check</i> | |
| Assets/Cash decreases | Financial Position |
| Assets/Real Estate increases | Financial Position |
| [No impact on Net Assets] | |
| <i>2. Church signs mortgage documents</i> | |
| Assets/Real Estate increases | Financial Position |
| Liabilities increase | Financial Position |
| [No impact on Net Assets] | |

Reporting the Numbers

You can probably count on your fingers the number of people in a church meeting who are interested in the usual line-item budget. Even church leaders find themselves frustrated when time comes to review church finances. Many don't understand what financial documents are telling them, and others just glaze over at the sight of all those numbers. And when budgets or statements are presented in a non-standard manner, even the financially savvy can become confused.

Like a car's dashboard, the financial dashboard conveys important information in a format that's quick to comprehend. Presented in line graphs, pie charts and other graphic options, financial data is condensed to an appropriate level and conveyed clearly. By its nature, the financial dashboard offers limited data, as over-communication of detail can often do more harm than good.

To encourage generous givers, church leaders must build trust in the management of the church's funds — and that trust begins with clarity. As the saying goes: less is more. Budgets and financial statements that cover more than one or two pages, that provide tons of detail, or that omit important elements of the church's financial situation can cause confusion and raise questions in church members' minds. Questions can lead to conflict, which in turn can breed mistrust.

When developing a financial dashboard, consider that most church members primarily want the big picture: how are we doing on giving and income? are our actual results on-target with the budget? where is our money being spent? Choose the information appropriate to your audience and the occasion — then provide the information in a graphic format that is useful, appealing and easy to understand.

A few tips —

- Remember: less is more!
- A good rule of thumb for presenting financial information: the larger the audience, the more summarized the information should be.
- Most people comprehend financial data more easily when information is presented in a simple, clear and colorful graphic format.
- The items included on a financial dashboard can change, providing the data most useful to the occasion & audience.
- When presenting a financial dashboard, be sure to have a traditional document handy for those who prefer more in-depth information.

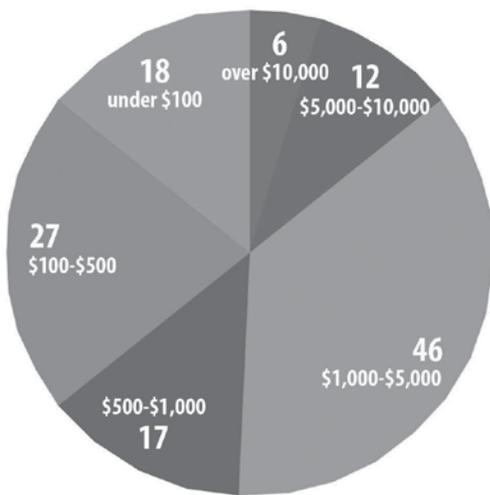
The Financial Dashboard

Our Church by the Numbers

Our church continues to grow and our leadership is making sure spending remains in line with income. And while our overall giving increases each year, our giving per member has been decreasing. We are increasingly reliant our largest donors, with 67% of our budget coming from our top 25 givers. Our leadership has also identified a goal of decreasing our spending on facilities so that we may achieve our church goal of spending at least 10% of our budget each year on missions & OCWM.

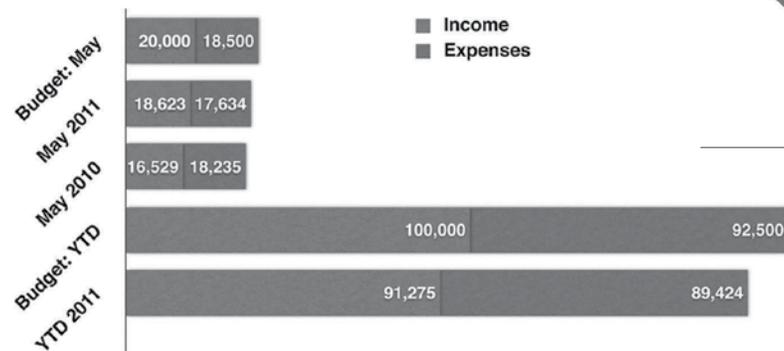
Distribution of annual giving

Over \$314,000 was given by 126 giving units, with 37% giving \$1,000 to \$5,000, while 5% give over \$10,000.



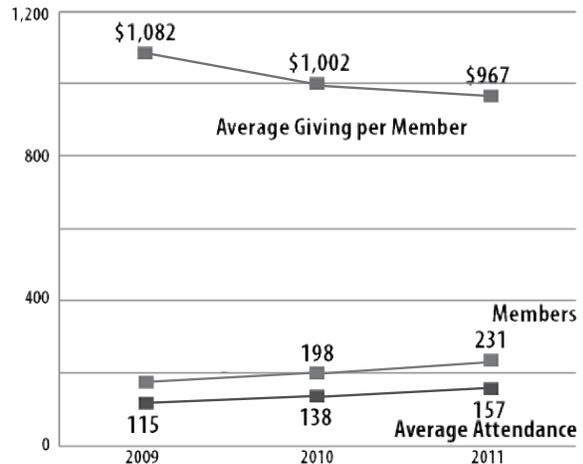
Budget vs. actual for the month & year-to-date

While we continue to run a bit behind our budget in giving, we have reduced spending to remain in line.



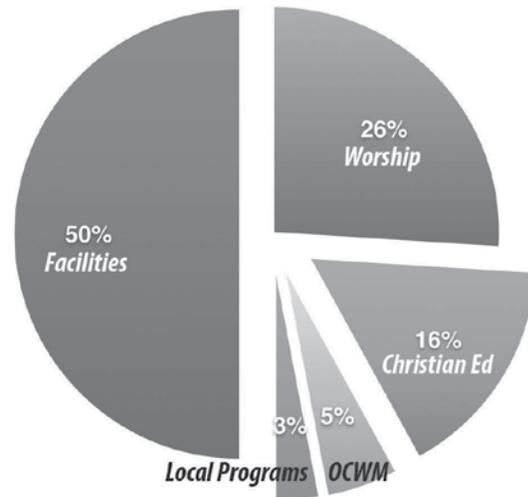
Giving, membership & attendance

While attendance and membership have been increasing, the average gift per member continues to decline.



The ministry funded by our gifts

Half of our budget goes to the use and maintenance of our building and grounds, with 8% to missions.



Growing Generous Givers

Several years ago, fundraising consultant and former pastor J. Clif Christopher wrote *Not Your Parents' Offering Plate*, a book that calls on churches to take a page from the not-for-profit sector to strengthen fundraising. While many pastors and church leaders avoid talking about money, and prefer to talk about stewardship rather than fundraising, local churches pay a growing price for their reluctance to tackle money issues in direct terms. One of the points about which Mr. Christopher is unambivalent: the pastor needs to know how much each member is giving to their church.

Giving is a spiritual discipline

Few pastors would be reluctant to talk to a parishioner about their prayer discipline or church attendance — yet while giving remains a discipline like any other, pastors and church members have traditionally considered money discussions out of bounds. Perhaps many parishioners want their giving to remain private because their contribution is so easily quantified, so easily confirmed. But a person's giving reflects both their spiritual life and their relationship with their local church.

We invite God into nearly every important element of our lives — and we expect our pastor to help us deepen our experience of our faith. We marry in the church, we baptize children and raise them in Sunday School, we ask for prayer when family members fall ill and when trouble comes. Yet while money daily colors our experience, our work and our relationships, we tend to separate our spiritual and financial lives. We prefer our pastor remain blind to our capacity for giving or our willingness to share our financial gifts. But for a pastor to fulfill her/his responsibility to encourage and exhort church members to greater faithfulness with their money, a pastor needs to know how much each member gives.

Yes, this information should remain confidential — but that doesn't mean the information is secret. The very nature of the pastor's role demands the

ability to handle confidential information appropriately, and to use that trust to walk with parishioners in the deepening of their life of faith.

The classic dissent

The argument often rises that if the pastor knows who gives what, the pastor will show favoritism to the biggest givers. But shouldn't the entire congregation be celebrating the generosity of people who are big givers? Churches often depend mightily on these generous souls. We're quick to celebrate and honor the gifts of people with good voices or artistic talent — yet we somehow think it acceptable to essentially ignore those with a gift for generosity and the means to express that gift.

Just as musicians' gifts need to be encouraged and cultivated, so too do donors' gifts. Pastors, and by extension their churches, miss a huge opportunity to celebrate generosity when the pastor doesn't know who gives what. They miss the opportunity to thank the donor appropriately, and to encourage the gift of giving that can extend and expand ministry in the local church, the community, and in the wider world. Universities, hospitals and other not-for-profits long ago learned the value of honoring their largest donors. Churches can adopt and adapt many charitable fundraising tactics to strengthen their ministries and grow the gifts of generosity in their congregations. Realistically, most pastors and church members have already made assumptions about the people they believe give the most, assuming the biggest givers are the people with the most expensive cars, the most prestigious jobs, or with the most to say about church decisions and management. But many a church has been surprised to learn the quiet, unassuming widow who never missed a Sunday has left the church a huge gift in her will.

Giving is a practical concern

Beyond the spiritual dimension of giving, the practical need for funding presses on a pastor as on any

not-for-profit leader. And every not-for-profit leader worth their salt knows exactly who provides their funding. They know their big givers, and develop those relationships out of both gratitude and continuing need. A good leader also knows that over-reliance on a few givers can place an organization in financial jeopardy. Should a large giver move, die, or shift their allegiance, the organization could be unable to pay its bills!

A True Story

When candidating for the senior pastorate at a Southern California church, a pastor conditioned his acceptance of the call on the church's willingness to provide a list of who gave what. Somewhat reluctantly, the church agreed.

When the pastor received the list, he saw a surgeon in the congregation was giving \$1,000 a year. The pastor invited the member to lunch, and in the course of a getting-to-know-you conversation, asked the physician how he decided the amount he would give to charitable organizations and to the church. The physician had never thought about his giving in an intentional way — he just wrote what seemed a generous check. And for many charities, \$1,000 would be great. But church giving carries deeper spiritual implications.

Over the course of a developing relationship, the pastor explored giving as a spiritual discipline with the surgeon. After the first lunch, the member's giving increased — and over the years became very generous.

But the best part of this story is not about money. Now that he was thinking of all his gifts as blessings from God, the surgeon began to join mission trips, using his medical skills in a meaningful new way! Because this man's pastor had the information to initiate a conversation, he could pastor his parishioner to a much deeper experience of faith and faithfulness.

A Brief Financial Glossary

Almost every endeavor, from poetry to medicine to theology, has its own vocabulary. You'll be pleased to see that most of the essential words in the church finance vocabulary are already familiar to you!

Accounts Payable

Money owed by the church, usually to staff or vendors: salaries, insurance premiums, electric bills, etc. (See *Liability*)

Accounts Receivable

Money owed to the church, most often pledges. Unless the church has made a loan, most receivables are recorded as income when they are paid.

Accrual vs. Cash Accounting

Most churches use *Cash Accounting*, in which Accounts Receivable (like pledges) are recorded as Income when the money is actually received, and Accounts Payable are recorded as Expenses when the checks are written. *Accrual Accounting*, the corporate standard that is nevertheless not very helpful for most churches, considers Income received when the commitment to pay is received, and Expenses are recorded when the Invoice (or bill) is received.

Asset

A church's possessions — bank accounts, investments, pledges receivable, buildings, equipment, computers, even valuable communion sets — are all assets. The value of a particular asset may be determined by a number of factors, including age, condition and marketability. (See *Liquid Assets*, *Accounts Receivable*, *Fixed Assets*)

Bequest

A gift established in an individual's will and paid from their estate. Bequests may include cash, investments, real estate or personal property. (See *Planned Giving*)

Budget

A plan that most churches create each year that estimates how much money the church *expects* to bring in during the year from different sources (Income), and how much the church will need to spend to conduct its ministry (Expenses).

A *deficit budget* assumes at the outset that the church will not have enough income to cover its expenses during the year, and will therefore need to withdraw money from a savings or endowment account.

Capital Campaign

Typically a three- to five-year program to raise funds for a building or other significant asset (like an endowment). Generally, campaigns begin with a pledge drive; the pledges, which are promises to pay a certain amount in a certain timeframe, are then collected over the term of the campaign.

Cash & Cash Equivalents

More than dollar bills and quarters, cash and equivalents include anything that could quickly be "liquidated" or turned into spending money: checking and savings accounts, money market accounts, certificates of deposit and Cornerstone Fund Notes.

Cash Flow

The relationship between income and expenses (or income and outgo). Churches often find that receipt of income can be cyclical, while expenses are generally consistent from month-to-month. An analysis of cash flow can help a church plan ahead for months when cash is not flowing in as rapidly as it is flowing out.

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Endowment

A permanent fund established to ensure long-term support for an institution or activity. An endowment may be given by a single donor, may be created from several combined gifts, or may be developed by a congregation over time. Often, the return on an endowment is taken as income by the church, while the body of the original fund remains intact. Endowments are often established with restrictions on the use of the funds, which are legally binding on the recipient.

Expense

Money spent by the church for everything from the Sunday School curriculum to electricity, from roof repairs to the pastor's salary — all of these are expenses. The exception: repaid principal on a loan., which is a reduction of a debt/liability; the interest portion of a loan payment, however, *is* counted as an expense.

Fiscal Year

While most organizations calculate their financial statements based on a calendar year (January to December), some choose other 12-month configurations for accounting purposes. The national setting of the United Church of Christ, for instance, operates on a July-to-June fiscal year, which aligns with the program year.

Fixed Assets

Tangible possessions that cannot be quickly turned into cash, including real estate, church buildings and equipment. Fixed assets are generally held for the long term, and are also referred to as "capital assets."

Grant

A gift, often from a foundation or similar fund, that is generally provided for a specific purpose or program, and that need not be repaid.

Income

Money that comes into the church is income: pledges paid, cash received in the offering plate, rent from tenants, donations, grants, legacies — even rental fees from cell phone towers. Restricted gifts — like money given to an endowment — are generally not included as regular income.

Investments

Generally less "liquid" than cash and equivalents, investments are assets like stocks and bonds, mutual funds and real estate held for later sale. A church usually saves its reserve or endowment funds in different types of investments based on the timing of their expected use, and expecting their value to grow over the years.

Invoice

A bill for goods or services, which becomes an Account Payable (or Liability) until the vendor is paid. Many of the expenses involved in operating a church are reflected in invoices: telephone, electricity, insurance premiums, groundskeeping services, and many more. A church should only pay expenses after an invoice has been received, to ensure transparent and proper bookkeeping.

Liability

Money owed to others constitutes a debt or liability, which can include a mortgage on church property, a line of credit, staff salaries that have been earned but not yet paid, and invoices. (*See Accounts Payable*)

Liquid (Current) Assets

Generally speaking: cash. *Liquidity* indicates an asset that can be turned quickly into spending money. Petty cash, checking or savings accounts, and most unrestricted investments may all be considered liquid assets. While receivables are typically considered liquid, pledges are not usually immediately convertible into cash in an emergency.

Mortgage

Just like at home, a mortgage is a loan taken out to finance the purchase (or refinance) of real estate. The real estate being financed generally serves as collateral (or security) for the loan. Mortgages are generally paid over an extended period of time, and may be financed with adjustable or fixed-rate loans. While mortgages are often used to purchase real estate, they are also taken out to fund other projects including improvements and expansions.

Net Profit/Loss

The sum of Income and Expenses — usually calculated at the end of a fundraising event, a month, a quarter and/or a year. To achieve a Net Profit (a perfectly acceptable and legal result), a church must end the period with more Income than Expenses. A Net Loss means the church spent more than it gathered in.

Net Worth

Also known as Net Assets or Fund Balance —The difference between the organization's assets (the value of what it owns) and its liabilities (the total of what it owes). In a for-profit financial statement, Net Worth is often called equity or retained earnings. In a church or not-for-profit organization, this is usually known as Net Assets or the Fund Balance. Income increases Net Assets, Expenses decrease Net Assets.

Not-for-Profit (501c3)

Organizations founded and operated to serve the public interest — from the Red Cross to universities to local churches — are granted not-for-profit status by the IRS according to section 501c3 of the tax code, relieving them of the obligation to pay federal taxes on most of their income, and permitting contributions to be tax deductible for donors.

In a not-for-profit organization, Net Income is not paid out as a dividend might be in a for-profit corporation. Instead, a church keeps the funds within the organization, spending them on mission, church programs, and other expenses. Even though a church may not function with the intent of making a profit, a not-for-profit organization is not prohibited from ending up with a profit at the end of the year.

The distinction between a for-profit and a not-for-profit corporation is the intent of the founders and the disposition of any money earned. Because churches keep any profits in the organization — spending the profit on church-related activities rather than paying portions out to shareholders or members — they are considered not-for-profit entities.

Planned Giving

Also known as “charitable gift planning,” this term refers to a range of services and options for making a charitable contribution from estate assets — gifts arranged in the present for fulfillment at a later date, usually after the donor's death. Planned gifts include bequests made in wills, charitable trusts and charitable gift annuities.

Restricted Gifts/Endowments

Some donors make gifts that may only be used for a particular purpose, which is identified in the documentation transferring the gift to the church. When the church accepts these *restricted* funds, they agree to abide by the limitations and track the investment and use of the funds. (See *Endowment*)

Short-Term vs. Long-Term

In financial language, short-term suggests a time-frame of less than one year or less, like a six-month CD or a 90-day bank loan. Long-term assets and liabilities are held for more than a year, and often much longer.

Tithe

Based on the Old Testament understanding of God's requirement to returning gifts to the church, the tithe was a gift of 10% of the giver's earnings (see Leviticus 27:30-32).

Total Return

Traditionally, investors thought in terms of ‘principal’ and ‘interest or dividends’ — funds invested in a stock, for instance, would be the principal that prudent investors would leave untouched, spending only the dividends as paid each year. That traditional method, however, did not take into account the growth in value of an investment like a stock, so the standard has shifted. Total return requires an organization take as income (or “cash out”) a percentage of the value of the entire portfolio each year, generally calculated from an average of the previous three year-end values. When funds are held in a mutual fund or similar investment (like the United Church Foundation's Common Investment Funds), the organization would simply request a payout of a certain number of units, leaving the remainder of the portfolio invested in a diversified manner.

Unrelated Business Income Tax (UBIT)

While most church income remains exempt from federal and state taxes, income earned from non-church-related sources may be subject to income tax.

A prime example for many churches: income from cell tower leases. Other income that may be subject to UBIT can include parsonage rental or rental of church space to local businesses — including yoga or music teachers, even if they are church members. If your church earns more than \$600 a year from unrelated sources, check with a tax attorney to determine your potential tax responsibility.

Church Money Management

Church Money & Church People

One of the glories of the Christian church: the body of Christ — a diverse conglomeration of people from different backgrounds, geographies, ethnicities, traditions, socio-economic conditions, and more. The glory of the household of God also reflects its challenge: all those people bring different expectations, experiences, interests and temperaments to their participation in the church. Add money to this picture and complex can become very complicated.

People, traditions & other challenges

Generally speaking, we think of church as a “nice” place with “nice” people. And to keep things “nice,” church people often avoid conflict and confrontation — and that can mean doing things “the way we’ve always done it.” We’ll even put off critical changes to prevent hurt feelings.

Faithful stewardship means taking care of the institution — the body — as well as the individuals who comprise the body. And no where is faithful stewardship more important than in financial matters. Stories abound of members who have undermined church finances simply because they were the wrong people for their role — but no one wanted to hurt their feelings by replacing them with someone more competent. And in the worst cases, long-time members and staff have robbed their churches of tens of thousands of dollars over years of embezzlement.

The key: focus on the mission.

What is best for the body?

Consider these questions

- What attitudes do people bring to the management of your church’s money?
- What “people challenges” does your church face (individually and corporately)?
- Are the right people in key financial roles? Do you need to develop “bench depth”?
- How is managing church money different from managing personal money?
- What is the history of trust in your church around issues of money?
- Does your church operate more from a belief in scarcity or in abundance?

Church Management Overview

Protecting the Organization (p. 31)

- Incorporation
- Conflict of Interest Policy
- Retaining (& Shredding) Documents

The Treasurer's Role (p. 39)

- Treasurer Responsibilities
- Church & State
- Accounting for Gifts

Protecting the Church's Funds (p. 47)

- Financial Controls
- Financial Policies & Procedures
- Corraling Multiple Accounts
- Gift Acceptance Policy
- Endowment Policy
- Investment Policy
- Spending Policy
- UPMIFA (*Uniform Prudent Management of Institutional Funds Act*)
- Audits (p. 63)

Protecting Your People (p. 83)

- Personnel Policies & Employee Handbook
- Safe Church Policies
- Emergency Planning

Protecting Your Building & Grounds (p. 93)

- Preventing Slips, Trips & Falls
- Facilities Self-Inspection Checklist
- Comparing Insurance Coverages

10 Important Documents

1 Articles of Incorporation

Not sure your church is incorporated? Check with your state's Secretary of State.

2 Constitution & Bylaws

If your copy was written on a typewriter, it needs to be reviewed & updated!

3 Minutes of all meetings

Part of your permanent archive, keep in your fireproof church archives.

4 Annual Meeting report(s)

Keep these in your permanent church archives as well.

5 Member roster

Keep a current copy handy, then file annually with your annual report(s).

6 Financial records

Keep per document retention policy, but annual statements stay with archives.

7 Insurance policies

Keep policies permanently. Always. Don't throw policies away.

8 Tax records

Retain for seven years — electronic format is acceptable.

9 Employment records

Keep well secured, and retain for three years after end of employment.

10 Deeds

Can't find the original? Check with your county — then keep in a fireproof safe.

Know where these documents are kept.
Make & distribute electronic copies where possible & appropriate.

Protecting the Organization

In addition to being a spiritual community, a church is also an organization — a not-for-profit entity with responsibilities not only to its members and visitors, but to the wider community and even the government. Ensuring the financial and legal health of the organization remains an essential element of stewardship of any church.

In a congregational system, the members of the church govern the organization in a big-picture sense, usually entrusting oversight to an elected council, board or consistory. Pastors and staff, whether paid or volunteer, generally manage the church's ministries and programs, and may take responsibility for administrative functions.

A number of organization-level issues are important for a church and its leaders to consider when seeking to serve as careful stewards —

- determining the appropriate legal status
- understanding tax exempt status
- developing policies to protect people and property

When new leaders are elected to church governance, be sure to provide them with the church's primary governance and community documents, including a copy of the church's constitution and bylaws, along with any additional policy documents.

Incorporation

While churches may often operate as associations or other unincorporated entities, status as a corporation offers a church and its members a range of protections not always available to unincorporated associations. While the application and impact of laws can vary widely based on the specific facts involved — and any unincorporated association or entity should seek legal advice to address its particular situation — legal counsel for the United Church of Christ has summarized some of the benefits of incorporating.

Personal Asset Protection

Generally, the responsibility for debts and liabilities of a nonprofit corporation are not personally those of the officers, directors, trustees or members of the corporation. This "limited liability" ensures that anyone who obtains a judgment against a nonprofit corporation can only reach the assets of the corporation, not the assets of individuals. By contrast, individual members of unincorporated associations can in some circumstances be held personally liable for the acts of other members under the law of agency, which can treat members of an association as agents for other association members. This can lead to personal liability issues that are generally avoided under the nonprofit corporation form.

More Certainty

The law in most states with respect to nonprofit corporations is well developed, and state statutes generally provide a clear "road map" regarding duties and obligations of corporate members and fiduciaries with "default" rules if a specific situation is not addressed in the corporate charter or bylaws. By contrast, many states do not have laws governing unincorporated associations. Moreover, while many unincorporated associations may have "articles of association", a "charter", a "constitution" or similar governing document, the absence of "default" state rules applicable to such entities can lead to uncertainty and potential liability.

Sample Conflict of Interest Policy

from the Internal Revenue Service,
modified for use by churches

Article I — Purpose

The purpose of the conflict of interest policy is to protect this tax-exempt organization's (Organization) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, director or member of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to non-profit and charitable organizations.

Article II — Definitions

1. Interested Person

Any director, principal officer, or member of the organization or a committee with governing body delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

2. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
- b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest

only if the appropriate governing body or committee decides that a conflict of interest exists.

Article III — Procedures

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of the Organization or committees with governing body delegated powers considering the proposed transaction or arrangement.

2. Determining If a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing body or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining body or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing Conflict of Interest

- a. An interested person may make a presentation at the governing body or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b. The chairperson of the governing body or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c. After exercising due diligence, the governing body or committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of

interest, the governing body or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy
 - a. If the governing body or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
 - b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing body or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV — Records of Proceedings

The minutes of the governing body and all committees with delegated powers shall contain:

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing body's or committee's decision as to whether a conflict of interest in fact existed.
- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Article V — Compensation

- a. A voting member of the governing body who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the governing body or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI — Annual Statements

Each director, principal officer and member of a committee with governing body delegated powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the conflicts of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII — Periodic Reviews

To ensure the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations

conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Article VIII — Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing body of its responsibility for ensuring periodic reviews are conducted.

•••

Conflict of Interest Policy

CT Conference Board of Directors

1. Each person who is a Director, Officer or Committee Member of the Connecticut Conference shall exercise good faith and best efforts in the performance of his or her duties to the Conference and all entities affiliated with the Conference. In all dealings with and on behalf of the Conference or any affiliated entity, each such person shall be held to a strict rule of honest and fair dealing with the Conference and its affiliated entities and no such person shall use his or her position, or knowledge gained therefrom, in such a manner as to create a conflict, or the appearance of a conflict, between the interests of the Conference or any affiliated entity and the other interests of such person.
2. In all matters affecting the Conference or any affiliated entity, each Director, Officer and Committee Member shall not take any position or engage in any act that could adversely affect the Conference or any affiliated entity.
3. No person who is a Director, Officer or Committee Member of the Conference shall accept any material compensation, gift, or other favor that could influence or appear to influence such person's actions affecting the Conference or any affiliated entity. Each Director, Officer or Committee Member shall immediately disclose to the Chair of the Board of the Conference any employment, activity, investment or other interest which might compete or conflict, or appear to compete or conflict, with the interests of the Conference or any affiliated entity.
4. No Director, Officer or Committee Member shall vote, or be counted in determining the quorum for any vote, on any transaction between the Conference and any other corporation, firm, association or other entity in which such Director, Officer or Committee Member has a direct or indirect substantial financial interest. Any such duality of interest shall be disclosed to the other Directors,

Officers or Committee Members of the Conference as applicable and made a matter of record. The Director, Officer or Committee Member shall make such disclosure. In addition to refraining from voting, such Director, Officer or Committee Member shall not participate in the deliberations nor use personal influence in the matter, and any such transaction shall be at least as fair and reasonable to the Conference as would otherwise then be obtainable by the Conference.

5. For the purposes of Section 4, a Director, Officer or Committee Member shall be deemed to have a direct or indirect substantial financial interest in any corporation, firm, association or other entity in which such person, together with such person's parents, spouse or all descendants of either of such person's parents or such person's spouse have an aggregate, beneficial, equity interest of one percent or more.
6. On an annual basis, the secretary shall send to each Director, Officer or Committee Member of the Conference and to those employees of the Conference as the Board may determine, a copy of this policy regarding Conflict of Interest, together with a questionnaire inquiring as to conflicts. It shall be the duty of each Director, Officer and Committee Member as the case may be, to inform the Registrar of any and all changes in the information set forth in the questionnaire or otherwise update the and the Chair of the Board in a timely fashion. No Director, Officer or Committee Member in his or her capacity as such, shall act as or represent that he or she is an agent of the Conference or any affiliated entity, unless specifically authorized so to do by the Board. When in doubt as to whether a Conflict of Interest exists, or may exist, it shall be the duty of each person to inform the Registrar or Chair of the Board for clarification.
7. Any person who is a Director, Officer, or Committee Member on the date the Board adopts this policy regarding Conflict of Interest (June 21, 2001) shall become subject hereto as of the Date of Adoption. Any person who becomes a Director, Officer or Committee Member of the Conference

after the Date of Adoption shall become subject hereto immediately upon becoming a Director, Officer or Committee Member of the Conference.

Be sure to prepare an form that each member signs annually acknowledging receipt of the policy and agreement to comply!

Shredding Documents

Every church should own and maintain a cross-cut shredder. While churches retain many documents and records for years, materials that should be shredded instead of merely thrown away include —

- deposit slips, once accounts are reconciled
- letters containing personal/identifying information (ie, Social Security and driver's license numbers, bank account numbers)
- insurance or medical papers
- documents related to personnel matters
- CDs containing sensitive information
- expired credit/debit cards

If in doubt about whether a document should be retained or tossed, err on the side of retention. But if you're throwing away, shred any documents that contain sensitive material.

Retaining Records

Questions always arise about records retention, and many churches err on the side of saving everything forever. The table at the right outlines a sample policy that may be augmented or refined after consultation with an attorney (note that churches are not required to file a Form 990 with the IRS).

Keep insurance documents permanently!
Your church's old policies, insurance invoices and cancelled checks can be used to prove coverage should a claim (like clergy misconduct) arise from years past.

Sample Document Retention Policy

SAMPLE: Document Retention Policy

| Description of record(s) | Manner of record keeping | Disposition |
|--|---|--|
| I. Corporate/ organizational records: | | |
| Incorporation documents including articles of incorporation, bylaws, and related documents | Store in corporate record book. | <u>Permanent</u> |
| Tax-exemption documents including application for tax exemption (IRS Form 1023), IRS determination letter, and any related documents | Store in corporate record book. | <u>Permanent</u> . Federal law requires copies of these documents to be held at organization's headquarters office. These records must be made available for public inspection upon request. |
| Meeting/board documents including agendas, minutes and related documents | Compile & file records on yearly basis; Store in corporate record book. | <u>Permanent</u> . Care should be taken to include only necessary information in these documents. |
| II. Financial records: | | |
| Year end Treasurer's financial report/ statement | Store in corporate record book. | <u>Permanent</u> |
| Treasurer's reports, periodic | Compile & file records on yearly basis. | <u>Three Years</u> . Store w/financial records. Destroy after three years. |
| Bank statements, canceled checks, check registers, investment statements, and related documents | Compile & file records on a yearly basis. | <u>Seven Years</u> . Store w/financial records. Destroy after seven years. |
| Annual information returns (IRS Forms 990) | Federal law requires that the three most recent years returns be kept in the organization's headquarters office and be made available for public inspection upon request. | <u>Seven Years</u> . Store w/financial records. Destroy after seven years. |
| III. Educational materials: | | |
| Training materials – outdated | Electronic copy may be appropriate for reference; destroy all paper copies of outdated materials | Destroy all but 1 copy which is kept in archives <u>permanently</u> |
| Copywritten materials – including each revision to website | | <u>Permanently</u> keep 1 copy of each copywritten material |
| IV. Presenter/trainer records: | | |
| Volunteer applications | Convert to electronic record | <u>Permanent</u> |
| Certification list | Save as electronic record | <u>Permanent</u> |
| Background checks; committee decisions | | |
| V. Informal internal communications | | |
| Email | | <u>One year</u> . Delete all unused/unaccessed records after one-year |
| VI. Human Resource records | | |
| Employee files | | <u>Three years</u> after termination. |

Source: Sandra Pfau Englund, www.nonprofitlaw.com

The Treasurer's Role

Treasurer Responsibilities

Churches organize their financial lives in a variety of ways, enlisting the services of volunteers to serve as treasurers, financial secretaries, investment or finance committee members and stewardship chairs. Depending on the size of your church, the number of people willing to serve as officers, even your church's traditions, the treasurer's job at your church may look different from the same job at another UCC church just down the road. The following tasks generally fall within or touch on the treasurer's responsibilities —

- ◇ Manage the church's funds, maintaining current and accurate financial records for all funds received or disbursed —

CASH TRANSACTIONS

- receive and record weekly income report from the Financial Secretary
- maintain computer or written ledger (receipts journal, cash disbursements journal/check register, general ledger)
- assign income and expenses to the appropriate categories
- maintain and reconcile records for petty cash and pastor expense accounts

Outstanding Advances

Investments

- identify appropriate options for endowment and reserve funds and ensure funds are invested per church policy
- manage and record receipts and disbursements for endowment and other designated funds
- receive and dispose of or manage gifts of cash and property

ACCOUNTS RECEIVABLE & PLEDGES

- [financial secretary may] accept the offering report from the church counters on Sunday and prepares the bank deposit

- [financial secretary may] record the offerings received each Sunday (and during the week), updating giving records for each member or giving/pledging unit
- [financial secretary may] prepare regular giving statements for donors

OTHER ASSETS

ACCOUNTS PAYABLE & DEBT OBLIGATIONS

- receive and review invoices, ensuring all requests for payment have been properly approved
- write checks to pay approved expenses on a timely basis
- prepare and disburse payroll

- ◇ Reconcile statements from bank and investment accounts
- ◇ Prepare and submit reports for tax and other authorities, making sure the church remains in compliance with relevant requirements
- ◇ Track income/expenses against the budget, and alert leadership to potential problems
- ◇ Regularly prepare timely and comprehensive financial reports for church leadership
 - Statement of Activities
 - Statement of Financial Position
 - Budget vs. Actual
 - Cash Flow
- ◇ Ensure assets are protected and assist with insurance claims where required
- ◇ Help prepare the annual budget
- ◇ Assist outside accountants or auditors as they prepare annual financial statements
- ◇ Train an associate treasurer to ensure work can continue if/when treasurer is unable

Church & State

Tax-Exempt (501c3) Status

Churches and organizations listed in the UCC's Yearbook automatically receive federal tax-exempt status under the UCC's designation (IRS Exemption No. 1665, dated June 10, 1964), and are not obligated to pay tax on most income. To "prove" your church's tax-exempt status for a grant-maker or vendor, simply send a copy of the UCC's IRS letter and the page from the Yearbook in which your church's information appears. Because some states require additional certification or registration, be sure to check with your Secretary of State to determine if additional requirements apply.

Federal Tax ID Number

Your church should already have an Employer Identification Number (EIN) number, required to pay payroll taxes and receive exemption from state sales tax, if applicable. If you do not have a Tax ID number, visit irs.gov to apply and receive a number online or to download the appropriate form.

Immigration Form I-9

Current laws require all employers, including churches, to obtain proof of a prospective employee's identity and legal right to work in the United States. A Federal Form I-9 must be completed and kept on file for each employee. See the Additional Resources at the back of this section for sample forms.

Unrelated Business Income

Church rental income from real estate is generally not unrelated business income, with a few exceptions that include parking lot rental and property with mortgage debt. In some counties or states, property may become subject to property tax depending on local rules, but the church would not be required to pay income tax on the proceeds. See IRS Publication 1828 for details.

Tax Returns

While churches are not required to file IRS Form 990 (the not-for-profit tax return), state and local authorities may require periodic or annual filings.

Property Tax

Because property taxes are typically assessed at the local level, you will need to contact your local authority for details about property tax exemptions. Generally, church buildings and related property are exempt from property taxes. On the other hand, vacant land held for possible future use may be subject to tax, as will parts of the property that are rented out to external tenants. Designating regular lease income as a "donation" will not permit a church to avoid paying property tax on the portion of property that is income-producing. Incidental rentals, however, like those for weddings and outreach-related meetings, are unlikely to jeopardize the church's property tax exemption. If you have questions, check with your local authority.

Sales Tax Exemption

Check with your state revenue department to determine whether tax-exempt organizations in your state are exempt from sales tax on purchases. Some states offer no exemption, others require the organization submit a document to the vendor, while others maintain a system of reimbursement upon application to the state.

Ministers' Housing Allowance

Ministers do not need to pay federal income taxes on funds designated as housing allowance when —

- a. the allowance is designated in advance *and in writing* by the church
- b. the allowance is used to pay for housing-related expenses (the minister bears sole responsibility for documenting housing-related expenses)
- c. the allowance does not exceed the annual rental value of the home

In addition, ministers who live in a church-provided parsonage do not pay income taxes on the annual rental value of the parsonage. However, housing allowances and the rental value of parsonages are fully taxable in computing a minister's self-employment taxes.

Church treasurers should take the following steps to ensure ministers receive the full benefit of the housing allowance —

1. In advance of the new salary year, ask the minister for her/his determination of the amount of compensation to be designated as housing allowance for the coming year. ***This decision is solely the prerogative of the minister.*** Be sure to request a housing allowance designation from a new minister prior to the date the minister begins his or her duties, as a housing allowance must be identified in advance.
2. Assure that the identified amount is noted in the minutes of a meeting of the church's personnel or executive council, or is otherwise documented, prior to the beginning of the new salary year.
2. Do not include the housing allowance in the regular compensation identified on the W-2 provided to the minister at year-end.
3. If the church-designated housing allowance exceeds the minister's actual housing expenses or the rental value of the minister's home, the minister alone bears responsibility for reporting the difference as regular income (eg, "excess housing allowance").

IRS Form W-4

Lay employees must complete a Federal tax withholding Form W-4, instructing the employer how much Federal income tax to withhold. A clergy person may complete a W-4 form at her or his option.

Payroll Taxes

If your church has even one employee for whom the church must pay withholding and other taxes, seriously consider using a payroll service. The small cost will save the treasurer considerable time and headache, as payroll requirements can be difficult for a volunteer to track and maintain. If your church opts not to use a service, be sure the treasurer or other administrator is well trained in general payroll requirements and in requirements particular to your state.

Lay Employees

Churches that employ non-ordained staff are responsible for withholding and remitting the following taxes from employee paychecks —

- Federal income taxes
- State income taxes
- Social Security & Medicare (FICA)

In addition, the church is responsible for paying the employer's portion of Social Security and Medicare taxes but is exempt from Federal and State unemployment taxes. IRS Circular E is published annually and contains detailed instructions on how to withhold and remit Federal payroll taxes. Your state's Department of Revenue should also publish a document containing comparable information concerning state income tax.

Clergy

Clergy are generally considered employees for income tax purposes and self-employed for Social Security and Medicare purposes.

The church should not withhold or pay Social Security and Medicare taxes for an ordained minister. Instead, most conferences recommend churches pay a "social security allowance" of half the current rate of self-employment tax in addition to the clergy person's salary. The minister is then responsible for paying all Social Security taxes.

The minister is responsible for paying all of his or her Federal and State income taxes as well, unless he/she has requested withholding. Because some ministers have difficulty saving money for quarterly tax payments, churches may also hold back a portion of the minister's pay in an escrow account until the minister is ready to make a tax payment. The minister should request such an arrangement in writing, to provide a clear record.

Exemption From Self-Employment Taxes

Ministers may exempt themselves from self-employment taxes with respect to services performed in the exercise of ministry if several requirements are met. The choice to take this exemption belongs to the minister, and does not affect the treasurer.

Independent Contractors

A source of confusion for many churches, the general IRS rule for independent contractors states:

An individual is an independent contractor if he/she controls the means and method by which work is completed, with the employer directing only the result.

Facts that provide evidence of the degree of control and independence fall into three categories —

1. Behavioral

Does the church control or have the right to control what the worker does and how the worker does his or her job?

2. Financial

Are the business aspects of the worker's job controlled by the payer? (these include things like how worker is paid, whether expenses are reimbursed, who provides tools/supplies, etc.)

3. Type of Relationship

Are there written contracts or employee type benefits (i.e. pension plan, insurance, vacation pay, etc.)? Will the relationship continue and is the work performed a key aspect of the business?

Churches must weigh all these factors when determining whether a worker is an employee or independent contractor. Some factors may indicate that the worker is an employee, while other factors indicate that the worker is an independent contractor. There is no "magic" or set number of factors that identifies the worker as an employee or an independent contractor, and no one factor stands alone in making this determination. Also, factors which are relevant in one situation may not be relevant in another.

Consider the entire relationship, the degree or extent of the right to direct and control how work is completed, and document each of the factors used in making a final determination. If in doubt, seek legal counsel, as an error in classification can prove costly to all concerned.

In most churches, ministers are almost always considered employees by the IRS. Clergy who might reasonably claim to be self-employed under current IRS regulations are short-term interim pastors,

although even interim ministers are almost always better off reporting their Federal taxes as employees. The advantages to clergy include —

- The cost of health insurance paid by an employer is fully excludable from income, where a self-employed individual can presently deduct only a portion of the cost of health insurance premiums.
- The risk of an IRS audit is generally lower for employees than for self-employed persons.
- A person claiming self-employed status who is audited by the IRS runs the risk of being reclassified as an employee, and may then be subject to additional taxes and penalties.

When determining if other staff should be classified employees or independent contractors, considering the following questions derived from IRS guidelines—

- Do church members expect that the worker will carry out the job him/herself, or is the worker free to delegate work to a subcontractor?
- Are the worker's services integral to the operation of the church? If so, he or she is probably an employee.
- Is there an ongoing relationship between the worker and the church? This, too, points toward an employer-employee relationship.
- Is the individual paid by the hour, week or month? Contractors are typically paid by the job or piece.
- Does the church provide the premises and equipment necessary for the individual to do the job? If so, he or she is probably an employee.

In addition to creating potential tax problems for the individual, treating clergy or other workers as self-employed contractors may render the church vulnerable to charges of tax evasion. The church could be required to pay overdue payroll taxes, interest and penalties in the event that the IRS determines that an individual claiming to be self-employed is actually an employee.

Finally, church workers who are classified as self-employed contractors need to have their own worker's compensation and liability insurance coverage, as church insurance policies typically cover only those workers who are employees of the organization.

Tax Reporting: Form W-2

All employers must file a Form W-2 annually for each employee. The form must be provided to the employee by January 31 for the year ended December 31, and copies sent to the IRS and the state Department of Revenue by February 28.

The following amounts should be included, if your minister receives them —

- Salary
- Social Security and Medicare (or self-Employment tax offsets)
- Allowances for travel, books, professional development, etc. Note that these expenses are best handled through an Accountable Reimbursement Arrangement rather than an allowance, which eliminates the need for Form W-2 reporting.
- Gifts from the church to the minister, including Christmas and retirement gifts. An exception: gifts to the minister that are funded by special contributions from church members are tax-free to the minister, but do not constitute tax-deductible charitable gifts on the part of the donor.
- Life insurance premiums for benefit amounts in excess of \$50,000 per employee
- Personal use of a church-owned vehicle
If the church purchases or leases a vehicle for the minister's use, the minister does not need to keep track of miles travelled on church business.

The following payments are exempt from income taxation and should not be included as compensation on the Form W-2 —

- Housing allowance amounts for ordained clergy, designated and recorded in advance by the appropriate Board of the church
- Health and disability insurance premiums paid by the church
- Pension contribution amounts paid by the church to the Pension Boards or other 403(b) plan
- Life insurance premiums paid by the church to the Pension Boards or other insurance company, except to the extent that the amount of coverage exceeds the currently IRS-identified amount. If an

employee is insured for a benefit amount higher than the limit, calculate the value of the additional insurance according to the Uniform Premium Table available from the IRS. The value of the additional life insurance indicated by this table is included as income to the employee.

- Business expenses reimbursed under an Accountable Reimbursement Arrangement

Tax Reporting: Form 1099

Churches must provide Form 1099 to any independent contractors to whom the church paid more than \$600. The same timing as for Form W-2 applies to Form 1099. Although the church need not file Form 1099 for incorporated independent contractors (ie, law firms, accounting firms), the church will do no harm by issuing Form 1099 to all vendors for safety's sake.

Payroll Requirements Checklist

As employers, churches must —

- Obtain a Form W-4 from all employees
- Withhold FICA (Social Security and Medicare) for non-ministerial employees
- Pay the employer's portion of FICA
- Withhold Federal and State taxes for non-ministerial employees and for pastors who are issued a Form W-2
- Report and make timely deposits of employment taxes
- File Form 941 Quarterly Tax Report (federal) and quarterly state tax report(s)
- File a year-end Form W-3 report with the IRS
- Issue Form W-2 to all employees by January 31 of the new year
- Send Form W-2 and W-3 to the IRS by February 28 of the new year
- Issue payroll checks regularly and on-time

As treasurer, the above items are part of your responsibilities. If you are unsure of any aspect of payroll and taxes, ask questions, read resources, and seek training. Better yet, ask the church to use a payroll service, which will handle all of the above tasks, requiring only your occasional supervision.

Accounting for Gifts

Restricted gifts

Income and expenses for restricted gifts (ie, building fund contributions, endowments that can only be used for scholarships, funds designated for missions) must be carefully documented, whether the restriction has been determined by the church (and therefore may be altered, as with church endowments) or whether the restriction has been determined by the donor.

- Establish systems to adequately track restricted gift revenue and related expenses.
- Spend restricted gifts according to the church's commitment to the donor, but do consider flexibility offered by new UPMIFA regulations for outdated restrictions and small restricted gifts.
- Avoid earmarked gifts, and clearly communicate gift policies to donors.
- Maintain systems to provide project reports, including financial data and measurable results.
- If appropriate, apply overhead charges to restricted gifts based on cost analyses only. Overhead charges applied should not exceed actual overhead expenses.
- Regularly determine if donor-restricted net assets have been used for operational purposes.
- Although borrowing restricted net assets should be avoided, if significant short-term borrowing occurs, the church leadership should vote on borrowing and provide adequate oversight for the transaction.

Giving Statements

A regular giving statement should be provided to each person or giving unit — identified through names on checks, names on offering envelopes, or the use of an offering envelope with an assigned number — and should include the church name, the name of the Financial Secretary (or other person recording giving), and the following statement: "Any goods or services you may have received in connection with this gift were solely intangible religious benefits."

When identified gifts are received —

- Record the date and the check number (or note if cash was received). Technology permits low-cost scanning of checks, which your church might consider.
- Record the total amount given
- Identify the category(ies) of giving (ie, general budget, building fund, missions) and related amounts

Send out giving statements quarterly, so that donors may verify their records and be reminded of their giving pattern. At a minimum, send a giving statement to each donor at the end of each calendar year for income tax purposes.

Substantiating Charitable Contributions

Donors will not be allowed a tax deduction for any individual cash (or property) contribution of \$250 or more unless they receive a written acknowledgment from the church that satisfies the following requirements —

- The receipt must be in writing
- The receipt must identify the donor by name (a Social Security number is not required).
- For contributions of property (not including cash) valued by the donor at \$250 or more, the receipt must describe the property. No value should be stated.
- The receipt must state whether or not the church provided any goods or services to the donor in exchange for the contribution and if so, the receipt must include a good faith estimate of the value of those goods or services.
- If the church provides no goods or services to a donor in exchange for a contribution or if the only goods or services the church provides are "intangible religious benefits," then the receipt must contain a statement to that effect.
- The written acknowledgement must be received by the donor by February 1.

Not all monies given through the church are tax deductible contributions. For a designated contribution to be considered tax deductible, the contribution must be made for an approved program

of the church. For example: an individual may wish to provide financial support for a student's school tuition by writing a check to the church and then having the church pay the tuition. For the individual's contribution to be tax deductible, the church would be required to vote to create this specific fund, to which contributions could be made and from which financial assistance would be provided.

Other Concerns

Confidentiality is essential in dealing with individual donors' giving amounts. The Treasurer and Financial Secretary must endeavor to avoid judging another's level of giving or lack of giving, and may never communicate information about a donor to other church members except as required by their leadership role or by law.

One exception: a significant decrease in a person's giving may signal a problem that should be reported to the pastor (without discussing specific dollar amounts). The change could indicate a loss of income due to unemployment, family financial difficulties, faith issues, or anger towards the church or pastor. Communicate the fact of the change to the pastor and let him or her find the appropriate way to make contact with the donor.

Completing the UCC Yearbook Form

Each year, the United Church of Christ prepares its Yearbook, a listing of all churches in the denomination accompanied by each church's basic financial and demographic information. By participating fully in reporting a church's information, the Treasurer helps its association, conference and the denomination understand patterns of attendance, giving and more. A form is sent annually to each church — be sure to let the pastor or church secretary know that you are expecting to provide the information requested when the form arrives.

Protecting Church Funds

Financial Controls

Every church should develop and implement at least a basic set of financial policies that include —

- standard procedures for authorization of transactions, activities, and reconciliation
- segregation of duties and second person verification of processes and procedures (known as *dual controls*)
- adequate documentation and record-keeping
- safeguards over access to and use of assets and records
- an internal audit program

Financial Controls Checklist

The Insurance Board's Church Financial Controls Checklist offers more specifics to guide development of financial policies —

1. At least two unrelated persons should count the offerings *at the church*.
2. Offerings must be promptly deposited in church bank accounts, and should not be taken to an individual's home.
3. Donor's checks should be promptly stamped "for deposit only" with the church's account info.
4. Duties should be sufficiently segregated to prevent one person from manipulating or hiding a transaction.
5. Bank statements should be opened by a third party and reconciled with recorded receipts and disbursements.
6. For any sales operations, the church should use a method that records all transactions (like sales registers) and monitor personnel.
7. Accounting/bookkeeping personnel should be required to take a vacation of at least one week each year.
8. A check approval process should be created to prevent checks being issued without prior authorization.
9. Large checks should require multiple signa-

tures.

10. If signature stamps are used, ensure they are properly secured.
11. Annually review and update all signature authorities.
12. To prevent or detect the unauthorized purchase of goods and services, use a purchase requisition or purchase order system.
13. Account for all charges to church credit cards (require receipts, etc) within 30 days of receipt of the statement.
14. Clearly communicate purchasing procedures, authority, and limits to staff.
15. Contract with an independent outside source to perform an annual audit.
16. Provide regular financial reports to church board members.
17. Develop procedures for reporting and investigating incidents.
18. Determine term limits for officers, including the Treasurer and other financial officers.

A few more considerations

- Establish and implement policies that provide clear guidance for paying or reimbursing expenses incurred when conducting business or traveling on behalf of the organization, including the types of expenses that can be paid for or reimbursed and the documentation required. Develop a standard reimbursement form to document all necessary information & explain the requirements for all reimbursements. See the samples on the following pages for ideas.
- Provide adequate due diligence for funds (cash or noncash) utilized internationally, whether expended by the church or through other organizations or individuals, with particular care provided for gifts or grants to non-501c3 entities.
- Concentrate fraud-prevention efforts wherever supervision and control are at a minimum — such as at events or programs conducted remotely from a church.

VOLUNTEER EXPENSE REIMBURSEMENT FORM
 Minnesota Conference United Church of Christ
 Please attach ORIGINAL invoice or receipt.

| Date | Description | Purpose related to Conference | Amount | Code | Cmtte |
|------|-------------|-------------------------------|--------|------|-------|
| | | | | | |
| | | | | | |
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| | | | | | |
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| | | | | | |
| | | | | | |

Total Expense _____

() Receipt requested Donate this amount to the work of the committee _____

Reimburse this amount _____

Reimburse to:
 Name _____
 Address _____

Authorized by: _____ Chair
 _____ Staff

*****Date Submitted _____

Signature _____
 Date: _____

Codes:

Conference 101
 Pilgrim Point 105

Committees

| | | | |
|---------------------|-----|-------------------------|-----|
| Bd. Of Directors | 100 | Stewardship | 118 |
| AMPC | 102 | Planned Giving | 119 |
| Finance | 104 | Search | 120 |
| Emmaus Anti-Racism | 105 | Youth | 122 |
| Personnel | 106 | Christian Ed | 123 |
| COM | 108 | Planning & Eval | 128 |
| Outdoor Ministries | 110 | Prof. Dev. Of Auth. Min | 132 |
| Nominating | 112 | Spiritual Dev. | 140 |
| Church Develop. | 114 | Response Team | 145 |
| Evangelism | 115 | Other _____ | |
| Justice and Witness | 116 | | |

Workshops and Events

Annual Meeting 200
 Boundaries 210
 Clergy Convocation 220
 Pre-Retire 240
 Other

Mail to Conference Office for reimbursement at: 122 W. Franklin Ave., Room 323, Minneapolis, MN 55404

*** Please note: Finance Committee Policy is that forms must be submitted within 60 days of incurring the expense in order to be paid. Thank you for your timely submission.**

s:/forms/VolunteerExpenseReimbursementForm2009

Corralling multiple accounts

In many churches, tradition has permitted various groups to maintain their own, separate bank accounts. Who might have these no-oversight accounts?

- Women's Guild
- Men's Fellowship
- Youth group
- Child care center/ministry
- Cemetery guild
- Sunday School classes
- Choir
- Ad hoc committees

The list could go on and on — but the practice needs to end.

All funds raised or used on behalf of a church's ministry should be managed by the church treasurer in order to maintain proper controls and avoid unexpected consequences —

- Gifts made into these separate accounts are not properly documented by the church, both under-reporting a donor's generosity and perhaps more importantly, under-documenting the donor's possible tax deduction.
- Donors who expect to receive a tax deduction for a gift to the church need to make their gift directly to the tax-exempt entity (the church itself) rather than to a separate group that is not itself tax-exempt.
- Separate accounts invite the possibility of inappropriate use of funds. Example: a well-intended contribution to a political campaign could jeopardize the church's tax-exempt status.
- Individuals controlling separate accounts can move or die without turning over control of the accounts, leaving untouched or inaccessible funds intended for the church's use and ministry.

Bringing all accounts under the control of the church treasurer does not prevent groups from using the funds they raise in the manner they desire. The treasurer will simply treat the group's money as a separate "fund" that is accounted-for in a manner similar to the accounting for a designated endowment.

- **INCOME:** When the group raises funds, they count the money they have taken in, immediately turning the funds over to the treasurer (or financial secretary), obtaining a receipt for the money. This may happen several times if the fundraising effort is ongoing. The treasurer records the deposit as part of that group's "fund," identifying the gifts of various church members where appropriate.
- **EXPENSES:** When the group needs funds, their treasurer prepares a request and submits the request to the church treasurer, who in turn writes a check to the vendor(s) identified, drawing down the balance in that group's "fund."
- **RECORDS:** On a regular basis (usually each quarter), the church treasurer provides the group with a record of the transactions in and out of the group's "fund."

While many groups prefer to control their own funds, proper church financial controls and good stewardship of church-related funds require that all money contributed to advance the mission and ministry of the church go through the church's financial system. Unsupervised accounts create potential liabilities not only for the members of the group, but for the church itself. An integrated system keeps honest people honest and ensures all church funds are properly recorded and accounted.

Financial Policies

Church financial policy development might also consider the following elements —

Fiscal year

The beginning and ending dates of the church's financial year — most often the calendar year.

Budget presentation

Who will prepare the budget, how it will be presented and who must approve the budget.

Reserve funds

The goal of the church will be to maintain [#] months of reserve funds to be used in the case of emergency or temporary budget shortfall.

Financial reports — preparation & review

What kind of financial reports (ie, Statement of Activities, Statement of Financial Position) will be prepared and how often, and who will regularly receive and review the reports.

Financial records

How financial records will be maintained, who may request access and by what process. whether or not copies may be made and on what terms, etc.

Audits

How often and by whom financial records will be audited. The policy may also include provisions for audits under special circumstances (eg, suspected misappropriation of funds).

Church bank/financial accounts

Who has authorization to open, close or access (including online access) an account in the church's name (or in the name of any subsidiary or group of the church), and under what conditions. The policy may also identify the address that should be used for account statements.

Church Credit Cards

Who has authorization to open, use or close a credit card in the church's name and under what conditions. The policy should also state the

requirements and timeframe for substantiation of credit card charges with receipts.

Loans to clergy & staff

Generally, churches should avoid loans or the equivalent to staff or board members, including providing a mortgage for clergy. A policy can outline the conditions and general terms under which loans may be made available.

Donor statements

How often donor statements will be prepared and provided to all donors. The policy may also identify what types of donations will be recorded by the church.

Gift acceptance

What types of gifts will be accepted and on what terms —

- How large, unrestricted gifts or bequests will be handled
- How unsolicited but designated gifts will be accepted and/or handled
- What kind of pre-approval will be required before gifts of real estate or physical property (ie, appliances, furnishings) will be accepted
- The terms under which restricted gifts will be accepted: minimum amount, nature of restriction, how gifts will be invested, etc. The policy may also include what information will be provided to the donor and under what conditions
- The right of the church to decline gifts that do not suit the church's ministry or will require excessive accounting or management

Gift Acceptance Policy

Gifts to churches come in many varieties and sizes. Some congregations enjoy the generosity of previous generations whose financial gifts have created sizable endowments, cemetery funds, and other economic legacies. Some congregations find themselves the recipients of even more tangible gifts, like cast-off sofas and appliances. Sometimes gifts are welcome; sometimes they create problems. Even windfalls of large cash gifts left in a congregant's will can surprise a church and even drive the congregation into conflict.

A gift acceptance policy can help a church determine what kind of gifts it is willing to accept, under what terms, and how different gifts will be handled. A gift is generally defined as a voluntary transfer of personal property without consideration. The essential elements of a gift include —

1. the competence of the donor
2. the intention of the donor to make a gift
3. the completed delivery of the gift
4. the acceptance of the gift by the donee

In practice, most gifts are absolute and take effect immediately upon delivery of the property to the donee. Prior to agreeing to accept a gift, the governing body of the church should seek complete information about the gift, including —

- the terms upon which the gift is being transferred and received
- the stated intent of the donor
- any conditions about conveyance
- any conditions or restrictions on the use of the donated property

The church should also consider whether a gift is appropriate and relevant. If the church doesn't need a used couch, the governing body needs to be prepared to graciously decline the gift rather than allow the church building to become a repository of cast-off household goods. In addition, the governing body must determine whether a gift will entail expense, including repair or maintenance, potential liability, or additional insurance coverage. In other words, the church needs to ask itself, "Can we afford

to accept this gift?" If the answer is "No," the church again needs to be prepared to graciously decline the gift.

Charitable Deductions

Donors sometimes raise questions concerning the tax-deductibility of gifts to their church. Outright gifts of cash or property to the church will generate charitable deductions to the donor at the fair market value. The church should make a practice of acknowledging all gifts in writing, but should refrain from guaranteeing tax deductibility. Certain gifts also require submission of IRS forms. Make a practice of referring all donors to their tax professionals for a final determination of the deductibility of any gift.

Gift Restrictions and Encumbrance

Prudent recipients determine what restrictions, if any, are attached to a gift. Depending on the nature of the restrictions and the cost, difficulty, and willingness to enforce such restrictions, the church may choose to refuse the gift or request that the restrictions be removed.

When accepting gifts of real property, it is important to consider if there are any mortgages or liens encumbering the property, as well as the costs of possible sale or maintenance and upkeep if the property is retained. Another potential liability in accepting real estate is the presence of building or housing code violations. One of the most significant problems involved in the acceptance of real estate is possible environmental hazards and liabilities on the gift property. Owners of property, even a church that has received a gift of real property, could become liable for cleanup costs and removal of any hazardous wastes on the site. An environmental audit or title insurance rider insuring against liability should always be obtained. Should the audit indicate that there might be hazardous waste contamination on the property, the best way to prevent potential liability is to exercise the right to disclaim the gift or bequest. Similarly, a church may wish to reject an offer to donate a heavily mortgaged property or property in serious disrepair.

Right to Decline

The UCC's Financial Development Ministry offers the following language as an example of a paragraph that might be included in a gift policy —

The [COMMITTEE] reserves the right to decline the acceptance of a particular gift due to its inappropriateness, restrictions placed upon it or potential financial or legal liability to the congregation.

UPMIFA

Uniform Prudent Management of Institutional Funds Act

A version of UPMIFA has been enacted by all US states except Pennsylvania. Highlights of the suggested legislation are listed below — check www.upmifa.org for the particulars of your state's law.

Investment freedom

Portfolio managers are not limited in the kinds of assets that may be sought for the portfolio.

Costs

Costs must be managed prudently in relationship to the assets, the purposes of the institution and the skills available to the institution.

Expenditure of funds

Total return expenditure is expressly authorized under comprehensive prudent standards relating to the whole economic situation of the charitable institution.

Historic dollar value abolished

UPMIFA abolishes the historic dollar value limitation on expenditure in UMIFA.

Seven percent rule

States may adopt an optional rule that presumes expenditure exceeding 7% of total return is imprudent.

Release of restrictions for small institutional funds

UPMIFA provides new procedures for releasing restrictions on small institutional funds (less than \$25,000) held for a period of time (20 years), requiring only notice to the Attorney General 60 days in advance of the release.

Application

UPMIFA applies to funds held in any form, including nonprofit corporate form, except charitable trusts, with a commercial or individual trustee.

Endowment Policy

Courtesy of First Church Of Christ In Longmeadow MA

STATEMENT OF ENDOWMENT & INVESTMENT POLICY

STATEMENT OF PURPOSE

The guidelines in this policy are to be followed in the receipt, investment and distribution of financial gifts, bequests and contributions to The First Church of Christ in Longmeadow. The primary objective for the management of these gifts is to provide resources to further the mission of the Church, now and in the future. It is the intention of this policy that these gifts will be handled with care and prudence.

As used in this statement of policy, endowment funds are funds whose principal is intended to be preserved indefinitely or until the occurrence of a specific event. The guidelines and instructions herein are intended to give flexibility to donors and to the custodian in establishing spending policies and in defining intended uses.

By establishing a multiple fund strategy, the custodian and donors may establish funds with clear restrictions on spending and other funds with more flexible spending policies. They may establish funds that will have no spending for a period of years, and funds that may be spent to exhaustion upon the occurrence of a specific event. Within the confines of this policy, there is flexibility for establishing a variety of uses for particular endowment funds.

WHEREAS, it is the desire and intention of this congregation to provide resources for future generations.

WHEREAS, the purpose of Endowment Funds is to enhance the unrestricted funds available for the programs, building maintenance, and mission of the Church, etc.

BE IT RESOLVED, the following statements and policies shall govern the investment of existing funds and any new funds received or solicited by the Board of Trustees.

I. INVESTMENT GOALS & OBJECTIVES FOR THE ENDOWMENT FUNDS

The Endowment Funds shall be pooled for investment purposes. However, assets of other funds accepted by the Board of Trustees, and which are required by a donor's written instructions to be invested in separate investments, will be invested accordingly by the Board of Investment. The investments of these other funds may be included in the Endowment Funds, but separately identified with the donor names and their designated purposes.

The Investment Goals and Objectives for the Endowment Funds shall be —

- To invest the corpus of each fund within the Endowment Funds so that investment return may be used to maximize the goals and purposes of each fund as specified by the donor.
- To invest the pool so that the corpus of each fund is maintained in real dollars (the original gift plus an allowance for inflation). The overall financial objective of the Endowment Funds is to provide a level of support for Church programs as determined by the spending policy summarized below and to be consistent with maintaining or modestly increasing the purchasing power of the fund.
- The primary objective of investment is to provide a satisfactory return on investment for the support of the Church. Specifically, the investment target of the Endowment Funds is to attain an average annual real total return (net of investment management fees) of at least 8% over the long term. Nominal rate of return is the sum of capital appreciation (or loss) and current income (dividends and interest). Real total return is the nominal rate of return less the rate of inflation as measured by the Consumer Price Index (CPI).

II. SPENDING POLICY

The investment policy should be based on the assumption that annual spending over the long term will average 5% of the market value of the Endowment Funds for the previous 20 trailing calendar quarters.

II. PORTFOLIO GUIDELINES

- To achieve its investment objective, the Endowment Funds will be managed in manner consistent with prudent investing for endowment funds. The goal for portfolio mixture in a normal investment environment will be about a 70/30 ratio of equity to fixed income investments. Further, the Endowment Funds shall be managed on the Total Return Basis and in accordance with the Annotated Laws of Massachusetts, Title XXII, Chapter 180A, Uniform Management of Institutional Funds.
- Approximately 50–70% of the Endowment Funds may be allocated to equities and 50–30% to fixed income investments. It is recognized that the equity portion of the pool entails the assumption of greater market variability and risk. The Endowment Funds will be diversified both by asset class (equities, bonds, cash equivalents) and within asset classes (within equities by economic sector, industry, quality, and size) to have reasonable assurance that no single security or class of securities will have a disproportionate impact on the total Endowment Funds. Investments in any one security will be limited at the time of purchase to 10% of the market value of the equities of the Endowment Funds when the security is purchased. No single major industry shall represent more than 10% of the market value of the Funds.

The investment performance of the Endowment Funds will be measured and compared to various market indices and the results of the annual review will be reported to the Trustees. This annual report

will be prepared by the Board of Investment, comparing the total return of the Endowment Funds to major indices such as the Barclays Government/Corporate Bond Index, the Standard & Poor's 500 stock index and, in the case of international equity funds, the EAFE stock index and the Consumer Price Index. In meeting its objectives, the Endowment Funds shall be conducted in accordance with the following guidelines —

- The investment managers shall have full discretionary authority in the selection and retention of investments, subject to law and the statement of investment policy as it may be amended from time to time and subject to the following restrictions —
 - a. Securities may not be purchased on margin.
 - b. Securities may not be sold short.
 - c. Options (e.g. puts, calls) may not be sold short. Options use is limited to covered call writing, a conservative strategy.
 - d. No investments are to be made in commodity contracts. Securities restricted as to public resales under the Securities Act of 1933 may not be purchased. The average quality of the fixed income securities (including mutual funds) in the endowment shall be at least A or better, and minimum quality for any issue held shall be BBB.
- The Endowment Funds of the Church may not be pledged as collateral or security for loans made by the Church without the approval of two-thirds of those in attendance at a duly called meeting of the Church which shall be at least two weeks following a hearing on the matter.

IV. POLICY ON ENDOWMENTS, BEQUESTS & OTHER ENDURING GIFTS

DEFINITION OF TERMS

Unrestricted Gift

Moneys or other property given to the Church which may be used for any Church purpose or expenditure.

Restricted Gift

Money or other property given to the Church which may be used only for a particular purpose as specified by the donor.

Income

The earnings received from a direct gift, to include the interest, dividends, and net appreciation, realized and unrealized, in the market value of the assets of a gift fund over the "historic dollar value" of the fund (as defined in Massachusetts General Laws, Chapter 180 A.

A net loss, realized or unrealized, will result in a reduction of income.

RECEIPT OF GIFTS

Types of Gifts

Gifts of an enduring nature may be given to the Church directly or as bequests, in such forms as wills, charitable remainder trusts, life income agreements, assignment of life insurance, transfers of property (cash, stocks, bonds, real estate, personal property), memorial gifts, or through other governing documents. Gifts may be in the form of unrestricted or restricted gifts or endowments.

Acceptance of Gifts

The Board of Trustees shall have the responsibility for the acceptance or rejection of all gifts. Gifts which are unwieldy to manage or not in keeping with the Christian mission of the Church will be carefully reviewed and may be declined by the Board of Trustees. Properties transferred to the church will

generally be sold promptly and the proceeds placed with our investment managers. Unrestricted gift proceeds will be allocated equally in the four Permanent Endowment Funds of the Church as described in the By-laws, Article VIII A and B1, 2 & 3.

V. ADMINISTRATION

- a. In accordance with the By-laws of the Church, the Board of Trustees is responsible for all of our assets, real and personal.
- b. All investable funds are delegated to the Investment Committee which oversees and is in regular communication with the professional money managers on at least a quarterly basis.
- c. Having made a good faith effort to comply with the terms of this policy, the Trustees, the Investment Committee or other delegated persons or parties, shall be released from liabilities incurred in such a good faith effort. Individual Trustees shall not be liable for the acts or omissions of any other Trustee. Any member having a direct or indirect personal interest in any dealings or transactions involving these funds shall refrain, at all times, from any conduct in which personal interests would conflict with the interest of the Church.

REPORTING GUIDELINES

The status of all gift funds will be reported at the Annual Meeting.

SPENDING FROM THE ENDOWMENT

Annually

Spending from the endowments shall be on the Total Return basis. Each year, as part of the budget preparation process, the market value of the total portfolio (including the annual yield) for the preceding five years (20 quarters) shall be averaged. The five-year average is then multiplied by 5% to determine the total maximum distribution from the endowments for the coming year.

Long-term

Capital expenditures requiring financing from the Endowment Funds will require a two-thirds vote from a regular or specially called meeting of the congregation.

Emergency

The Board of Trustees is granted the authority to, spend up to 7% of the total value of the General of the Building and Maintenance Endowment Funds for emergencies of the Church that require immediate response. Such extra expenditures shall be reported to the Church Council at their next regular meeting.

ENDOWMENT FUNDS

The Church, in its endeavors to carry out its purposes in the spirit of its faith and covenant, shall seek to establish and maintain certain Special Funds, namely —

General Endowment

This fund consists of all existing funds prior to 1981 and are under the general domain of the trustees for the general purposes of the church.

Building And Maintenance Fund

It is the primary purpose of this fund to provide funds for expenditures which do not recur annually, or to meet emergencies having to do with the church buildings, their improvement, preservation, and maintenance in ways not provided for otherwise.

Payments from the income of this fund may be made upon the vote in favor of two-thirds of the members of the Board of Trustees present at a meeting duly held, or upon the vote in favor with a majority of the members of the church present and voting, at meeting duly held. Payments from principal may be made the vote in favor of two-thirds of the members of the church present and voting, at a meeting duly held.

Mission Fund

The purpose of this fund include not only Home and Foreign Missions as understood historically, but also endeavors to meet human needs wherever such needs be found. The Board of Mission and Social Concern shall make recommendations to the Church, from time to time, concerning the use of this fund, through the church calendar or the Church on the Green.

Payments from the income of this fund may be made upon the vote in favor of two-thirds of the members of the Board of Mission and Social Concern at a meeting duly held, or upon the vote in favor of a majority of the members of the church present and voting, at a meeting duly held. Payments from principal may be made upon the vote in favor of two-thirds of the members of the church present and voting, at a meeting duly held.

People & Programs Fund

It is the purpose of this fund to promote the programs of the church in service to its members and the community. The Board of Deacons shall make recommendations from time to time concerning the use of this Fund, either through the Church calendar or the Church on the Green.

Payments from the income of this fund may be made upon the vote in favor of two-thirds of the members of the Board of Deacons present at a meeting duly held, or upon vote in favor of a majority of the members of the church, present and voting, at a meeting duly held. Payments from principal may be made upon the vote in favor of two-thirds of the members of the church present and voting, at a meeting duly held.

DEFINITIONS

TRADITIONAL DEFINITIONS

Income

Interest and dividends paid from investments of principal in savings, bonds and stocks.

Principal

Amount of money to be invested which then generates income.

Appreciation

Increase in the value of principal realized through investing in capital assets such as stock in a company whose management is able to increase the worth of the company for the investor stockholders.

Budget Line — Endowments

The addition to Church revenue income earned on investments.

MODERN DEFINITIONS

Earnings

Traditional income plus capital appreciation, when taken together, is known as Total Return on investments. Earnings include interest, dividends and appreciation. Since 1991, interest and dividends have remained fairly level, while the appreciation or stock values has increased at an incredible pace.

Spending Rule

A discipline whereby a reasonably conservative percentage of the market value of the principal of the endowment is withdrawn annually for current budgetary needs leaving the balance plus a share of the annual appreciation in the fund for continued investment and management. If average annual appreciation was 13.43%, a spending rule set at 5% would leave on average 8.43% in the fund for future investment and growth.

Investment Policy

Investment policies are different from endowment policies —

- the latter refers to how money is received, how much will be spent and for what purposes it may be spent
- the former refers to how the assets that belong to the church (memorial funds, special purpose funds and endowment funds) should be invested and by whom

In some churches the endowment committee is responsible for the investment of the endowment fund assets, while in others, separate committees bear responsibility for the promotion, management, and distribution of income of the endowment fund. If possible, an investment committee should be established to oversee all investments of the church.

Below are general considerations for establishing investment policies, provided by the United Church Foundation; however, a church should seek the advice of legal and financial professionals before finalizing policies.

Establish investment objectives for each type of fund

A. Return Requirement

Actual income earned or a fixed rate of withdrawal from fund, regardless of income generated? In other words, is there a primary emphasis on income return or total return (income return plus change in value of the investments)?

B. Risk Requirement

How much risk can be tolerated? The risk referred to here is investment risk, which is generally considered volatility (fluctuation in value).

Determine constraints on each investment portfolio

A. Liquidity

Liquidity is the ability to turn assets into cash immediately at a fair and predictable price. Cash and money market instruments would be the most liquid and real estate the least liquid. Most endowment funds would have little need for liquidity.

B. Time Horizon

What is the expected time that the principal of a fund will remain invested? Most endowment funds have a very long (indefinite) time horizon while a building fund might have a two- to three-year time horizon.

Establish policies

The combination of the investment objectives and the constraints for each fund forms the basis for the specific investment policies to be established.

A. Asset Allocation

This is probably the most important part of the investment policy. Asset allocation is the determination of how much or what percentage of each investment portfolio should be invested in each major class of assets.

1. Decide which asset classes are to be included in the portfolio —
 - a. Cash and cash equivalents
 - b. Fixed-income securities (usually called bonds)
 - c. Equity securities (primarily stocks)
 - d. Real estate
2. Determine expected future returns for each major class of assets included in the portfolio. This step consists of using both historical data and economic analysis to determine expectations of future rates of return.
3. Determine the mix needed to achieve the desired overall rate of return based on expected rates of return of each asset class. The mix needs to result in a portfolio that does not exceed the tolerance of risk previously determined.
4. Generally, the higher the expected rate of return for an asset class, the higher the volatility (fluctuation in value) of the returns for that asset class. For example, the historical long-term return for stocks greatly exceeds those

of bonds. However, the fluctuation from one year to the next in the value of stocks has been much greater than that of bonds. This is why the time horizon is extremely important in determining the asset mix of the portfolio.

B. Diversification

Diversification means having a mixture of investments included in a portfolio and may also include a variety of styles of investment management. For example, there is less volatility in a portfolio of 100 stocks than a portfolio of one stock, even if the stock is a very good one. If possible, the investment portfolio should include a variety of investments of each asset class. If the fund is sufficiently large, consideration should be given to using various styles of investment management (large cap, small-cap, growth, value, international, etc.) in order to reduce overall portfolio volatility and potentially increase overall long-term rates of return.

C. Asset Management

The church could decide to have an individual or committee manage its investments. In some instances, it may not be feasible or appropriate for the church to manage its own investment portfolio and may need to seek outside expert management.

1. Outside Management Options

If outside management is used, there are two basic options available —

Mutual & Common Investment Funds

The church could consider purchasing shares in a mutual fund or common investment fund. Mutual funds are available through brokers and banks or directly from a mutual fund company or portfolio manager. Common investment funds are similar to a mutual fund but are not available to the general public. An example of a common investment fund is the UCF Balanced Fund of the United Church Foundation that is available only to the churches and other organizations af-

filiated with the United Church of Christ. In both mutual funds and common investment funds, fees may include load charges, withdrawal charges, and annual administrative charges.

Individually Managed Accounts

If the church desires to direct the manner in which investments are made, it should consider hiring outside investment managers who will establish actively managed portfolios for the church's assets. There is usually a minimum investment requirement for these portfolios. Fees incurred by the church will be the manager's fee and a bank custody fee.

2. Selection of Investment Manager, Mutual Funds, or Common Investment Funds

When the church is considering various managers or funds, it should look at prior performance of the manager. In evaluating prior performance, the church should keep in mind that most performance data is given without regard to fees. Therefore, the performance of a manager or fund should be discounted for the effect of fees during the same period for which performance data is given. It is also important that the key employees of a fund or investment management firm have not changed significantly from the period for which performance is evaluated and the present time.

D. Investment Performance Index

The church should determine an appropriate index against which investment performance should be compared. The index should be one of a similar nature to that of the kind of portfolio maintained. Investment performance is expressed in rates of return.

Generally, total rate of return is the rate used in expressing investment performance. Total rate of return includes two components—

1. current income yield
the amount of income earned during the period expressed as a percentage of a beginning value
2. price appreciation/ depreciation
the change in value from one period to another expressed as a percentage of the beginning value

Review Performance

Investment performance should be reviewed periodically. The review should include a comparison of the rate of return earned on the investment portfolio during the latest reporting period and for longer time periods. Although current investment performance is important, the major emphasis for, long-term investments should be on the 5- to 10-year average compounded rates of return.

For more information about considerations for investment guidelines visit unitedchurchfunds.org

Investing Church Funds

Whether your church maintains a small reserve in a savings account or enjoys the blessing of a multimillion-dollar endowment, the investment of church funds requires planning and careful management.

Time Frame

The investment vehicle chosen for church funds needs to be appropriate to the church's time frame for use of the funds. Generally, funds that may be needed within five years should not be invested in the stock market, as investment cycles can leave a church with reduced principal when funds are required.

Good stewardship requires investors to maximize their return on invested funds, while maintaining a prudent approach given the time frame for use of funds. Capital campaign contributions, emergency reserves, and special funds that will be used within five years should be invested in a low-risk vehicle like a bank certificate of deposit or a Cornerstone Fund investment.

Long-term funds, like endowment accounts, have no "end time." In fact, generations of donors have contributed to endowment funds with the intent that their gift would continue making ministry possible in perpetuity. Long-term funds invested in shorter-term instruments (like bank CDs) will lose value as each year goes by due to the erosion in buying power from inflation. Instead, these funds should be invested with a long-term view, using vehicles like mutual funds or the United Church Funds' family of socially responsible investment funds.

Diversification

Be careful to avoid "putting all your eggs in one basket." That doesn't mean you need to open bank accounts at different banks around town; rather, you need to ensure your investments — especially funds invested in the financial markets — are distributed across a range of industries and investment types or asset classes. Mutual funds and professional managers like United Church Funds offer automatic diversification in most funds, with the additional oppor-

tunity to choose among different types of strategies and options.

Risk

Many people believe churches should avoid risk, but the law sees matters differently. Endowment funds placed in a bank CD, for instance, may be guaranteed but would be considered an imprudent investment because the value of the investment would lose buying power over time.

Reward (or return on investment) is often directly related to degree of risk. The guaranteed rate of return on a certificate of deposit carries virtually no risk, but the reward is minimal. Conversely, an investment in stocks of small companies carries considerable risk, but also offers the potential for significant return on investment. A church should carefully consider its appetite for risk, and determine the trade-off it is willing to make between risk and reward, taking a prudent approach that maximizes the gifts of generations of donors.

Independent, Professional Management

More than a few churches have lost money because one or two individuals, trying to act in the best interests of the church, have made unwise investment choices. While all investment involves some degree of risk, and no protocol can fully safeguard against the possibility that an investment made in good faith may lose money, professional management can reduce the risk that the church will suffer from the results of dishonesty or poor judgment on the part of a key officer. Investing with an outside manager like United Church Funds, helps to ensure church funds are managed and monitored by investment experts who are seeking to maximize return with the least possible risk to investors — with the added benefit of no potential conflicts of interest.

Reporting

Annual financial reports should include a full accounting of invested funds, and annual audits should include verification of amounts invested. The auditor, for example, should physically examine stock certificates held by the church, and write to banks, brokers

and investment firms for independent confirmation of assets held in custody for the church.

Reports to the church should include complete information about the use of funds from endowments and restricted accounts so that church members not only see how their gifts are used, but are also encouraged by the trust that is created by accurate and enlightening reports. A well-managed endowment can be its own advertisement, inviting planned gifts and bequests from members that will benefit the church for generations to come.

Audits

An audit consists of a series of tests, reviews and procedures conducted in order to independently verify the financial statements of the Church. An audit includes assessing the accounting principles used by the management of the Church. The purpose of an audit is generally to express an opinion about the treasurer's financial reports.

An audit includes examination of all of the funds of the Church, not only the operating accounts. Thus, all operating accounts, capital and other special funds, endowment and trust funds, assets of Church organizations, investment funds, discretionary funds, and any other assets, liabilities, revenues, and expenses of the Church must be audited. No account should be exempted from examination.

An audit is conducted in three parts: pre-audit planning, tests of internal controls, and substantive tests of transactions and account balances; the audit should be performed in this order only. The culmination of these tests is the formulation of an opinion on the financial statements (which should consist of at least a statement of the assets and liabilities of the church and a statement of the revenues, expenses, and net asset or fund balances of the church). The opinion is expressed in a report, which is issued to the congregation.

The first step of the audit is the planning stage. Preaudit planning involves obtaining an understanding of the church's financial operations and assembling the various documents that are needed to perform the audit.

Tests of internal controls involve tests of the policies and procedures employed by the church to safeguard assets and to ensure the reliability of the accounting data. The auditor examines the internal controls in order to determine the extent of the tests of the account balances. The better the internal control, the less testing of financial statement account balances is required by auditors. For instance, a policy may state that cash receipts must be deposited and recorded on a daily basis. If tests of this control reveal that deposits are being made infrequently and not being recorded in the books in a timely manner, this means that the auditor may have to test more receipts than he or she originally planned. Likewise, if deposits are examined and are being made in accordance with the established church policy, the auditor may not have to expand testing in this area.

Finally, substantive tests of transactions and account balances include examination of actual transactions and balances. For instance, the financial statement may indicate a balance of \$10,000 in cash. In this stage of the audit, the auditor will examine the bank reconciliations and bank statements and verify that the balance per the bank is properly reconciled to the treasurer's report.

This audit program has been compiled by the audit committee of the United Church of Christ, Connecticut Conference and is included here with permission of the Connecticut Conference. Neither the Conference nor the Cornerstone Fund is providing legal or financial advice through this publication, nor can either be responsible for the conduct of local audits. This guide is not a substitute for regular audit programs developed by a certified public accountant and should not be used as such. Internal auditors should always seek assistance and advice on specific issues from professional accountants and auditors. For a complete version of this audit program (with appendices and worksheets), visit the Resources section at www.ctucc.org.

Conduct Pre-Audit Planning

- a. Before the audit begins, there are certain procedures, which the auditor must do in order to properly plan and perform the audit. First, the auditor must obtain a preliminary understanding of the accounting systems (both manual and computer) that generate significant financial statement items and of related principal internal accounting controls.
- b. The auditors should then obtain copies of the minutes of any committee authorized to receive and disburse monies. Read the minutes with regard to the election of officers, compensation of personnel, bonding of the treasurer, budget approvals, contracts entered into, purchase of items, borrowing of monies, purchase and sale of securities, resolution confirming clergy housing allowance for tax purposes, etc. This should be done before the actual examination of any accounting records. You may need to see the minutes of the previous year if they contain authorizations for expenditures in the year being audited.
- c. Obtain a copy of the previous audit. This will enable you to verify the beginning balances of the assets, liabilities, and net assets. If available, you should also obtain the previous year's management letter. The management letter details past audit findings and provides suggestions on how to improve the church's financial operations.
- d. Obtain a copy of the annual financial statements as prepared and presented by the treasurer.
- e. Review the procedures, which are being used to account for church monies. Identify the individuals with responsibility for financial operations and decisions by name and position and verify with them that all the funds of the congregation have been included in the statements.
- f. Identify all bank accounts and authorized check and withdrawal signers including those under separate treasurers.
- g. Request that all accounting records of all funds be presented together including —
 1. Chart of accounts & organization chart
 2. General ledger
 3. Cash receipts journals
 4. Cash disbursements journals
 5. Bank statements with canceled checks
 6. Blank checks
 7. Paid invoices
 8. Individual payroll records including Forms W-4 and I-9
 9. Federal and state payroll withholding reports
 10. Passbooks and evidence of other investments
 11. Pledge records by individual and total
- h. Perform a preliminary analytical review of the financial statements. This may consist of a comparison of the current accounts to the previous year balances and to the budgeted amounts. After this is done, arrange a meeting with the Treasurer. Inquire as to any significant variances noted in the preliminary analytical review. Also ask the Treasurer about any matters noted in the reading of the minutes and ask about any other matters, which may have occurred during the year in which you should be aware of before beginning the audit.

Review & Assess Internal Controls

In order to properly plan and perform the audit, the auditor must first obtain an understanding of the internal control environment and assess its overall effectiveness. The internal control structure consists of the church's policies, procedures, and commitment to reasonably prevent material errors and irregularities from occurring or going undetected. Internal control can be described as the overall plan of the church and the methods employed by the church to safeguard assets, ensure the reliability of the accounting data, encourage compliance with established procedures, and promote efficient operations. Good internal controls provide greater assurance that transactions are recorded properly. The review of the control system must be done by the auditor in

order to assess the risk that the financial statements are materially misstated. Thus, if the controls in a particular area are bad, the risk that the account is misstated is higher and more testing in this area may be merited.

An internal control questionnaire is a good way to review the internal controls. You should fill out the questionnaire before the start of the audit. The questionnaire is intended to provide guidance to the auditor, which is used to evaluate the existing system. The normal answer is "yes." However, a "no" answer does not necessarily mean that the church is unauditible or that the control environment is ineffective. It may simply suggest an area of the system that could be strengthened.

In addition, to supplement the questionnaire, a narrative description of the control procedures should be developed to provide documentation of the current review. This narrative should be retained for reference in future evaluations.

After obtaining an understanding of the control system via a review of the questionnaire and narratives, the responses must be tested to evaluate whether the controls are operating properly. For instance, if the response to question 1 (below) "are prior internal control questionnaires available" is yes, you must obtain a copy. This testing will enable a proper evaluation of the controls, which are in place.

INTERNAL CONTROL QUESTIONNAIRE

General

The following items are intended to provide you with general information for an understanding of the overall accounting and internal control system.

1. Are prior internal control questionnaires available?
 Yes No Not Applicable
2. Have recommendations of prior reports on internal controls been implemented?
 Yes No Not Applicable

3. Is a complete and current chart of accounts, listing all accounts and their respective account numbers, available?
 Yes No Not Applicable
4. Is the accounting system using a double-entry bookkeeping method?
 Yes No Not Applicable

Budget

The development and use of a budget is a critical management tool that will aid in the stewardship and administration of church resources and program.

1. Is the budget approved by the church?
 Yes No Not Applicable
2. Are all changes to the budget authorized by the church committee and recorded in the minutes of the meetings?
 Yes No Not Applicable
3. Is there a periodic review of the budget by the church committee?
 Yes No Not Applicable

Reporting

The best accounting system is of little value unless the information is communicated to those responsible. Although there may be variations, there are certain minimum standards to assure adequate communication of the financial information.

1. Is a Treasurer's report submitted to the church committee or finance committee each month?
 Yes No Not Applicable
2. Is the Treasurer's report presented in sufficient detail to inform the reader as to the nature of the various items of income and disbursements?
 Yes No Not Applicable
3. Does the report present the current actual financial data compared with the approved budget?
 Yes No Not Applicable

4. Is there periodic reporting, at least quarterly, of all other funds and activities, including designated or restricted funds?
◇ Yes ◇ No ◇ Not Applicable

Cash receipts

Clearly stated policies and procedures regarding the handling of cash and other receipts help not only to protect from loss, but assure that all receipts are properly recorded in the records.

1. Are there safeguards to protect the collections from theft or misplacement from the time of receipt until the time the funds are counted and deposited?
◇ Yes ◇ No ◇ Not Applicable
2. Are the collection receipts counted and deposited so that the deposit equals the entire amount of receipts on a timely basis (ie, at least weekly)?
◇ Yes ◇ No ◇ Not Applicable
3. Are there at least two unrelated persons responsible for the counting and depositing of the collections?
◇ Yes ◇ No ◇ Not Applicable
4. Are the persons responsible for counting receipts rotated on a periodic basis?
◇ Yes ◇ No ◇ Not Applicable
5. Do the counters have a standardized form for recording the deposit information?
◇ Yes ◇ No ◇ Not Applicable
6. Are the counter's sheets retained and reconciled with actual deposits, and are all discrepancies investigated?
◇ Yes ◇ No ◇ Not Applicable
7. Is the cashing of checks out of the currency received prohibited?
◇ Yes ◇ No ◇ Not Applicable
8. Are third party checks returned to donors?
◇ Yes ◇ No ◇ Not Applicable

9. Are all of the pledge envelopes or other memoranda retained and reconciled to the recorded amounts?
◇ Yes ◇ No ◇ Not Applicable

10. Are all other cash receipts recorded and deposited on a timely basis?
◇ Yes ◇ No ◇ Not Applicable
11. Are all checks received restrictively endorsed "for deposit only" immediately upon receipt?
◇ Yes ◇ No ◇ Not Applicable
12. Are there procedures, which will highlight, or bring to someone's attention, the fact that all receipts or income have not been received or recorded?
◇ Yes ◇ No ◇ Not Applicable
13. Are periodic statements provided to donors of record (ie, at least quarterly)?
◇ Yes ◇ No ◇ Not Applicable
14. Do acknowledgments of contributions over \$250 include a receipt which describes itself as the acknowledgment required by the Internal Revenue Code, stating in accordance with Section 170(F) (8)(B), any goods or services provided consist solely of intangible religious benefits?
◇ Yes ◇ No ◇ Not Applicable
15. Are all discrepancies investigated?
◇ Yes ◇ No ◇ Not Applicable

Cash disbursements

The following procedures will assist in assuring all payments are properly approved, recorded, and supported by appropriate documentation.

1. Are all disbursements made by check, except for small expenses paid by petty cash?
◇ Yes ◇ No ◇ Not Applicable
2. Are all checks pre-numbered and used in sequence?
◇ Yes ◇ No ◇ Not Applicable

3. Is there a clearly defined approval process for all disbursements?
 Yes No Not Applicable
4. Are all voided checks properly canceled and retained?
 Yes No Not Applicable
5. Are all checks made payable to specified payees and not to cash or to bearer?
 Yes No Not Applicable
6. Are all disbursements supported by original documentation?
 Yes No Not Applicable
7. Is the original vendor's invoice or other documentation canceled at the time of signature to prevent duplicate payment?
 Yes No Not Applicable
8. Check signing
 - a) Is signing blank checks prohibited?
 Yes No Not Applicable
 - b) Is the use of a signature stamp or preprinted signatures prohibited?
 Yes No Not Applicable
 - c) Does all supporting documentation accompany checks to be signed?
 Yes No Not Applicable
 - d) Are all account signers authorized by the church?
 Yes No Not Applicable
 - e) Is more than one signature required for any check?
 Yes No Not Applicable
 - f) If not, do checks for more than \$500 require more than one signature?
 Yes No Not Applicable

- g) If signature imprint machines are used, are the keys kept under lock and key except when in use?
 Yes No Not Applicable

9. Are all disbursements requiring special approval properly documented in the Church committee or Finance Committee minutes?
 Yes No Not Applicable

Journal entries

Journal entries offer a special opportunity to make adjustments to accounting records. The general journal is just as important a book of original entry as the cash receipts and cash disbursements journals.

1. Is there an appropriate explanation accompanying each journal entry?
 Yes No Not Applicable
2. Are all journal entries approved by a knowledgeable person of authority other than the person initiating the entry?
 Yes No Not Applicable
3. Is adequate documentation maintained to support each journal entry?
 Yes No Not Applicable

Bank account reconciliation

The monthly reconciliation of all bank accounts is a primary tool for assuring the proper recording and accounting for all cash account activity.

1. Are all bank accounts reconciled within 10 days of receipt?
 Yes No Not Applicable
2. Are the tasks of opening and reconciling the bank statement performed by two different people?
 Yes No Not Applicable

3. Are the bank account reconciliations completed by someone other than the person who participates in the receipt or disbursement of cash?
◇ Yes ◇ No ◇ Not Applicable
- 4) Do reconciliation procedures provide —
 - a) Comparison of dates and amounts of deposits as shown on the bank statement with the cash receipts journal?
◇ Yes ◇ No ◇ Not Applicable
 - b) Investigation of bank transfers to determine that both sides of the transactions have been recorded?
◇ Yes ◇ No ◇ Not Applicable
 - c) Investigation of all bank debit and credit memos?
◇ Yes ◇ No ◇ Not Applicable
 - d) Review of all checks outstanding over 90 days?
◇ Yes ◇ No ◇ Not Applicable
 - e) Voiding of outstanding checks during the year-end reconciliation?
◇ Yes ◇ No ◇ Not Applicable
 - f) Is the bank immediately notified of all changes of authorized check signers?
◇ Yes ◇ No ◇ Not Applicable
5. Are all journal entries for bank charges and bank account interest recorded routinely?
◇ Yes ◇ No ◇ Not Applicable

Petty cash

The following controls are meant to provide for a timely recording of expenditures of cash in the accounting system.

1. Is the responsibility for the petty cash fund assigned to only one person?
◇ Yes ◇ No ◇ Not Applicable

2. Are all petty cash funds maintained on an imprest basis (ie, the total amount of vouchers paid or disbursed, plus cash, will always equal the amount of the fund)?
◇ Yes ◇ No ◇ Not Applicable
3. Is there adequate review of documentation before the fund is reimbursed?
◇ Yes ◇ No ◇ Not Applicable
4. Is the petty cash fund reimbursed at least monthly?
◇ Yes ◇ No ◇ Not Applicable
5. Is the cashing of checks and loans to employees prohibited?
◇ Yes ◇ No ◇ Not Applicable
6. Is the actual petty cash protected from theft or misplacement?
◇ Yes ◇ No ◇ Not Applicable

Investments

Procedures for the proper recording and control of all investment instruments will help to assure that all assets and related income are accounted for and properly reported.

1. Are all investment instruments held in the name of the church only?
◇ Yes ◇ No ◇ Not Applicable
2. Is authorization for the sale and/or purchase of investments provided for by the church committee or authorized investment committee?
◇ Yes ◇ No ◇ Not Applicable
3. Are all investment instruments adequately protected from fire, theft, or misplacement?
◇ Yes ◇ No ◇ Not Applicable
4. Are the interest, dividends, and unrealized gains or losses recorded?
◇ Yes ◇ No ◇ Not Applicable

Property and equipment

Certain procedures involving the physical assets of the church will aid in detecting, identifying, and preventing losses.

1. Is formal approval of the church committee required for all property and equipment additions and dispositions?
 Yes No Not Applicable
2. Is a detailed inventory of all property, furniture, fixtures, and equipment maintained showing —
 - a) Date acquired?
 Yes No Not Applicable
 - b) Detailed description?
 Yes No Not Applicable
 - c) Cost or fair market value at time of donation?
 Yes No Not Applicable
 - d) Any funding source restrictions?
 Yes No Not Applicable
3. Is a periodic review conducted to —
 - a) Compare the actual property, furniture and fixtures, and equipment to the recorded inventory listing?
 Yes No Not Applicable
 - b) Ensure the adequacy of the insurance coverage?
 Yes No Not Applicable
 - c) Improve loss prevention?
 Yes No Not Applicable

Liabilities and other debt

All liabilities and other debt must be clearly reported, and all provisions or restrictions complied with.

1. Is all borrowing or indebtedness authorized by the church committee and other appropriate committees?
 Yes No Not Applicable
2. Are all loan agreements and/or lease agreements in writing and properly safeguarded?
 Yes No Not Applicable
3. Are there periodic reviews conducted to determine compliance with any debt/lease provisions?
 Yes No Not Applicable
4. Are all liabilities noted on Financial Statements/ Reports to Church committee?
 Yes No Not Applicable

Restricted gifts and income

Gifts restricted by donors are not handled in the same manner as other contributions, and procedures are necessary to assure that these gifts are recorded properly and all restrictions are observed.

1. Are records maintained of all bequests, memorials, endowments, or any other restricted gifts to include —
 - a) Date, amount and donor of gift?
 Yes No Not Applicable
 - b) Any restrictions or limitations?
 Yes No Not Applicable
2. Are all restricted gifts and grants approved by the Church committee or other authoritative body?
 Yes No Not Applicable

3. Are the income and other transactions periodically reported to the church committee?
◇ Yes ◇ No ◇ Not Applicable
4. Are written acknowledgments issued for all contributions other than pledges?
◇ Yes ◇ No ◇ Not Applicable

Payroll

The application of policies and procedures involving the employment of individuals assures compliance with payroll tax reporting to the various governmental entities.

1. Are personnel files maintained with —
 - a) Employment application and/or letter of employment?
◇ Yes ◇ No ◇ Not Applicable
 - b) Authorizations of pay rates and effective dates?
◇ Yes ◇ No ◇ Not Applicable
 - c) Internal Revenue Service Form W-4?
◇ Yes ◇ No ◇ Not Applicable
 - d) Department of Justice Form 1-9?
◇ Yes ◇ No ◇ Not Applicable
 - e) State Withholding Forms?
◇ Yes ◇ No ◇ Not Applicable
2. Is there a written record of hours worked and approved by a supervisor when applicable?
◇ Yes ◇ No ◇ Not Applicable
3. Do you have records that —
 - a) Show computation of gross pay?
◇ Yes ◇ No ◇ Not Applicable
 - b) Account for all deductions from gross ?
◇ Yes ◇ No ◇ Not Applicable
 - c) Support payroll tax returns & W-2s?
◇ Yes ◇ No ◇ Not Applicable
4. Are payroll tax returns filed on a timely basis?
◇ Yes ◇ No ◇ Not Applicable
5. Are payroll tax deposits made on a timely basis?
◇ Yes ◇ No ◇ Not Applicable
6. Are all employees, clergy and lay, receiving a Form W-2?
◇ Yes ◇ No ◇ Not Applicable
7. Are Forms 1099 being provided for all individuals who are not employees, and for all unincorporated entities paid \$600 or more annually?
◇ Yes ◇ No ◇ Not Applicable
8. Are Form W-2 wages reconciled to the general ledger accounts, and all four quarterly payroll tax returns?
◇ Yes ◇ No ◇ Not Applicable
9. Are clergy housing allowances recorded in the minutes of the church committee no later than the first meeting of the year?
◇ Yes ◇ No ◇ Not Applicable

Computer systems

The use of computers creates the need for additional procedures to safeguard the system and data.

1. Are current or duplicate copies of the operating system and programs maintained off premises?
◇ Yes ◇ No ◇ Not Applicable
2. Are the files backed up at least weekly and the backups maintained off premises?
◇ Yes ◇ No ◇ Not Applicable
3. Is access to the computer and computer programs limited to authorized persons?
◇ Yes ◇ No ◇ Not Applicable
4. Is there adequate documentation, including user manuals, available on-site for all computer programs?
◇ Yes ◇ No ◇ Not Applicable

5. Is a printed copy retained of all journals, general ledger, financial statements and any other computerized records?
 ◇ Yes ◇ No ◇ Not Applicable

SUBSTANTIVE TESTING OF TRANSACTIONS AND ACCOUNT BALANCES

Before assembling the documents, please note that the auditor should retain a file of the work papers which were prepared to assist with the formation of the opinion on the financial statements. When the next year's audit is performed, these papers could be an invaluable guide to problem areas. The next auditor should receive a copy of your work papers, which should include such things as —

- the marked up audit and internal control check lists
- lists of bank accounts, restricted funds, investments, insurance accounts and loans
- the schedules you prepared and the procedures you followed in making the audit.

Assemble the following documents —

- ◇ Minutes of the Church committee
- ◇ Minutes of any group authorized to disburse monies
- ◇ Annual financial report to congregation
- ◇ Treasurer's interim reports
- ◇ Names of people authorized for check signing, fund withdrawal or transfer, and disbursements
- ◇ List of securities held
- ◇ Copy of previous year's audit and internal control letter
- ◇ Organizational Chart
- ◇ Chart of Accounts
- ◇ Budget
- ◇ General ledger
- ◇ Cash receipts journal

- ◇ Cash disbursements journal
- ◇ Bank statements for audited year, plus last statement for previous year and first for current year
- ◇ Paid checks and deposit slips
- ◇ Payroll records with Forms I-9, W-2, W-3, W-4, and State and Federal withholding records
- ◇ Savings account passbooks
- ◇ Other investment records

Test receipts

The decision as to the size of the representative sample of postings and pledge records for examination depends on the dollars involved and the sophistication of the congregation's records.

- a. Plate offerings
Cash receipts journal entries should be traced to weekly cash receipts records on a test basis.
- b. Pledge receipts
 1. An analytical test of pledges should be done as follows:
 - determine the number of pledging units and test the number by verifying by reference to documents generated outside of the accounting function (eg, membership records, directories, etc.)
 - divide the total pledge receipts per the financial statement by the total pledging units
 - compare this figure to similar records from prior periods and investigate any significant differences.
 2. Adding machine tapes should be made of the individual pledge records with the total agreeing with the total pledge payments reported.
 3. Random selection of individual pledge records should be tested for accurate total and balances. A minimum of 10 percent should be tested, unless number 4, below, is followed.

4. If the auditor is engaged before year end and if the church sends statements to the pledgers, the auditor can save time and effort by supervising the mailing of the year end statements. The auditor can then use this mailing to obtain direct confirmation. He does this by including a statement on the year end statements that all variances should be reported directly to the designated member of the audit committee. Any reported variances should be noted and investigated.
 5. Auditors should always review the pledge receipts of the Congregation's personnel involved in money transactions.
 6. The auditor should determine if any amounts should be deferred as relating to future periods; for example, in 2000, a member may make a contribution for his or her 2001 pledge. This amount should be recorded as deferred income until the year 2001. The auditor should inquire as to the existence of deferred pledges and trace the deferred amount to supporting documentation.
 7. Likewise, there may be pledges outstanding that were not collected by the end of the year. These amounts should be recorded as pledges receivable. The auditor should examine the pledges in the new year to determine the adequacy of the list of pledges receivable.
- c. Contributions from mission organizations
Receipts must be listed separately for each organization and amounts entered in the cash receipts journal traced to the weekly cash receipts records. These listed amounts shall be confirmed with their sources.
 - d. Investment and endowment income
Income from securities should be verified by an examination of the brokerage house statement. Income from investment accounts should be verified by an examination of the statements provided or confirmed by the trustee or agency. Income from savings bank deposits should be verified by examination of the entries in the savings bank passbook(s) or confirmed by the bank.
 - e. Restricted income
Income received for special purposes should be noted by the auditor who should trace the cash receipts journal entries to the weekly cash receipts records. The auditor should also be satisfied that the income was used for the purpose for which the gift was made.
 - f. Non-income receipts
Verify all cash receipts journal entries by tracing them and ascertaining that the proper authorization has been given for any transfer or interfund borrowing, or for the sale or redemption or any investments or property.
 - g. A sample of cash receipts records should be traced to duplicate deposit slips or bank statements to ascertain that these receipts are deposited intact.
 - h. Petty cash
The auditor should be satisfied that a proper imprest system is being maintained. Petty cash is not to be used to cash personal checks. Cash flow and size of fund over the audit period should be checked for possible misuse.
 - i. All receipts should be compared to budgeted amounts and material variances should be explained.
 - j. Contributions of tangible assets or services. Tangible assets or services should be recorded at the fair market value of such contributions.
 - k. Complete the following checklist —
 1. Do the records of total receipts per individual pledge agree with the amounts recorded and reported in the cash receipts journal?
◇ Yes ◇ No ◇ Not Applicable

2. Have the postings and arithmetic on individual pledge records been tested?
 Yes No Not Applicable
 3. Number sampled _____
 4. Is there budgeting of contributions that can be reasonably estimated?
 Yes No Not Applicable
 5. Are contribution budgets periodically compared to actual, and are significant differences investigated?
 Yes No Not Applicable
 6. Are records kept and periodically reviewed of gifts, such as bequests, which are contingent on future events?
 Yes No Not Applicable
 7. Are future bequest and gift files, such as proceeds from life insurance policies or sale of property willed to a Congregation, maintained on a current basis?
 Yes No Not Applicable
 8. Are files kept on life income, endowment, and annuity gifts, including information on the nature and investment of the principal or use of the principal income, as well as correspondence with donors or beneficiaries, and copies of pertinent documents?
 Yes No Not Applicable
 9. Are individuals designated to assure compliance with the terms and conditions of all grants, restricted contributions, endowments, etc. received?
 Yes No Not Applicable
- b. The auditor must be familiar with the financial statement expenditure categories listed on the church's chart of accounts.
 - c. All expense accounts should be compared to budgeted amounts and material variances should be explained.
 - d. Testing of Disbursements
 Select a sample of disbursements in the following manner —
 1. Determine the total amount of all expenses.
 2. Pick all disbursements with a dollar value of greater than 10% of the total expenses. For instance, if total disbursements are \$100,000, any disbursement of \$10,000 or more will be tested.
 3. Pick a minimum of 60 of the remaining postings in a systematic sample. Results will indicate if a broader sampling is necessary. To choose which disbursements to test in the systematic selection, first determine the number of checks written on all accounts. Divide this number by 60. This number will be the sampling interval. For instance, if there are 2,000 checks written, you will divide this by 60, which equals 33.33. Thus, you will test every 33rd check (always round down). Therefore, if the first check number is 40, you will test check numbers 40, 73, 106, 139, and so on until you have selected 60 checks.

Make a list of the disbursements you have selected. The list should include the check number, payee, date, and amount of the check. Test as follows —

Test disbursements

- a. Tests are to be made to satisfy that disbursements have been accurately classified, and that invoices in support of the disbursements have been properly approved and canceled or marked "PAID".
 1. Compare the checks selected to the postings in the accounting records and to the accompanying invoices to determine that the disbursements are fairly recorded and classified. Comparison should include vendor's name, account classification, date, and amount billed.

2. Examine invoices for verification signature that the items were received or services performed for a sufficient number of items so the committee may be satisfied that goods and services were acknowledged by a person authorized to do so.
3. Check the arithmetic on invoices and vendors' monthly statements for a sufficient number of items to assure the committee that invoiced amounts were properly recorded on the statements.
4. Travel and business expense reimbursements should be checked to see that they are in accordance with the qualified reimbursement policy of the congregation. The auditor should examine the Church's accountable plan.
- f. Determine whether transfer of funds occurred between bank accounts near the balance sheet date. Determine that the transfers were recorded in the books in the same accounting period and that any transfers not recorded by the bank in the same accounting period appear in the appropriate bank reconciliation.
- g. The auditor should count all petty cash accounts and reconcile the amounts to the books.
- h. Complete the following checklist —

Test cash

- a. The committee should ascertain a summary of the bank accounts maintained, which includes the purpose for which each account is maintained.
- b. The committee should examine the canceled checks for —
 1. Authorized signature(s)
 2. Proper endorsement
- c. The auditor should account for all voided checks.
- d. The auditor should review the bank reconciliations to determine that the ending balance on the bank statement matches the one used on the reconciliation. The balance per the books should also be traced to the bank reconciliation.
- e. Outstanding checks and deposits in transit from the year-end bank reconciliations should be traced to the subsequent bank statements. For instance, if you are auditing the December bank reconciliation, trace the outstanding checks to the January and February bank statements to make sure that they cleared the bank. Any items that are left outstanding should be questioned.
1. Is the petty cash fund imprest?
◇ Yes ◇ No ◇ Not Applicable
2. Is the checking account(s) reconciled to the accounting records and checkbook?
◇ Yes ◇ No ◇ Not Applicable
3. Have paid checks been examined for authorized signatures?
◇ Yes ◇ No ◇ Not Applicable
4. Have paid checks been examined for endorsements?
◇ Yes ◇ No ◇ Not Applicable
5. Have the checks been compared to the disbursements journal for payees and amounts?
◇ Yes ◇ No ◇ Not Applicable
6. Have all voided checks been accounted for?
◇ Yes ◇ No ◇ Not Applicable
7. Are checks outstanding at year-end accounted for in subsequent statements?
◇ Yes ◇ No ◇ Not Applicable
8. Are disbursements supported by vouchers approved by authorized party other than check signer?
◇ Yes ◇ No ◇ Not Applicable
9. Are two signatures evident on checks for \$500 or more?
◇ Yes ◇ No ◇ Not Applicable

10. Is the bank notified immediately of all changes of authorized check signers?
 ◇ Yes ◇ No ◇ Not Applicable
11. Are cash journal footings tested for accuracy?
 ◇ Yes ◇ No ◇ Not Applicable
12. Are receipts records compared with bank deposits?
 ◇ Yes ◇ No ◇ Not Applicable
13. Are transfers between accounts traced?
 ◇ Yes ◇ No ◇ Not Applicable
14. Are journal entries approved by an authorized party other than a check signer, and are they adequately documented?
 ◇ Yes ◇ No ◇ Not Applicable
15. Is documentation provided to support checks written to "Cash"?
 ◇ Yes ◇ No ◇ Not Applicable
16. Has the total balance of the cash summary sheet been traced to the annual financial report?
 ◇ Yes ◇ No ◇ Not Applicable

Test investments

- a. Obtain or prepare a list of securities owned showing —
 1. Description of each security
 2. Serial number of bonds or securities
 3. Denomination of each security or its par value
 4. Interest rate of each bond
 5. Cost of each security and the amount recorded on the books
 6. Interest and dividends received during the year
 7. The market value of each bond or security as of December 31st of the year being audited.
- b. Review the investment summary for reasonableness, consistency of amounts between years and obvious omissions.
- c. Compare the securities listed with ledger accounts and/or with the brokerage statement. Whenever practicable serial numbers should be compared with records of security purchases in order to obtain positive identification and to avoid the possibility of substitution.
- d. Examine securities listed or obtain confirmation from the holders if any are held by depositories. It is preferable for this examination to occur as close to the examination date as possible. Insure that the securities are registered in the name of the church or are endorsed as to be transferable to the church. Examine the coupons on bonds to ascertain that unmatured coupons are intact.
- e. Examine all transactions for verification of acquisitions and disposition.
- f. Trace acquisitions to disbursement records and sales (dispositions) to receipts records.
- g. Examine broker statements and compare with investment ledger where applicable.
- h. The auditor should be satisfied that the securities are being adequately safeguarded.
- i. Examine securities for ownership, certificate number, dates, endorsements, assignments, etc.
- j. Verify any income, which has not yet been distributed.
- k. Determine, by reference to dates of purchase and disposal of investments, interest rates and published dividend records, whether income earned and accrued income receivable has been appropriately recorded.

I. Complete the following checklist —

1. Is the securities list verified against subsidiary ledger accounts, validating serial numbers against purchase records of gifts?
◇ Yes ◇ No ◇ Not Applicable
2. Is the name in which securities are registered verified?
◇ Yes ◇ No ◇ Not Applicable
3. In the case of coupon bonds, are unmatured coupons intact?
◇ Yes ◇ No ◇ Not Applicable
4. Is the market value of securities established at the date of the examination?
◇ Yes ◇ No ◇ Not Applicable
5. Are securities examined, or confirmed if held by depository or transfer agent?
◇ Yes ◇ No ◇ Not Applicable
6. Are brokers reports examined for securities bought or sold through brokers?
◇ Yes ◇ No ◇ Not Applicable
7. Were security purchases or sales authorized by appropriate church committee action and recorded in the minutes?
◇ Yes ◇ No ◇ Not Applicable
8. Have cash receipts records of dividends and interest been compared with record of securities held?
◇ Yes ◇ No ◇ Not Applicable
9. Have the investments been recorded at their fair market values?
◇ Yes ◇ No ◇ Not Applicable
10. Has the total balance of the summary of investments (recorded at fair value) been traced to the financial report?
◇ Yes ◇ No ◇ Not Applicable

Test trust and endowment funds

- a. Obtain or prepare a list of trust and endowment funds showing —
 1. The source and date
 2. Terms governing the use of principal and income
 3. To whom and how often reports of condition are to be made
 4. How the funds are to be invested
- b. Examine the trust or agency agreement for each new trust and endowment fund received during the fiscal year.
- c. Complete the following checklist —
 1. Has a list of trust and endowment funds been obtained, including their terms and locations of the investments?
◇ Yes ◇ No ◇ Not Applicable
 2. Has there been an examination of the deed of trust or agency agreement for each trust and endowment fund?
◇ Yes ◇ No ◇ Not Applicable
 3. Have the agency accounting records been checked to determine whether or not the terms of the trust or endowment funds are being properly followed?
◇ Yes ◇ No ◇ Not Applicable
 4. Have the endowment funds been recorded at their fair market values?
◇ Yes ◇ No ◇ Not Applicable
 5. Has the total balance of the endowment fund summary (recorded at fair value) been traced to the financial report?
◇ Yes ◇ No ◇ Not Applicable

Test debt

- a. Obtain or prepare a schedule of all loans to include —
 1. The name of the lending institution
 2. The date or origin
 3. The original amount of loan
 4. The interest rate and payment schedule
 5. The monthly payment
 6. The unpaid balance
 7. The purpose of loan
 8. The authorizing body
 9. The collateral for the loan
 10. The restrictions placed by the lender
- b. Review balances for reasonableness, consistency of amounts between years and obvious omissions.
- c. Determine that any loans from the year being examined had the proper authorization and were recorded in the minutes of the church committee.
- d. Verify, by direct communication with any lender, the outstanding indebtedness at the year-end as well as the terms of the indebtedness.
- e. Reconcile the unpaid balance of all loans as reported by the church records to the figure reported by the lending institution.
- f. Complete the following checklist —
 1. Has all indebtedness been properly authorized by appropriate church officials?
 Yes No Not Applicable
 2. Have unpaid balances per church records been reconciled with balances as reported by creditor?
 Yes No Not Applicable

3. Is a detailed schedule of all loans prepared, including name of creditor, date of origin, original amount of debt, interest rate payment schedule, monthly payment, unpaid balance, loan purpose, and authorizing body?
 Yes No Not Applicable
4. Has the total from the detailed schedule been traced to the financial report?
 Yes No Not Applicable

Test property and equipment

- a. Obtain a list of fixed assets showing the cost or fair market value, if donated, and date of purchase.
- b. Review balances for reasonableness, consistency of amounts between years, and obvious omissions.
- c. Examine all deeds and titles of ownership related to the properties owned by the congregation. Review them for the proper recording of the owner's name and to identify any encumbrances or liens.
- d. Determine if any inventory identification procedure is in effect.
- e. The church must have a physical inventory of capital assets. A sampling test of this inventory is to be made by the auditor.
- f. Ensure that all property and equipment is adequately insured.
- g. If depreciation of property is recognized, review entries for accuracy.
- h. Complete the following checklist —
 1. Is there a list of fixed assets, showing date of purchase and cost?
 Yes No Not Applicable

2. Is an inventory identification procedure in effect?
◇ Yes ◇ No ◇ Not Applicable
3. Using preceding information, has a physical examination of assets been made, to extent possible?
◇ Yes ◇ No ◇ Not Applicable
4. Have any deeds and titles required been examined as evidence of ownership?
◇ Yes ◇ No ◇ Not Applicable
5. Are land and buildings carried on financial statements?
◇ Yes ◇ No ◇ Not Applicable
6. Are any liens outstanding against any property and equipment?
◇ Yes ◇ No ◇ Not Applicable
7. Has the total of the detailed schedule been traced to the financial report?
◇ Yes ◇ No ◇ Not Applicable
- f. Determine if a Form W-2 has been given to each employee (including the clergy) and that the Forms W-2 are correct and properly filed.
- g. Determine if Forms 1099 are being provided for all individuals who are not employees and unincorporated entities paid \$600 or more annually and all recipients of educational scholarship funds of \$3,000 or more in a given year.
- h. Test the payroll to ensure a real employee exists for every payroll check written.
- i. Complete the following checklist —
 1. Have total wages been reconciled with quarterly Federal Form 941, Form W-2, and Form W-3?
◇ Yes ◇ No ◇ Not Applicable
 2. Have total withholding taxes been reconciled with Form 941?
◇ Yes ◇ No ◇ Not Applicable
 3. Has it been determined that all Federal and State withholding taxes were remitted on a timely basis, to avoid hidden penalties?
◇ Yes ◇ No ◇ Not Applicable
 4. Is a current signed Form W-4 on hand for each employee?
◇ Yes ◇ No ◇ Not Applicable
 5. Has the total balance of the payroll reconciliation been traced to the financial report?
◇ Yes ◇ No ◇ Not Applicable

Test payroll

- a. Examine the individual earnings records for name, address, social security number, number of exemptions, rate of pay, and effective date.
- b. Ensure that the salary paid is authorized and proper by comparing with the amount budgeted.
- c. Trace the individual earnings record postings to the check register.
- d. Reconcile total wages paid and total withholding taxes with the quarterly Form 941 and end-of-year Form W-3, checking that they were remitted on time.
- e. Determine if a current signed federal form W-4 and a form I-9 (Immigration and Naturalization Service) is on file for each employee hired after November 6, 1986.

Test receivables and payables

- a. Prepare a schedule of accounts receivable as of the balance sheet date. These may include pledge payments which were made after the end of the year in which they money was pledged or authentic obligations owed to the congregation at year end. Check the cash receipts in the new year to verify that the amounts listed were collected. Inquire as to any uncollected balances.

- b. Prepare a schedule of payables as of the balance sheet date. These may include monies owed by the congregation to vendors at year-end for goods and services received during the year being audited. Look in the paid bills file for the new year and trace any invoices dated in the year under examination to the accounts payable listing. For example, if you are auditing the 2009 payable figure, ask the treasurer for the file of the January 2010 bills in which he or she paid. Examine these invoices to see if any are dated for 2009. If they are dated 2009, but not paid until 2010, they should be on the payables list.

Examine the new year's cash disbursement journal and search for any liabilities which have not been recorded. Discuss with the treasurer any old or disputed payables.

- c. Complete the following checklist —
1. Is there a policy covering the procedure for write-offs of receivables or loans, approval required, provision for reserves?
 Yes No Not Applicable
 2. Have the items on the payable and receivable lists been traced to subsequent payments or deposits?
 Yes No Not Applicable
 3. Have the totals of the detailed payable and receivable schedules been traced to the financial report?
 Yes No Not Applicable

Test net assets

A schedule should be prepared listing net assets according to the following classifications: unrestricted, temporarily restricted, and permanently restricted. All restrictions should be reviewed and verified. The summary schedules should be traced to the financial report.

Test insurance

A schedule should be prepared listing the name of carrier, description of coverage, period of coverage, period of insurance, premium amount and date of premium payment for the following policies which the committee is to review —

- a. Fire insurance on buildings and equipment
- b. General Liability (Public Liability and Property Damage)
- c. Burglary
- d. Fine Arts
- e. Malpractice
- f. Workmen's Compensation
- g. Fidelity Bond
- h. Automobile coverage on cars owned by the church
- i. Non-ownership liability insurance for cars owned by others when used for church business
- j. Directors' and Officers' Liability
- k. Umbrella Liability
- l. Other special policies held by the church.
- m. Complete the following checklist —
 1. Has insurance coverage been reviewed, and has a copy of policies been obtained and a schedule prepared detailing name of carrier, description of coverage, period covered, premium amount, and date of premium payment?
 Yes No Not Applicable
 2. Has there been inquiry as to whether there are any contingencies or commitments facing the church (eg, legal action with prospects of potential loss)?
 Yes No Not Applicable

Test the discretionary fund

Check that the discretionary fund is the name of the church, that the church's federal tax identification number is the number used to identify the account at the bank, and that the fund has not been used for operating fund expenses or for the personal expenses of the clergy. If a separate checking account has been authorized, all monies for the discretionary fund must pass through the church's general bank account and subsequently a check should be written to transfer the monies to the separate discretionary fund checking account.

REPORT OF THE INTERNAL AUDITORS

Copies of this report should be distributed to the Chairpersons of the finance and church committees, recording secretary, treasurer and pastors(s).

Audit Committee
[CHURCH NAME]
[ADDRESS]
[PHONE]

To the Members of _____ (Church Name)
_____ (Street)
_____ (City, State)

We, the members of the audit committee of the above church have inspected the treasurer’s statement of assets and liabilities as of December 31, 20__ and the related statement of revenues and expenses, and changes in fund or net asset balances for the year then ended. Our inspection was made in accordance with the Audit Program for Internal Auditors developed by the Connecticut Conference UCC. We have found the balances displayed to be correct, procedures proper, and records properly kept, except as noted below (attach additional sheets if necessary).

Our inspection and report are not meant to be construed as an audit and opinion rendered by a Certified Public Accountant.

MEMBERS OF THE AUDIT COMMITTEE

Name

Signature

Protecting Your People

While churches are caring for the spiritual health of their members, they must also ensure the health and safety of the people who worship and work within their circles of ministry. Even a small church should have a Personnel Committee to address policies and significant issues that arise. A number of policies should be considered, including —

- employment policies, including background checks
- vacation, benefits and other general personnel policies
- equal employment opportunity
- sexual harassment and abuse prevention

To ensure good stewardship of the people who have entrusted part of their lives to the church, the appropriate board or committee should develop an employee handbook that sets forth the organization's expectations of and responsibilities to both paid and volunteer staff.

Personnel Policy & Employee Handbook

A personnel policy should be comprehensive but not cumbersome — covering the big issues but leaving flexibility in the less critical details. The policy should be developed by the personnel committee, and provided to each employee when they are hired.

Calling of Ministerial Staff

How does the church call a minister to a position in the church? What is the responsibility of the church to the new minister and family?

Employment of Support Staff

Who interviews and hires new support staff? How are salaries and benefits determined? What evaluations are required (ie, background check, drug testing)?

Lines of Authority

What does our organizational chart look like? If a problem arises with a staff member, who is responsible for solving the problem? What is the chain of responsibility among the staff and church leaders? How will grievances be handled?

Staff Meetings

Are they necessary? If so, who is responsible for scheduling staff meetings? What is the expectation of these meetings?

Staff Evaluations

How will evaluations be accomplished and at what intervals? Who handles evaluations for different levels of staff?

Anniversary Recognition

How often will staff be recognized for years of service? How will they be recognized? Who is responsible for making sure adequate recognition is given?

Personal Conduct

What expectations does the church have of all staff members? What policies are necessary or appropriate regarding the use of cell phones or the internet?

Dress Code

How is staff expected to dress during office hours?

Office Hours & Holidays

What are the normal working hours that a church member can expect the office to be open? What days will the church office be open or closed?

Vacation & Sick Days

How many vacation or sick days are allotted to each staff member; or does the church follow a Paid Time Off (PTO) policy? May vacation days or PTO be accrued? Does the church comply with the American Family Leave Act?

Pay Period

At what intervals will staff be paid?

Retirement Benefits

Who is eligible for church retirement contributions and at what rate?

Housing Allowance

How will housing allowances be handled?

Insurance Benefits

Who is eligible for church-funded health (or other) insurance and at what level of benefit? Is family coverage provided for certain staff members?

Educational & Other Leave

How much time is permitted for ministry-related conferences, educational programs, or participation in wider church functions?

Family Death or Illness

What is the church policy on family leave? How can it be used?

Jury or Military Duty

How will this service be handled?

Resignation by Staff Member

How much notice should a staff member provide the church before leaving its employment?

Termination by the Church

How can a church staff member be dismissed? What is the process?

Sabbatical

Does the church provide a sabbatical for long-term employees? What are the terms and how is the sabbatical approved? How will the church cover the position during the sabbatical?

Severance Pay

Upon dismissal of employment by the church, what severance pay (if any) should be offered to the staff member by the church? On what conditions?

Pulpit Supply

Upon the absence of the pastor, who is responsible for securing a supply preacher? Who pays and at what rate?

Sexual Harassment Policy

What procedure will be followed to handle an accusation of sexual harassment? What committee will handle such matters?

Child Abuse Policy

What procedure(s) will be followed to prevent child abuse and report on incidents?

Reimbursement

How will staff be reimbursed for ministry expenses like travel, hospitality, conventions, books, and continuing education?

Credit Card Usage

What guidelines govern the use of church credit cards?

Job Descriptions

Each position requires a job description upon employment. Who writes the descriptions? How are realistic and measurable expectations described?

Sample Discrimination Prevention Policy

Title VII of the Civil Rights Act of 1964 is the Federal law that makes it illegal for an employer to discriminate against any individual with respect to compensation, terms, conditions, or privileges of employment, because of such individual's race, color, religion, sex, or national origin. Although many churches are exempt from Title VII, because they are not large enough (have at least 15 employees) and they are not engaged in an "industry affecting commerce" (determined by the court), they may still be subject to similar state laws. Regardless, it is suggested that all churches voluntarily comply with the Federal statute, even if your church is technically exempt. You might do so on moral or humanitarian grounds or simply to prevent costly complaints or suits (requiring legal defense). Consider establishing a written policy prohibiting discrimination or harassment against any legally protected category (e.g., race, age over 40, gender, disability, etc.). The reporting, investigation and response system should be consistent relative to all forms of discrimination.

Independent Contractors

Some churches seek to save money and accounting time by calling pastors or other staff to serve as "independent contractors" rather than employees of the organization. While in some instances this arrangement may work well for both parties, advice should first be taken from a CPA or legal counsel, and appropriate contractual documents prepared to ensure neither party encounters problems several years down the road. Generally speaking, a pastor or church staff member should be paid as an employee, with the relevant taxes withheld and paid by the organization.

Worker's Compensation

In most states, churches are subject to worker's compensation laws and are required to maintain worker's compensation insurance for all employees. Most health insurance programs (including the Pension Boards), as well as most liability insurance policies (including the UCC Insurance Board), exclude coverage for work-related injuries — a separate worker's compensation policy must be purchased.

If an employee is injured in the course of his or her work, and the employing church has no worker's compensation insurance, the church must pay out of its own funds for medical treatment, lost work time, and, in the case of a disabling injury, income replacement for a period of time required by law. Even a minor injury requiring medical attention can result in substantial costs to the church.

Any contractor engaged by the church should be required to show proof of up-to-date worker's compensation insurance coverage. A contractor who lacks this coverage can leave the church vulnerable to any liability and costs resulting from any injury to the contractor or persons employed by the contractor if that injury is incurred while working for the church.

Directors & Officers Insurance

To protect the individuals who make decisions on behalf of the church — from council or consistory to investment committee members — churches should obtain Directors & Officers coverage, which assures protection in the event a lawsuit is brought against the church. This insurance covers decisions made in a wise manner and in good faith, but does not protect against wrongdoing.

Minimizing Legal Risks to Volunteers

In recent years a number of lawsuits have tried to impose personal liability on volunteer officers of churches. Areas of potential liability include —

1. Liability involving injury to another's person or property
Examples would include negligent hiring or supervision of an employee, copyright infringement, wrongful termination of an employee, negligent operation of a motor vehicle. A church officer is usually considered to be liable only for those decisions in which he or she is involved. If a church board member is uneasy with a decision of the board, it is wise to have this dissent recorded in the minutes of the meeting.
2. Liability for contracts signed by the officer
If the officer signs a contract on behalf of the church without first being granted authority to do so by the governing board, the officer may be held personally liable for the contract. Even if such authority has been granted, the officer must explicitly include on the document the church's name, corporate status, and the capacity in which he or she is signing (ex: Signed by Mary Jones, Treasurer, First Congregational Church of Smallville, a MA not-for-profit corporation) in order to avert the possibility of being held personally liable.
3. Breach of fiduciary duty of care
A volunteer may be vulnerable to this charge if his or her inattention allows some kind of loss to occur. Board members who are chronically absent from meetings may put themselves at particular risk in this area.
4. Willful failure to withhold payroll taxes or to pay withheld amounts to the IRS
This is a felony punishable by a fine and/or imprisonment. In addition, each officer involved can be personally liable for a penalty of 100% of the amount of tax evaded.

Of course, church volunteers who willfully act in ways that jeopardize the church or its members should not be protected from legal action. However, officers need to be confident that they are protected as long as they honorably exercise their best judgment in the interests of the church.

The risk that officers will be held personally liable can be reduced by making certain changes to the church's legal documents. Churches that are incorporated may amend their Articles of Organization to include a paragraph which effectively exempts officers from liability for honest mistakes (but not for "bad faith" acts such as knowing violations of the law). Churches which are unincorporated can amend their bylaws to indemnify officers, to the extent legally permissible, from liability for bad outcomes of decisions made in good faith. A higher level of protection is afforded by incorporation, which insulates leaders from personal liability provided they are acting in good faith and in their corporate capacity.

Source: MA Conference Treasurer's Handbook

Making Churches Safe

The United Church of Christ and the Insurance Board encourage all local churches to adopt written policies to make UCC churches safe for all. Drawing significantly from the work done by the Parish Life and Leadership Team, the Insurance Board has prepared two important publications—

- *Making Our Churches Safe for All*
A 29-page guide to abuse prevention in local churches.
- *The Time Is Now*
A 17-page guide to assist churches in developing their own abuse prevention policies, created in collaboration with Parish Life and Leadership.

While most people think first of protecting children from abuse, remember that others may also fall victim to abusers, including seniors, handicapped individuals and vulnerable adults.

Consider criminal background checks for all candidates for staff positions, if those individuals will be working with a vulnerable group.

The US Department of Justice maintains a database of sex offenders, which is accessible by the public. Because information is provided by states, the depth and breadth of detail varies. The site may be found at nsopr.gov.

Safe Church Policy Concerning Abuse Prevention

Policy Prohibiting Abuse, Exploitation and Harassment

As a community of Christian faith, the Covenanted Ministries of the United Church of Christ, including each of the covenanted ministries (hereinafter "the CMUCC) is committed to creating and maintaining programs, facilities, and a community in which employees, volunteers and persons served by the CMUCC can work together in an atmosphere free from all forms of discrimination, harassment, exploitation or intimidation. All persons associated with the CMUCC should be aware that the church is strongly opposed to Sexual Exploitation and Sexual Harassment and that such behavior is prohibited by CMUCC policy. It is the intention of the CMUCC to take action to prevent and correct behavior that is contrary to this policy and, if necessary, to discipline those persons who violate this policy.

Conduct of our Employees and Volunteers

Consistent with the priesthood of all believers, it is important that every employee, including Authorized Ministers, independent contractors and volunteers be adequately prepared and educated for the ministry in which they serve others, and to understand the ways in which their use or misuse of authority may impact others.

It is the policy of the CMUCC to encourage its employees, independent contractors and volunteers to nurture safety within the work performed on behalf of the CMUCC by being attentive to self-care, education, maintaining appropriate boundaries, and the importance of referring those in need to supportive and helpful resources.

Sexual Exploitation or Sexual Harassment of employees, volunteers or others by anyone engaged in the work performed on behalf of the CMUCC is unethical behavior, will not be tolerated by the CMUCC and will be cause for immediate termination of employment or termination of volunteer role with the CMUCC. Similarly, Workplace Harassment, as defined in the CMUCC's Common Personnel Policies at Section 2.2, is strictly prohibited.

Requirements for Commencing and Continuing Employment or Volunteerism

Before beginning their duties, all employees, independent contractors, and volunteers will be required to submit an application and/or disclosure form similar to the sample attached hereto.

Before beginning their duties, all employees, independent contractors, and volunteers may be personally interviewed, by phone or in person, to assess the suitability of their character and qualifications for the position they seek.

Prior to employment, the CMUCC will conduct a criminal background check and employment reference check for all prospective employees, including, but not limited to, a registered sex offender review for each prospective employee, by searching their name on the Department of Justice website at www.nsopr.gov. The registered sex offender review will be repeated on an annual basis for all employees.

Prior to assignment as an independent contractor or volunteer, the CMUCC will conduct a background check, which will include, at a minimum, a registered sex offender review for each independent contractor, or volunteer, by searching their name on the Department of Justice website at www.nsopr.gov. The registered sex offender review will be repeated on an annual basis for all active independent contractors and volunteers.

All employees will be required to attend mandatory workshops on "Safe Church" issues as scheduled by the CMUCC, not less than once each three year period. Independent contractors and volunteers will be invited to participate in workshops on "Safe Church" issues.

All Authorized Ministers employed at the CMUCC are expected to attend all boundary workshops required by the Association where the Minister currently has standing.

Additional Requirements for Child and Youth Ministry

The CMUCC is committed to providing a safe and healthy environment in which young people can learn about and experience God's love.

In order to promote this, we have established the following guidelines in addition to the general requirements for ministry.

All volunteers who regularly work with children and youth will complete and submit a disclosure document.

Before beginning their duties, all prospective employees will undergo a background check, including but not necessarily limited to inquiries of references and a criminal history verification by a third party vendor.

All volunteers, independent contractors and employees who regularly work with children and youth will receive orientation regarding safe church policy and procedures.

It is the practice of the CMUCC to provide adequate supervision and safeguards for youth activities. In situations where participants are readily visible to each other, there will be no fewer than two unrelated adults present with children. Youth over the age of 14 may assist an unrelated adult in supervising children and youth activities; however, such assistance does not alter the requirement that at least two unrelated adults be present.

Written consent of one parent or guardian of a minor will be required for all activities off the property of the CMUCC or a CMUCC affiliated church, and any overnight activities.

Definitions

Authorized Minister: a person who holds ordained ministerial standing or has been commissioned or licensed by an Association of the United Church of Christ or region of the Christian Church (Disciples of Christ).

Independent Contractor: a person who is contracted by the CMUCC to perform services that ordinarily would be performed by a CMUCC employee, normally on a short term or temporary basis. An independent contractor, for purposes of this policy, does not include a vendor or third party who supplies goods or services to the CMUCC. (i.e. attorneys, auditors, suppliers of equipment/office supplies, caterers, musicians, etc.).

Sexual Exploitation: sexual activity or conduct (not limited to sexual intercourse) in which a person takes advantage of the vulnerability of the person being served by causing that person to engage in sexual behavior with the CMUCC employee or volunteer.

Sexual Harassment: repeated or coercive sexual advances toward another person contrary to his or her wishes. It includes behavior directed at another person with the intent of intimidating humiliating or embarrassing the other person, or subjecting the person to public discrimination. Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when:

Submission to such conduct is made either explicitly or implicitly a term or condition or circumstance of instruction, employment or participation in any CMUCC activity.

Submission to, or rejection of, such conduct by an individual is used as a basis for evaluation in making personnel or CMUCC related decisions affecting an individual; or

Such conduct has the purpose or effect of unreasonably interfering with an individual's performance or participation in CMUCC activities or creating an intimidating, hostile or offensive work or church environment.

Prohibited sexual harassment includes unsolicited and unwelcome contact that has sexual overtones, particularly:

Written contact, such as sexually suggestive or obscene letters, notes, text messages, instant messages, e-mails or invitations;

Verbal contact, such as sexually suggestive or obscene comments, threats, slurs, epithets, jokes about gender specific traits, sexual propositions;

Physical contact, such as intentional touching, pinching, brushing against another's body, impeding or blocking movement, assault, coercing sexual intercourse; and

Visual contact, such as leering or staring at another's body, gesturing, displaying sexually suggestive objects or pictures, cartoons, posters, or magazines.

Sexual harassment also includes continuing to express sexual interest after being informed directly that the interest is unwelcome and using sexual behavior to control, influence, or affect the career, salary, work, learning or worship environment of another. It is impermissible to suggest, threaten, or imply that failure to accept a request for a date or sexual intimacy will affect a person's job prospects, leadership opportunities, or comfortable participation in the life of the CMUCC. It is forbidden either to imply or actually withhold support for an appointment, promotion, or change of assignment, to suggest that a poor performance report will be given because a person has declined a personal proposition; or to hint that benefits, such as promotions, favorable performance evaluations, favorable assigned duties or shifts, recommendations or reclassifications, will be forthcoming in exchange for sexual favors.

Procedures for Handling Complaints of Sexual Exploitation or Harassment

I. Generally

A. The Human Resources office, in collaboration with the Office of the Minister for Affirmative Action and Diversity Initiatives, will lead the investigation into and response to any complaints under this policy. These persons are familiar with the terms of this policy as well as the established policies and of the CMUCC for addressing concerns, complaints and grievances, as set forth at paragraph 8.1 of the Common Personnel Policies.

B. Several approaches may be taken in addressing incidents of alleged sexual exploitation or harassment:

1. The complainant can attempt to resolve the matter directly with the respondent, the individual accused of sexual exploitation or harassment.

2. If the complainant is an employee or volunteer of the CMUCC, the complainant can raise the concern with their supervisor.

3. If an informal resolution of the complaint does not seem wise, appropriate, possible, or does not succeed, the complainant may bring their concerns to Human Resources office or the Affirmative Action office.

C. Human Resources and Affirmative Action and the appropriate Executive Minister or their designated representative ("the fact finding team") shall work cooperatively in the fact finding process and will interview and gather information from persons who may have pertinent information. Upon conclusion of the fact-finding process, a report will be presented by the fact-finding team to the appropriate representative of the Covenanted Ministry.

D. The fact-finding team shall make determinations and make recommendations to the appropriate Covenanted Ministry representative to resolve the matter. These may include, but are not limited to:

1. finding that the sexual exploitation has occurred, and that the appropriate body of the church is called upon to take action accordingly; such action may include one or more of the following:

a. a formal reprimand, with defined expectations for changed behavior;

b. recommending or requiring psychological or psychiatric assessment, counseling and/or treatment;

c. probationary standing, with the terms of the probation clearly defined;

d. dismissal from employment or volunteer position.

2. finding that sexual exploitation or harassment did not occur.

3. The fact-finding team and the appropriate representative of the Covenanted Ministry who will determine the appropriate actions to resolve the matter may seek the advice of legal counsel or others to advise it in performing its functions.

E. A written summary of the Fact-Finding Teams investigation and recommendations will be maintained.

F. The person(s) toward whom the inappropriate behavior is directed need not be the complainant. Moreover, neither consent nor acquiescence will excuse or exonerate inappropriate behavior. At any time the CMUCC may initiate or proceed with the formal complaint process.

G. In determining whether alleged conduct constitutes sexual harassment or exploitation, consideration shall be given to the record of the alleged incident(s) as a whole and to the totality of the circumstances, including the context in which the alleged incident occurred.

H. Any person bringing a sexual harassment or exploitation complaint or assisting in investigating such a complaint will not be adversely affected in terms and conditions of employment or church membership or affiliation, or otherwise discriminates against or discharged.

I. The appeal process for any complaint under this policy is set forth at section 8.5 of the Common Personnel Policies.

II. Child Abuse

Apart from any legal requirements the CMUCC will make a report to the appropriate authorities, including but not limited to the Ohio Department of Job & Family Services, if at any time the CMUCC has reasonable cause to believe that a minor may be an abused or neglected child. Any employee of the CMUCC who becomes aware of the facts or circumstances that child abuse or neglect has occurred or that there exists a substantial risk that child abuse or neglect may occur in the reasonably foreseeable future shall immediately report the matter to the Human Resources Office or the Affirmative Action Office so that the CMUCC may take appropriate action in a timely manner, or you may call the 614-466-9274, toll-free at 1-800-25-Abuse. Volunteers who regularly reside or work in Ohio are to report child abuse or neglect to the Human Resources Office or the Affirmative Action Office or the 614-466-9274, toll-free at 1-800-25-Abuse. Volunteers who do not regularly reside or work in Ohio are required to follow the law of the state of their primary residence or regular place of work.

III. Clergy

Apart from any disposition of the matter by the CMUCC, all allegations of behavior which call into question the fitness for ministry of any Authorized Minister will promptly be forwarded to the Association where the Minister currently has standing.

United Church of Christ National Offices Authorized Volunteer Application and Disclosure Form

| | | | |
|---------------|---------------|------------|----------|
| Name: | Last | First | Middle |
| Address: | Street | City/State | Zip Code |
| Daytime Phone | Evening Phone | E-Mail | |

References: One reference should be related to you and the other references should not be related to you.

| | | | |
|-----------|------------|----------|--|
| Name | | | |
| Address | City/State | Zip Code | |
| Telephone | E-Mail | | |
| Name | | | |
| Address | City/State | Zip Code | |
| Telephone | E-Mail | | |

I have never been convicted of, nor plead guilty or no contest to, a crime. (Exclude convictions that have been sealed, expunged or legally eradicated, misdemeanor convictions for which probation was completed and the case was dismissed)

True Not True

If not true, please briefly describe the nature of the crime(s), the date and place of conviction and the legal disposition of the case. The church will not deny any position to any applicant solely because the person has been convicted of a crime. The church, however, may consider the nature, date and circumstances of the offense, as well as whether the offense is relevant to the duties of the position applied for.

Is there any fact or circumstance involving you or your background that would call into question your being entrusted with the responsibilities of the position for which you are applying?

Yes No

If yes, please provide a brief explanation.

The covenants between persons seeking authorized volunteer positions in the church require honesty, integrity, and truthfulness for the health of the church. To that end, I attest that the information set forth in this application is true and complete. I understand that any misrepresentation or omission may be grounds for rejection of consideration for, or termination of, the position I am seeking to fill. I acknowledge that it is my duty in a timely fashion to amend the responses and information I have provided if I come to know that the response or information was incorrect when given or, though accurate when given, the response or information is no longer accurate.

Beginning such relationships with an open exchange of relevant information builds the foundation for a continuing and healthy covenant between volunteers and the church they seek to serve. To that end, I authorize the UCC and/or its agents to make inquiries regarding my character and qualifications, including all statements I have set forth above. I also authorize entities, persons, former employers, supervisors, courts, law enforcement, and other public agencies to respond to inquiries concerning me, to supply verification of the statements I have made, and to comment on and state opinions regarding my background, character, and qualifications. To encourage such persons and entities to speak openly and responsibly, I hereby release them from all liability arising from their responses, comments, and statements.

The UCC authorized volunteer recruitment process involves the sharing of information regarding applicants with those persons in a position to recruit, secure, and supervise both the position I am seeking to fill and program I am seeking to participate in. To that end, I authorize the UCC and its agents to circulate, distribute, and otherwise share information gathered in connection with this application to such persons for these purposes. I understand that the UCC will share with me information it gathered about me, if I request it to do so.

I acknowledge my receipt and understanding of the UCC Safe Church Policy.

Signature

For office purposes only

For staff person to complete:

- Personal interview conducted by staff (staff person's name)

_____ on _____

- Reference inquiries completed on _____

- Safe church awareness policy given to volunteer on _____

For Human Resources to complete:

- Sex Offender Registry (www.nsopr.gov)

review performed on _____

Sample Sexual Harassment Policy

from the Georgia Baptist Convention

Purpose

All employees of [CHURCH] have the right to work in an environment free from all forms of illegal discrimination and conduct which can be considered harassing, coercive, or disruptive, including sexual harassment. The position of the [CHURCH] is that sexual harassment is a form of misconduct that undermines the integrity of the employment relationship.

Responsibility

It is the responsibility of the Personnel Committee and each employee to ensure full compliance with this policy.

Definition

Unwelcome sexual advances, requests for sexual favors, and other verbal and physical conduct of a sexual nature constitute sexual harassment when

1. Submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment.
2. Submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual, or
3. Such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.

Policy

1. No employee, whether male or female, shall be subject to unsolicited and unwelcome sexual overtures or conduct, either verbal or physical.
2. Sexual harassment shall not include occasional and appropriate compliments of a socially acceptable nature.
3. Sexual harassment does refer to behavior that is not welcome, that is personally offensive, that debilitates morale, and that therefore interferes with work effectiveness.
4. Such behavior may result in disciplinary action up to and including dismissal.

Complaints Procedure

1. Complaints of sexual harassment should be brought to the attention of the Personnel Committee.
2. The employee is also free to make the complaint directly to any supervisory personnel.
3. Supervisory personnel receiving a complaint of sexual harassment shall immediately contact the Personnel Committee.
4. After notification of the employee's complaint, a confidential investigation will be initiated immediately by the Personnel Committee.
5. After the investigation has been completed, a determination will be made regarding the resolution of the complaint by the Personnel Committee.

Non-Retaliation

This policy prohibits retaliation against employees who bring, in good faith, sexual harassment charges or assist in the investigation of such charges. Any such employee shall not be adversely affected in terms and conditions of employment, nor discriminated against or discharged because of such activity.

Non-Employees

In addition to the above, any complaints of sexual harassment by an employee against vendors or other non-employees who do business with [CHURCH] or any complaints by a vendor or other non-employee against an employee of the [CHURCH] shall be reported and investigated in the same manner as stated in this sexual harassment policy.

Emergency Planning

Caring for people also demands a church consider the actions it will take in the event of a crisis or emergency: what happens first, who receives a call, who talks to the media, who cares for any victims after the initial crisis has passed. An emergency or crisis can range from a natural disaster requiring the immediate offering of the church for shelter, to a tragic event such as a situation of violence or abuse. Waiting for an emergency is waiting too late — make your emergency plans now and review them regularly.

Emergency Preparedness Checklist

1. Has an emergency preparedness coordinator been assigned?
2. Are regular meetings held that address all facets of emergency preparedness?
3. Have emergency procedures been developed for the following contingencies:
 - Fire?
 - Medical assistance?
 - Adverse weather? (Hurricane, tornado, flood, lightning, snow/ice storm, etc.)
 - Prolonged power outages?
 - Motor vehicle mishaps?
4. Have emergency evacuation drills been conducted on an annual basis and properly documented at all church properties?
5. Are emergency telephone numbers posted in conspicuous locations?
6. Are personnel trained in emergency evacuation procedures and exit routes?
7. Are personnel trained in the proper use of fire extinguishers and other safety and emergency equipment?
8. Are staff members trained in first aid and CPR?
9. Has a bloodborne pathogens exposure control plan been implemented to protect personnel engaged in first aid, CPR, and medical emergency response procedures?
10. Are NFPA 101, Life Safety Code, requirements adequately addressed in regards to identifying means of egress, emergency lighting, illuminated exit signs, evacuation routes, travel distances, fire alarm systems, etc.?
11. Can disabled persons be evacuated safely?
12. Does your facility meet Americans with Disability Act (ADA) or similar state requirements? (as applicable in your jurisdiction)?
13. Has a disaster plan been implemented to minimize or prevent damage to computer equipment and software, paper files and valuable computer files in order to protect congregation records?

For more information on emergency preparedness, visit www.ready.gov or www.redcross.org

Protecting the Building & Grounds

Good stewardship of your church's gifts includes taking care of your building and grounds — from keeping on top of preventive maintenance to purchasing adequate insurance coverage. The Insurance Board offers several documents that help churches care for their facilities and calculate the appropriate level of coverage. The following checklists offer a quick way to assess your church's current level of building and grounds stewardship.

Slip, Trip & Fall Prevention

This checklist should be used on a regular basis to assess slip, trip and fall hazards.

1. Are all walking surfaces clean, well maintained and regularly inspected?
2. Are worn or damaged flooring, carpeting, stair treads, etc., repaired promptly?
3. Are all stairways with more than three risers equipped with handrails?
4. Are liquid spills cleaned up immediately?
5. Do staff understand that it is their responsibility to report all spills?
6. Are hallways or stairwells clear of storage materials?
7. Are "WATCH YOUR STEP" signs posted where necessary?
8. Is illumination adequate along corridors and in stairwells?
9. Are telephone, computer, and extension cords properly secured to minimize tripping hazards?
10. Are "CAUTION - WET FLOOR" signs used during spill clean-ups or routine housekeeping?
11. Do visitors utilize handrails on stairs?
12. Do inclement weather procedures include use of floor tracking mats/frequent mopping?
13. Are parking lots and sidewalks properly maintained—no potholes or spalling?
14. Is snow removal, sanding, or salting adequate during winter months?
15. Are non-slip coatings used in high traffic areas prone to moisture?
16. Are ladders equipped with non-slip safety feet?
17. Are staff/volunteers instructed not to stand on the top two steps of a ladder?
18. Do investigations of the slip/fall incidents properly and factually identify the contributing circumstance or conditions at the time?
19. If the proximate cause of an accident is correctable, has the problem been properly addressed?
20. Are visitors, especially children, discouraged from running?
21. Are stairways serving as emergency exits marked with proper exit signs?
22. Are stairways well lighted and equipped with emergency lighting in the event of loss of electrical power?
23. Are floors matted or carpeted with non-slip covering that is secured to the floor to prevent tripping?
24. Is the use of indoor/outdoor carpeting minimized?
25. Are restrooms equipped with non-slip floor surfaces and maintained with non-skid cleaning materials and treatments?
26. Are all ladders inspected to ensure they are in good condition?
27. Are damaged ladders repaired or replaced?

Self-Inspection Checklist

General Conditions

1. Are walking surfaces clean, clear of debris, and dry?
2. Are stairs, steps, handrails, and landings in good condition?
3. Is area illumination adequate?
4. Is general housekeeping acceptable and storage neat and orderly?
5. Is furniture in a good state of repair?

Building Evacuation and Life Safety

6. Are exits properly identified and illuminated?
7. Are exit paths unobstructed?
8. Are exit doors operable and equipped with panic hardware?
9. Is emergency lighting operable?
10. Does the fire alarm work?
11. Has the fire alarm been tested?
12. Are evacuation floor plans posted?
13. Are emergency phone numbers posted in conspicuous areas throughout the facility?
14. Are "Do Not Use Elevator in Fire Emergency" signs posted?

Fire Prevention

15. Are portable fire extinguishers available?
16. Are extinguishers serviced/tagged annually?
17. Is the sprinkler system operable/tested regularly?
18. When was the sprinkler system last tested? (Date & PSI)
19. Do smoke, heat & other detection alarm systems work? Date last tested?
20. Is the "No Smoking" policy enforced?
21. Are fire doors self-closing? Date last tested?
22. Are combustibles and trash controlled?
23. Are flammables properly stored in cabinets?
24. Is there any evidence of electrical equipment overheating?
25. Is there a smoke/heat detector located near the furnace room?
26. Are chimneys and flues inspected regularly? Date last inspected?
27. Is lightning protection installed on steeples, spires, and towers?

28. Are holiday decorations noncombustible and Underwriters Laboratories listed (UL-listed)?
29. Has a licensed electrician inspected electrical wiring? Date inspected?
30. Does it meet code requirements?
31. Is there any evidence of electrical wiring overheating, blown fuses, tripped circuit breakers or worn insulation?
32. Are multiple plug outlets and use of extension cords kept to a minimum?
33. Are portable heating devices UL-listed?

Kitchen Fire Prevention

34. Is the cooking ventilation system equipped with grease filters or extractors?
35. Are cooking filters clean with no grease build-up?
36. Does a dry chemical fire suppression system protect ductwork, cooking surfaces, and each deep fat fryer?
37. Are dry chemical fire suppression systems serviced semi-annually by a contractor and tagged accordingly? Date last serviced?
38. Is the dry chemical fire suppression system linked to a shut-off valve to the fuel supply?
39. Are deep fat fryers equipped with thermostats and high limit temperature controls (475°F)?
40. Is there a ten-pound dry chemical fire extinguisher (bicarbonate-based) in the immediate cooking area?

Boilers and Heating Equipment

41. Are boilers and hot water heaters serviced regularly?
42. Are state inspection certificates on file and current?
43. Any water/steam/fuel leakage noted?
44. Is there a preventive maintenance service contract in effect on heating/air conditioning equipment?
45. Are inspection certificates posted?
46. Is there a preventive maintenance/service contract in effect?

Outside Grounds

47. Is the parking area well maintained?
48. Are exterior walkways in good physical condition?
49. Is exterior illumination adequate?
50. Are all lights functional?
51. Is signage adequate and properly secured?
52. Are walkways, roads, and parking lots kept clear of ice and snow?

Site-Specific Concerns

53. Is playground equipment in good condition and inspected regularly?
54. Are swimming facilities maintained in accordance with local and state safety regulations?
55. Are church-related camping facilities operated in accordance with local, state and Federal safety regulations?
56. Other concerns?

Insurance Vocabulary

The insurance industry also has a vocabulary that church officers can find confusing. Heffernan Insurance Brokers, a UCC Insurance Board contractor, provided this glossary (heffgroup.com).

Business Auto Policy (BAP)

A standard business automobile policy that is designed to cover the liability and physical damage of motor vehicles. Liability coverage can be provided for the organization, regardless of whether a non-profit, a staff member, volunteer or other party owns the vehicle.

Binder

A short-term agreement that provides temporary insurance coverage until the policy can be issued or delivered.

Commercial General Liability Insurance

Covers liability exposures that are common to all organizations; a combination of three separate coverages, each with its own insuring agreement and exclusions: Coverage A = general liability; Coverage B = personal injury and advertising injury liability; and Coverage C = medical payments.

Commercial Property Insurance

Covers risk of loss to an organization's buildings or personal property. Usually includes buildings, personal property of the insured, personal property of others on site and in insured's possession. Coverage can be on an all risk or specific perils basis.

Crime Coverage

A package of policies that protect an organization against intentional theft by insiders, as well as theft of assets by third parties. Crime coverage generally includes a fidelity bond plus a basic menu of other coverages.

Deductible

The amount of the loss that the insured is responsible to pay before benefits from the insurance policy are payable.

Directors' & Officers' Liability Insurance (D&O)

Insurance that provides coverage against wrongful acts which might include actual or alleged errors, omissions, misleading statements, and neglect or breach of duty on the part of the board of directors and other insured persons and entities. Many D&O policies include employment practices liability coverage.

Employment Practices Liability Insurance (EPLI)

Insurance that provides coverage for claims arising out of employment practices, including wrongful termination, harassment or discrimination. EPLI policies generally cover the organization, its directors, officers, and employees.

Endorsement

A written agreement that changes the terms of an insurance policy by adding or subtracting coverage.

Errors and Omissions (E&O)

Protects business professionals whose clients could claim damages as a result of the business professional's faulty performance

Excess Liability Insurance

Provides coverage over and above primary insurance. The coverage is triggered when the amount of a loss exceeds an existing primary policy. Excess liability coverage mirrors the terms and conditions of the underlying policy modify and determine the premium for the current policy year.

Hired and Non-owned Auto Liability

Coverage that protects a nonprofit for claims that result from the use of a vehicle not owned by the nonprofit but used on the nonprofit's behalf (for

example, an employee's or volunteer's personal vehicle). Hired and non-owned coverage is excess over the insurance on the auto involved in the accident. The policy protects the named insured, not the driver of the vehicle. This coverage can be purchased as an add-on to the CGL policy, as an adjunct to the Business Auto Policy, as part of a Business Owners Policy, or as a separate policy

Liability Insurance

Insurance covering the financial risk of civil lawsuits

Property Insurance

Insurance that covers direct damage to the property and equipment including consequential losses (business income, loss of rents, extra expense) caused by an insured peril.

Self-Insured Retention (SIR)

The portion of a property or liability loss retained by a policyholder.

Umbrella Liability Insurance

Provides excess coverage over several primary policies, such as CGL, auto liability and employers liability. Increases the amount of liability insurance beyond that of the basic policies carried and reaches out to cover areas of unknown exposures lacking in the basic insurance policy

Workers' Compensation

Covers expenses an employer is mandated to pay by state statute to cover specific benefits for employee injuries

*More Money
for Ministry*

Toward a Theology of Giving

The Problem with Stewardship

What does “stewardship” mean in your church? In many churches, the word functions as a euphemism for giving. In others, “stewardship” encompasses one’s whole life and health. In still other churches, the word sounds like something from another era.

One of the challenges church life can pose — particularly where giving is concerned — is the unwillingness of many (including pastors) to say what they mean. What would happen if we spoke honestly about giving? Fundraising? Money? What if churches and church leaders took a lesson from not-for-profit leaders and got real, made their case, and spoke honestly about giving?

If they did, church leaders would have to let go of both the language and expectation of **should** (including those power-playing, guilt-inducing Bible verses). Yes, members *should* give generously to their churches — but speaking of or operating by *should* won’t usually add funds to the plate.

Time to Shift the Focus

For too long, the church has focused on its own need when talking about giving. But ***giving is a spiritual discipline — the donor’s need to give must remain paramount in giving discussions.***

Every donor won’t understand themselves as having a “need” to give; that’s where pastoral leadership becomes particularly important. And church leaders must support the pastor in helping the faithful understand giving as a response to God, not as a solution to the church’s financial need.

How does a church begin to shift the focus?

1. HELP PEOPLE CONNECT THEIR VALUES & THEIR MONEY

In one way or another, almost every message church members’ receive outside the church walls sends members a message about the use or importance

of their money: make more, invest more, buy more and better things. People of faith need and want to connect their money to their values — and the church must step into the gap. Offer financial education seminars (remaining very attentive to the theology of the curricula you consider!) that support people in learning to respect and value their money. Develop a small group setting for conversations about personal finance. Offer a Bible study that looks at issues of money and wealth. Celebrate the blessing and the attendant responsibility of wealth in its various forms.

2. CONNECT PEOPLE TO THEIR PASSION

Help your church members connect to the things they care about, even if those issues or causes lie outside the church.

3. TELL YOUR STORY — MAKE YOUR CASE

People who give to your church care about it — and most want their church to make a difference. Help members connect their own gifts (in all senses of the word) to the work their church is doing. Take a page from the not-for-profit fundraiser’s bible: make the case for the church’s impact in the community and beyond — and help your donors see their contribution to that positive difference.

4. SHOW YOUR DONORS YOU VALUE THEM

Because many still think of church giving as a “should,” church leaders are often reluctant to honestly celebrate generosity. But the church depends on generous givers — people who have connected their values with their treasure! Thank all of your donors regularly, and be sure your largest donors know they are valued without reservation.

5. MAKE SURE THE PASTOR KNOW WHO GIVES WHAT

Every good not-for-profit leader knows exactly who their largest donors are, and they cultivate those donors. The church should be no different. For a pastor, knowing who gives what is a spiritual issue, a pastoral care issue and a management issue. A

mature pastor will handle confidential financial information with the same care as information about family problems, treating every church member “differently” as their spiritual need requires.

6. SEPARATE BUDGET TALKS FROM PLEDGE CAMPAIGNS

When budget approval is connected to the pledge campaign, the church sends a loud and clear signal that giving is about the church’s need. Hold the pledge campaign months apart from the budget discussion, giving appropriate focus to the members’ personal spiritual discipline of giving.



from the *Ministry of Money* newsletter, Summer 2005
www.ministryofmoney.org

Church Budgets as Sacred Documents

by Rev. Gary T. Marsh
 Director of Stewardship Education and Resources – Moravian Church, Northern Province

For more than 30 years I have been a student of the church budget, first as a layperson who attended the "annual meeting" and listened to the presentation of the budget and later as a church pastor who helped to craft and explain the budget. At times, church budgets have seemed to be anything but sacred. Often they are awkward, difficult to understand and, to be honest, not always created through prayer with the desire to fulfill God's call to the Church. We see the sacredness of worship and prayer, but not always do we see money and the budget as sacred.

That being said, it is clear that the church budget is every bit as sacred as any other portion of the Church and its ministry. Money and how money is used are clearly recorded in many of the words of Jesus, Solomon, Paul and many others. Thus, how we determine its usage within the Church must be as prayerfully discerned as the core values, mission, and week-to-week ministries of worship and Christian Education. It is vital that we see the church budget as something very sacred.

One way to present the budget as a sacred document may be to present it in a narrative fashion, or to have a narrative budget complement the traditional line item budget. For over 21 years I served local congregations as pastor, and for each of those years I was among the folk at the annual meeting of Church Council looking at the line item budget and wondering, "Who really understands this? Is it sacred? Is it holy?" The rows of numbers were important, but those same numbers did little to convey what the "sacred" was really about.

Rev. David Bell, Director of Stewardship for the General Board of Discipleship, United Methodist Church, writes, "Budgets are tools that help financial leaders do their work in the church. They provide vital information for planning in the church. Budgets can enable congregational leaders to be faithful in their stewardship of the church's resources. What budgets cannot do, however, is motivate the majority of people to give. A surprisingly small percentage of the American population can read and understand a line item budget. Too many churches pass out copies of the annual budget, believing that they have communicated important information. Upon closer examination, it becomes clear that very little communication has occurred. People do not give to budgets. They give less from the head than from the heart."

People give to causes. People give to what is important to them. People give to other people, for other people, to needs and to causes - to things that make them feel good, happy and that make a positive influence in their lives, the lives of those they care for, their church and their community. People give to that which they hold as sacred!!

A narrative budget is a way to introduce the sacred within what may at first glance seem very business-like. It offers people a deeper understanding of what they are giving to and what their gifts will do in ministry. For the budget to connect, it must convey the sacredness of the ministry that the funds will be used to support.

A budget must be crafted to convey the very heart and mission of that which Christ invites that organization and its members to embrace. The budget must convey that the Church is a vital agent of reconciliation in a world that is yearning for the Good News of Jesus Christ. The Church, as an interconnected body of dynamic people and ministries, must communicate a mission to worship, learn, serve and give in such ways that the Lord God will be glorified, people will be blessed and the Body of Christ...the Church...will be strengthened. It is then that the budget becomes a holy and sacred document. Each aspect of the Church's ministry and program is a part of the sacred budget, sacred in that the funding needed to support that ministry will more importantly be used to fulfill the calling of God to that Church and its people in that setting. Jesus becomes real and present through the ways in which that budget is created, realized and used; thus it is sacred!!

Within each line, item, number, total and ministry description is the heart and soul of the Church. The budget is a sacred tool because within its words and numbers, we, as members of the Body of Christ, clearly see that we are honored and blessed because we have the privilege of sharing together in ministry. That is much more than numbers. That is also sacred.



Tell me about your church!

What images come to mind when you think about your church?

What means the most to your membership?

This is the story you want your budget to tell!

When people ask you about your church, what do you tell them? Do you talk about how much it costs to heat the building? Or what percentage of the budget is spent on youth ministry? No... more than likely, you tell them about your friends, about your favorite parts of worship, about your Sunday School class, or about that ministry that means so much to you.

A narrative budget tells the story of your church in terms that connect with your members. Sure, they want the lights to work when they come to church, but they give because they value your church on a much more personal level. And when you want people to give, you need to reach them on that personal level.

Narrative budgets are stewardship documents

Most people see the budget around annual campaign time. The finance committee distributes the usual page of numbers and hopes people will give enough to make all the numbers match up.

A standard page-of-numbers document may be great for church financial management — but it is terrible as an inspiration to give.

Narrative budgets remind people of the relationships and programs that mean so much to them, and to move them toward ever-greater support of the ministries they value.

Narrative budgets don't replace financials

The usual page-of-numbers budget is great for management — but does it make you smile? Just like you don't mow the lawn with hedge clippers, you don't inspire giving by focusing on the bills. A narrative budget has its place alongside the traditional

financial documents that the finance committee or church council use to manage the church's day-to-day operations. They are complementary, each with its own job to do.

Narrative budgets may even be more accurate!

Because narrative budgets divide costs up across ministry areas, they actually reflect the cost of a given ministry more accurately than a traditional budget. Your church's worship budget, for instance, probably doesn't take into account the amount of staff time that goes into preparing for worship — that's on a separate line! But a narrative budget divides staff time, even administrative costs, across your ministries and ultimately reflects the true cost of a ministry with even greater accuracy than a traditional document.

Narrative budgets are flexible

With a narrative budget, you tell a story — and that gives you the opportunity to highlight areas that need special focus. Have a new outreach program that's new to the budget? A narrative gives you an opportunity to say more about it. Want to celebrate the hours of volunteer work that helps make your church successful? In a narrative budget, you can do that with words and photos. You can be as creative as you want to be. The idea is to inspire!

Reimagine the Church Budget

Budgets are moral documents that reflect the values and priorities of a family, church, organization, city, state, or nation. They tell us what is most important and valued to those making the budget.

— Jim Wallis, *Sojourners*

Most churches approach budget development, preparation and presentation from an accounting point of view — offering a (rather dull) page of numbers categorized in a manner that may or may not reflect the ministries of the church. Narrative Budgets transform that page of numbers into a series of stories that bring to life what's best about your church, and identifying the cost of offering the ministries your members value.

1 Determine your frame with a few categories

The story told by your budget may be structured or framed in a variety of ways —

- by ministry areas: worship, education, pastoral care, youth, mission...
- by goals: building faith, reaching out, working for justice...
- around your church's mission statement
- using a combination of categories

Choose just a few categories to create your frame, ideally just four to six. Active words are better — instead of a churchy category like "Christian Education," how about "Building Believers"?

2 Assign expenses to your categories

A category like "Building Believers" might combine expenses associated with Christian education, pastoral care, youth ministry and more. Your "frame" will determine how you allocate costs.

Feel free to divide costs among different categories. The pastor's salary, for instance, might be divided between worship, education, pastoral care and administration — allocations that actually reflect the cost of ministry more accurately than one number lumped under "personnel" (or worse, under "administration").

- Ask the pastor to estimate the percentage of his/her work that applies to each of your frame's categories. Combine the salary, housing, fringe benefits, and all professional expenses (ie, book allowance, educational travel) into one total amount.
- Follow a similar procedure with other staff compensation and even with office expenses like postage and internet costs. Eliminate the catch-all "administrative" category by dividing costs so that each category in your frame includes its fair share of office costs.
- Consider spreading the cost of "Building and Grounds" among the other categories like Worship or Christian Education, estimating the percentages of the use of facilities required by the ministries in those categories.

3 Tell the story as many ways as possible

Some people love photos. Others like bullet-point lists. Still others prefer pie charts and graphs. Use this opportunity to describe each category using a range of appeals. You're limited only by your imagination!

Keeping the Cash Flowing

Ensuring cash flows well through your church may necessitate changes in the way your church manages donor relationships, and may even require some creative thinking. Here are a few ideas —

Communicate with Your Donors

- Remember! Pledges are not cash. Until the money is in the bank, pledges and the people who made them need to be cultivated and encouraged.
- Keep your members informed of the progress of their pledge fulfillment by sending regular statements: monthly statements are great, quarterly statements are essential. Some accounting software programs can even automate statements and send them out by email.
- Include a small item in the Sunday bulletin and the church newsletter that reports the total amount of gifts/pledges received to date against the total anticipated by that point in the year. If members start to fall behind in their pledge commitment, the notice will offer a gentle reminder — and the church at large will be informed of the church's financial status on a regular basis.
- Keep seasonal members in the loop. Make sure they receive your newsletter, set up a regular email update, and invite them to give online!
- Conduct stewardship training for your congregation, and consider offering a financial health workshop or book study to help members align their spending with their values.

Make Giving Easy

- Sign up for your church to accept debit and/or credit cards. Making giving as convenient as possible helps to keep funds flowing, and can make life easier for your congregation. A small fee applies to each transaction, so be sure to budget for this expense or ask members to increase their gift slightly (3% or so) to cover the cost.

- Suggest members use online banking to automatically make their church contribution. If members are concerned about having nothing to drop in the plate, consider creating a card they can use — or invite them to use an empty offering envelope!

Manage Expenses

- If recurring large bills come due at a low-income time of the year, set aside money each month for the bill. Some payments can be divided into monthly or quarterly bills, or consider paying ahead when cash is more plentiful.
- If big expenses lie on the horizon — like repaving the parking lot or replacing the roof — consider borrowing the money rather than funding the entire expense from cash. Loans can be paid off as quickly as you'd like, but help to ensure that your church doesn't become cash-strapped.

Estimating Giving Potential

While every church is unique — with its own values, its own role in the community, its own particular layers of economic privilege or challenge — all churches tend to look at the Biblical tithe as a marker for giving. While many consider a “modern tithe” as 5% to the church and 5% to other charitable organizations, that 10% number continues to live in the religious imagination, even in the UCC.

So let’s play around with the idea of a tithe. If everyone in your church decided to give 10% of their income, what would that look like? Consider the following example —

| | |
|---------------------------|------------|
| Total members | 220 |
| Average pledge per member | \$ 875 |
| Total pledges | \$ 192,500 |

Now, let’s estimate that those 220 members comprise about 125 giving units. If all of those giving units were pledging 10% of their income —

| | |
|-----------------------------|--------------|
| Total congregational income | \$ 1,925,000 |
| Average household income | \$ 15,400 |

That household income number seems a little low, doesn’t it? According to the US Census Bureau, median household income in 2006 stood at \$48,201. If the members of our example church conformed to the national average, that would mean —

| | |
|-----------------------------|--------------|
| Total congregational income | \$ 6,025,125 |
| Tithed pledges | \$ 602,512 |

Even using a “modern tithe” of 5%, this church would receive \$301,256 from its members, or an average of \$2,410 from each giving unit.

Obviously, many factors come into play when an individual or family makes a giving decision. One of the first questions people ask is whether a tithe should be calculated on gross or net income, with cogent arguments presented for both sides. This decision is best left to the individual. But let’s say

the members of our sample church understand the Biblical mandate to “render therefore unto Caesar the things which are Caesar’s” (Matt 22:21, KJV) means their tithe may be calculated from net income —

| | |
|-----------------------------|--------------|
| Congregation’s gross income | \$ 6,025,125 |
| Less one-third for taxes | (2,008,375) |
| Congregation’s net income | \$ 4,016,750 |
| Tithed pledges | \$ 401,675 |
| Pledge per giving unit | \$3,213 |

If church members worked from the “modern tithe” model, each giving unit would pledge \$1,606 — about twice their current giving.

Again we’re simply playing around with numbers. But a little bit of math can give your church leaders at least an idea of the impact good stewardship education can have on your congregation. And if your members are “modern tithers,” sharing their blessings with both the church and other charitable organizations, consider compiling a list of those recipients to honor both your members’ faithfulness and their contribution to God’s work beyond your congregation.

Additional Resources

UCC Financial Contacts

| RESOURCE | SERVICES | CONTACT INFO |
|--|--|---|
| Capital Campaign Services | Offers professional consulting to assist local congregations in exploring & executing fundraising campaigns | 866-822-3820 ucc.org/cblf/capital-campaign |
| Church Building & Loan Fund | Helps new or relocating churches with site selection, building construction or purchase, and low-cost loans | 866-822-3820 ucc.org/cblf |
| Cornerstone Fund | Provides loans to qualified UCC churches & organizations, funded by bank-type investments available to individuals & organizations | 888-822-3863 cornerstonefund.org info@cornerstonefund.org |
| e-Giving | Provides cost-effective electronic giving options for UCC churches — including credit card acceptance — through Vanco Services | 216-736-3853 ucc.org/e-giving |
| Financial Development | Assists all settings of the church in building financial resources through special and planned gifts from individuals | 800-846-6822 ucc.org/giving giving@ucc.org |
| Insurance Board | Offers a full complement of property & liability coverage designed for UCC churches | 800-437-8830 insuranceboard.org |
| Pension Boards | Administers pension, life, disability, health and dental plans for UCC clergy & staff | 800-642-6543 pbucc.org |
| Stewardship Resources | Provides print & online resources for church giving programs | 216-736-3853 ucc.org/stewardship |
| United Church Funds | Offers a family of diversified & professionally managed investment funds for UCC church & organizational endowments | 877-806-4989 ucfunds.org info@ucfunds.org |

A Few Online Resources

From UCC Ministries

Narrative Budget Samples

cornerstonefund.org/learn/church-finance

Samples from churches and conferences around the UCC in PDF format.

Managing Church Risk

insuranceboard.org/safety_solutions

A rich resource of documents and links on a wide range of church management and risk control topics

Local Church Planning Giving Manual

ucc.org/giving/local-church-planned-giving

A resource to aid pastors and lay leaders in developing a congregational Planned Giving ministry, with sections devoted to establishing and promoting a Planned Giving program, congregational endowments, wills emphasis, how life-income gifts work, and more.

Connecticut Conference

ctucc.org/resources

A wealth of content on a range of church topics, including *Tools for Effective Local Church Management*, documentation for developing an internal audit program, a disaster checklist and more.

Massachusetts Conference

macucc.org/resourcelinks

Links, PDFs and more on the *Managing Our Resources & Inspiring Generosity* pages.

Southern California/Nevada Conference

scnucucc.org/resources

Links and documents addressing a range of church management topics, with a special emphasis on materials for church treasurers.

From External Sources

360° Financial Literacy

360financialliteracy.org

A free resource created by the American Institute of CPAs to help Americans understand their personal finances through every stage of life

Feed The Pig

feedthepig.org

An interactive website encouraging savings

Morningstar

finance.morningstar.com

From investment analysis and rating service Morningstar, this site offers personal finance tips and *30 Minute Solutions*.

Nolo — Free Legal Guidance

nolo.com

Tons of free resources addressing legal issues like contracts, wills and more.

Quick Employer Forms

quickemployerforms.intuit.com/signup

An online resource from Intuit to create year-end tax documents for contractors and others.

Smart Money

smartmoney.com

The personal finance site from *The Wall Street Journal*, with planning tools, calculators & more.

Tax Information for Churches

irs.gov/charities/churches

A list of IRS links and downloadable publications relevant to churches and religion organizations.

Money & What Matters

Money memories & Bible verses

We live in challenging financial times. For many people, expenses continue to increase at a faster rate than income grows. Products and services that weren't on the radar a decade ago — like high-speed internet and smartphones — now require a chunk of our salaries. Affordable college educations are becoming an oxymoron, retirement looks farther away than ever — and that's without even factoring in the lingering fallout from the 2008 financial crisis. We want healthy financial lives, but many of us are caught — some by debt that never seems to die, some by competing demands for our limited resources, and some simply by a lack of knowledge. The good news: it's not too late to make a new start.

In her years as a financial planner, popular personal finance expert Suze Orman began every new client conversation with a trip down memory lane: she asked each client to describe their money memories. In her practice, Ms. Orman learned that her clients' financial habits and attitudes were often shaped by early experiences they had not realized were impacting their present behavior. To help her clients develop a healthier relationship with money, she asked them to excavate those long-forgotten memories.

So think back. What is your earliest memory of money? What did your parents teach you about money? Did your family have too much or too little money? Did money figure in your relationships with friends and relatives when you were growing up?

\$ What money story from your youth stands out in your mind?

\$ In what way has your money memory shaped your present feelings about money?

In a similar way, our theological perspectives are often shaped by early experiences and influences, even if we've intellectually left behind some of the theology of our youth. To develop a workable and well-grounded theology of money — how money fits into one's life of faith — we need to first understand our influences.

\$ What did you learn about money as a child in Sunday School or church? Can you recall a formative incident or experience of money?

\$ When you recall your early training about the role of money in your faith life, what lessons or Bible passages come quickly to mind?

\$ What is your go-to money Scripture? How does your choice affect the way you feel, talk, or avoid talking about money?

\$ How does giving fit into your life at present? To what degree do you believe followers of Jesus are expected to share what they have?

\$ How does your understanding of Scripture connect with political debates about taxes, health care and related issues?

\$ Looking over the passages to the right, which challenges your perspective on money?

Money & Jesus

Jesus is popularly said to have spoken about money more than any other topic save the Kingdom of God. Google "Jesus and money" and you'll be confronted with over 500 million hits! Many of Jesus' parables and lessons addressed money in some form —

Parable of the Talents Matthew 25:14-25:30

The Good Samaritan Luke 10:30-37

Parable Of The Rich Fool Luke 12:16-21

Do not worry... Consider the lilies... Luke 10:22-31

*Sell your possessions and give alms...
Where your treasure is, there your heart will be also.*
Luke 10:33-34

From everyone to whom much has been given, much will be required; and from the one to whom much has been entrusted, even more will be demanded.
Luke 12:48

Parable Of The Lost Coin Luke 15:8-10

Parable Of The Prodigal Son Luke 15:11-32

...You cannot serve God and wealth Luke 16:13

Parable Of The Rich Man And The Beggar Lazarus
Luke 16:19-31

Money & the life of faith

Many pastors shy away from talking about money — and that's just fine with their congregations. Few of us want to be challenged about the way we earn, spend and share money — but our connection with money is fundamental not just to everyday life, but also to our faith experience. Try as we might, we cannot separate our financial lives from our spiritual health — we cannot serve both God and wealth.

...And Abram gave him [King Melchizedek] one tenth of everything. Gen 14:18-20

All tithes from the land, whether the seed from the ground or the fruit from the tree, are the Lord's; they are holy to the Lord. Lev 27:30

Bring the full tithe into the storehouse, so that there may be food in my house, and thus put me to the test, says the Lord of hosts; see if I will not open the windows of heaven for you and pour down for you an overflowing blessing. Malachi 3:10

The least of these Matthew 25:35-45

Do you love me? Feed my sheep. John 21:15-19

Money & the practice of ministry

Churches depend on money to continue their ministries — yet many pastors are reluctant to discuss money and giving in a straightforward, even challenging manner.

But Jesus' was unafraid to accept funding for his ministry from people of means —
...and Joanna, the wife of Herod's steward Chuza, and Susanna, and many others, who provided for them out of their resources. Luke 8:3

And Paul spoke regularly about giving and celebrated those who shared their resources —
For, as I can testify, they voluntarily gave according to their means, and even beyond their means, begging us earnestly for the privilege of sharing in this ministry to the saints... Now as you excel in everything — in faith, in speech, in knowledge, in utmost eagerness, and in our love for you—so we want you to excel also in this generous undertaking. I do not say this as a command, but I am testing the genuineness of your love against the earnestness of others. 2 Corinthians 8:3-8

Even back to the first century church, people struggled to reconcile their financial and spiritual lives —
But those who want to be rich fall into temptation and are trapped by many senseless and harmful desires that plunge people into ruin and destruction. For the love of money is a root of all kinds of evil, and in their eagerness to be rich some have wandered away from the faith and pierced themselves with many pains. 1 Timothy 6:9-10

But the message to those of means was clear —
As for those who in the present age are rich, command them not to be haughty, or to set their hopes on the uncertainty of riches, but rather on God who richly provides us with everything for our enjoyment. They are to do good, to be rich in good works, generous, and ready to share, thus storing up for themselves the treasure of a good foundation for the future, so that they may take hold of the life that really is life. 1 Timothy 6:17-19

A theology of money to live into

What do you want to believe about your money relative to your life of faith? To what theology of money do you aspire? Outline the perspective of money you desire to live into.

Beginning the journey

While you can make progress toward a healthier financial life without a well-defined plan, you'll be hard-pressed to know how you're doing without a destination in mind. And like traveling in unfamiliar territory without a guide, you can become easily misplaced. Even lost.

So take a moment to think about where you (and your family) want to go. Naturally, you'll want to include your significant other(s) in your financial goal-setting; but for the moment, start with these questions to begin defining for yourself what a successful financial life would look like —

\$ *Which financial task have you left undone for far too long that you want to complete? By when?*

\$ *What financial concern keeps you up at night? What is the next action you could take to begin sleeping better?*

\$ *Name the single financial accomplishment that would give you the greatest sense of success.*

\$ *Beyond taking care of debt, savings and retirement, what do you dream of doing in the coming years that will require money?*

\$ *What one or two commitments can you make right now to move forward on your quest?*

Suze Orman's 9 Steps to Financial Freedom

1 Consider your personal money story
Think back to your formative experiences with money and consider what these memories have taught you about who you were then and how they affect who you are today.

2 Practice empowering messages
Replace your financial fears with new, positive, empowering messages —

- I have more money than I will ever need
- I am in control of all my affairs
- I'm able to take good care of my money

3 Honestly acknowledge your current situation
Be honest with yourself about your current financial status and decide how you want to start spending your money.

4 Take care of essentials for loved ones
Be responsible to those you love by taking care of these "must-do's": wills, trusts, life insurance, durable power of attorney for health care, long-term-care insurance, and estate planning.

5 Eliminate debt & invest wisely
Respect yourself and your money by investing wisely in retirement plans, stocks, money market accounts, and mutual funds and by eliminating credit card debt. Your actions will give that respect meaning.

6 Trust your inner voice
You must trust yourself more than you trust others. Pay attention to your inner voice; it will tell you if how, and in what, you are investing is right for you.

7 Give money away
Give a portion of your money to others. By releasing an anxious grasp on your money, you will open yourself to receive all that is meant to be yours.

8 Realize that setbacks are inevitable
Understand and accept the cycles of money. The setbacks you may have today or next year will not keep you from financial freedom. If you hold on to your goals and dreams, you will get there.

9 Learn to recognize true wealth
Money itself will not make you financially free. That comes as a result of only that powerful state of mind which tells us that we are worth far more than our money.

The basics of personal finance are just that: basic. Buy low, sell high; live within your means; understand your time horizon; set reasonable goals.

— Christine Benz
30-Minute Money Solutions

SOURCE: Suze Orman, *The 9 Steps to Financial Freedom: Practical and Spiritual Steps So You Can Stop Worrying*

Drawing Your Financial Portrait

In every good story, the hero or heroine eventually comes to a moment when they must steel their spine, face their nemesis, and bring the demon to its knees. Whether your financial life leaves you feeling a bit confused, pretty disorganized or downright desperate, your first task on the road to healthy control will be to create a complete, honest portrait of your current situation. Borrowing loosely from 12-Step wisdom, the first step is acknowledging your reality. So take a deep breath and let's start here —

- 1 Gather all of your financial statements**
You're primarily looking for balances for each of your accounts, along with monthly payments and interest rates where applicable. If you conduct your financial business online, you can simply make a list.
- Checking accounts
 - Savings accounts
 - Investment accounts
 - Retirement accounts
 - Pension Boards accounts
 - Credit and charge card accounts
 - Installment loans (for cars, boats, etc)
 - Student loan
 - Equity line of credit
 - Any other debts

- 2 Complete Worksheet #1 —
*My Financial Position — The Starting Point***
Using the information you've gathered, fill in the blanks as appropriate. When you're done, you'll have a current Statement of Financial Position that will outline what you own (your assets) and what you owe (your liabilities), and provide you a starting point for defining and moving toward your financial goals.

- 3 Gather the documents
*that will reveal how your money flows***
Unless you primarily use cash, your check register, debit card statements and credit card statements should be able to provide most of the information you'll need to determine your income and spending patterns. Ideally, gather two years' worth of information to get the most accurate picture. If you use cash frequently, gather your receipts.

- 4 Complete Worksheet #2 —
*Income & Expenses — The First Step***
When you've finished this form, you'll have a pretty good idea of where your money goes each month. You'll be best served by using the information gathered in Step 3 above, adding your expenses for the last 12-24 months and taking an average for this first step. Suze Orman has found that most people, regardless of their income level, underestimate their average monthly outgo by anywhere from \$500-\$1,500 per month!

- 5 Begin to move toward your goals!**
Kind of like finding your location on a map, you now have a good picture of your current financial position. And when you know where you are, you know how to set your course for your next destination!

So let's get started!

Personal finance is 20% head knowledge and 80% behavior.

— Dave Ramsey

My Financial Position

CHECKING ACCOUNTS

| ACCOUNT | BALANCE |
|---------|---------|
| | |
| | |
| | |
| | |

SAVINGS ACCOUNTS

| ACCOUNT | BALANCE |
|---------|---------|
| | |
| | |
| | |
| | |

RETIREMENT SAVINGS

| ACCOUNT | BALANCE |
|---------|---------|
| | |
| | |
| | |
| | |

OTHER INVESTMENTS

| ACCOUNT | BALANCE |
|---------|---------|
| | |
| | |
| | |
| | |
| | |

OTHER ASSETS

| ACCOUNT | BALANCE |
|---------|---------|
| | |
| | |
| | |
| | |
| | |

ASSETS — WHAT I OWN

CASH

CASH ON HAND \$ _____

CHECKING ACCOUNT \$ _____

SAVINGS

EMERGENCY FUND \$ _____

_____ \$ _____

INVESTMENTS

_____ \$ _____

_____ \$ _____

TOTAL CASH \$

VEHICLES

_____ \$ _____

_____ \$ _____

_____ \$ _____

REAL ESTATE

HOUSE (*market value*) \$ _____

RENTAL PROPERTY \$ _____

OTHER _____ \$ _____

OTHER

FURNISHINGS \$ _____

JEWELRY, ART, ETC. \$ _____

_____ \$ _____

TOTAL ASSETS \$

The Starting Point

LIABILITIES — WHAT I OWE

CURRENT OBLIGATIONS

UNPAID BILLS \$ _____

OTHER _____ \$ _____

CREDIT CARD DEBT \$ _____

OTHER LOANS

CAR LOAN(S) \$ _____

STUDENT LOAN(S) \$ _____

EQUITY LINE/LOAN \$ _____

OTHER _____ \$ _____

LONG-TERM DEBT

MORTGAGE \$ _____

OTHER _____ \$ _____

OTHER DEBT

_____ \$ _____

_____ \$ _____

TOTAL LIABILITIES \$

MY NET WORTH

TOTAL ASSETS \$ _____

TOTAL LIABILITIES \$ _____

NET WORTH \$

UNPAID BILLS

| ACCOUNT | AMOUNT DUE |
|---------|------------|
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |

CREDIT CARDS

| NAME | PAYMENT | BALANCE |
|------|---------|---------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

INSTALLMENT & REVOLVING DEBT

| NAME | PAYMENT | BALANCE |
|------|---------|---------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Calculating Your Net Worth

Like your weight or cholesterol level, your net worth is a number that says a lot about your health. When you owe more than the value of what you own, your net worth will be negative. If you own your home free and clear, your net worth may well be high. But if your high net worth doesn't include much held in savings or investments, that net worth will be illiquid — unspendable until you sell (or mortgage) your house.

Net worth is simple to calculate —

$$\begin{array}{r} \text{The value of your assets} \\ - \text{Your total debt} \\ \hline \text{Your net worth} \end{array}$$

Assets: what you own

Your assets comprise everything from the money in your pocket to the furnishings in the home you own. Assets that can quickly be turned into spendable cash are considered liquid assets, while assets that take up space (like a computer or a house) are considered fixed assets.

A personal financial statement (also known as a Net Worth Statement, or even a Balance Sheet) lists assets in declining order of liquidity: cold hard cash first, followed by money in the bank, long-term investments, vehicles, real estate, and other assets.

Updating your financial statement every quarter will help you track your progress toward your goals, and can be useful when you need to provide a financial statement to a potential lender or investment professional.

Liabilities: what you owe

For many of us, this side of the financial statement looms large, especially when we feel overwhelmed by debt. Similar to assets, liabilities are listed from most immediate to longest-term: bills to be paid (or overdue) top the list, followed by credit card balances, shorter-term debts like car or appliance

loans (usually 5 years or less), student loans (usually 10-20 years), and 15- or 30-year mortgages on real estate. If you have an equity line available against your home, record only the outstanding balance on your financial statement (rather than the total line amount available).

Work yourself out of credit card debt

From Congress to CNN, public talk about Americans' credit card debt has become constant. But for many people, credit card debt remains a dirty little secret. Or sometimes, a not-so-little secret.

Credit card debt not only depresses your net worth, it can depress your waking hours when it gets out of hand. You know all the reasons credit card debt works against you — the trick is to make getting out of debt a priority. And to maintain any hope of financial wellness, eliminating credit card debt must become a top priority.

So consider these pointers —

- Choose just one or two cards to keep, ideally cards with attractive rates, no annual fee and useful features (like free insurance available on many gold and platinum cards). Destroy your other cards, but do not close the accounts until the balances are paid in full to avoid damaging your FICO score.
- Stop using your cards. This should go without saying. You can hardly bail out a boat when water keeps pouring in through a hole in its bottom.
- Pay off the card with the lowest balance first. While some recommend paying off the card with the highest interest rate, the emotional boost from visible pay-off progress is hard to beat.
- Roll the payment from the paid-off card into your next target. Dave Ramsey calls this the Debt Snowball, and it's a great way to speed up your path to freedom from credit card debt.

- Pay more than the minimum payment. Even if you can add just \$10 to a payment, every dollar you pay over the minimum payment goes straight to reducing your outstanding balance. For example, making the minimum payment on an \$1,100 debt at 18.5% APR will require 12½ years to pay off the balance and cost \$2,480 in interest. Adding \$10 to the minimum payment cuts the pay-off time in half and saves over \$675 in interest. [Source: *Suze Orman's Financial Guidebook*]
- Set limits for yourself. If you have trouble keeping your credit card debt in check, set an amount that you'll recognize as a warning sign — kind of like that pair of jeans that signals when it's time to skip dessert.

Avoid loans from your church

From time to time, a pastor will accept a call to an area where real estate values will make a home purchase difficult, so the church will offer to finance the pastor's mortgage. Churches may prove willing to offer loans to pastors for other reasons as well, but whatever the reason —

avoid borrowing from your church!

While perhaps helpful at the outset, loans to pastors can give churches (and church leaders) a level of control over a pastor that can prove both inappropriate and confining. And pastors may find themselves reluctant to speak to particular circumstances as a result of their obligation.

Personalities and expectations aside: imagine a real estate market declining to a degree that the pastor cannot sell her/his home at a price that permits them to pay off their loan to the church. That pastor could remain trapped in a call that becomes unsuitable, or the church could even choose to call the loan. While any number of pastors have found their homes "underwater" (where the value has dropped below the balance on the mortgage), their indebtedness to a financial institution remains a private matter, and

they can still seek and accept other employment. If you cannot afford to accept a call without financial assistance from the church, reconsider the call. Or renegotiate the terms so that you — and your financial affairs — remain independent.

7 Deadly Sins that Lead to Debt

Sheyna Steiner • bankrate.com

- Envy the rich and famous
- Forget that pride goes before a fall
- Be slothful with finances
- Get greedy when borrowing
- Feel wrathful at everyone but yourself
- Be gluttonous
- Let lust lead you into spending

Understanding Credit Reports & Scores

The quality of your credit can impact your life in ways you wouldn't expect — from determining the rates you pay on insurance to receiving the offer of a call. While you don't need to subscribe to an expensive credit monitoring service, you want to —

- 1** Check your credit report at each of the three reporting agencies (Equifax, Experian & TransUnion). You are entitled to a free report each year, which you can obtain at annualcreditreport.com.
- 2** Correct any errors, and contact companies that are reporting information incorrectly. Understand that corrections can take weeks to appear on your report.
- 3** At least once a year, obtain your FICO score(s) at myfico.com.

Where credit is concerned, the most important factor is, of course, credit management — whether or not you pay your bills on time, whether medical bills or taxes are allowed to go to collection, and to what extent you use credit overall.

Credit Score

Where your credit report describes the management of each account separately, your FICO score essentially reflects an amalgam of this information. Here's how your credit score is determined —

Payment history 35%

- Pay your bills on time & avoid collections
- Be aware that paying off a collection account will not remove it from your credit report
- Understand that late payments remain on your record for seven years

Amounts owed 30%

- Keep balances low on credit cards
- Pay off debt rather than moving it around
- Don't close unused credit cards to raise your score
- Don't open a number of new credit cards that you

don't need, just to increase your available credit

Length of credit history 15%

- Don't open a lot of new accounts too rapidly

New credit 10%

- Shop for rates on a given loan within a focused period of time, as FICO scores distinguish between a search for a single loan and a search for many new credit lines, in part by the length of time over which inquiries occur.
- Re-establish your credit history if you have had problems

Types of credit used 10%

- Open new credit accounts only as needed
- In general, having credit cards and installment loans will raise your credit score.
- Note that closing an account doesn't make it go away. The account will still show up on your credit report and may be considered by the score.

Your FICO score will fall into one of four categories —

| | |
|-----------|-----------|
| Excellent | 750+ |
| Good | 700-749 |
| Fair | 620-699 |
| Bad | Under 619 |

Understand that correcting your credit report and improving your FICO score takes time and diligence. But keep after it — a good score can make a world of difference in your financial life.

About one-third of your FICO score is based on your credit-utilization ratio, which is the total of your credit-card balances divided by the total of your credit-card limits... A good target is to use 20% — or even less — of your available credit.

— from *12 New Rules for Your Money*
kiplinger.com

Income & Expenses—

| INCOME | CURRENT REALITY |
|---------------------|------------------------|
| TAKE-HOME PAY | \$ _____ % |
| UNEMPLOYMENT | \$ _____ % |
| INTEREST | \$ _____ % |
| INVESTMENT INCOME | \$ _____ % |
| SOCIAL SECURITY | \$ _____ % |
| RETIREMENT PLAN | \$ _____ % |
| ALIMONY | \$ _____ % |
| CHILD SUPPORT | \$ _____ % |
| RENTAL | \$ _____ % |
| OTHER _____ | \$ _____ % |
| TOTAL INCOME | \$ _____ % |

| EXPENSES | |
|-------------------------|-------------------------|
| HOUSING EXPENSES | HOUSING EXPENSES |
| RENT/MORTGAGE | \$ _____ % |
| EQUITY LINE PAYMENT | \$ _____ % |
| HOME/RENT INSURANCE | \$ _____ % |
| PROPERTY TAXES | \$ _____ % |
| ASSOC/MAINT FEES | \$ _____ % |
| ELECTRIC | \$ _____ % |
| GAS/HEATING OIL | \$ _____ % |
| WATER/SEWER/TRASH | \$ _____ % |
| LAWN/GARDEN/SNOW | \$ _____ % |
| INTERNET | \$ _____ % |
| CABLE | \$ _____ % |
| PHONE LINES | \$ _____ % |
| CELL PHONES | \$ _____ % |
| OTHER | \$ _____ % |

| EXPENSES | CURRENT REALITY |
|-----------------------------|------------------------|
| VEHICLES | |
| VEHICLE PAYMENTS | \$ _____ % |
| VEHICLE INSURANCE | \$ _____ % |
| GAS/OIL/MAINT/REPAIRS | \$ _____ % |
| PARKING/TOLLS | \$ _____ % |
| OTHER (AAA, SAT.RADIO) | \$ _____ % |
| HEALTH & MEDICAL | |
| HEALTH/DENTAL INSUR. | \$ _____ % |
| DISABILITY/LONG-TERM | \$ _____ % |
| MD/DDS/ORTHODON. | \$ _____ % |
| PRESCRIP./SUPPLIES | \$ _____ % |
| GYM/CLUB DUES | \$ _____ % |
| LIFE INSURANCE | \$ _____ % |
| OTHER | \$ _____ % |
| FOOD & SUPPLIES | |
| FOOD/GROCERIES | \$ _____ % |
| FAST FOOD/RESTAUR. | \$ _____ % |
| SMOKING/ALCOHOL | \$ _____ % |
| HOUSEHOLD SUPPLIES | \$ _____ % |
| OTHER | \$ _____ % |
| PET CARE | |
| FOOD/TREATS/LITTER | \$ _____ % |
| VET/MEDICAL | \$ _____ % |
| OTHER | \$ _____ % |
| KIDS' EDUCATION | |
| KIDS' SCHOOL FEES | \$ _____ % |
| BOOKS/SUPPLIES | \$ _____ % |
| SCHOOL LUNCHES | \$ _____ % |

— The First Step

| EXPENSES | CURRENT REALITY | EXPENSES | CURRENT REALITY |
|----------------------|----------------------|-----------------------------------|-----------------------------------|
| KIDS' SPORTS | \$ _____ % | SPORTS EQUIPMENT | \$ _____ % |
| LESSONS & TUTORS | \$ _____ % | OTHER | \$ _____ % |
| ACTIVITIES | \$ _____ % | SPECIAL EVENTS & GIFTS | SPECIAL EVENTS & GIFTS |
| OTHER | \$ _____ % | BIRTHDAY | \$ _____ % |
| PERSONAL CARE | PERSONAL CARE | CHRISTMAS | \$ _____ % |
| HAIR CARE/PRODUCTS | \$ _____ % | WEDDING/ANNIVERSARY | \$ _____ % |
| BATH/DENTAL/SHAVING | \$ _____ % | SPORTS FEES/EQUIPMENT | \$ _____ % |
| COSMETICS | \$ _____ % | VACATIONS | \$ _____ % |
| HYGIENE | \$ _____ % | OTHER | \$ _____ % |
| APPLIANCES | \$ _____ % | DEBT PAYMENTS | DEBT PAYMENTS |
| TOILETRIES | \$ _____ % | CREDIT CARDS | \$ _____ % |
| MANI/PEDI/MASSAGE | \$ _____ % | STUDENT LOANS | \$ _____ % |
| OTHER | \$ _____ % | OTHER LOANS | \$ _____ % |
| CLOTHING | CLOTHING | OTHER | \$ _____ % |
| CLOTHES | \$ _____ % | GIVING & SAVINGS | GIVING & SAVINGS |
| SHOES & BAGS | \$ _____ % | CHURCH GIVING | \$ _____ % |
| ACCESSORIES | \$ _____ % | CHARITABLE GIVING | \$ _____ % |
| COATS | \$ _____ % | EMERGENCY FUND | \$ _____ % |
| DRY CLEAN./LAUNDRY | \$ _____ % | RETIREMENT SAVINGS | \$ _____ % |
| ALTERATIONS | \$ _____ % | OTHER SAVINGS | \$ _____ % |
| OTHER | \$ _____ % | OTHER | \$ _____ % |
| ENTERTAINMENT | ENTERTAINMENT | OTHER EXPENSES | OTHER EXPENSES |
| BOOKS/MAGS/PAPERS | \$ _____ % | QUARTERLY TAXES | \$ _____ % |
| VIDEO RENT/NETFLIX | \$ _____ % | _____ | \$ _____ % |
| COMPUTER/VID.GAMES | \$ _____ % | _____ | \$ _____ % |
| MOVIE/THEATER TIX | \$ _____ % | TOTAL EXPENSES | \$ _____ % |
| CONCERT/SPORTS TICX | \$ _____ % | <hr/> <hr/> | |
| MUSIC/GAME D'LOADS | \$ _____ % | NET INCOME | \$ _____ |

Considering Spending

For a range of reasons, many people who want to improve their financial situation cannot just pick up and find a new job. Getting a handle on spending can make a big difference in your financial security, job satisfaction and overall happiness.

While the cost of living varies across different regions and communities, a general outline of how-much-to-spend-on-what can offer a good starting point for managing spending more effectively. For instance, lenders and landlords have traditionally approved mortgage or rent payments that total no more than 28-30% of gross income, with combined housing and debt payments totaling no more than 40% of gross income. The less one makes, of course, the higher that percentage is likely to be — but the guideline is still appropriate.

Breaking it down

So what might a spending breakdown look like? Let's start with the top four essential categories —

| | |
|---------|-------------|
| Housing | 30 % |
| Food | 10 % |
| Auto | 10 % |
| Taxes | <u>20 %</u> |
| | 70 % |

While these may be rough estimates, the numbers probably aren't too far off. That leaves 30% of your gross income for everything else, including student loan and credit card payments!

| | |
|-----------------|------------|
| Insurance | 5 % |
| Debt payment(s) | 5 % |
| Entertainment | 5 % |
| Clothing | 5 % |
| Medical/Dental | 5 % |
| Miscellaneous | <u>5 %</u> |
| | 100% |

And that's before child-related expenses (like school costs and child care). Before savings. Before

charitable giving or tithing.

Fixed or variable? Essential or expendable?

Some spending is locked in and essential —

- rent or mortgage payments
- car payments
- alimony and/or child support

Some spending is essential, but variable —

- food
- utilities
- minimum payments on credit cards
- medical and dental care

Some spending could be altered with intentional decisions —

- higher deductibles to lower insurance premiums
- cheaper cell phone plans
- thermostat settings to lower utility bills

And some spending could be eliminated altogether if necessary —

- gym or club memberships
- expensive gifts
- fast food or dinners out

Careful thought about which expenses fall into which category can set you on the road to saving money, even if your income exceeds your outgo.

What now?

But if your net income is running negative, your debt payments are overtaking your essentials, or your expenses are eliminating the prospect of saving, it's time to rethink your priorities, set some goals, and get smart about your money.

Crown Money Map

Crown Financial Ministries identifies its mission as equipping people worldwide to learn, apply, and teach God's financial principles so they may know Christ more intimately, be free to serve Him, and help fund the Great Commission. The ministry grew from Larry Burkett's Christian Financial Concepts, and pursues a relatively fundamentalist approach to biblical interpretation and personal financial management, with a strong emphasis on tithing and carrying no debt (including a home mortgage).

The Crown Money Map generally offers advice similar to that of other well-known financial experts, and suggests travelers on this "road map" establish dates for completion of each "destination." In addition, the map asks the traveler to name how they will celebrate the achievement of each destination — a great idea for making the work of financial progress just a little more fun.

1 Emergency savings funded

- Save \$1,000 for emergencies

2 Credit cards paid off

- Pay off credit cards
- Increase savings to one month's living expenses

3 Consumer debt paid off

- Pay off consumer debt (auto, furniture, student loans)
- Increase savings to three months' living expenses

4 Save for major purchases

- Begin saving for major purchases (home, auto, etc)
- Begin saving for retirement
- If you want to start your own business, begin saving for it

5 Buy home and begin investing

- Buy affordable home
- Begin prepaying home mortgage
- Begin investing wisely

6 Home mortgage paid off

- Pay off home mortgage
- Fund children's education
- Confirm estate plan is in order

7 Final Destination

- Retirement funded
- Free to be more generous with time and money

SOURCE: www.crownmoneymap.org

Dave Ramsey's 7 Baby Steps

Many people know Dave Ramsey from his radio program, his seminars and books, his appearance on Oprah. Dave's main mantra: get out of debt. While his materials offer plenty of inspiring stories from people in worse shape than you, his program mainly expands on his Seven Baby Steps —

1 Put \$1,000 in an Emergency Fund
Emergencies happen; it's not a matter of if, but when. Dave recommends keeping \$1,000 readily accessible, but not so accessible that you tap it to pay the pizza guy. If you keep your Emergency Fund money in cash, consider hiding it from yourself. One person who followed Dave's advice mounted ten \$100 bills in a frame, wrote on the matting: In case of emergency, break glass!, and hung the "picture" behind the coats in her closet.

2 Pay off all debt using the Debt Snowball
List your debts, excluding the house, in order. The smallest balance should be your number one priority, regardless of interest rates. As each debt is paid off, roll the payment you've been making into the next debt payment on the list.

3 Save 3 to 6 months of expenses
Once you complete the first two baby steps, you will have built serious momentum. But don't start throwing all your "extra" money into investments quite yet. It's time to build your full emergency fund.

If you don't already own a house, Dave recommends you begin saving for a down payment only after you've completed Baby Step 3. And although he "okays" a 15-year fixed-rate mortgage, he prefers what he calls the "100% down payment."

4 Invest 15% of household gross income
into Roth IRAs and pre-tax retirement
When you reach this step, you'll have no payments—except the house—and a fully funded emergency fund. Dave doesn't recommend considering Social Security benefits when you make your retirement calculations.

5 Fund college for your children
By this point, you should have already started Baby Step 4—investing 15% of your income—before saving for college. And when college comes, be sure your child exhausts all scholarship application opportunities.

6 Pay off your home early
Now it's time to begin chunking all of your extra money toward the mortgage and getting closer to a life with no house payments.

7 Build wealth and give!
It's time to build wealth and give like never before. Leave an inheritance for future generations, and bless others now with your excess.

SOURCE: www.daveramsey.com/new/baby-steps

Building Essential Savings

1 \$1,000 Emergency Fund

Even before paying off credit cards, establish an emergency fund of at least \$1,000. When true emergencies arise, you can use cash from this fund rather than increasing credit card debt. If you cannot set aside \$1,000 immediately, begin to build this fund with as much as you can afford, then —

- **start an automatic savings plan**
consider an automatic transfer from checking each payday — even if you start with just \$10 a week
- **never spend change**
empty your pockets/purse every day and deposit your loose change each month

2 Multi-month living expenses reserve

Once your initial Emergency Fund is established and your credit cards are paid off, begin to grow your Emergency Fund until you have three to six months of living expenses in reserve. Remember, this is not part of your investment portfolio, but rather a fund for emergencies like job loss, unexpected medical bills, and the like. To earn higher rates of interest and still have funds available when you might need them, consider “laddering” certificates of deposit.

3 Near-term needs

If you’re going to have appliances to buy, college expenses to pay, or even a new home to purchase or furnish in the next few years, use savings to gather the funds you’ll need to avoid taking on additional debt.

Funds you will need in the next three to five years should not be invested in stocks or bonds that could lose value during down-cycles in the market. While market-type investments offer the greatest opportunity for growth over the long term, you don’t want to find yourself in need of your funds during a low point in the market cycle.

Types of Savings Accounts

Savings are distinct from investments — they are intended to meet shorter-term or emergency needs, and therefore require less volatile places to grow.

Regular savings

What people once called “passbook” savings is the classic bank savings account you probably started as a kid. These days, interest rates on these accounts are negligible — but a savings account still has a place in your financial portfolio. Most banks will link a savings account to your checking, allowing for easy transfers if you need your emergency funds. And some banks will tap your savings account in the event you overdraw your checking account. Many savings accounts require minimum balances, and most allow for only limited transfers or withdrawals.

Money market accounts

These accounts once offered higher interest rates than traditional savings accounts, but that may no longer be the case. In addition, money market accounts may not be covered by a bank’s FDIC insurance and have stricter limits on withdrawals.

Certificates of Deposit (CD)

Less flexible but typically more profitable than savings or money market accounts, CDs lock your investment into a timeframe of your choice — usually from six months to five years — with longer terms generally offering higher rates of interest. Instead of investing a large sum in a single CD, however, consider laddering CDs: purchasing different terms so that a certain amount of funds will be available every few months.

Cornerstone Fund

Cornerstone Fund investments work much like CDs, with the additional option of a Demand Account that works like a savings account. Although investments are not FDIC insured, rates are competitive and automatic savings deposits are easily established. Plus your investments help build the UCC!

Planning for Retirement

One of the most common bits of financial wisdom: max out your 401K benefits, especially if your employer offers some form of matching. If you're like most retirees, you'll need a lot more than Social Security benefits will provide in order to live as you would like.

How much do you need to retire with dignity?

The first, biggest and more important question to answer when considering retirement: how much do you need to be able to live fully — and not just survive — throughout your retirement? Generally, retirement advisors assume

you'll need an annual income of about 80% of your present (or at-retirement) salary

1 ANNUAL INCOME \$
desired during retirement

2 SOCIAL SECURITY BENEFIT \$
Divide salary by factor at right

3 RETIREMENT BENEFIT(S) \$
Annual amount, if known

Subtract #2 and #3 from #1 \$

4 YEAR #1 RETIREMENT INCOME \$
Multiply shaded box by Factor 1 in the second table

5 YOUR NEST EGG \$
Multiply box #4 by Factor 2 in the second table

This calculation offers just an estimate of the nest egg you will need to retire in the manner you desire. Online retirement calculators abound, permitting you to explore the impact of different rates of return, different inflation factors, and more. So experiment all you'd like, but

settle on an amount & begin saving!

SOCIAL SECURITY FACTOR TABLE

| Annual Salary | Factor |
|----------------------|--------|
| Less than \$24,999 | 2.00 |
| \$25,000 to \$44,999 | 2.25 |
| \$25,000 to \$54,999 | 2.42 |
| \$55,000 to \$64,999 | 2.65 |
| \$65,000 and above | 3.00 |

RETIREMENT INCOME FACTOR TABLE

Table assumes 3% inflation)

Factor 1: Choose factor based on years to retirement

Factor 2: Choose factor based on years you expect to live in retirement (assumes 5% annual return on investment)

| YEARS | FACTOR 1 | FACTOR 2 |
|-------|----------|----------|
| 5 | 1.36 | 4.81 |
| 10 | 1.34 | 9.18 |
| 15 | 1.56 | 13.16 |
| 20 | 1.81 | 16.76 |
| 25 | 2.09 | 20.04 |
| 30 | 2.43 | 23.02 |
| 35 | 2.81 | 28.17 |

Where to start?

Wherever you are on your journey to retirement —

- review the investment decisions you have made, and consider whether you have allocated your assets appropriately for your goals
- open your statement every quarter to review how your investments are faring
- consider making additional contributions, and move additional income from raises directly into your retirement fund
- invest where you can enjoy the greatest advantage

SOURCE: ING Special Report: *Your Number. Your Retirement.*

Creating a Values-Based Spending Plan

At the beginning of this adventure, you completed the Current Reality column of *Worksheet #2: Income & Expenses — The First Step*. Now it's time to consider how you want to shift your spending to start achieving your financial goals.

- 1** Look back at the questions you answered on Page 9 when you were considering your financial goals. What values or goals can you identify that you want to use to guide your spending going forward?
- 2** Review your Current Reality spending and the percentage of your income you're spending in each area.
 - Which spending items seem on track?
 - Which are surprising?
 - Which are dismaying or even shocking?
 - Where does your spending best reflect your values?
 - Where is your spending completely out of line with your values?
 Note where you'd like to make changes.
- 3** Given what you've learned about your current spending patterns, and guided by your goals, fill in the Initial Goal column on *Worksheet #2* to create your first values-based spending plan. Use the adjacent column to make any notes about how you plan to achieve your Initial Goals.
- 4** Make several copies of *Worksheet #4: My Values-Based Spending Plan*. Take one clean Worksheet, write in the date, and transfer your Initial Goals to the Spending Plan column. At the end of the month, calculate how much you've spent in each category, complete the Actual column, and note any variance from your Plan. If you prefer, set up an Excel or Google spreadsheet to track your progress.
- 5** Continue to evaluate your goals and your actual spending each month to help align your spending more closely with your values.

Moving closer to your goals

Need a few ideas to help shift those spending patterns toward your goals? Try these tips —

- Spend all of your money on paper each month before you spend your first dollar. A zero-based spending plan can help you focus even more clearly on your objectives.
- Use cash. Even debit cards distance you from your money, which minimizes its sense of value.
- Try the classic envelope style of money management, with an envelope of cash out of which you pay the expenses in each part of your spending plan.
- Remember that studies have shown experiences offer greater satisfaction than purchases. And most people find several smaller purchases more satisfying than one large purchase.
- Keep track of everything you spend. Use a pocket-sized ledger or notebook, or download an app to your smartphone.
- Use financial software like Quicken to track your expenses (but beware bank download costs!), your debt reduction, your savings and investment growth.
- Review your spending, savings or debt reduction plans to identify places where you can begin to build some success, which builds momentum, which in turn pulls you ever-closer to achieving your financial goals.

If you are spending more than you are earning, the solution is not about creating limitations. It's about making decisions as to what you most want to spend your money on.

— Suze Orman's *Financial Guidebook*

My Values-Based Spending Plan

| INCOME | SPENDING PLAN | | ACTUAL | | VARIANCE |
|---------------------|---------------|-------|----------|-------|----------|
| TAKE-HOME PAY | \$ _____ | ____% | \$ _____ | ____% | _____ |
| UNEMPLOYMENT | \$ _____ | ____% | \$ _____ | ____% | _____ |
| INTEREST | \$ _____ | ____% | \$ _____ | ____% | _____ |
| INVESTMENT INCOME | \$ _____ | ____% | \$ _____ | ____% | _____ |
| SOCIAL SECURITY | \$ _____ | ____% | \$ _____ | ____% | _____ |
| RETIREMENT PLAN | \$ _____ | ____% | \$ _____ | ____% | _____ |
| ALIMONY | \$ _____ | ____% | \$ _____ | ____% | _____ |
| CHILD SUPPORT | \$ _____ | ____% | \$ _____ | ____% | _____ |
| RENTAL | \$ _____ | ____% | \$ _____ | ____% | _____ |
| OTHER _____ | \$ _____ | ____% | \$ _____ | ____% | _____ |
| TOTAL INCOME | \$ _____ | ____% | \$ _____ | ____% | _____ |

EXPENSES

| <i>HOUSING EXPENSES</i> | <i>HOUSING EXPENSES</i> | | <i>HOUSING EXPENSES</i> | | <i>HOUSING EXPENSES</i> |
|-------------------------|-------------------------|-------|-------------------------|-------|-------------------------|
| RENT/MORTGAGE | \$ _____ | ____% | \$ _____ | ____% | _____ |
| EQUITY LINE PAYMENT | \$ _____ | ____% | \$ _____ | ____% | _____ |
| HOME/RENT INSURANCE | \$ _____ | ____% | \$ _____ | ____% | _____ |
| PROPERTY TAXES | \$ _____ | ____% | \$ _____ | ____% | _____ |
| ASSOC/MAINT FEES | \$ _____ | ____% | \$ _____ | ____% | _____ |
| ELECTRIC | \$ _____ | ____% | \$ _____ | ____% | _____ |
| GAS/HEATING OIL | \$ _____ | ____% | \$ _____ | ____% | _____ |
| WATER/SEWER/TRASH | \$ _____ | ____% | \$ _____ | ____% | _____ |
| LAWN/GARDEN/SNOW | \$ _____ | ____% | \$ _____ | ____% | _____ |
| INTERNET | \$ _____ | ____% | \$ _____ | ____% | _____ |
| CABLE | \$ _____ | ____% | \$ _____ | ____% | _____ |
| PHONE LINES | \$ _____ | ____% | \$ _____ | ____% | _____ |
| CELL PHONES | \$ _____ | ____% | \$ _____ | ____% | _____ |
| OTHER | \$ _____ | ____% | \$ _____ | ____% | _____ |

Date: _____

| EXPENSES | SPENDING PLAN | ACTUAL | VARIANCE |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| VEHICLES | VEHICLES | VEHICLES | VEHICLES |
| VEHICLE PAYMENTS | \$ _____ % _____ | \$ _____ % _____ | _____ |
| VEHICLE INSURANCE | \$ _____ % _____ | \$ _____ % _____ | _____ |
| GAS/OIL/MAINT/REPAIRS | \$ _____ % _____ | \$ _____ % _____ | _____ |
| PARKING/TOLLS | \$ _____ % _____ | \$ _____ % _____ | _____ |
| OTHER (AAA, SAT .RADIO) | \$ _____ % _____ | \$ _____ % _____ | _____ |
| HEALTH & MEDICAL | HEALTH & MEDICAL | HEALTH & MEDICAL | HEALTH & MEDICAL |
| HEALTH/DENTAL INSUR. | \$ _____ % _____ | \$ _____ % _____ | _____ |
| DISABILITY/LONG-TERM | \$ _____ % _____ | \$ _____ % _____ | _____ |
| MD/DDS/ORTHODON. | \$ _____ % _____ | \$ _____ % _____ | _____ |
| PRESCRIPTIONS/SUPPL | \$ _____ % _____ | \$ _____ % _____ | _____ |
| GYM/CLUB DUES | \$ _____ % _____ | \$ _____ % _____ | _____ |
| LIFE INSURANCE | \$ _____ % _____ | \$ _____ % _____ | _____ |
| OTHER | \$ _____ % _____ | \$ _____ % _____ | _____ |
| FOOD & SUPPLIES | FOOD & SUPPLIES | FOOD & SUPPLIES | FOOD & SUPPLIES |
| FOOD/GROCERIES | \$ _____ % _____ | \$ _____ % _____ | _____ |
| FAST FOOD/RESTAUR. | \$ _____ % _____ | \$ _____ % _____ | _____ |
| SMOKING/ALCOHOL | \$ _____ % _____ | \$ _____ % _____ | _____ |
| HOUSEHOLD SUPPLIES | \$ _____ % _____ | \$ _____ % _____ | _____ |
| OTHER | \$ _____ % _____ | \$ _____ % _____ | _____ |
| PET CARE | PET CARE | PET CARE | PET CARE |
| FOOD/TREATS/LITTER | \$ _____ % _____ | \$ _____ % _____ | _____ |
| VET/MEDICAL | \$ _____ % _____ | \$ _____ % _____ | _____ |
| OTHER | \$ _____ % _____ | \$ _____ % _____ | _____ |
| KIDS' EDUCATION | KIDS' EDUCATION | KIDS' EDUCATION | KIDS' EDUCATION |
| KIDS' SCHOOL FEES | \$ _____ % _____ | \$ _____ % _____ | _____ |
| BOOKS/SUPPLIES/FOOD | \$ _____ % _____ | \$ _____ % _____ | _____ |

| EXPENSES | SPENDING PLAN | | ACTUAL | | VARIANCE |
|----------------------|----------------------|--------|----------------------|--------|----------------------|
| KIDS' SPORTS | \$ _____ | _____% | \$ _____ | _____% | _____ |
| LESSONS & TUTORS | \$ _____ | _____% | \$ _____ | _____% | _____ |
| ACTIVITIES | \$ _____ | _____% | \$ _____ | _____% | _____ |
| OTHER | \$ _____ | _____% | \$ _____ | _____% | _____ |
| PERSONAL CARE | PERSONAL CARE | | PERSONAL CARE | | PERSONAL CARE |
| HAIR CARE/PRODUCTS | \$ _____ | _____% | \$ _____ | _____% | _____ |
| BATH/DENTAL/SHAVING | \$ _____ | _____% | \$ _____ | _____% | _____ |
| COSMETICS | \$ _____ | _____% | \$ _____ | _____% | _____ |
| HYGIENE | \$ _____ | _____% | \$ _____ | _____% | _____ |
| APPLIANCES | \$ _____ | _____% | \$ _____ | _____% | _____ |
| TOILETRIES | \$ _____ | _____% | \$ _____ | _____% | _____ |
| MANI/PEDI/MASSAGE | \$ _____ | _____% | \$ _____ | _____% | _____ |
| OTHER | \$ _____ | _____% | \$ _____ | _____% | _____ |
| CLOTHING | CLOTHING | | CLOTHING | | CLOTHING |
| CLOTHES | \$ _____ | _____% | \$ _____ | _____% | _____ |
| SHOES & BAGS | \$ _____ | _____% | \$ _____ | _____% | _____ |
| ACCESSORIES | \$ _____ | _____% | \$ _____ | _____% | _____ |
| COATS | \$ _____ | _____% | \$ _____ | _____% | _____ |
| DRY CLEAN/LAUNDRY | \$ _____ | _____% | \$ _____ | _____% | _____ |
| ALTERATIONS | \$ _____ | _____% | \$ _____ | _____% | _____ |
| OTHER | \$ _____ | _____% | \$ _____ | _____% | _____ |
| ENTERTAINMENT | ENTERTAINMENT | | ENTERTAINMENT | | ENTERTAINMENT |
| BOOKS/MAGS/PAPERS | \$ _____ | _____% | \$ _____ | _____% | _____ |
| VIDEO RENT/NETFLIX | \$ _____ | _____% | \$ _____ | _____% | _____ |
| COMPUTER/GAMES | \$ _____ | _____% | \$ _____ | _____% | _____ |
| MOVIE/THEATER TIX | \$ _____ | _____% | \$ _____ | _____% | _____ |
| CONCERT/SPORTS TIX | \$ _____ | _____% | \$ _____ | _____% | _____ |
| MUSIC/GAME D'LOADS | \$ _____ | _____% | \$ _____ | _____% | _____ |

| EXPENSES | SPENDING PLAN | ACTUAL | VARIANCE |
|--|--|--|--|
| SPORTS EQUIPMENT | \$ _____ % | \$ _____ % | _____ |
| OTHER | \$ _____ % | \$ _____ % | _____ |
| <i>SPECIAL EVENTS & GIFTS</i> |
| BIRTHDAY | \$ _____ % | \$ _____ % | _____ |
| CHRISTMAS | \$ _____ % | \$ _____ % | _____ |
| WEDDING/ANNIVERSARY | \$ _____ % | \$ _____ % | _____ |
| SPORTS FEES/EQUIPMT | \$ _____ % | \$ _____ % | _____ |
| VACATIONS | \$ _____ % | \$ _____ % | _____ |
| OTHER | \$ _____ % | \$ _____ % | _____ |
| <i>DEBT PAYMENTS</i> | <i>DEBT PAYMENTS</i> | <i>DEBT PAYMENTS</i> | <i>DEBT PAYMENTS</i> |
| CREDIT CARDS | \$ _____ % | \$ _____ % | _____ |
| STUDENT LOANS | \$ _____ % | \$ _____ % | _____ |
| OTHER LOANS | \$ _____ % | \$ _____ % | _____ |
| OTHER | \$ _____ % | \$ _____ % | _____ |
| <i>GIVING & SAVINGS</i> | <i>GIVING & SAVINGS</i> | <i>GIVING & SAVINGS</i> | <i>GIVING & SAVINGS</i> |
| CHURCH GIVING | \$ _____ % | \$ _____ % | _____ |
| CHARITABLE GIVING | \$ _____ % | \$ _____ % | _____ |
| EMERGENCY FUND | \$ _____ % | \$ _____ % | _____ |
| RETIREMENT SAVINGS | \$ _____ % | \$ _____ % | _____ |
| OTHER SAVINGS | \$ _____ % | \$ _____ % | _____ |
| OTHER | \$ _____ % | \$ _____ % | _____ |
| <i>OTHER EXPENSES</i> | <i>OTHER EXPENSES</i> | <i>OTHER EXPENSES</i> | <i>OTHER EXPENSES</i> |
| QUARTERLY TAXES | \$ _____ % | \$ _____ % | _____ |
| _____ | \$ _____ % | \$ _____ % | _____ |
| _____ | \$ _____ % | \$ _____ % | _____ |
| TOTAL EXPENSES | \$ _____ % | \$ _____ % | _____ |
| NET INCOME | \$ _____ | \$ _____ | \$ _____ |

Retirement Accounts

Choosing a retirement account requires at least two different decisions —

- 1 Which **type** of retirement account(s) you'll use
- 2 What **investments** you'll choose

One writer has described the **type** of retirement account as a bucket, which you can fill with a variety of contents: water, clams, sand... In other words, the **type** of account (an IRA, a Roth IRA, a 401K or 403B, etc) may include a variety of investments: mutual funds, individual stocks and bonds, Cornerstone Fund notes, even real estate. We'll discuss investments later; for now, let's consider the various **types** of retirement accounts —

Traditional Individual Retirement Account (IRA)

With a traditional IRA, the money you invest each year may be tax deductible up to a certain limit as long as you meet the eligibility requirements. Upon retirement, withdrawals will be taxed at your then-current income tax rate.

Roth IRA

Many investment professionals strongly recommend Roth IRAs, as most people can invest up to \$5,000 per year (per person) from earned income, even if they already have a 401K or other retirement plan. Money is invested after taxes but grows tax-free — and you pay no taxes on withdrawal after age 59½.

If you have had your Roth IRA for at least five years, a first-time homebuyer can make a one-time \$10,000 withdrawal toward the down payment.

To compare Traditional vs. Roth IRAs, visit the Personal Investor sites of the major investment companies (like Vanguard & Fidelity) and review their

IRA information.

Self-Employed Pension (SEP)

This retirement program for self-employed people (and owners of companies with less than 25 employees) works much like an IRA: contributions and investment growth are generally tax-deductible until withdrawn. A SEP account offers higher investment maximums than IRA accounts.

401K (403B)

Named after its place in the tax code, this retirement account offered by for-profit corporations allows an employee to set aside tax-deferred income for retirement. Some employers match employee contributions, which may be subject to vesting requirements. The 403B account offers similar benefits to the employees of not-for-profit organizations.

Investments

Unless you're prepared to become an expert in a field other than ministry, keep your investments simple. Complicated does not always mean more lucrative — and the high profile losses and frauds of the last few years demonstrate that even savvy investors can lose everything. John Bogle, founder of The Vanguard Group, loves index funds — which are nothing more than mutual funds that own the securities represented in the major stock market indexes you hear about every day (like the S&P 500).

Investment types

Investments fall into two major categories —

EQUITY Equity (or stock) represents ownership. When you buy stock in (or shares of) a company, you become a part-owner of that company. The value of stocks tends to move up and down, depending on what's happening in the economy, in a particular industry, or with a specific company. If you want your portfolio to grow over time, you need to own stock. Some stocks pay **dividends**, which are distributions to shareholders of part of the company's profits.

DEBT When you buy a bond from a government or a company, you become a lender to that company. The values of bonds are typically more stable than the values of many stocks, and investors usually expect a relatively consistent rate of return. Debt (also known as a **fixed income** investment), however, offers very limited opportunity for significant portfolio growth as it pays out **interest** rather than participation in owner profits.

A good investment portfolio includes both equities and debt — both stocks and bonds. The equities offer the best long-term opportunity for growth in the value of the portfolio, while the debt can have something of an offsetting effect in more volatile markets. Often, when the stock market goes down, the value of bonds increase — and vice versa.

Mutual funds

Years ago, people chose individual stocks and bonds for their portfolios, and often needed to hire stockbrokers to watch the markets and make decisions about which companies to buy, which to sell, and which to hold. Now, most individual investors avoid the exposure of choosing particular companies by investing in mutual funds.

Mutual funds pool the investments of thousands of investors, and purchase stocks and bonds for one huge portfolio that is managed by a fund manager. Each investor owns shares in this pool — and each share represents a fraction of the overall portfolio. Each mutual fund invests with particular objectives in mind, and investors can own shares of a variety of mutual funds to accomplish their financial goals.

Mutual funds offer investors several advantages —

DIVERSIFICATION Depending on the fund you choose, your investments include a range of companies, industries, investment types and more. That diversity of investment helps to protect your portfolio from putting too many eggs in one basket.

MANAGEMENT While you want to pay attention to the performance of the fund(s) you've chosen, you don't need to watch the stock market every day — an experienced team of professionals is doing that on your behalf.

LOW COST Many mutual funds are available as "no load," which means you don't pay a fee to buy into the fund. You can also purchase most funds directly, without a broker as an intermediary. What's more, you may avoid high minimum deposits by making regular monthly investments from your checking account.

When choosing a mutual fund, look for funds with —

- a track record of at least five (preferably 10) years
- a manager with some longevity with the fund
- an asset allocation that suits your goals

Asset allocation

An impressive-sounding phrase, “asset allocation” simply means deciding where to put your money. When you put \$1,000 in a regular savings account, you’ve allocated \$1,000 of your assets. When you decide in which funds you want your Pension Boards accumulation account invested, you’ve made an “asset allocation” decision.

Wise asset allocation requires you to consider several factors —

TIME HORIZON

How old are you now, and when will you need the money you’ve invested? A traditional rule of thumb suggested an investor determine how much of their portfolio to invest in stock (equity allocation) by subtracting their age from 100. Using this rule, a 30-year-old would invest 70% of their portfolio in stocks, with 30% in bonds — generally considered a relatively aggressive growth allocation, acceptable because a 30-year-old investor possesses a long time horizon before she/he will need the invested funds.

In any case, money destined for a stock or bond investment should not be needed for *at least five years, ideally for at least 10 years*. Market investments ebb and flow, and you don’t want to need money when the market lies at a low point in the cycle.

RISK TOLERANCE

As people near retirement, they usually seek to limit risk in their portfolios — again, not wanting to be caught needing their money at a low point in the market. One’s tolerance for risk — either as a function of personal preference or time of life — must be considered when assets are allocated. If a portfolio invested 70% in equities is going to keep you awake at night worrying what will happen in the markets the next day, then you will want to pursue

an investment strategy better suited to a lower tolerance for risk.

Dave Ramsey suggests spreading an investment portfolio across four types of funds, with 25% of the portfolio invested in each of the following —

- **LARGE CAP**
featuring the largest (blue chip) corporations, and offering opportunities for both growth and income (dividends and interest)
- **MID-CAP**
which offer opportunities for growth from solid companies that continue to grow
- **INTERNATIONAL**
companies headquartered outside the US, which are considered more aggressive investment options but offer prospects for higher returns
- **SMALL CAP & EMERGING MARKET**
smaller companies and non-US markets with good prospects, but considered a more aggressive investment with both potential for high growth and high volatility

The “cap” above is short for “capitalization,” or the size of the company (its market capitalization). Coca-Cola is a “large cap” company, while a growing biotech firm would be “small cap.”

Continuing investment education

Morningstar (morningstar.com) offers analysis of the wide range of mutual funds available, with information about performance, staffing, ratings and more. In the Morningstar ratings, you’ll undoubtedly see the “big three” mutual fund companies appear repeatedly — **Vanguard** (vanguard.com – “Go to the Personal Investors site”), **Fidelity** (fidelity.com) & **T. Rowe Price** (troweprice.com – “Individuals”). Check out these companies online for information about their funds and tons of investor education resources.

Educating Your Children

College is expensive. And costs continue to rise at a rate higher than inflation. So the sooner you begin saving for your children's education, the better off you'll be. Online calculators can help you determine both how much you'll need and how much you need to save each month.

529 accounts

One of the best ways to save for your child(ren)'s education: a 529 savings account. These state-administered plans vary, but all offer the opportunity to save for a designated beneficiary's education with the earnings growing free of federal (and usually state) income tax. What's more, the earnings may be withdrawn tax-free for qualified education expenses like tuition and books. And some plans offer additional benefits, especially to students who choose a school in their state of residence.

Investors in 529 accounts choose between either a prepaid tuition plan or a more general savings plan (preferred by most experts) that grows based on the performance of the underlying investments (usually mutual funds). As the beneficiary nears their college days, most plans adjust the investment mix to ensure funds will be available when needed, though other options are available to appeal to both more conservative and more aggressive investors.

Consider carefully the individual who will "own" (and control) the 529 account. If you are likely to apply for financial aid, the account ownership can make a significant difference in a need-based award. Money in a custodial 529 account is treated as a parent asset (calculated at 5.6% availability for the child's education), while an asset owned by the student is considered more readily available for education (calculated at 20%) and is likely to reduce the award.

Choose the right investment for your purpose

While you may consider the money invested in a CD in your name at XYZ Bank to be designated for a particular child's education, the government takes a different view. And the failure to invest properly for your purpose can prove costly.

For example, if your family applies for financial aid for Child A — who is entering college two years ahead of Child B — and all of your children's college funds are invested in a parent's name, the financial aid calculators will consider all of those funds to be family assets available to pay for Child A's education. If your retirement savings are not protected in a retirement-specific account, those funds will also be considered available to pay for Child A's education. The result: a lower needs-based financial aid award.

Should a divorce enter the picture, assets not set aside in formal education savings accounts may be considered marital assets that can be divided and distributed, as most states do not consider parents liable for college expenses.

So remember —

Money you're saving for retirement should be invested in a retirement-specific account. Money you're saving for a child's education should be invested in an education-specific account for that child. Choose the right investment type for your purpose to reap all of the benefits and protections to which you're entitled.

Taking Care of Your Possessions & People

You may not dream of a lavish lifestyle, but you probably hope to live in reasonable comfort, prepare for a dignified and pleasant retirement, and ensure the future of the people you love. While savings and investments can get you well down that road, they need to be accompanied by a well-chosen set of insurance policies and a written statement of your final wishes.

Preparing for the inevitable

Many people live with an odd paradox: they want to be sure the people they love will be taken care of when they die — but they are afraid that preparing for their death will hasten the event. On some level, many believe they can delay the inevitable by refusing to consider their death. And that's just silly.

What's worse: if the unthinkable happens, your loved ones may well be left with a fresh layer of trouble and grief thanks to your failure to prepare. Since you don't want that, here's what you need —

A WILL

If you own assets or have children, a will is essential to ensure you, rather than the state, decide what happens if you should die unexpectedly. A simple fill-in-the-blanks form from your local office supply store is better than nothing; but for less than \$75 you can use software like Willmaker (nolo.org) or online options like those offered by Suze Orman (suzeorman.com). For a more complicated estate, consider hiring an attorney. But just get it done.

ADVANCE (OR HEALTHCARE) DIRECTIVE

Combining a living will (your healthcare wishes) with a **durable power of attorney for healthcare**, this document designates a person you choose (your attorney-in-fact) to act on your behalf if you become incapacitated. This document is usually bundled with will-making software, but can also be obtained from a local hospital or through organizations like Caring Connection (caringinfo.org).

DURABLE POWER OF ATTORNEY FOR FINANCIAL MATTERS

This document appoints someone to take care of your financial affairs in the event you become incapacitated.

Insurance

No one enjoys paying for insurance, but anyone who has suffered a loss understands the value of making sure you can recover from an accident, an unexpected event, or an outright disaster. To lower premiums, consider higher deductibles.

HOME/RENTER'S

If you're a homeowner, you probably maintain a policy that covers your home from most major disasters — but if you live in an area with flooding potential, you'll need a separate policy to cover flood damage. If you rent, only a renter's insurance policy will replace your possessions should your home be robbed destroyed.

To determine the amount of coverage you should purchase, consider how much you would need to restore your possessions in the event of a complete loss — from appliances to underwear. Remember that art, jewelry, musical instruments and other special items require additional mini-policies (called **riders**), and you'll need to pay an additional fee for **replacement cost** coverage. Read your policy carefully and ask lots of questions *before* a disaster.

AUTO/VEHICLE

While minimum liability coverage is generally mandated by state law, consider your auto or other vehicle policy(ies) carefully to ensure your coverage will meet your needs in the event of an accident. Save money by raising your deductibles to levels that can be covered either by your regular income or your emergency fund.

HEALTH

Health insurance has become much more accessible in the US. If you don't work for a company that provides health care benefits, research your options and purchase at least a catastrophic care policy.

DISABILITY

A 32-year-old is 12 times more likely to become disabled than to die by age 65. Disability insurance pays approximately 60% of your salary after you become disabled, and is available through a number of providers. You can lower the cost of disability insurance by extending the amount of time before coverage begins — which, as it happens, is when your emergency fund of six months' living expenses becomes essential.

LIFE

Financial experts recommend level-term life insurance in an amount that will cover your funeral costs, your debt, and your family's living expenses. Dave Ramsey suggests simply multiplying your annual income by 10, but insurance calculators abound online (like accuquote.com, metlife.com, selectquote.com). Premiums vary based on the amount of coverage you choose, the term you choose, and your health. If you or your partner is a stay-at-home parent to young children, the caregiving partner may also need life insurance to ensure money will be available for child care until the children are old enough for school or self-care.

LONG-TERM CARE

Appropriate for people over 60, this insurance is both important and expensive. But should you or your partner end up needing in-home or nursing home care, the policy will be far less expensive than the cost of paying for care out of pocket. Explore your options and add the cost of a policy into your future financial planning.

Your Emergency File

Even if you maintain a great filing system, an emergency or unexpected event can leave you (or your survivors) scrambling for critical documents and information. A complete and updated emergency file — kept in an easily accessible location that's known to those close to you — can make a big difference in a crisis.

Gathering and collating all of this information will take a bit of time — but remember that the very nature of emergencies means preparation is better done sooner than too late. Get the essentials in place and complete this set of files as you're able.

#1 Emergency Info

- contact people and meeting points
- emergency plans
- list of people who have keys & their contact info
- emergency contacts at school, work, etc
- last-minute essentials to grab
- alarm info, shut-off locations for gas, water, etc
- info on neighbors, their shut-offs
- clergy to call

#2 Family Member Info

- work or school location and contacts
- physicians & pharmacies
- health insurance info
- medical history, shots, allergies, diseases
- medications & supplements
- organ donor info
- caregiver info, including permissions

#3 Financial Info

- banks & lenders: accounts, contacts
- credit cards: issuer, contacts
- investment & retirement: accounts, contacts, brokers
- financial advisors & professionals contact info
- safe deposit box locations & contents
- updated financial statement
- real estate ownership info
- list of online accounts and login info

#4 Home Info

- contact info for service providers (babysitter, lawn care, decorator)
- contact info for vendors (firewood, painter)
- contact info for repairs (plumber, electrician)
- asset/furnishing inventory (or video)

#5 Insurance Info

- Company, policy number, agent/contact —
- homeowners/renters, valuables, liability, mortgage
 - auto, other vehicles
 - health/vision/dental
 - life, disability, long-term care
 - pet, other

#6 Legal Info*

- contact info for lawyers
- wills, trusts, living wills, final wishes and funeral plans, powers of attorney
- birth certificates, marriage license, adoption papers, custody agreements, divorce papers
- educational credentials, military papers
- death certificates
- passports, citizenship docs
- real estate deeds, auto titles & leases
- lease documents, contracts

* *If the documents are not in the file itself, note the location of important documents. Note that a safe deposit box is not the best place to keep a will, as access to the box itself can be complicated when one of the box owners dies.*

SOURCE: Life.doc from Buttoned Up
getbuttonedup.com

Documents for your Go Bag

If you do find yourself having to leave home in a hurry, take these important documents (or copies, where appropriate) —

- Housing documents: leases, mortgages, deeds
- Estate documents: wills, living wills
- Insurance documents: homeowner/tenant, business, flood, life
- Vehicle documents: titles, loan/lease docs
- List and/or photos of possessions (with values)
- List of important phone numbers: family, friends
- Financial statements, bank & investment accts
- Statements from utilities and other bills
- Government financial assistance award letters
- Birth certificates, proof of citizenship, adoption records
- Social security cards
- Employment contracts or other legal documents
- Medical records, x-rays, benefits documents
- Education records
- Passports
- List of medications and duplicate prescriptions

For more information, visit [ready.gov](https://www.ready.gov)

Cultivating Generosity

Interested in building the financial wellness of your congregation and encouraging your members to higher levels of giving?

Consider your church's financial wellness

Many of the same principles that make sense for individuals make equal sense in a congregational context —

- every church needs an emergency fund
- churches need to live within their means
- churches need to protect themselves from disaster
- churches need to invest endowment and other assets in appropriate and well-considered vehicles

Using the tools you've developed, begin to consider ways to build your leaders' knowledge and skill in church management and financial issues. And talk to your conference about hosting the Cornerstone Fund's *Money in Church* seminar for pastors and lay leadership.

Offer a personal finance program in your church

Using a resource like those offered by Suze Orman, Dave Ramsey or others, begin a covenant group or similar program for church members interested in expanding their understanding of personal finance and improving their financial health. And remember to reach out to young people, engaging them in the church's financial wellness and helping them build a foundation for their own financial futures.

Develop a values-based spending plan

Churches need to spend money in a way that supports and extends their values. Encourage your finance committee to review your church's budget to see if your spending actually reflects the ministries that are important to your people and your community. If you find room for improvement, begin the conversations needed to bring spending in line with your church's values.

Present your budget in narrative form

Stories connect with donors, while pages of numbers tend to invite sleep. Help your donors connect with your ministry by offering a narrative budget in the giving campaign season — a budget that tells the story of how the church makes a difference with the money given by its members and friends. Instead of focusing attention on the bills to be paid, focus on the ministry that can be accomplished with faithful and generous giving. Make the case that giving to your church will make a difference in your community and in peoples' lives.

Model openness

If you're a leader, you'll be hard-pressed to ask for gifts, or even make a strong case for giving, if your own financial situation prevents you from modeling generosity. While you don't need to expose your personal business, model openness about giving and your giving goals, and begin to create a climate of openness among your church's leadership. Set appropriate boundaries to maintain your and/or your family's privacy, and speak honestly about your values and your challenges.

Encourage the pastor to know who gives what

In the not-for-profit community, no leader would last who didn't know her/his major donors — and a pastor needs to know who can actually lead a giving congregation with integrity and by example. Often, pastors find that those who most resist transparency in giving are the very people whose giving remains disappointing. You certainly don't want non-givers leading the fundraising committee, and you may not want them in leadership at all. Encourage your church's leadership to share this essential information with your pastor so that she/he can serve *all* of the spiritual needs of your people.

Not Your Parents' Offering Plate by J. Clif Christopher provides a great resource and guidebook for learning to cultivate generous givers.

A Few Resources

Personal Finance Gurus

These sites offer good starting points for people who are relatively new to intentional personal financial management. While much site space is dedicated to selling products, seminars and more, plenty of helpful information is available free if you look around a bit.

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|----------------------------|-----------------|
| Clark Howard | clarkhoward.com |
| Crown Financial Ministries | crown.org |
| Dave Ramsey | daveramsey.com |
| Suze Orman | suzeorman.com |

General Info & Education Sites

Hosted by some of the biggest names in the financial industry, these sites provide tons of information, help you compare rates for different credit and investment products, offer a wide range of calculators, feature blogs and articles by financial experts, and more. Be warned that these sites appeal to readers of all levels, so you can easily become overwhelmed with the volume of information.

| | |
|--------------------------|---------------------|
| BankRate | bankrate.com |
| CBS | moneywatch.com |
| CNN | money.cnn.com |
| Consumer Reports (Money) | consumerreports.org |
| Forbes | investopedia.com |
| Investor Words | investorwords.com |
| Kiplinger | kiplinger.com |
| Morningstar | morningstar.com |
| Motley Fool | motleyfool.com |
| Wall Street Journal | smartmoney.com |

Credit Reports & Rating

| | |
|--------------------------------|------------------------|
| Free credit score (TransUnion) | creditkarma.com |
| Credit score (FICO) | myfico.com |
| Free credit report | annualcreditreport.com |

Reporting Agencies

| | |
|------------|----------------|
| Equifax | equifax.com |
| Experian | experian.com |
| TransUnion | transunion.com |

Blogs

In addition to websites and blogs written by well-known financial experts, several individuals have developed popular blogs that offer information and stories of their own experience in personal financial management.

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|---------------------|
| getrichslowly.org |
| moneychimp.com |
| thesimpledollar.com |

Websites & Software

| | |
|-----------------------------------|----------------|
| Nolo (legal self-help, Willmaker) | nolo.com |
| Quicken | quicken.com |
| Advance Directive | caringinfo.org |

Books (among the zillions)

30-Minute Money Solutions, Christine Benz
Little Book of Common Sense Investing, John C. Bogle

Paying for College

| | |
|------------------------------|----------------------|
| College Savings Plans (529) | savingforcollege.com |
| FinAid | finaid.org |
| College Savings Plan Network | collegesavings.org |
| Federal Student Aid | fafsa.ed.gov |

Professional Advice

| | |
|---------------------------------------|------------|
| Certified Financial Planners | cfp.net |
| American Bar Association | abanet.org |
| Am. College of Trust & Estate Counsel | actec.org |
| American Institute of CPAs | aicpa.org |

Giving

Not Your Parent's Offering Plate, J. Clif Christopher
Creating Congreg. of Generous People, Michael Durall

